

Decision Making

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“THE ROAD NOT TAKEN”

..... by Robert Frost

**I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.**

AIM

To acquaint you with the concept of Decision Making

PREVIEW

WHAT ?

WHY ?

HOW ?

WHAT IT REQUIRES

TYPES

IMPORTANCE

TOOLS & TECHNIQUES

BE AWARE

WHAT IS DECISION MAKING ??

- Process of choosing a course of action from various available alternatives
- 5 managerial functions (POSLC) are effected through decision making
- Integral part and primary function of management / administration
- Continuous and dynamic process
- Determines organizational and managerial activities qualities of a leader
- Required to commence and sustain activities and functions

Ingredients

- Problem / Situation which requires a decision
- 2 Or More Alternatives
- Option of making a choice should be available
- Sufficient time to make a decision
- Capability of making a decision

WHY DO WE NEED TO MAKE A DECISION ??

- **To arrive at a solution for a problem**
- **To move ahead in a situation**
- **For continuity of a process**
- **To maintain organisational functionality**
- **In an emergency situation**
- **As an immediate response**

HOW DO WE MAKE A DECISION ??

- **Identification of the Problem**
- **Analysis Of Problem : Use Of Tools (Cost, Time, Resources, Term, Legality, etc)**
- **Collect & Collate Info**
- **Identify Solution Alternatives**
- **Examine Each Alternative : Feasibility, Addressal Scope, Organisation Match**
- **Select Best Alternative**
 - ❖ **Info + Inputs + Brainstorming**
 - ❖ **Experience + Skill + Knowledge**
- **Develop Alternative(s) - Evolve Into Solution (envisaged)**
- **Implement : Conversion Into Action**
- **Review : Outcome + Feedback = SOP / Correction**

REQUIRES

Correct Information

Complete Information

Comprehension of Problems & Options

Clarity of Goal

Capability to Implement

Cohesive Effort

Consistent Focus

Cogent Authority



TYPES OF DECISIONS

Nature

- Personal
- Official
- Consumer
- Advisory

Level

- Strategic
- Tactical
- Operational
- Quick

Predictability

- Programmed (repetitive / routine)
- Non-programmed (not routine)

TYPES OF DECISIONS : NATURE

Personal

- Outcome for Self & Relations
- Life Decisions
- Profession, Marriage, Investment, Location, Medical

Official

- Outcome for Organization
- Financial, HR, Operations, Planning, Policy, Quality

Consumer

- Outcome from Purchase
- Official or Personal
- Infra, Material, Consumable, Service

Advisory

- For others
- May have direct, indirect or no bearings on self

TYPES OF DECISIONS : LEVEL

Strategic

- Highest level
- Long Term
- Affects entire Organization

Tactical

- Mid level
- Mid Term
- Affects part of Organization

Operational

- Low level
- Day to day / event specific
- Affects those involved

Quick

- Emergency
- Immediate

TYPES OF DECISIONS : PREDICTABILITY

Programmed

- Routine Decisions
- For Similar Situations
- For Frequently Occurring Situations
- Use of SOPs
- Use of Rules, Procedures & Policies
- Low level
- Structured response
- Experience
- Grant of leave

Non-programmed

- Unique Decisions
- For Extraordinary, Unexpected Situations
- May be one time
- Use of Judgement, Intuition & Creativity
- Use of Logic
- High level
- Unstructured response, out of box approach
- Opening new office

IMPORTANCE

- **Organisational Goal : Right (Time + Decision + Resources) = Right Goal**
- **Employee Motivation : Clarity of Purpose, Learning, Assurance, Commitment**
- **Resources : Optimal Utilisation, Low Cost**
- **Best Alternative Utilised**
- **Imp Ingredient For Success**
- **Pervasive Function : All Levels & Departments**
- **Time Management**
- **Counts towards Appraisal : Managerial / Leadership Skills**

DECISION MAKING TOOLS & TECHNIQUES

- **Marginal Analysis**
- **SWOT Analysis**
- **Decision Matrix**
- **Pareto Analysis**
- **VUCA Paradigm**

