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Business Management
BMA 204

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CHAPTER 02
FUNCTIONS OF MANAGEMENT PROCESS

35% of the entire syllabus

- Part I – Decision Making
- Part II – Organisational Planning
- Part III – Organizational Structurer and Design
- Part IV – Leadership and Motivation
- Part V – Organizational Communication
- Part VI – Organizational Controlling

Part I

DECISION MAKING

Introduction to Decision Making

Good decision making is a vital part of good management because decisions determine how the organization solve problems, allocate resources and accomplishes its goals.

Decision
- Choice made of available alternatives

Decision Making
- Process of identifying problems and opportunities and the resolving them
- Involves effort before and after the actual choice

Planning → Decision Making → Controlling

Accurate and reliable information → Managers are involved in choosing between two or more alternatives → Detailed analysis → Logical conclusions → Informed Decisions

One of the central activities of the management and process implementation

Always related to problem solving

Problem Vs. Opportunities

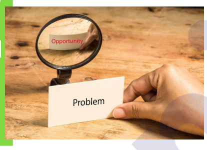
Problem	Opportunity
The **gap between current status** of affairs and the **desired status** of affairs	The external environmental influences or the possibilities to start up some work where can get benefits. **Facility in the reality**
Ex: Executive team of Y company is not working as a team. They seem to be more interested in their functions than working in a team under assigned leadership. They flight or don't even talk to each other	Ex: turning hobby into a business or in decision making turning an uplifting idea into a profitable manner as Kaizen Concept effective productivity where the situation turns into a profitable methodology

How Mangers differentiate Problem from Opportunities

Recognize the facts clearly in order to identify the problem from opportunity

Assess whether it makes difference to the service , how worthwhile will it be to solve the problem or realize the opportunity

Differentiate problems from opportunities supports to identify factors relevant and irrelevant for decision making



Pizza hut has introduced the hot dot box concept which helps to keep the warmth/hot temperature within the pizza packing until it reach the customer doorstep. Keeping the warmth is a problem, and the need of the customer is an opportunity. So once, the manager match both the concepts an innovative idea came out. So that is **the way of differentiating the problem and the opportunity and making a benefit out of both.**

Importance of Decision Making

- DM helps in facilitating the entire management process
  - It allows actions to be taken based on the business objectives decided during planning
  - It is a type of planning – a plan involving commitment to resources for achieving specific objectives
- DM is continuous
  - All the managers at all levels of the hierarchy are required to make decisions regarding the responsibilities assigned to them
  - Continuous decision making facilitates follow-up actions
- DM enables an organization to deal with new problems and challenges
  - Proper decisions are necessary to overcome challenges (unforeseen changes in the external environment leads to new challenges) effectively.
- DM is a critical task
  - Mangers need to make effective and quick and **right decisions**

Rational Decision-Making Process

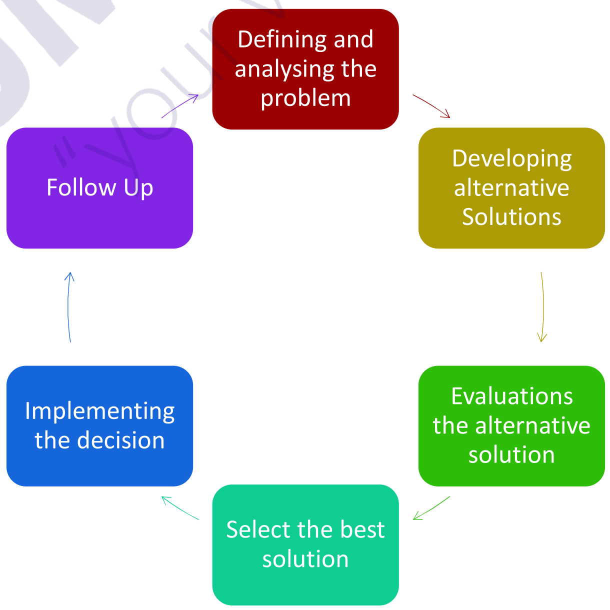
A process of selecting the best option or course of action based on a careful and logical evaluation of the costs, benefits, and risks associated with each potential choice.

Examples:

Choosing the most cost-effective mobile phone plan: A consumer might compare the costs, coverage, and features of different cell phone plans to choose the one that offers the best value for their needs.

Choosing the most efficient production process: A firm might analyze the costs and benefits of different production processes to choose the one that is most efficient and cost-effective.

