



# DECISION MAKING

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*THE OPTIMUM RATIONAL CHOICE BETWEEN ALTERNATIVE COURSES OF ACTION: SIMON*

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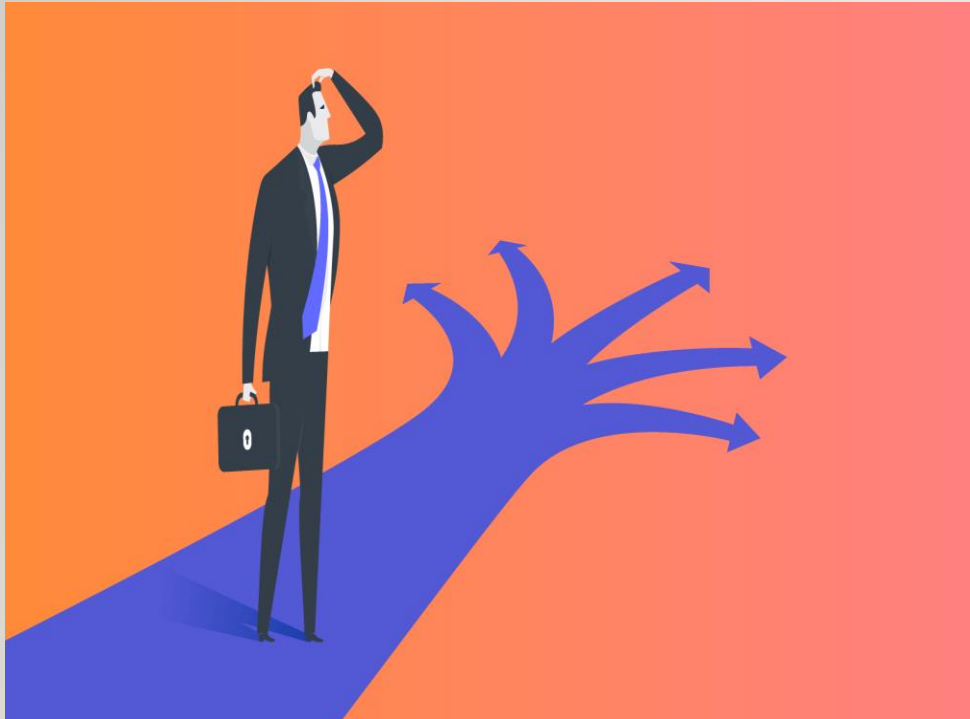
# WILL GET AN UNDERSTANDING OF....

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- Meaning?
- Characteristics or nature and significance of decision making?
- Various elements of decision making?
- Types of decisions?
- General process of decision making?
- Models of decision making?
- Various barriers?

# DECISION MAKING.....

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# MEANING.....

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- The act of determining one's own mind upon an opinion or course of action : **Webster' dictionary**
- Involves a conscious choice or selection of one behavior alternative from among a group of two or more behavior alternatives : **Tannenbaum**
- The selection of one behavior alternative from two or more possible alternatives : **Terry**
- The processes of decisions are largely techniques for narrowing choice : **Chester Barnard**
- Decision making in the government is a plural activity. One individual may pronounce the decision, but may contribute to process of reaching the decision. It is the part of political system : **Seckler- Hudson**



# NATURE OR CHARACTERISTICS.....

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1. Decision making is an intellectual process, which involves imagination, reasoning, evaluation and judgement.
2. It is a selection process
3. Goal – oriented process
4. Way to transform ideas into concrete actions
5. Continuous process
6. Dynamic in nature. Affected by time, place and situation
7. Participation increases the effectiveness