- **OODA Loop**
- **T Chart**
- **PEST Analysis**
- **Decision Tree**

MARGINAL ANALYSIS

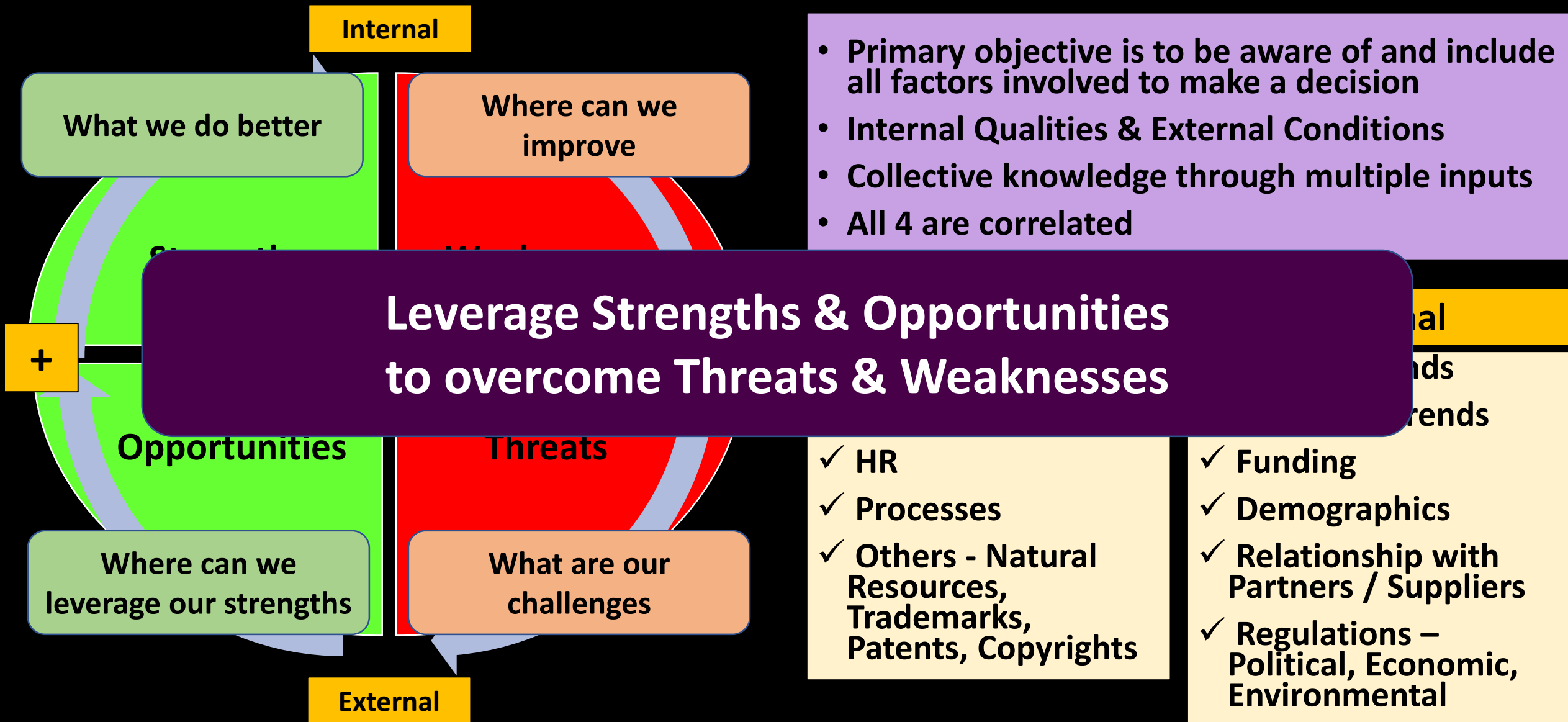
- Weighs benefit of an Input against the costs
- Aim is to get Max Return On Investment (ROI)
- Helps make a decision when 2 options are available and resources permit only adopting one
- Marginal Cost (increase in cost due to adding one unit)

VS

Marginal Benefit (increase in benefit due to adding one unit)

- Marginal Benefit > Marginal Cost = Net Benefit

SWOT ANALYSIS



DECISION MATRIX

- **Multiple choices & variables**
- **Weigh the Pros & Cons to bring clarity**
- **Importance given to each variable**

**List Decision
Alternatives
as rows**

**List relevant
factors as
columns**

**Take a
Consistent
Scale to rate
each factor**

**Assign
weightage to
each factor
as per
importance**

**Multiply rate
and
weightage**

**Add the
factors for
each
alternative**

**Choose
option with
highest
score**

DECISION MATRIX - EXAMPLE

Options	Factors				
	Capability	Reputation	Reliability	Price	Total (Ranking)
Importance	2	1	1	2	
Vendor 1	8	4	4	7	38 (2 nd) ✓
Vendor 2	9	7	8	3	39 (1 st)
Vendor 3	2	6	9	8	35 (3 rd)

