Management Decision-making Overview
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Executive Summary
The survival or failure of an organization is primarily based on the quality of the management which drives the operation of the organization. Decision-making is one of the many functions of the management. However, it is a basic function that has the major contribution in the triumph or failure of the company. The manager is responsible for making decisions for moving the organization towards achieving its strategic goals. This makes the decision-making an important aspect of the planning process. Planning is an important concern of the management at it is deemed as a process that is helpful in the determination of the other key functions such as organizing, management of the human resources and control. The different techniques employed for decision-making are directly dependent on different levels of the management and the kinds of decisions that are taken at every management level. In the current fast-evolving business environment, there is a need to spend less but enough time on the decision-making process which means that decisions should not be made thoughtlessly. Each action of the management within an organization is usually a result of the decision-making process. The term ‘decide’ means coming to a resolution or a conclusion as to what the company is expected or supposed to do in the near future. Decision-making can be considered as an indispensable aspect of the manager’s life wherein innumerable decisions are made on an everyday basis for achieving the anticipated goals of a company. In the case of business undertakings, the implementation of the organizational strategies is characterized by decision-making at each step. Some of the managerial functions that are carried through with the help of the decisions are planning, staffing, organizing, directing, controlling and coordinating. Thus, decision-making forms the base of the managerial activities within an organization. This report is aimed at establishing the importance of decision-making within an organization while providing an overview of the management decision-making. The report offers an evaluation and analysis of the current and
potential impact of the strategic decision-making on the functionality of the company. The method involved in the analysis of the information involves literature review of the existing literature and research on the subject. The report aims to offer an effective model for employing precise and accurate decision-making within an organization.

The report identifies rational decision-making model as the most appropriate model for making decisions within an organization. This is because the rational model is based on the series of clearly defined and sequential activities. These activities identify the issues in an effective manner and come up with several courses of action. The model helps in recognizing the most appropriate course of action for the issue at hand and helps in its implementation. The report establishes that decision-making is not only important for the planning processes of the organization but also for upholding the nature of working and values of an organization.
Introduction
Management dates back to the 20th century and gas existed for hundreds of years. In its years of existence, management has been successful in transforming the social and economic content. The contribution of the management in the humanity development is evident from its omnipresence in everyone’s day-to-day activities. There is no organization that works in the absence of management and whether an organization would succeed or fail depends heavily on its managerial capability and quality. Management is the method of making the plan, organize, lead and control the work of the organization and organization members. Management is the fundamental factor which helps the organization to achieve its objectives and goals. According to various professional economists, management is the fundamental factor or key of production. Management has defined as the efforts of getting work done. In management, managers use the physical and human assets of the organization to attain the target. In the organization, management strives for achieving the goals and makes sure that organizational resources are being used effectively and within best interests of a society. Management is a nonstop process which aims to accomplish the given task. In the organization, managers perform various interrelated activities by using resource available in the organization in order to achieve organizational goals.

Decision making is the primary function of management. In business, management decision making refers to selecting the best way and planning to make business successful (Weihrich& Koontz, 1994). Various professionals categorize the management functions in four components. These components are planning, organization, planning, influence and control (Sikavica et al; 2008). Every individual in the organization collect the information and gather in order to make various decisions. The changes and lives of others in the organization are affected by these
decisions. An ethical part or component is involved in every decision so it becomes very important to know whether the decision made by the manager or employee is ethical or not.

