Decision Making

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Decision making comprises three principal phases: finding occasions for making decisions; finding possible courses of action; and choosing among the courses of action.

Decision making as the **allocation** of **scarce resources** by **individuals or groups** to achieve **goal** under conditions of **uncertainty** and **risk**.
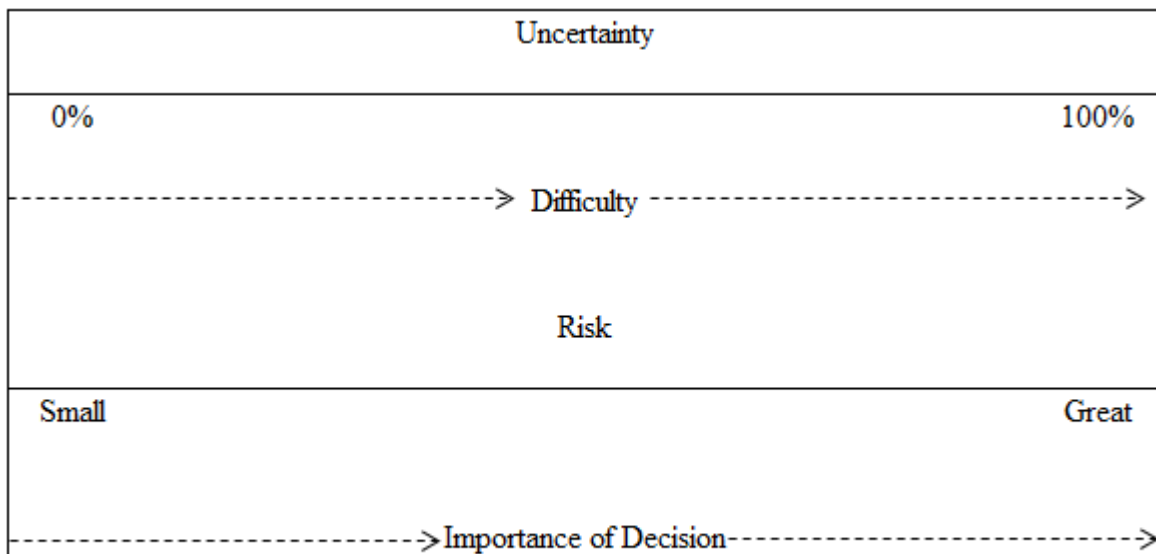

Figure: The relatiosnhip between uncertainity and risk.

Approaches of Decision Making

There are three major approaches of decision making.

1. **Rational Approach:** Rational decision making, which sees decision making as a formal, step by step process used to achieve organizational goal.

2. **Rules Approach:** A second approach defines decision making as the process of applying rules to problems. In this approach, matching rules with problems is the essence of decision making.

3. **Political Approach:** A third approach views decision making as a political process in which groups exercise power to achieve their goals.

Types of Decision

Decisions fall into two major types.

Programmed Decision: A programmed decision sets up a rule stating that an action will take place once a certain condition has been reached. It is also known proactive decision which means decisions occur in anticipation of external changes.

Non-Programmed Decision: Non-programmed decision is one that cannot be made by referring to a rule. It is also known as reactive decision which means decisions happen as a result of external changes.
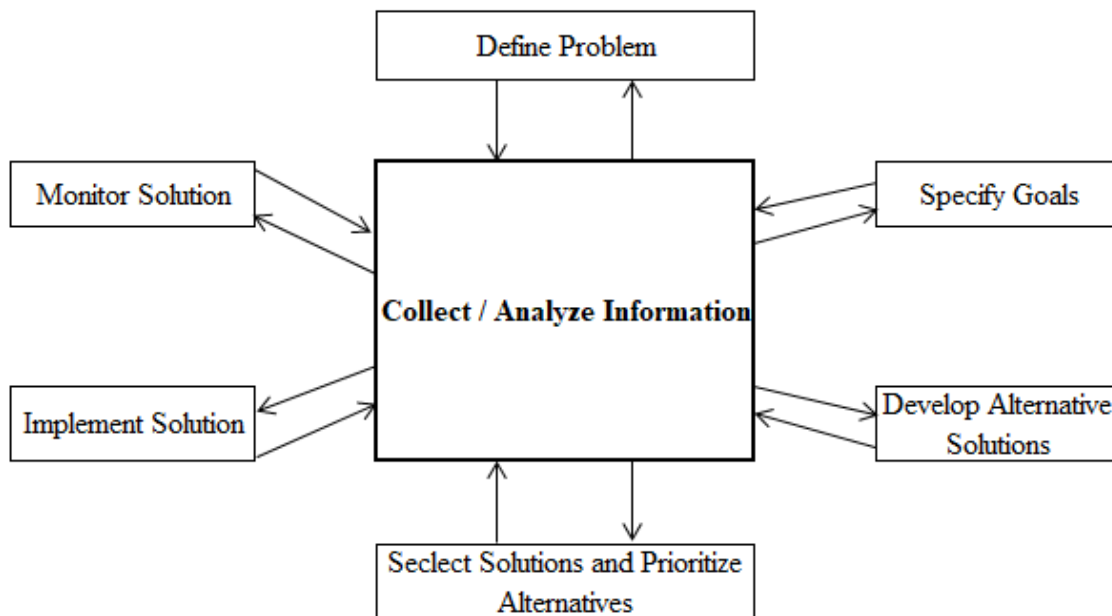
The Decision Process

Figure: The Decision Wheel

Individual Decision-Making Styles

There five major decision making styles of individuals.

1. **Decisive Style:** This style involves people who are satisficers and are unifocus with respect to solutions. These people collect a limited amount of information and act quickly. Once they identify their solution, they are unwavering in their support of that solution.

2. **Flexible Style:** Flexible decision makers are satisficers who have multifocus on solutions. They also act on limited information, but they show more flexibility in using solutions. If one solution fails to work, they turn to another.

3. **Hierarchical Style:** This style involves maximizing and unifocus. These decision makers act slowly because they collect large amount of information to select the one best solution among those being considered, which is pursued using a detailed plan.

4. **Integrative Style:** People using this style are maximizers with multifocus solutions. They tend to take their time in collecting and evaluating information, but unlike the hierarchical style, these people do not believe the problem has one best solution.

5. **Systematic Style:** This style incorporates both the integrative and hierarchical styles in a two-step process. The first step involves using the integrative style of evaluating large amount of information and dealing with multiple solutions. The second step is more hierarchical in that the solutions are prioritized with one or more criteria being considered the best.

Advantages and Disadvantages of Group Decision Making

Advantages	Disadvantages
Timing	
Slower decision process	Slower decision process
Division of labor for complex task	Disagreement over goals may result in no decision
Uncertainty	
Large amount of information	Political behavior of group members and
Fewer errors in analyzing information	knowledge generated reduces acceptance of information from others
	Groupthink or the tendency of group members to think the group is infallible
More alternatives generated	
Goals	
Groups can clarify goal understanding	Groups sometimes act in ways inconsistent with goals
participation increases acceptance	Groupthink of group goals