Non Negotiables : < 4

Options	Factors				
	Education	Nature	Family	Looks	Total (Ranking)
Importance	2	3	2	1	
Prospective 1	8	5	5	9	50 (2 nd)
Prospective 2	9	7	7	5	58 (1 st) ✓
Prospective 3	2	6	9	8	48 (3 rd)

PARETO ANALYSIS

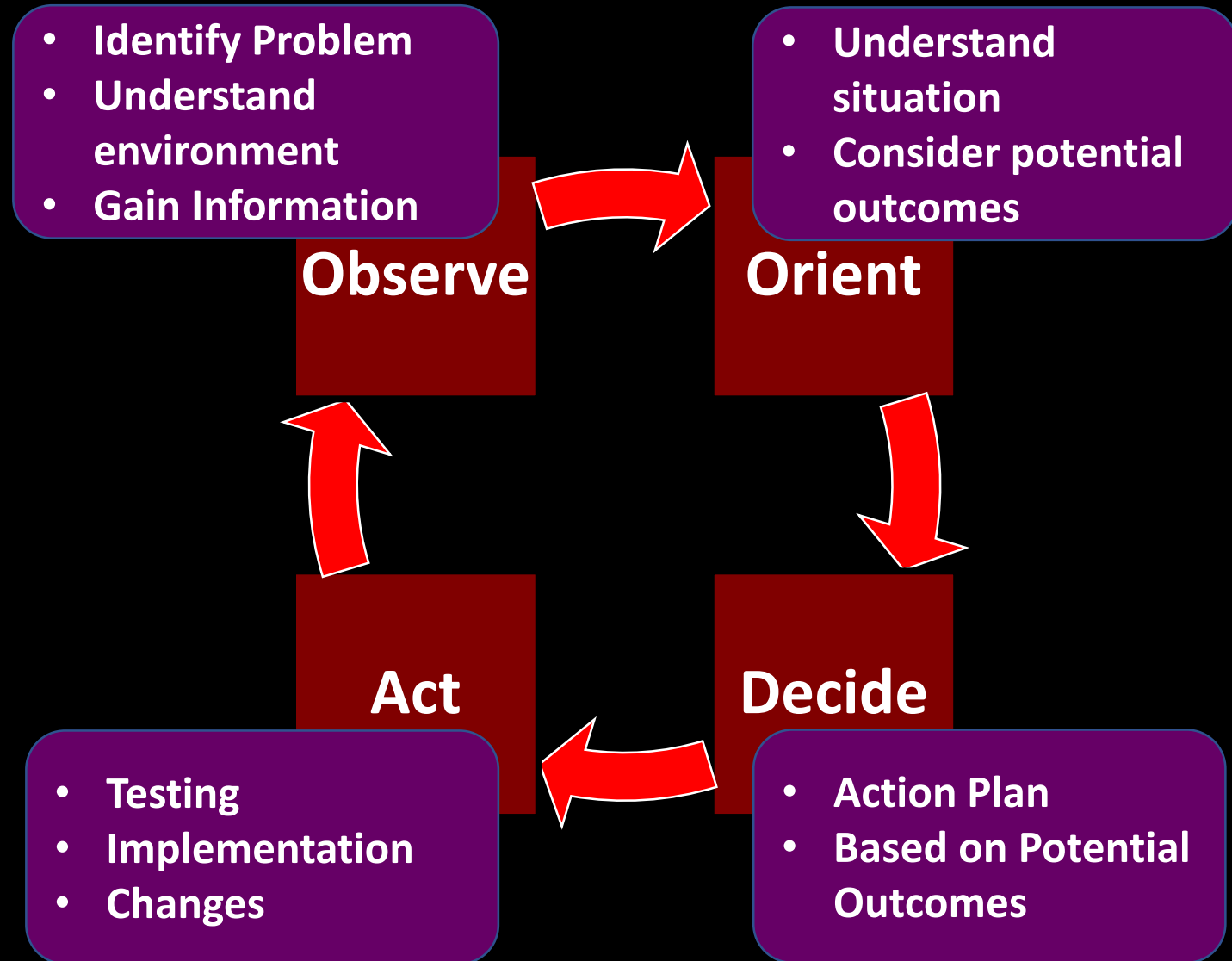
- **80 - 20 Principle**
- **To identify ltd input factors which have greatest impact on an outcome**
- **Cause & Effect**
 - ❖ **20% factors contribute to 80% growth**
 - ❖ **80% problems can be traced to 20% of the causes**
- **Each factor is given a numerical score (higher impact = higher score)**
- **Prioritise and dedicate energy and resources to factors with higher scores**