The report would review the literature available on the subject of management decision-making in the coming sections. All the different aspect of the decision-making would be discussed in detail. The importance of the decision-making for the top management would be evaluated through the research. The literature review would offer an in-depth assessment of the rational decision-making model. The rational model is an iterative behavioral process which is required to be recycled again for each decision-making process. The recycling is necessary as each decision leads to actions. The most important aspect of the decision-making process is that it allows executives to address each issue or opportunity with a fresh outlook. Therefore, the executives do not have to approach the issues with a prejudiced attitude. All the decisions are based on the deep evaluation of the conditions and situation which makes it highly effective. Based on the research work, a conclusion is formed which sums up the entire business report and magnifies the highlights of the report.
**Literature Review**
Strategic decision-making can be considered as a process with the help of which the top management of an organization makes the most important and fundamental decisions. Strategic decisions are significant in relation to the action taken, the precedents set and the resources dedicated (Dean & Sharfman, 1996; Mintzberg, 2003). In addition, strategic decisions are the externally and integrated insight of how a company will attain its future goals (Porter, 2004; Kreitner & Cassidy, 2011). According to Lampel et al (1998), the strategic decision is a continuing process that ensures a competitively greater fit and balance between the changing business environment and an organization. In order to move in the positive direction of achieving the future goals and to ultimately achieve those goals, strategic decision-making can be used by the management for the identification and selection of an appropriate course of action among many courses in such a manner that it fits according to the demands of the existing conditions and situation and if an alternative and better course of action is encountered in the process, decision-making helps to identify, weigh and execute it in time (Stacey, 2007).

In the opinion of Linstead et al (2009), strategic decision-making can be considered as one of the most important organizational activities for the management, if it is not being considered as the most important company activity. Further debating on the topic, (Linstead et al., 2009) argued that the decision-making is not only about conceptualizing a set of options, decisions or choices. If used effectively, it can serve as a valuable communicative tool. According to Thompson (1997), decision-making is a technique to define an appropriate direction for a company that can be utilized by other entities for understanding the nature of working in the company which would help them to make the strategic decision such as knowing where to invest their capital. All of the major researchers and management theorists have agreed that the decision-making is one of the most important and common work roles of the executives in an organization (Finkelstein,
Hambrick & Cannella, 2009). They also argued that each day executives have to make decisions about a widespread range of topics, ranging from mundane operational decisions to the monumental business expansion decisions. For creating an optimal future trajectory for an organization, there is a need to understand the making of these decisions and how these decisions influence the functionality of the organization (Greenberg & Baron, 2002).

Top management is responsible for the strategic decision-making in an organization (Rahman & Feis, 2009). They reveal the communication between a company and its business environment so that it can be identified as to how the company manages the relationship. The strategic decisions can be both formal and informal and may be either emergent or intended. The strategic decisions are embedded in the inner context such as structural, psychological, structural, political and cultural factors. The strategic decision-making also plays an integral part in the outer context of the company such as competitive factors (Nutt, 2008). In addition, Furthermore, Butler (2002) explains that strategic decisions deal with certain concerns that are essential to the survival and the livelihood of the company. The process of the strategic decision-making involves a big proportion of the resources of the organization. Generally, the process is used to address the issues which are not usual for the company and which are not part of the routine decision-making that is usually handled by the lower level of the company (Eisenhardt & Zbaracki, 1992).

According to Dean & Sharfman (1996), these decisions are not easy to assess or define in relation to the performance of the organization. They are interrelated with the other decisions of the organization and are associated with several risks and trade-offs. They also determine precedents for the subsequent decisions. Therefore, strategic decision-making is accompanied with higher levels of uncertainties. The decisions do not offer a single best solution and once the management makes a decision, it is irreversible (Dean & Sharfman, 1996). Decision-making in
all its forms is unique which makes it a complex process and at the same time makes it extensive and hence an important subject (Butler, 2002). In the opinion of Thompson (1997), the complexity of the decisions is primarily for involving the several different events or stages before taking the final or actual decision. In spite of the high complexity and difficulty level of the decision-making process, it is certain that the managers are required to make the strategic decisions under changing constraints, pressures and circumstances (Thompson, 1997; Butler, 2002). In the case of strategic decisions, there is a need of several dramatic changes that is very different in comparison to the ordinary decisions that are taken on an everyday basis (Johanson, Scholes, Whittington, 2005; Schoemaker, 1993; Eisenhardt, 1999). It is important to mention that a decision taken in an industry might be considered strategic decision for one industry while for some other industry it might be nonstrategic or less strategic (Eisenhardt, 1999). In comparison to different areas of the objectives of decision-making, strategic decisions involve the biggest scope for the managers of the company. This is because the strategic decisions are concerned with the complications that arise due to the non-routine and abnormal situations (Kauer Waldeck & Schäffer, 2007; Baum & Wally, 2003).

