

Decision-Making: The Essence of the Manager's Job >

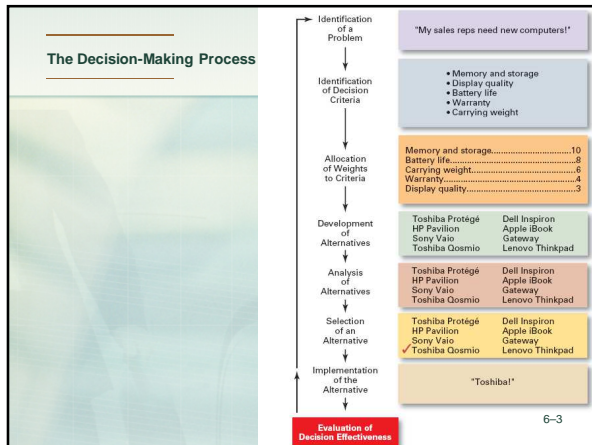
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Decision Making

- Decision
 - Making a choice from two or more alternatives.
- The Decision-Making Process
 - Identifying a problem and decision criteria and allocating weights to the criteria.
 - Developing, analyzing, and selecting an alternative that can resolve the problem.
 - Implementing the selected alternative.
 - Evaluating the decision's effectiveness.

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Step 1: Identifying the Problem >

- Problem
 - A discrepancy between an existing and desired state of affairs.
- Characteristics of Problems
 - A problem becomes a problem when a manager becomes aware of it.
 - There is pressure to solve the problem.
 - The manager must have the authority, information, or resources needed to solve the problem.

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Step 2: Identifying Decision Criteria >

- Decision criteria are factors that are important (relevant) to resolving the problem.
 - > Costs that will be incurred (investments required)
 - > Risks likely to be encountered (chance of failure)
 - > Outcomes that are desired (growth of the firm)

Step 3: Allocating Weights to the Criteria >

- Decision criteria are not of equal importance:
 - > Assigning a weight to each item places the items in the correct priority order of their importance in the decision making process.

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Criteria and Weights for Computer Replacement Decision

| Criterion | Weight |
|--------------------|--------|
| Memory and Storage | 10 |
| Battery life | 8 |
| Carrying Weight | 6 |
| Warranty | 4 |
| Display Quality | 3 |

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Step 4: Developing Alternatives ➤

- Identifying viable alternatives
 - Alternatives are listed (without evaluation) that can resolve the problem.

Step 5: Analyzing Alternatives

- Appraising each alternative's strengths and weaknesses
 - An alternative's appraisal is based on its ability to resolve the issues identified in steps 2 and 3.

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Assessed Values of Laptop Computers Using Decision Criteria

| | Memory and Storage | Battery Life | Carrying Weight | Warranty | Display Quality |
|-------------------------|--------------------|--------------|-----------------|----------|-----------------|
| Toshiba Protégé S100 | 10 | 3 | 10 | 8 | 5 |
| Dell Inspiron 700m | 8 | 7 | 7 | 8 | 7 |
| HP Pavilion zd8000 | 8 | 5 | 7 | 10 | 10 |
| Apple iBook | 8 | 7 | 7 | 8 | 7 |
| Sony Vaio VGN-F5790 | 7 | 8 | 7 | 8 | 7 |
| Gateway NX850X | 8 | 3 | 6 | 10 | 8 |
| Toshiba QosmioG15-AV501 | 10 | 7 | 8 | 6 | 7 |
| Lenovo Thinkpad R52 | 4 | 10 | 4 | 8 | 10 |

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Step 6: Selecting an Alternative

- Choosing the best alternative
 - The alternative with the highest total weight is chosen. ➤

Step 7: Implementing the Alternative

- Putting the chosen alternative into action.
 - Conveying the decision to and gaining commitment from those who will carry out the decision.

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Evaluation of Laptop Alternatives Against Weighted Criteria

| | Memory and Storage | Battery Life | Carrying Weight | Warranty | Display Quality | Total |
|-------------------------|--------------------|--------------|-----------------|----------|-----------------|-------|
| Toshiba Protégé S100 | 100 | 24 | 60 | 32 | 15 | 231 |
| Dell Inspiron 700m | 80 | 56 | 42 | 32 | 21 | 231 |
| HP Pavilion zd8000 | 80 | 40 | 42 | 40 | 30 | 232 |
| Apple iBook | 80 | 56 | 42 | 32 | 21 | 231 |
| Sony Vaio VGN-F5790 | 70 | 64 | 42 | 32 | 21 | 229 |
| Gateway NX850X | 80 | 24 | 36 | 40 | 24 | 204 |
| Toshiba QosmioG15-AV501 | 100 | 56 | 48 | 24 | 21 | 249 |
| Lenovo Thinkpad R52 | 40 | 80 | 24 | 32 | 30 | 206 |

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Step 8: Evaluating the Decision's Effectiveness

- The soundness of the decision is judged by its outcomes.
 - How effectively was the problem resolved by outcomes resulting from the chosen alternatives?
 - If the problem was not resolved, what went wrong? ➤

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Decisions in the Management Functions ➤

Planning

- What are the organization's long-term objectives?
- What strategies will best achieve those objectives?
- What should the organization's short-term objectives be?
- How difficult should individual goals be?

Organizing

- How many employees should I have report directly to me?
- How much centralization should there be in the organization?
- How should jobs be designed?
- When should the organization implement a different structure?

Leading

- How do I handle employees who appear to be low in motivation?
- What is the most effective leadership style in a given situation?
- How will a specific change affect worker productivity?
- When is the right time to stimulate conflict?

Controlling

- What activities in the organization need to be controlled?
- How should those activities be controlled?
- When is a performance deviation significant?
- What type of management information system should the organization have?

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References

- Robbins, S. P. and Coulter, *Management*. 9th ed. Prentice Hall.