Decision-making Process

- **Identifying the Problem**: Identification of the real problem before a business enterprise is the first step in the process of decision-making. It is rightly said that a problem well- defined is a problem half-solved. Information relevant to the problem should be gathered so that critical analysis of the problem is possible. This is how the problem can be diagnosed.

- **Analyzing the Problem**: After defining the problem, the next step in the decision-making process is to analyze the problem in depth. This is necessary to classify the problem in order to know who must take the decision and who must be informed about the decision taken. Here, the following four factors should be kept in mind: (i) Futurity of the decision, (ii) the scope of its impact, (iii) number of qualitative considerations involved, and (iv) uniqueness of the decision.

- **Collecting Relevant Data**: After defining the problem and analyzing its nature, the next step is to obtain the relevant information/ data about it. There is information flood in the business world due to new developments in the field of information technology. All available information should be utilized fully for analysis of the problem. This brings clarity to all aspects of the problem.

- **Developing Alternative Solutions:** After the problem has been defined, diagnosed on the basis of relevant information, the manager has to determine available alternativecourses of action that could be used to solve the problem at hand. Only realistic alternatives should be considered. It is equally important to take into account time and costconstraints and psychological barriers that will restrict that number of alternatives

- **Selecting the Best Solution**: After preparing alternative solutions, the next step

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in the decision-making process is to select an alternative that seems to be most rational for solving the problem. The alternative thus selected must be communicated to those who are likely to be affected by it. Acceptance of the decision by group members is always desirable and useful for its effective implementation.

- **Converting Decision into Action**: After the selection of the best decision, the next step is to convert the selected decision into an effective action. Without such action, the decision will remain merely a declaration of good intentions. Here, the manager has to convert 'his decision into 'their decision' through his leadership.

- **Ensuring Feedback:** Feedback is the last step in the decision-making process. Here, the manager has to make built-in arrangements to ensure feedback for continuously testing actual developments against the expectations. It is like checking the effectiveness of follow-up measures. Feedback is possible in the form of organized information, reports and personal observations. Feedback is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

TYPES OF DECISIONS

- **Programmed and Non-programmed Decisions**

Programmed or structured are those decisions, which are well defined and some specified procedure or some decision rule might be applied to reach a decision. Such decisions are routine and repetitive and require little time for developing alternatives in the design phase. Programmed or structured decisions have traditionally been made through habit, by operating procedures or with other accepted tools. Whereas**, Non-programmed Decisions**, which are not well defined and have not pre-specified procedures decision rule are known as unstructured or non-programmed decisions.

- **Routine ad Strategic Decisions**

These decisions are also known as **Operating Decisions**. They occur repetitively and are regular in nature. These decisions are made to govern the day-to- day operations of the businesses. These decisions are generally taken at lower levels of the management whereas **strategic decisions** are also known as Policy decisions. These are not repetitive in nature nor follow a routine manner. These are related to the long-term functioning of the company. The making of these decisions is guided by policy manuals but require