# IMPORTANCE...

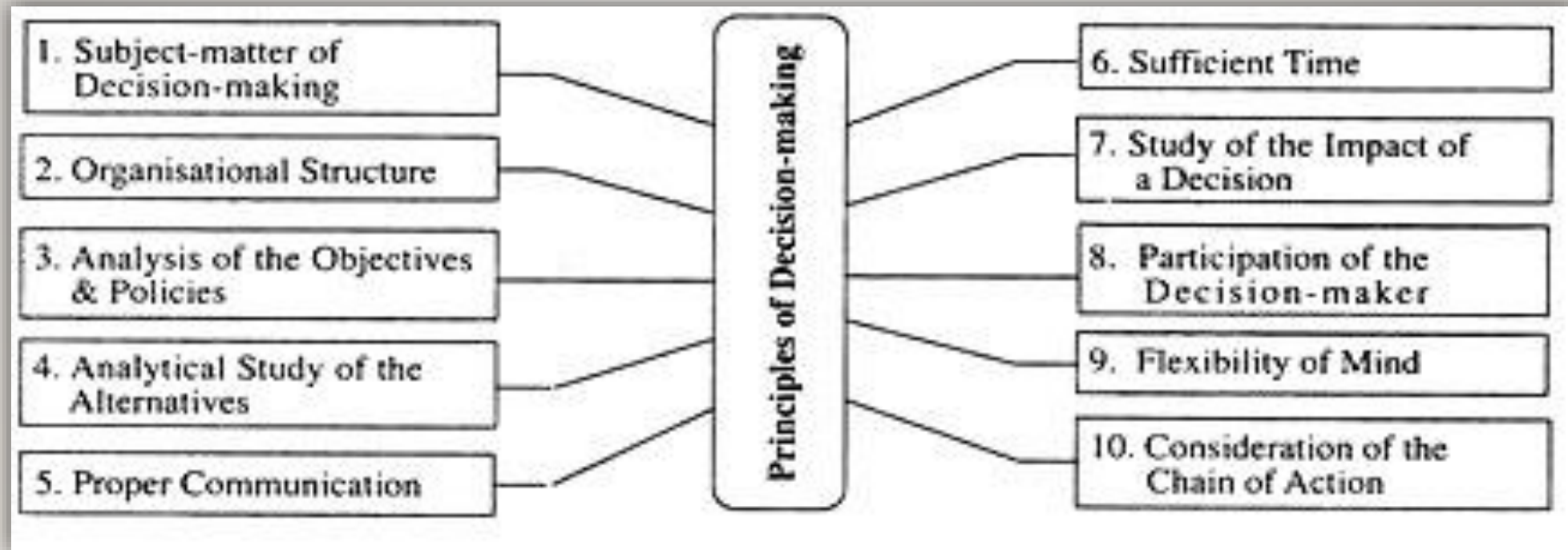
## Importance of Decision Making

- Better utilisation of resources
- Business growth
- Achieving objectives
- Increases efficiency
- Facilitates innovation
- Motivates employees
- Solving problems in management
- Teamwork



# PRINCIPLES.....

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# ELEMENTS.....

- Decision maker
- Decision problem or goal
- Attitudes and goal of decision- maker
- Assumption
- Environment
- Analytical results
- Communication
- The constraints





# TYPES OF DECISION

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- Programmed and non- programmed decision : **Simon**
- Generic and unique decisions : **Peter Drucker** ( Practice of management)
- Organizational and personal decisions : **Chester Barnard**

Decisions may be classified into five major types. These are:

- Organisational and personal decisions
- Routine and strategic decisions
- Policy and operating decisions
- Programmed and non-programmed decisions
- Individual and group decisions

# TYPES OF DECISION.....

- Organizational and Personal: Individual vs. organizational goals
- Routine and Strategic : repetitive vs deliberate
- Policy and Operational : planned vs functional
- Programmed and Non-programmed :well defined vs. creative
- Individual and Group : autocratic vs participative

	Programmed Decisions	Non-programmed Decisions
1. Nature of Problem	Structured/Routine/Well-defined	Unstructured/Novel/ill defined
2. Recurrence of Problem	Repetitive	Non-repetitive
3. Method of solving	Policies/Standards/Rules	Managerial Initiative
4. Judgment	Objective	Subjective
5. Probability of outcome	Some degree of certainty is involved	Uncertain
6. Level of management	Middle/Lower-level	Top-level
7. Types	Organisational/Operational/ Research/Opportunity	Personal/Strategic/Crisis Intuitive/Problem-solving

# STAGES OF DECISION MAKING PROCESS..

You can define decision making as the process of choosing between alternatives to achieve a goal. But if you closely look into this process of selecting among available alternatives, you will be able to identify three relatively distinct stages. Put into a time framework, you will find :

- (a) **The past**, in which problems developed, information accumulated and the need for a decision was perceived;
- (b) **The present**, in which alternatives are found and the choice is made; and
- (c) **The future**, in which decisions will be carried out and evaluated.