Steps of Rational Decision-Making Process



1. Defining and analyzing the problem

- The Manage has the responsibility to find out the real problem or symptoms of the problem
- Problem may be related to:
  - Bad relationship between management and employees
  - Decrease in sales
  - Increase in cost
- Symptoms – apparent characteristics of the problem and it provides a direction to diagnose the real problem
  - Example: decreasing of sales may be a symptom of customer bad attitude towards the product
- Then the manager must analyze the problem carefully to find out cause and effect of the problem

2. Developing alternative Solutions

- The Manager should develop(make) alternative (different) solutions to solve the problem
- Only realistic solutions should be considered
- Group participation and computers are used for developing alternative solutions

3. Evaluations the alternative solution

- The Manager should carefully evaluate the merits and demerits of each solution
- Should compare **the cost** ,the **risk involved** and **the feasibility** of each solution
- Need to find out **which solution will be accepted by the employees**

4. Select the best solution

- The solution should be less costly and less risky; the most feasible solution which is accepted by the employees
- Should select a solution that has the most merits and least demerits
- The manger should select the best solution which is called “Decision”

5. Implementing the decision

- The manager should implement it
- He should put the decision into action
- He should communicate the decision to the employees and persuade them to accept the decision
- This can be done by involving them in the decision-making process
- Manager should motivate employees and provide all the resources required to implement the decision

6. Follow Up

- After implementing the decision, the manager must follow up
- He must get the feedbacks about the decision, effective or not
- Compare the decision with the action, finding out deviations – like a control function
- It helps **to improve the quality of future decisions**

Rational decision Making Vs. Rational Problem Solving

Rational Decision Making

- Process: It typically follows a structured approach where managers identify a problem, gather relevant information, generate possible solutions, evaluate alternatives, and select the best option
- Goal: The goal of rational decision making is to maximize outcomes by choosing the most effective solution after carefully considering all available information and alternatives.
- Example: A manager facing a decision on which supplier to choose for a critical component will evaluate factors like cost, reliability, and quality based on data and analysis.

Rational Problem Solving

- Process: It focuses on understanding the root causes of the problem, analyzing the situation, identifying potential solutions, and implementing the best course of action to resolve the issue
- Goal: The goal of rational problem solving is to effectively eliminate the problem or mitigate its impact by addressing its fundamental causes, rather than just treating symptoms.
- Example: If a company is experiencing declining sales, a manager would analyze market trends, customer feedback, and internal processes to identify the reasons behind the decline and implement strategies to reverse it.

Rational Decision-Making Process

Defining and analyzing the problem and causes of the problem

Developing alternative Solutions

Evaluations of alternative solutions

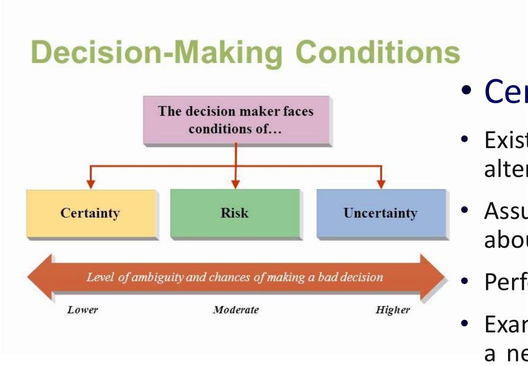
Select the best solution

Implementing the decision

Follow Up

Rational Problem-Solving Process

Conditions of Decision Making



- Certainty
  - Exists only when the managers knows the available alternatives, conditions and consequences of those actions
  - Assumes that managers has all the necessary information about the situation
  - Perfectly accurate decision but DM under certainty is rare.
  - Example: deciding on a new carpet for the office or installing a new piece of equipment or promoting an employee to a supervisory position is made with high level of certainty

- Risk
  - Prevails when the manager is aware of all the solutions but unacquainted with their consequences.
  - Includes clear and accurate objectives and efficient details but future results are not known to a degree of certainty.
  - A risk situation requires a possibility reports
  - The ability to calculate may be due to experiences, imperfect but straight answers or intellect
  - Mathematical researches like statistical analysis can be used for calculate possibilities for failure or success
  - Example: if the boss comes to the manager and says "we need to build a new plant, and we need it in the best possible place. Then the manager has to research the market and put the plant in the right place
- Uncertainty
  - The state of uncertainty exists when there is no awareness of all the alternatives and outcomes, even for the known alternatives
  - The manager need to make certain assumptions about the situation in order to provide a reasonable frame work for decision making.
  - Intuitions, judgements and experiences are major roles in DM process under condition of uncertainty
  - The level of ambiguity and chance to make bad decisions is relatively high
  - Example: the company tries to introduce a new concept on employee attendance and reward system plus a termination concept, the managers must assume the employee point of view before processing the concept