**Rational Decision-making model**

A decision-making process is concerned with selecting an effective option among several alternatives in order to create the desired outcome (Dean & Sharfman, 1996; Bratton, 2007). The rational model is considered a valuable approach for decision-making as it is known to be significantly influenced by the economic theory and classical management and economic theory. It is based on a notion that upholds that the world is filled with individuals who seek the best outcomes rationally with the help of best methods that could help to accomplish them (Citroen, 2011; Kreitner & Cassidy, 2011). Making decisions or rather making correct is not an easy task
for the management to complete (Bratton, 2007). In addition, decision-making is a process that can be get easily influenced by a number of internal and external factors.

In the case of the rational decision-making process, the managers or the executives make strategic decisions on the basis of a structured process that involves careful attention to circumstances and conditions, alternative courses of action and also the ultimate aftermaths of the decision taken (Mintzberg, Raisinghani, &Théorêt, 1976; Drucker, 1967). This means that the decision-makers cannot go in with a biased opinion in relation to the subsequent decision. The rational decision-making process involves a structured approach which is characterized by the element that the decision is only reached after paying the detailed attention to the different phases that are studied and observed in an objective and rational manner (Baum & Wally, 2003; Porter & Millar, 1985). According to Kandemir&Acur (2012), there is not a universal technique with the help of which a right decision can be made. Most of the decisions are deemed to be conscious and rational.

The rational decision-making model involves seven steps that consider the overall decision-making process in order to break it into its significant essence (Citroen, 2011). It is a series of several activities in a sequential order which starts from identifying the opportunities or problems and moves to select the desired course of action and then ultimately ends with the execution of the action.
Rational decision making model

1. Identification of the problem
2. Collection of the relevant information
3. Generation of the alternatives
4. Evaluation of alternatives solutions
5. Selection of best solution
6. Implementation of selected solution
7. Evaluation of the decision

Recycling the process
Step 1: Determining the problem and opportunity

The initial or first step is about determining the issue and identifying the opportunity which clearly or simply can be approached and defined at the predicted best possible angle. The opportunity and problem are the two angles that are defined separately. A problem is defined as the difference between the actual outcome and expected or desired outcome. When there is a huge gap between actual outcome and predicted outcome then the problem is big and vice versa. On the other hand, an opportunity is a difference between current anticipations or expectations and a better situation which was rejected before or had not been considered before (Bratton, 2007; Greenberg & Baron, 2002; Linstead et al., 2009).

Step 2: Gather appropriate information

Sometimes decision requires collecting relevant or appropriate information. This step is all about the importance of collecting relevant or appropriate information in order to make the accurate or right decision which can ensure benefits of each and every individual in the organization. It is essential to identify what kind of information is required in the decision-making process. The method of finding this relevant information is also very critical point to discuss (Rahman & de Feis, 2009; Drucker, 1967; Mintzberg, Ahlstrand, & Lampel, 1998).
At the internal level, within management, some of the information is extracted through the self-assessment process and selecting the way making the decisions. In the case when the decision is intuitive and rational then rest of the information is taken from the external source or from outside links (Citroen, 2011). The most appropriate information often displays to be closest co-employees, as well as the When seeking rational information from the outside, the most relevant information often appears to be the closest co-workers, economical background and other sources (Bratton, 2007; Rahman & de Feis, 2009). For last several years, managers have been depending on the empirically based data and their own perceptions and intuitions regarding the behavior of the organization. This has helped them to get guidance for making predictions and this process is becoming increasingly complex with the ever-changing business environment (Miller, 1997; Drucker, 1967; Bratton, 2007).

**Step 3: Generate alternative solutions**

The process of gathering of the information often provides various possible alternatives or paths (Citroen, 2011). This step is all about how managers make use of information and their imagination to make new path or alternatives (Choo, 2006). This step is all about all desirable alternatives that a decision-making process can have (Mintzberg, Ahlstrand&Lampel, 1998). By evaluating the issue, situation and another aspect of conditions, supervisors or managers may have various options while making decisions, they can make decisions themselves, they can delegate this responsibility to other or they can form a team to make decisions (Drucker, 1967). Determining the appropriate way to make decisions is based on the researches which are conducted previously and these researchers help in identifying the nature of decisions which was made under distinct conditions (Bratton, 2007; Mintzberg, Ahlstrand&Lampel, 1998).
Step 4: Assess alternative solutions