Herbert Simon, the well-known Nobel laureate, decision theorist, described the activities associated with three major stages in the following way :

- (a) **Intelligence Activity** : Borrowing from the military meaning of intelligence Simon describes this initial phase as an attempt to recognise and understand the nature of the problem, as well as search for the possible causes,
- (b) **Design Activity** : During the second phase, alternative courses of action are developed and analysed in the light of known constraints, and
- (c) **Choice Activity** : The actual choice among available and assessed alternatives is made at this stage.

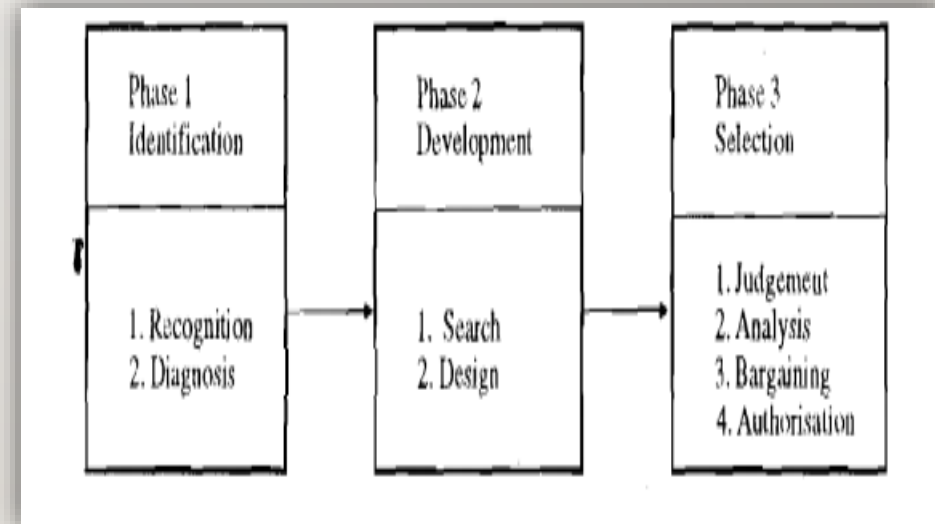
If you have followed the nature of activities of these three phases, you should be able to see why the quality of any decision is largely influenced by the thoroughness of the intelligence and design phases.