VUCA PARADIGM

- **Helps to understand Work Environment / Challenges for taking decisions**
- **Helps to anticipate & adapt**
- **Volatility - changing awareness, trends, preferences (Price fluctuations, hierarchy, Govt policies, restrictions)**
- **Uncertainty - due to rapid change and awareness (New methods, environment or field)**
- **Complexity - multiple problems, options and effects (Multiple Channels in hierarchy, resources vs demand, prioritization)**
- **Ambiguity - Grey areas due to multidimensions, unconventional problems and solutions, information challenges (Venture into unknown areas, specific extraordinary requirements)**

OODA LOOP

- 4 step approach to decision making
- Split Second Decisions
- Reaction time is less
- Little or skewed information available
- Personality, authority, judgement, knowledge of decision maker are important
- Feedback loop required to vet and evaluate decisions
- Helps address VUCA situations



T CHART



BUYING A NEW LAPTOP

- **Comparative analysis**
- **Weighs pros and cons of all options**
- **Best option is chosen based on advantages / disadvantages**
- **Structured, orderly and visible analysis**

Pros

- **Fast Processing**
- **Lighter**
- **Better graphics**
- **Looks**
- **Latest software**

Cons

- **Expense**
- **Opportunity Cost**
- **Disposal of old laptop**
- **Effort required**

PEST ANALYSIS

- **Big Picture - Macro Level, Strategic Decisions**
- **How external forces impact your organization / service**
- **Part of Risk Management & Strategy Design**
- **Helps identify opportunities**
- **Warns of threats**
- **Reveals direction of change in environment - work with change**
- **Helps in Feasibility Study of Projects**

Political

- **Govt Rules & Regulations**
- **Legal Issues**

Economic

- **Economic issues**
- **Finance / Budget**

Social

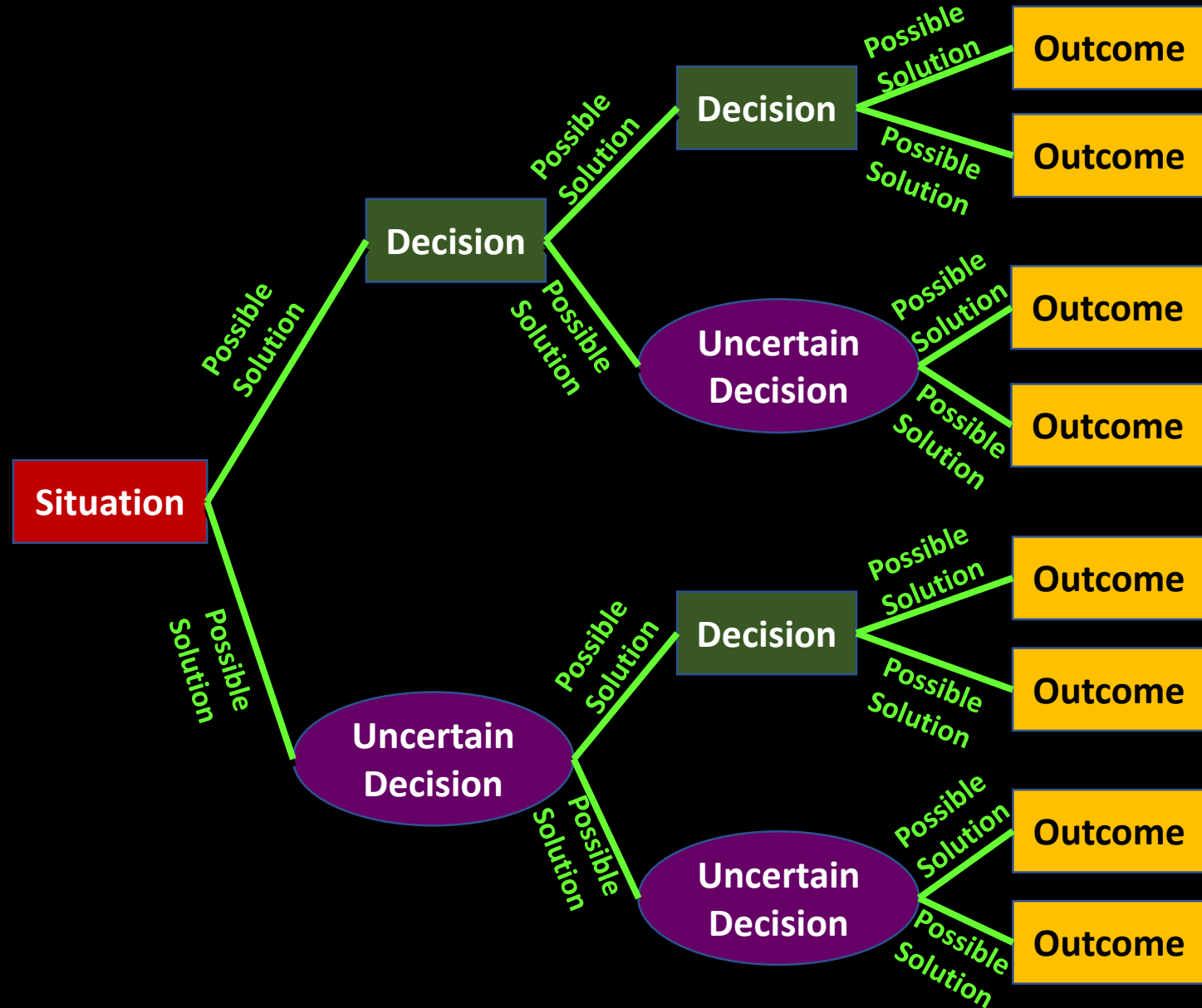
- **Socio-cultural factors**
- **Environment profile, education, lifestyle**
- **Social attitude**