Approaches to decision Making

Classical Approach to Decision Making

- Rational or perspective model of decision making
- Assumes a situation of no uncertainties and availability of all relevant to the problem at hand
- Assumes that all available alternative solutions are known to the decision maker
- Specifies an ideal way of decision making to achieve the desired outcome
- Directs the rational decisions towards a single and stable objective

Example: when employees are unsatisfied on working managers start to formulate possible solutions, one which find the best possible way for the employees to perform and manage their task. Then the result of the research is according to the development of the classical approach in the management theory

Assumptions

- The goal is clear and well-defined
- All the issues and problem have been accurately identified
- The alternative solutions and courses of actions together with their potential consequences are known
- The decision maker can rank the alternative based on the consequences desired and can select the alternative that helps the organization achieve the desired outcome

Criticisms

- Businesses operate in an environment of uncertainty and risk rather than in the uncertainty
- Goals are not stable in the real world as they have cope with continuous environmental changes

Behavioural approach to decision making

- Descriptive approach and administrative model
- This model explains how decisions are made in real life situations
- Assumes that
  - managers do not have a complete understanding of the problem due to lack of complete information
  - All the alternative courses of actions and their potential consequences are unknown
  - The business is subject to environmental changes
  - There is a lack of sufficient time and resources to research completely on all alternatives

This model based on two concepts

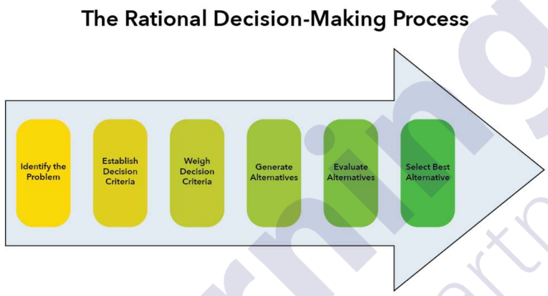
- Bounded reality – The manager is unable to take perfectly rational decisions as he is limited in his capacity by internal and external factors outside his control that force him to operate.
- Satisfying – Mangers selecting the alternative that they think is satisfactory, rather than the ideal alternative course of action

Bounded rationality together with limited information and ability results in such a decision

In behavioural approach manages cannot come to the rational decisions due to above two conditions

Rational Approach to Decision Making

- In this approach requires managers to select an alternative course of action first
- Compare the strength of each with the other alternatives
- Need to identify the drawbacks
- To ensure that the selected alternatives is the nest solution to the problem



Group Decision Making

- Individuals collectively making a choice from the alternatives
- Decisions made by groups are often different from those made by individuals
- This is a participatory process in which individuals act collectively, analyse problems or situations, consider and evaluate alternatives course of action and select from among the alternatives a solution or solution
- Number of people involved in group decisions varies often ranges from two - seven.
- Individuals in groups are demographically similar or quite diverse
- These group are relatively informal in nature or formally designated and charged with a specific goals
- Process used to arrive at decisions may be unstructured or structured
- Nature and composition of groups are affecting their functioning.
  - Examples: size of the group, demographic makeup(age, gender, socio-economic status, education, religion etc.), structure and purpose

- Factors that require group decision making
  - Involving sensitive issues
  - High-cost alternatives
  - Involving very high-risk factor
  - Strategic impact
- Situational factors for group decision making
  - Need for innovation and creativity
  - Need for data collection
  - Importance of acceptance
  - Importance of situation
  - Complex problem
  - Democratic process
  - Risk taking situation needed
  - Better understanding
  - Whole responsibility
  - Feedback required

Group Decision Making Techniques

Brainstorming

A brainstorming session is a type of group decision making that can be effective when you need to raise potential ideas and solutions.

offers a free-flowing structure to the verbal discussion and allows the whole team an opportunit to share their ideas on how to approach a particular situation.

main goal of brainstorming is to come up with as many suggestions as possible and to then decipher which idea may be the best approach

