

# DECISION MAKING



# Decision Making

## Decision Making

**The act of choosing one alternative from among a set of alternatives.**

## Decision-Making Process

**Recognizing and defining the nature of a decision situation, identifying alternatives, choosing the “best” alternative, and putting it into practice.**

# Decision Making

## Types Of Decision

### Organization vs. Personal Decisions

**Organizational decision made by managers.**

**Personal decision made effects the manager's personal choice or preference.**

## Types Of Decision

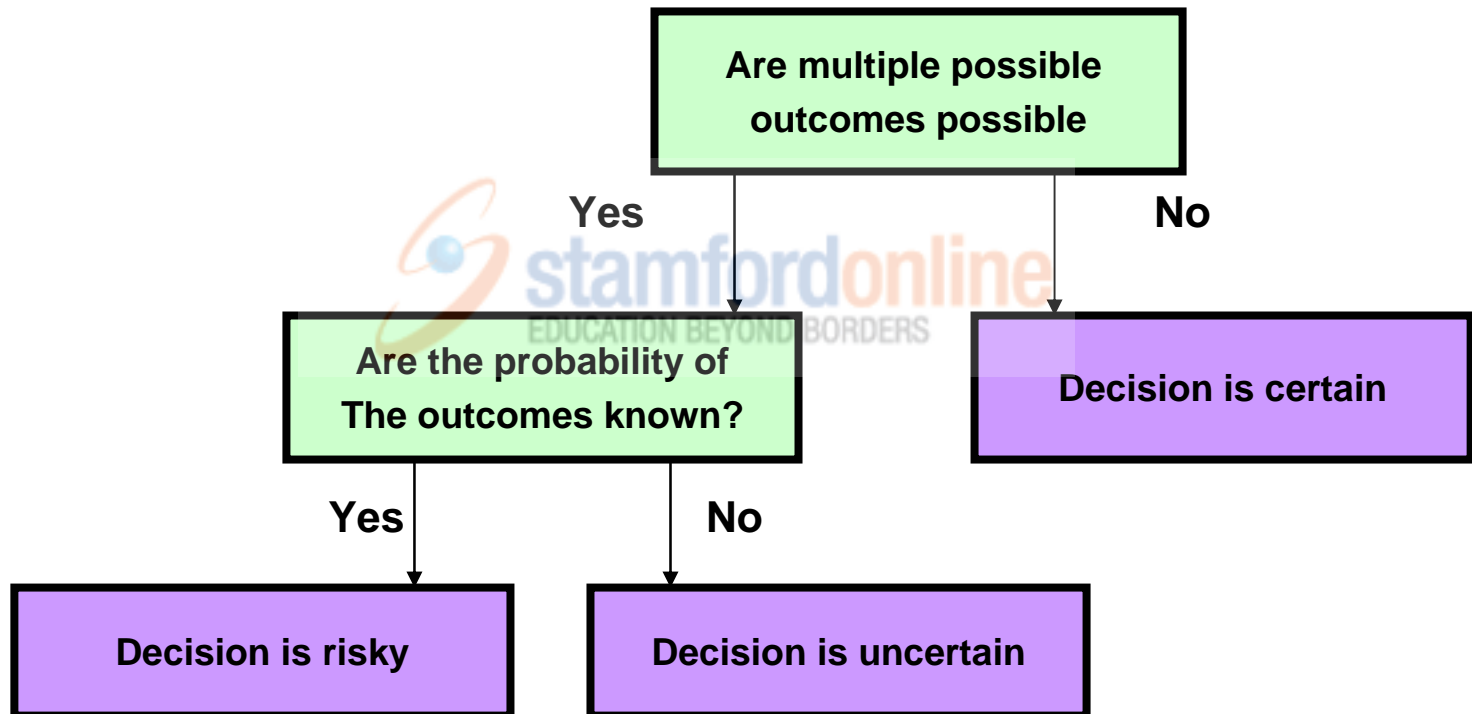
### Programmed vs. Unprogrammed Decision

**Programmed decisions are low- risk and can be standardized into a procedure.**

**Unprogrammed decisions are non-routine and carry high risk.**



# Distinguishing Between Decision Making Conditions



## Types Of Decision

### Strategic vs. Tactical Decision

**Strategic decision affects the long-term survival, development and growth of the organization.**

**They are top-level decisions.**

**Tactical decisions are concerned with the day-to-day operations.**

## STEPS IN THE DECISION MAKING PROCESS

**Analyze and define the problem with information from the external and internal business environment.**

**State the alternative solutions.**

**Select the best alternative.**

**Plan the course of action.**

**Implement the plan.**

**Control and review the results of the plan against the objectives.**



# DECISION MAKING CONDITIONS

The decision maker faces conditions of...

Certainty

Risk

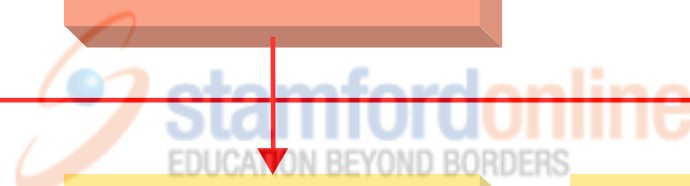
Uncertainty

Level of ambiguity and chances of making a bad decision

Lower

Moderate

Higher



# Decision-Making Conditions

## Decision Making Under Certainty

- A condition in which the decision maker knows with reasonable certainty what the alternatives are and what conditions are associated with each alternative.

## Decision Making Under Risk

- A condition in which the availability of each alternative and its potential payoffs and costs are all associated with risks.

## Decision Making Under Uncertainty

- A condition in which the decision maker does not know all the alternatives, the risks associated with each, or the consequences of each alternative.

# Evaluating Alternatives in the Decision-Making Process