# MINTZBERG'S EMPIRICALLY BASED PHASES OF DECISION-MAKING

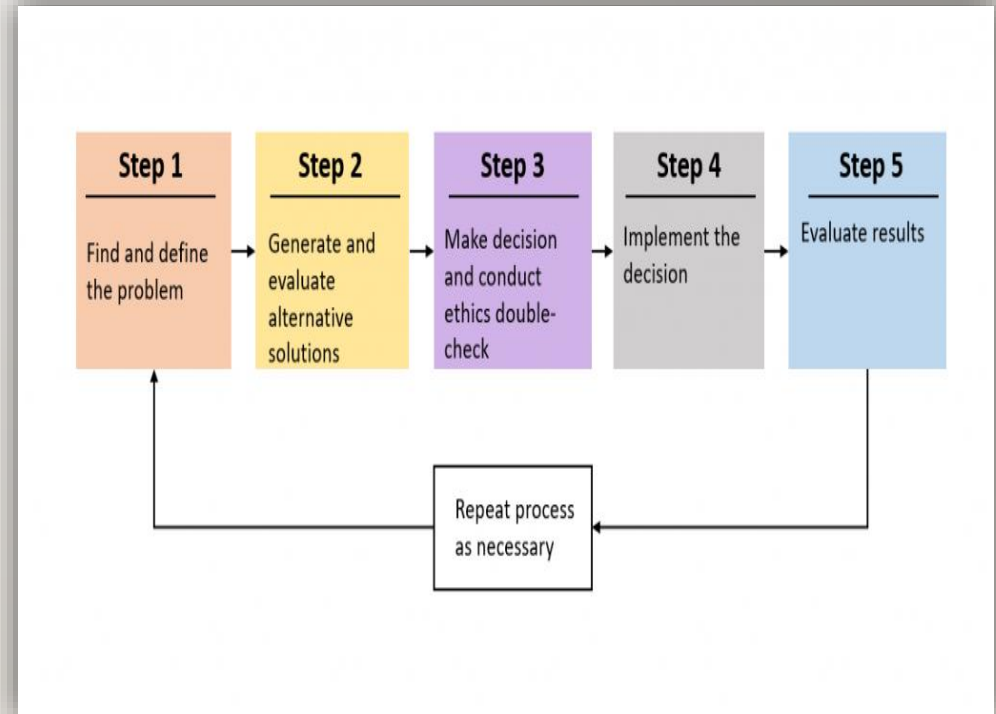
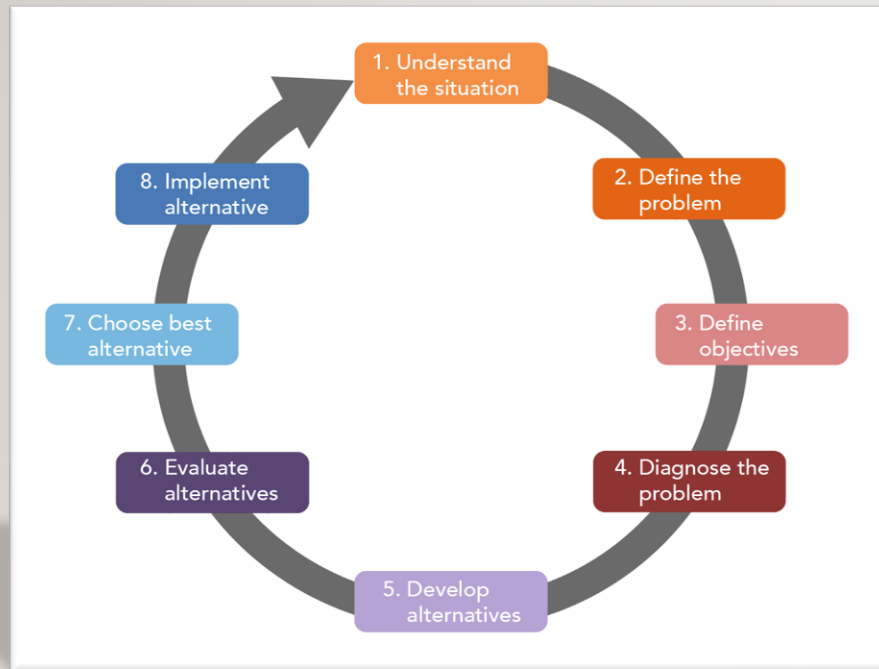
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- The **Identification** stage: diagnosis and recognition
- The **Development** stage : Search and design
- The **Selection** phase : authorized the selection on basis of judgement, analysis and bargaining



