

# EFFECTIVE DECISION MAKING IN MANAGEMENT

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## ABSTRACT

*A decision is choice out of several alternatives (options) made by the decision maker to achieve some objective s in a given situation. Business decisions are those, which are made in the process of conducting business to achieve its objective in a given environment. Managerial decision-making is a control point for every managerial activity may be planning, organizing, staffing, directing, controlling and communicating. Decision-making is the art of reasoned and judicious choice out of many alternatives. Once decision is taken, it implies commitment of resources. The business decision-making is sequential in nature. In business, the decisions are not isolated events. Each of them has a relation to some other decision or situation. The decision may appear as a 'snap' decision but it is made only after long chain of developments and a series of related earlier decisions.*

**Keywords:-** Decision making process, Types of Decisions, Decision making systems

## 1.INTRODUCTION

The decision-making process is a complex process in the higher hierarchy of management. The complexity is the result of many factors such as inter-relationship among the experts of decision-makers, a job responsibility, and a question of feasibility, the codes of morals and ethics and a probable impact on business. The personal values of the decision-maker play a major role in decision-making. A decision otherwise being very sound on the business principle and economically rationality may be rejected on the basis of the personal values, which are defeated if such a decision is implemented. The culture, the discipline and the individual commitment to goals will decide the process and success of the decision. The decision-making process requires creativity, imagination and a deep understanding of human behavior. The process covers over a number of tangible and intangible factors affecting the decision process. It also requires a foresight to predict the post-decision implication and a willingness to face those implications. All decisions solve a 'problem' but over a period of time they give rise to a number of other 'problems'.

## 2.TYPES OF DECISION-MAKING SYSTEMS

The decision-making systems can be classified in a number of ways. There are two types of systems based on the manager's knowledge about the environment. If the manager operates in a known environment then it is a closed decision-making system. The conditions of the closed-decision making systems are:-

- The manager has a known set of decisions alternatives and knows their outcomes fully in terms of value, if implemented.
- The manager has a model, a method or a rule whereby the decision alternatives can be generated, tested and ranked for selection.
- The manager can choose one of them, based on some goal or objective criteria.

Few examples are; a product mix problem, an examination system to declare pass or fail, or acceptance of the fixed deposits. If the manager operates in an environment not known to him, then the decision-making system is termed as an open decision-making system. The conditions of this contrast closed decision-making system are:-

- The manager does not know all the decision alternatives
- The outcome of the decision is also not known fully. The knowledge of the outcome may be a probabilistic one.
- No method, rule or model is available to study and finalize one decision among the set of decision alternatives.
- It is difficult to decide an objective or a goal and therefore, the manager resorts to that decision, where his aspirations or desires are met best.

Deciding on the possible product diversification lines, the pricing of a new product, and the plant location, are some decision-making situations which fall in the category of the open decision-making system. The business managers have to take variety of decision. Some are routine and others are long-term implementation decision. Thus managerial decisions are grouped as:

- **Strategic decision**
- **Tactical decision**

➤ **Operation decision**

- **Strategic Decision:** these are known as major decision influence whole or major part of the organization. Such decisions contribute directly to the achievement of common goals of the organization; have long range effect upon the organization.
- Generally, strategic decision is unstructured and thus, a manager has to apply his business judgment, evaluation and intuition into the definition of the problem. These decisions are based on partial knowledge of the environmental factors which are uncertain and dynamic, therefore such decision are taken at the higher level of management.
- **Tactical Decision:** tactical decision relate to the implementation of strategic decisions, directed towards developing divisional plans, structuring workflows, establishing distribution channels, acquisition of resources such as men, materials and money. These decisions are taken at the middle level of management.
- **Operational Decision:** operational decisions relate to day-to-day operations of the enterprise having a short-term horizon and are always repeated. These decisions are based on facts regarding the events and do not require much of business judgments. Operational decisions are taken at lower level of management.

### **3.CONCLUSION**

The managers must be aware of problems before decision can be made. A problem exists when the real situation is different than the expected one. After the problem has been identified, the cause of existence of the problem must be identified and then the solution to the problem has to be found.

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