

*Presentation on  
Decision Making Processes, Scope  
and Limitation*

# “Decision”

Choice among two or more alternatives

Examples:

- Where to advertise a new product
- What stock to buy
- What market strategy to follow

# “Decision Making”

Definition: A process of choosing among alternative courses of action for the purpose of attaining a goal or goals.

# Conditions under which decisions are made

## **Certainty**

- All problems are known.
- Alternatives are obvious.
- All information is available.
- Possible results are clear.

## **Risk**

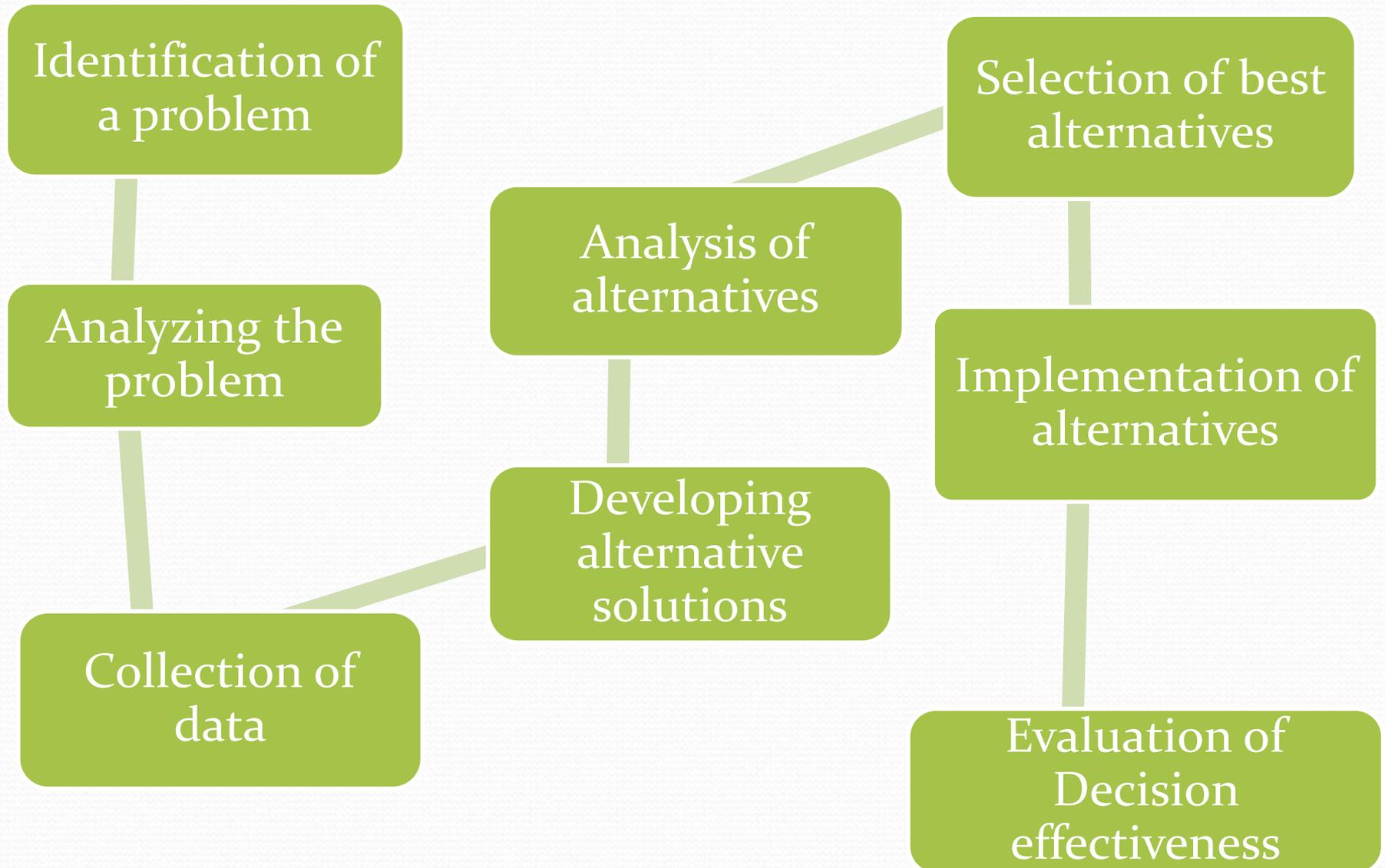
- Problem can be defined.
- Sufficient information is available.
- Results associated with each alternative are subject to chance.

## **Uncertainty**

- Goals are known.
- Information is incomplete.
- Creative approaches can be applied.

# Decision Making Process

- Some of the basic steps are there which has to be followed while choosing a course of action.



# Decision Making Process

## Step 1: Identification of Problem

**Problem:** A gap between existing and desired state of affairs.

By observing whole situation real problem should be defined. For example is there is decrease in sales then it may be due to number of reasons. Finding real reason is important.

# Decision Making Process

## Step 2: Analyzing the problem

To understand the depth of problem and classifying it.

## Step 3: Collection of data

Obtain the relevant information/ data which is required in making decision

# Decision Making Process

Step 4: Development of alternatives

To decide the relative merits of each idea.

- Determine the effectiveness and consequences of each alternative.
- Perform a cost-benefit analysis for each alternative.

# Decision Making Process

## Step 5: Analysis of alternatives

Each alternative is evaluated against its criteria.

## Step 6: Selection of best alternatives

Select an alternative that seems to be most rational for solving the problem

# Decision Making Process

## Step 7: Implementation of alternatives

- Conveying decision to those who are affected by it and getting their commitment.
- Convert the selected decision into effective action.

# Decision Making Process

Step 8: Evaluation of decision effectiveness

- Feedback is necessary to decide whether the decision already taken should be continued or be modified in the light of changed conditions.

# Scope of Decision

## Operational Planning and Control:

- Focus on efficient and effective execution of specific tasks.
- They affect activities taking place right now
- E.g... What should be today's production level

## Management Control and Tactical Planning

- Focus on effective utilization of resources
- more longer range planning horizon
- E.g... What should be next years production level

## Strategic Planning

- Long-range goals and policies for resource allocation
- E.g... What new products should be offered

# Limitations of decision making

- Time consuming
- Compromised decision (in case of group decision)
- Subjective decision (in case of individual decision)
- Biased decision
- Limited analysis



*THANK YOU*