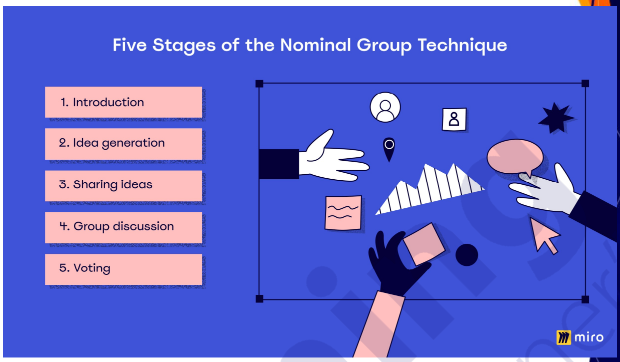
Limitations: Personality differences, individual fear o judgement

Nominal group technique

Group members usually record their ideas privately

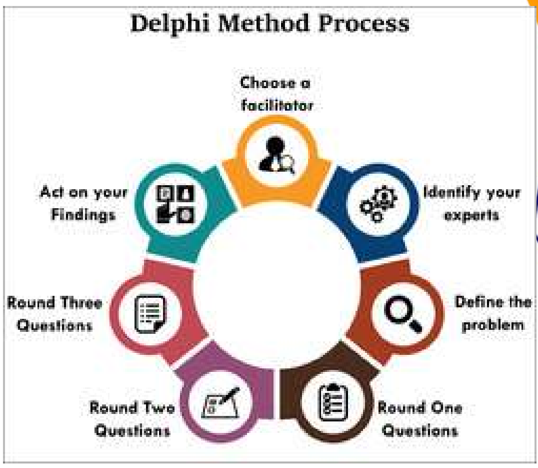
Once finishes, each group members is asked in turn to provide one item from their list and all ideas are publicly recorded on a flip chart or mark board

After all the proposals are listed group engage in discussion of those and rank in order of preference



Delphi technique

- When individuals are in different physical locations this method is used
- Developed by the Rand Corporation
- Individual are selected because of the specific knowledge or expertise of the problem they process
- In this method each group member is asked to provide ideas, inputs and alternative solutions independently
- After each stage in the process other group members ask questions and alternatives are ranked in some fashion
- Then an indefinite number of rounds, the group eventually arrives at consensus decision on the best course of action



Didactic interaction

In this methos all the alternatives are considered

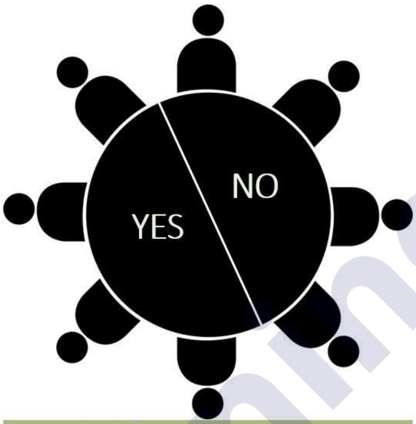
This involves dividing the group into opposing sides, which debates the advantages and disadvantages of proposed solutions and decisions

Here the one member of the group highlight the potential problems with a proposed decision

This technique is designed to try and make sure that group considers al possible complications on its decision

These are typically major decisions that will have a large impact on the way the business operates and will affect each employee as well.

Using this approach, can simplify the process of investigation, waste no time and get straight to the point, without asking for any kind of elaboration.



Didactic Interaction

Advantages and disadvantages of group decision-making

Advantages	Disadvantages
Help to combine individual strengths of the group members and hence has a set of varied skill sets applied in the decision-making process	Individual opinions can be biased or affected with preconceived notions that can hinder the process
It always means enhanced collective understanding of the course of action to be taken after the decision is taken	It is more time-consuming than the process of individual decision making
A group decision gains greater group commitment since everyone has his/her share in the decision-making process	It takes longer to be finalized since there are many opinions to be considered and valued

Information in Decision Making

Primary data from: surveys, discussions methods, questionnaire, interviews
Secondary data from: old records, publications, magazines, online data base, books

Data → Process → Information

Data:
- Unorganized
- Not contain value of its existence

Examples: Texts images, objects, facts, figures

Process:
Collect Primary and secondary data and organize in groups for in a way **to create value**

Information:
- Interpretation of group various data
- Information recorded in one place creates more value in effective decision-making
- Use to obtain knowledge and report evidences of a particular section or an item
- Information changes the point of view for a specific incident

Features of good information

- Accuracy –precise and free from error
- Relevancy –fit to the purpose for which it is required
- Completeness – contain all the details require by the user
- Reliability – from a valid and trusted sources with verifiable facts
- Accessibility – easy to obtain or access at any time to meet their needs
- Cost effective – the value of information exceeds the cost of producing it