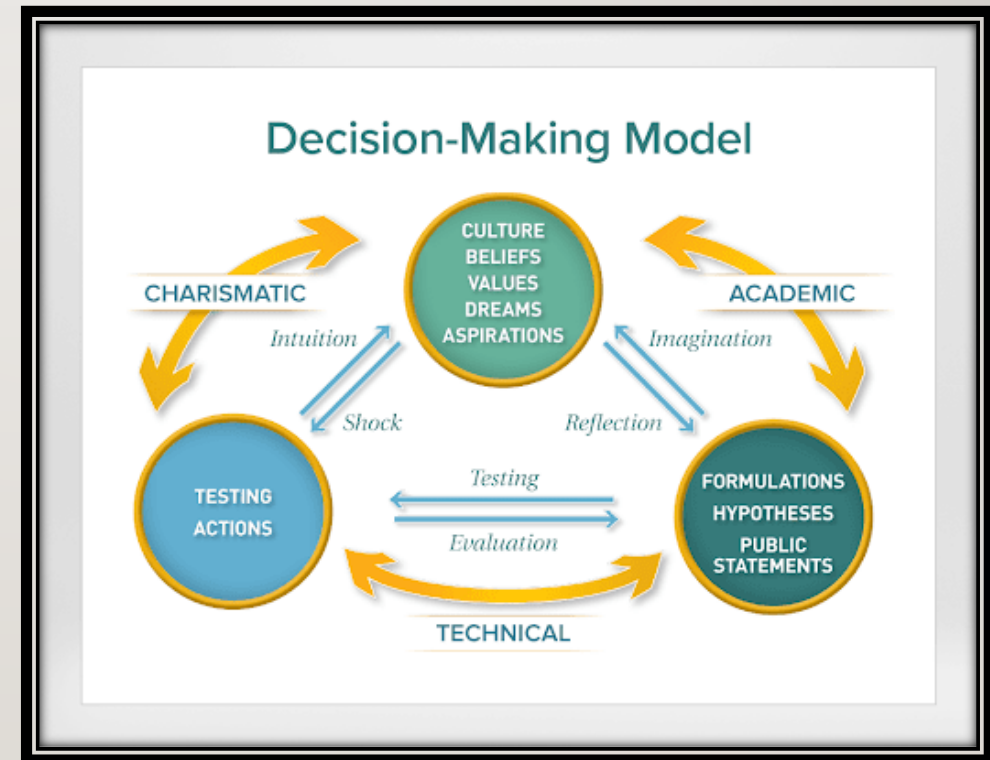


# STAGES OF DECISION MAKING PROCESS....



# MODEL'S OF DECISION MAKING

- Economic man Model
- Administrative man Model
- Social man Model
- Contingency Model



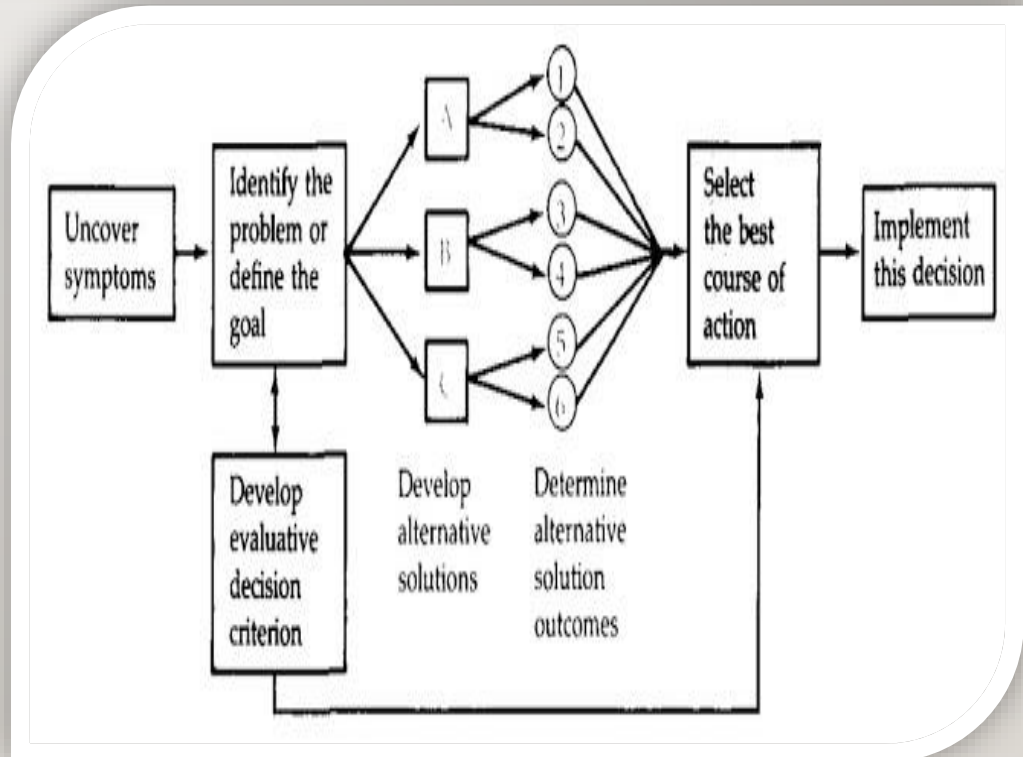
# ECONOMIC MAN MODEL : FULLY RATIONAL

- Completely rational in taking decisions
- Takes decisions based on the best alternatives available

## Economic man model

- Adam smith
- Fully rational or logical when making work related decisions
  - Full idea of problem
  - Formulates his goals consciously
  - Scientific thinking
  - Knowledgeable and analyses information intelligently
- An OPTIMAL DECISION which maximizes return / minimize cost

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# ADMINISTRATIVE MAN MODEL

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## Administrative man model

- Herbert Simon
  - Economic man model is narrative
- Describe how a manager should make decisions
- Managers rarely behave in scientific manner

### • Administrative model:-

- ⇒ The model describe the behaviour of decision maker
- ⇒ It is descriptive model ,in that how decision are actually made
- ⇒ How managers actually make decisions in situations characterized by non-programmed decisions, uncertainty.
- ⇒ Limited information about alternative & their outcome
- Features
  - ⇒ In choosing alternative administrative man satisfy or look for the alternative which satisfactory or good
  - ⇒ Focuses on organizational, rather than economic.
  - ⇒ Two concepts are instrumental in shaping the administrative model.
    - **bounded rationality:** means that people are limited by available information ,available time & the information processing ability of the mind
    - Administrative man believes in satisfying rather than maximizing
    - **satisfying:** means that decision makers choose the first solution alternative that satisfies minimal decision criteria.
  - ⇒ Is considered to be descriptive.
  - ⇒ This model believes in satisfying rather than maximizing