It is necessary to evaluate whether the requirement or need in the initial (First) step is solved by using each alternative which was discussed earlier (Bratton, 2007; Porter, 2004). Assessing the alternative paths which were used to achieve goals is the very complex process. But it is very important and helps managers in identifying best approach in making decisions (Nutt, 1999; Citroen, 2011). This process enables managers to list the alternatives in the priority order and they can have an important list of solutions of all possible problems that can occur while making the decision. This step helps management team make a team of well qualified and skilled managers who can make decisions for the organization in order to achieve ts goals (Bratton, 2007; Porter, 2004).
Step 5: Choose the best solution.

After assessing the all the alternative and listing all the solutions, the manager is needed to select the best alternative which will be the best fit in problem resolving process (Mintzberg, Ahlstrand&Lampel, 1998; Citroen, 2011). The best alternative may be selected in the form combination of two alternatives. But it really does not matter in what form the best alternative is, what matter is how much it is perfect to resolve the issue and how much it is helping in making a strategic decision. Managers are required to choose best fir alternative solution which can ensure the zero hindrance in making the proficient strategic decision (Bratton, 2007; Kandemir&Acur, 2012).

Step 6: Implement chosen solution

This step is very important in the strategic decision-making process. The sixth step is about implementing selected solution. After the implementation, the actual result and desired result would be compared in order to evaluate the accuracy of the selected solution. It is the step where the time comes to implement and make use of chooses alternative solution. Managers are required to adopt the best tactic to implement selected solution in order to get desired result (Bratton, 2007; Citroen, 2011). In the organization, managers are the ones who are supposed to ensure that the selected solution is implemented and the problem in making decisions is resolved.
Step 7: Evaluating the decisions

This is the last step of the decision-making model. This is an essential step which decides whether the effort and the time spent in the whole process will pay off rightly or not. Once the implementation process is done, managers start evaluating the outcome. In the evaluation, they make a report and in this report, they note down both the negative and positive outcome. In this report, the managers measure the deviation of the actual outcome from the desired outcome in order to analyze how much they or their approaches were wrong or right in the decision-making process. In this final step, managers experience and analyze the outcome of the decisions. The managers assess whether the chosen decision has resolved the problem identified in the initial step or not (Drucker, 1967; Mintzberg, Ahlstrand & Lampel, 1998). In the case, if the decision has solved the need then the managers will stay with the decision for a certain period of time. They will continue the process with this solution. In case if the decision has not solved the need then managers are needed to repeat the same process from the step four which is the evaluation of alternative solution to step seventh. In this case, the managers have repeat whole strategic decision making process (Bratton, 2007).
The cultural Influence

Decision making approaches of the managers are dependent on their cultural. Managers/Supervisor with distinct cultural backgrounds approaches to selecting the different way of making the decision in comparison to those managers who are of same cultural background (Carr & Harris, 2004; Cheng, Rhodes & Lok, 2010; Khairullah & Khairullah, 2013). For example, in China, managers are very patient while taking the decision. However, they are not good in taking the decision when there is urgency. In China, there are some managers who are not bound by the time limit and without being too formal, they are asked to take the decision without any time limit (Cheng, Rhodes & Lok, 2010).