Importance of Information in Decision Making Process

Stages of Decision making	Role of Information
Identification and structuring of problem/ opportunity	• One needs information to identify a problem and put it in a structured manner. • Without information about a problem or opportunity, the decision-making process does not even start
Analyse the problem	• Without information about the context in which the problem has occurred, one cannot take any decision on it. • In a way, information about the context defines the problem
Generation of alternatives	• Information is a key ingredient in the generation of alternatives for decision making • Mangers should engage in research in different level to generate information to recognize effective alternatives • One should have information about possible solutions to generate alternatives
Choice of best alternatives	• Based on the information about the suitability of the alternatives, a choice is made to select the best alternative • Managers should have an array of information to assess each option to the select the best out of them

Barriers to Rational Decision Making

- Inadequate information, data and knowledge
- Uncertain environment
- Limited capacity of decision-making
- Personal bias in decision making – should be impartial and favourable to the organization
- The decision cannot be fully independent
  - Managerial decisions are interlinked and interdependent
  - Managers make a bd decision based on their misleading experiences, memories, that seem like the current situation, in reality, are not contributing to more than half of flawed decisions
  - Misleading prejudgements or situations, inappropriate self-interests or personal interests creates bad decisions
- Bounded rationality
- Satisficing - refers to pursuing not the optimal course, but the first, good-enough option

- **Heuristic principle**
  A simple decision rule that allows one to make judgments without integrating all the information available
- **Hallo effect**
  Describes a decision maker's overall impression of a person, company, brand, or product, which influences their thoughts and feelings about the object's overall character or properties.
- **Stereotyping**
  Individuals being more willing to help those they read as having more positive impressions in terms of warmth and competence but indifferent towards those who give off negative impressions in these areas

Programmed and Non-programmed decisions

Programmed decisions	Non-programmed decisions
Connected with relatively routine problems. They are structured and repetitive	Concerned with unique or unusual problems. They are unstructured, non-repetitive and ill defined
Such decisions are relatively simple and have a small impact	Such decisions are relatively complex and have a long-term impact
The information related to these problems is readily available and can be processed in a predetermined manner	The information related to these problems is not readily available
It takes very little effort, as there are predetermined decision rules and procedures	They demand a high degree of executive judgement and deliberation
Taken at lower level of management	Taken at higher level in the organization
Example: in an emergency most people automatically dial 119 Create standard routine for handling technical issues, customer service	Example: If a customer enters new restaurant with the menu which is an unfamiliar language, then the customer ill make an unprogrammed decision to order something as per her guess

Personal decision framework

- Managers use his personal attributes on decision making
- Three most common models according to the personal decision framework

1. Rational /logical decision-making model

- This for focuses on facts and reasoning thoroughly examine the situations and make logical decisions
- Reliance is on the step and decision tools such as payback analysis, decision tree and research
- This is the most recommended method of decision making for those in the management position

2. Intuitive decision model

- These decision are taken according to the manager's gut feeling about the situation
- Experienced managers identify alternatives quickly without conduct systematic analysis of alternatives and their consequences

3. Predisposed decision model

Here the manager decide on a solution and then gathers material to support the decision

According to this model manager ignores critical information and faces the same decision again and again

Styles of managers
(Methods of leadership used by managers)

Directive style

- Focus on the short term and are quick to make decisions
- These type of mangers have a low-level tolerance and ambiguity and are efficient, rational and logical in their way of thinking
- Example: if there is a shortage in manpower the manager hires employees from a manpower company

Analytical style

- Very careful in decision making and are well formed and thoroughly assess their options.
- The manager usually can cope with unique and challenging situations
- Example: If the company undergoing an employee absenteeism in a high percentage, the manager analyses the employee non-retention issues and gives a solution of attendance bonus, best attendance reward, etc.

Styles of managers
(Methods of leadership used by managers)

Conceptual style

- Very broad in the approach by thinking all the alternatives
- These managers are long term oriented and capable of formulating creative solutions to problem
- Example: if the company has a high labor turn over then the manager creates a program on how to satisfy the employees and a methodology to retain employees

Behavioural style

- Open to suggestions and concerned about the achievement of the team
- These managers try to avoid conflict and place importance on the others' views as well
- Example: human resources manager of ABA company introduced a concept of employee relation function and empower the team to come up with their individual ideas to develop an employee retention methodology