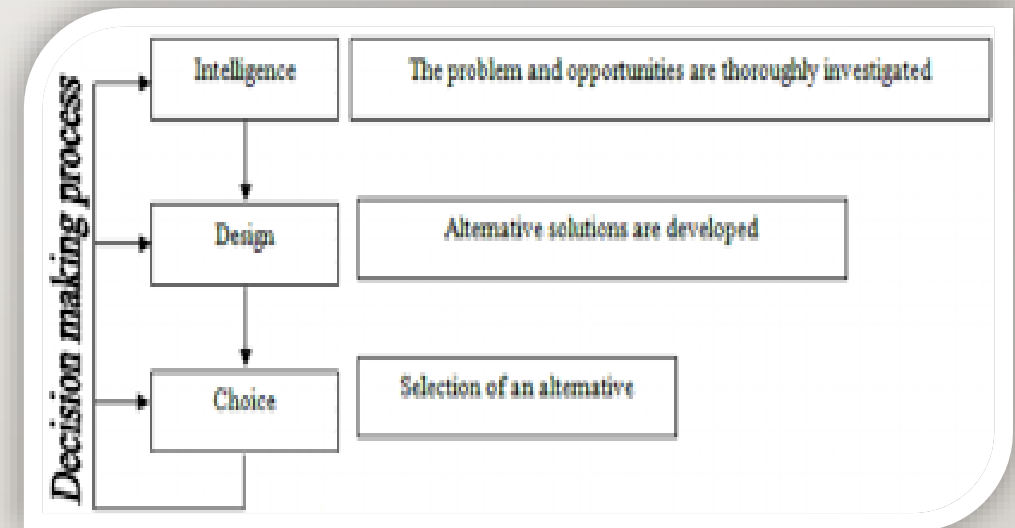
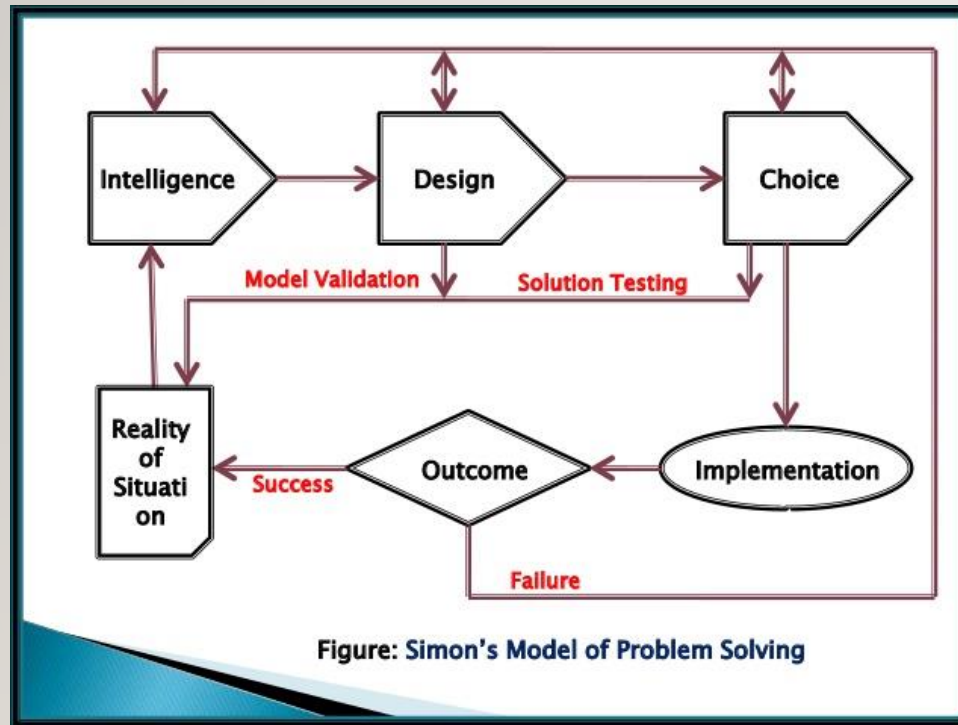