Technology

- **Available**
- **Upcoming**
- **Trends**

DECISION TREE

- Graphic rep of various alternatives to solve a problem
- Tree-like structure - problems listed as a flowchart
- Brings out outcomes of each option and associated risks / rewards
- Helps quantify values of outcomes and probability of success
- Availability of Options



BE AWARE

- **Fatigue can result in taking the easiest and most popular / developed option**
- **Enthusiasm can cause taking a wrong decision**
 - ✓ Tendency to go overboard, to overestimate, to please
 - ✓ Get swayed by others - enthusiasm and confidence
- **Authority : going by the choice of seniors may not be correct**
- **Popular / populist : going with majority or with the ordinary may be wrong**
- **Sometimes you have to take the Harder Right vs Easier Wrong**
- **Precedence : as done previously**
- **Hierarchical conflicts**

CRITICAL DECISIONS : NOKIA

- **Global Market share of > 40 %**
- **Wrong decisions**
 - ✓ **Symbian Operating System : device centric vs platform & application centric**
 - ✓ **Re-organization : Change to Matrix Organization**
 - ✓ **Change in hierarchy**
 - ✓ **Internal conflicts**
 - ✓ **Poor Strategic Decision**
 - ✓ **Success translated to risk aversion & innovation neglect**
- **Sale to Microsoft in 2013**



DECISIONS DECISIONS

You have a very important inspection tomorrow

An employee calls you late in the night and asks for leave

His wife's grandfather has passed away

Her father has 3 brothers, all are alive and were together with the grandfather

The employee says his wife is hysterical because her grandfather actually brought her up

What are the factors you will consider before taking a decision ?

What is the decision you take ?



DECISIONS DECISIONS

Weigh

- **Can the inspection take place w/o the employee ?**
- **What is the level of the employee ?**
- **What is his reputation and performance ?**
- **How desperate is he ?**
- **Will he run away ?**
- **Will it set a precedence ?**
- **What is the organisation policy ?**
- **What is the mindset of the hierarchy ?**

The decision is yours to take

- **Protect the sanctity of the organization**
- **Enforce discipline**
- **Show empathy**
- **No set solution**



DECISIONS DECISIONS

You are in a boat on a river and see 3 people marooned on an island

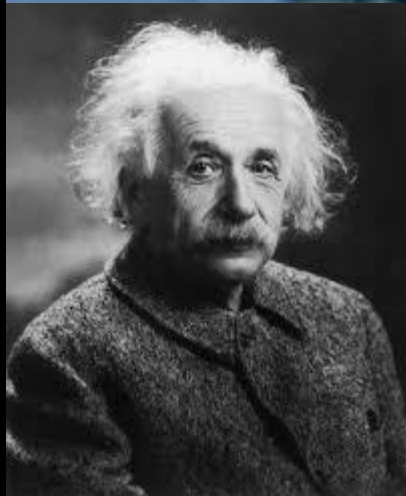
An old lady who needs medical attention

A friend who had saved your life once

A person who could be your perfect life partner

The boat can only take 2 people at a time

What is the decision you take ?



1. Give the boat to your friend to take the old lady and get help.
1. You get off and wait on the island with your potential life partner

THANK YOU !!