# SIMON'S CONCEPT : FOREMOST DECISION MAKING THEORIST

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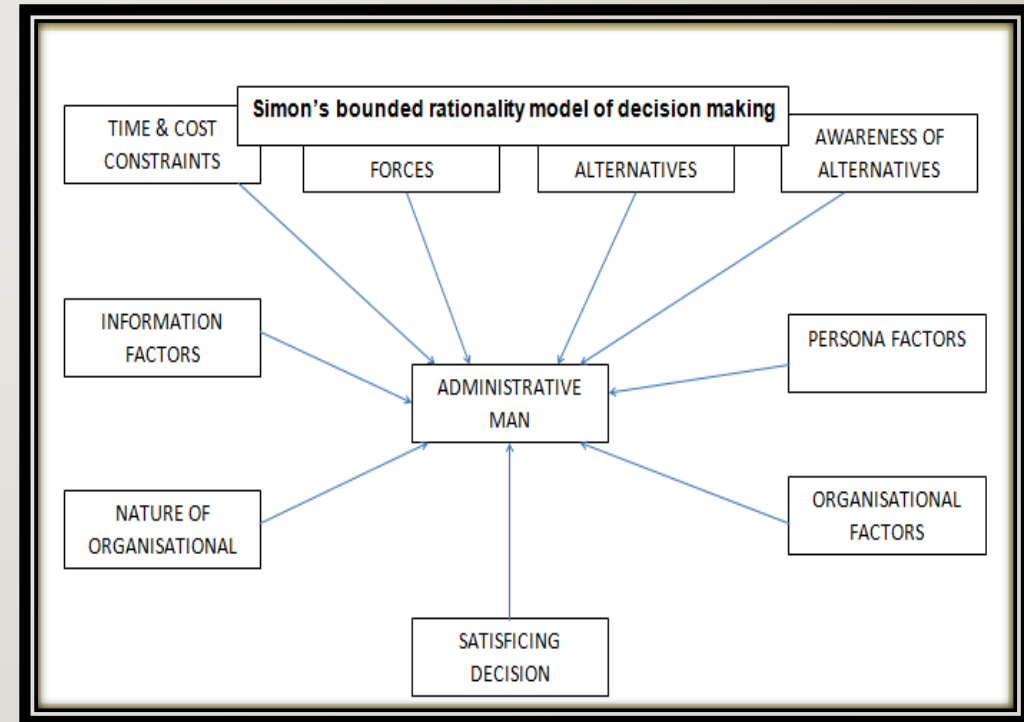
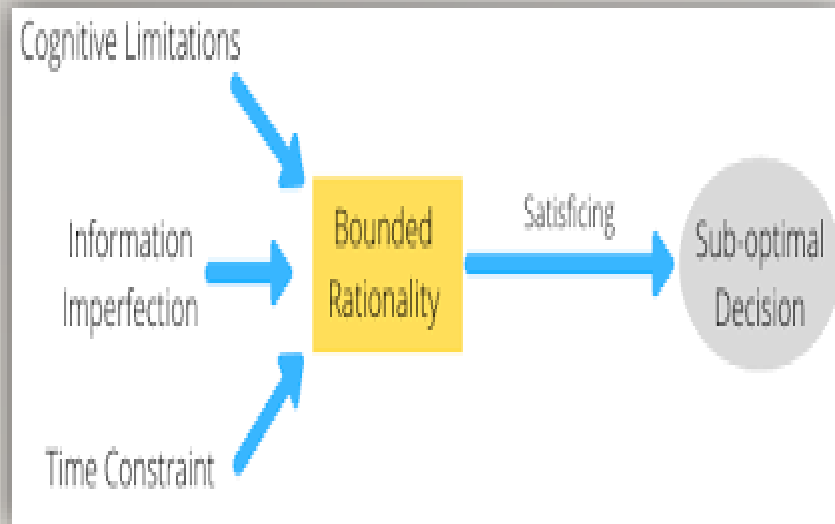
- The optimum rational choice between alternative course of action
- Every aspect of administration revolves around decision- making
- Every decision is based on two premises:A fact and value
- Simon's stages of decision making : **Intelligence activity, design activity and choice activity**
- More complex than it seem. It is wheel within wheel

# SIMON'S MODEL OF DECISION MAKING



# SIMON'S BOUNDED RATIONALITY: SATISFYING DECISIONS RATHER THAN MAXIMIZING DECISIONS

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Ans. Difference between economic man model and administrative man model is given in the following table-

<i>S.No.</i>	<i>Economic Man Model</i>	<i>Administrative Man Model</i>
(i)	Concentration on technical economic terms and quantifiable variables.	Concentration on behavioural aspects; the decision-making process receives inputs both from quantifiable and non-quantifiable variables.
(ii)	Perfect rationality.	Bounded rationality.
(iii)	Exhaustive search for a number of alternatives.	Search for a seemingly feasible alternative rather than an exhaustive list.
(iv)	Perfect knowledge of problems, consequences/outcomes.	Imperfect knowledge of problems, consequences/outcomes.
(v)	Normative.	Descriptive.
(vi)	Optimal decisions.	Satisfying good enough for adequate decisions.



# SOCIAL MAN MODEL

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- Man as a social man: role of emotions, feelings, association and belongingness
- Socio- psychological aspect of decision making
- Organisation as a social system :  
**Chester Barnard**

## **SOCIAL MAN MODEL- Classical Psychologists**

**Man being a Social Animal**

**Having a bundle of feelings and emotions**

**Guided by his desires**

**Also subject to social pressures and influences**

**Usually such a person cannot take rational decisions.**

# CONTINGENCY MODEL: SITUATIONAL MODEL

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## FLEXIBILITY

## ADAPTATION

-> Contingency approach stresses the need for flexibility and adaptation of management practices and ideas to suit changing circumstances.

-> Contemporary management approaches represent major innovations in ways of thinking about management and appropriate management practices. One of the most important contemporary viewpoints is the **contingency approach** to management. It stresses the need for flexibility and the adaption of management practices and ideas to suit changing circumstances.

## CHANGE IN CIRCUMSTANCES

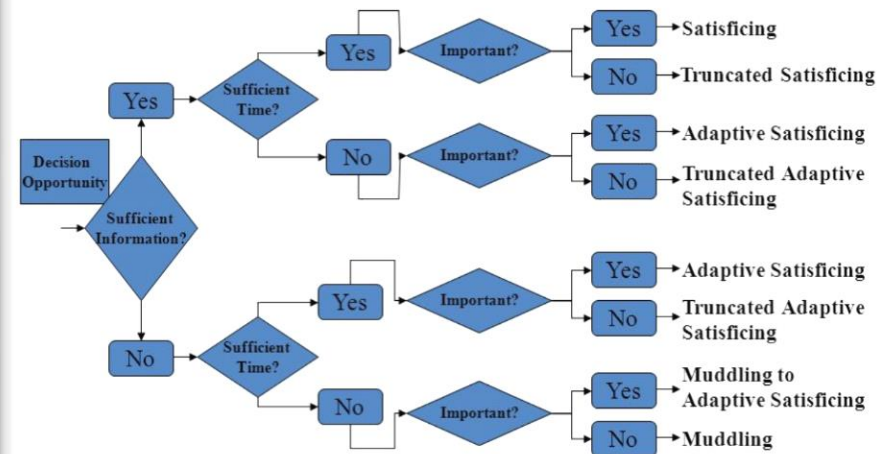
### Contingency Approach Defined

- Also sometimes called the *situational approach*.
- There is no one universally applicable set of management principles (rules) by which to manage organizations.
- Organizations are individually different, face different situations (contingency variables), and require different ways of managing.

# CONTINGENCY MODEL....

- **Beach and Mitchell (1978)** felt that the decision maker uses one of three general types of decision strategies: aided analytic, unaided analytic, and no analytic.
- The aided analytic strategy employs some sort of formal model or formula, or an aid such as a checklist.
- An unaided analytic strategy is one in which the decision maker is very systematic in his or her approach to the problem and perhaps follows some sort of model, but does it all in his or her head. Thinking of all the pros and cons for each alternative or trying to imagine the consequences of each action would fall in this category.
- Finally there is the category of no analytic strategy. Here the decision maker chooses by habit or uses some simple rule of thumb

## V A Contingency Model of Decision Making



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# BARRIERS.....

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- Information inputs
- Prejudices and Assumptions
- Cognitive constraints
- Attitude and perspective towards risks and uncertainty
- Social and cultural influences
- Personal traits and habits





**Thank you**