It has been said that every country has its own cultural and there is the huge difference between cultural of different countries and these cultural difference make every country management different in making decisions. The decision making process is affected by the cultural difference among countries (Carr & Harris, 2004, Martinsons & Davison, 2007).
Social culture and background of the nation are a reason of certainty in the process of taking the strategic decision (Martinsons & Davison, 2007). Managers who take decisions are also being affected by the cultural backgrounds (Khairullah & Khairullah, 2013; Olson, Bao, & Parayitam, 2007). The different norms or values, cultural background and beliefs come in front of managers while taking any decision and it affects the decisions (Kedia & Bhagat, 1988). Organization’s internal decision making jury or panel of managers take various important businesses and non-business decisions in order to achieve the organizational goal and these tactics or strategy to make decisions depend on their national background or culture. Some managers don think about the best interest of the people living in the society while taking the decision and some managers considers the individual interest while taking the decision.
Chain of command or hierarchy plays the very essential role in any organization. The significance of hierarchy is a one of the cultural aspects which affects the management. This affects the management when the team is handled by any external or foreign manager (Khairullah & Khairullah, 2013). The hierarchy is a key component in the cultural aspect (Jin & Mitra, 2009). A decision which has taken by the group of persons but without proper knowledge and information can be irrational. Organizations which operate businesses at international markets are required to aware differences in the culture. It is similar to the role of age in taking decisions as high experienced and older person are tend to be more accurate than younger on while taking decisions. The culture is the key element which enables the person to show respect to the older person. In the organization also, management requires such culture which can make people respect each other’s opinion and consider the every individual’s decision. The culture makes people consider each and every individual opinion in the organization irrespective of designation however due to the hierarchy the last decision is taken by the senior manager rather than together Manager and their subordinates (Cheng, Rhodes & Lok, 2010).

The environmental effect on decision making process

In an organization, management and decision making process are affected by environment. According to Hough & White (2003), there is the high impact of environment on decision-making process. The effects of environment on decision making process are categorized into two categories: one is internal effect and other is the external effect.

Internal environmental affects
The internal environment impacts highly on management and decision making process, when it comes to organization’s employees who take the decision at the nonstrategic level, (Khairullah & Khairullah, 2013). These employees or junior managers have less control and power and their opinions and decisions are not given importance. They have to follow their leaders even if they have more knowledge and skills than their senior manager (Khairullah & Khairullah, 2013). The internal environment is created by the organization's decision makers and they are the ones who affects he internal environment positively or negatively (Hough & White, 2003) More creative will be the internal environment the more creative would be the work and productivity or performance of the workers (Zain & Kassim, 2012). But sometimes, workers are uncreative and passive independent of the environment internally. the management who is handling these kinds of workers has less impact on the environment on decision making process. According to Rasheed, Priem & Kotulic (1995), a dynamic and fast moving internal environment results in a high rationality level.

**External environmental affects**

Mintzberg, Ahlstrand & Lampel, (1998) stated that the management and its decision making process are highly affected by environment. And, when both external and internal environments combine to gather then they affect management and decision making process at the highest level. In management, dynamic environment is fast and comprehensive and it leads to provide different approaches to take decisions (Eisenhardt, 1989 & Yang et al, 2012). In the organization, the managers are needed to make a model of hierarchy and its enables workers to develop both speed and creativity in their work (Khairullah & Khairullah, 2013). The frequent changes in the environment and dynamic nature of environment offers opportunities which can help in diminishing the requirement for ensuring the rationality in every decision.
However, some professional economists think that having a non-dynamic and stable environment is also beneficial for organization whenever there is need of taking rational decisions (Hough & White, 2003). In this type of scenario, it is easy to identify the critical variables (Hough & White, 2003).

**Decision speed**

The speed is an essential aspect of strategic decision making process. The speed plays a very important role in decision making process. It affects the result of the decision. There can be both positive and negative sides with involving the foreign team or letting an external manager into the decision making process. According to the business analysts, some managers increase the speed decision making process when the top level administration comes in the role. The involvement of the top management is critically important in the decision-making process as their involvement influences the managers to increase the speed up their work. This is because; the decisions are taken by the top level management within the organization.

Some managers are flexible with the time schedule. They easily improve their speed whenever they have to make the decision quickly. These types of managers easily find the appropriate way whenever they are required to take the decision within given time whereas there are other types of managers who often need preschedule or planning while working in a specific time frame. These kinds of managers are not flexible with the time frame. These managers take the time to adjust themselves to become familiar with given situation thus they take some time to make decisions. The speed of the managers of completing project depends on the circumstances and situations. According to the business leaders, business meetings take a long time to finish which is generally seen as the waste of resource. There is a need of speeding up the aforementioned process. Decision making process takes more time if the process starts from the lower level of
management and moves up through different channels for approval. This can prove to be fruitful in certain cases but in the case of non-standardised or rare questions or issues, it can produce negative results due to less innovation and uncertainty that results in the higher decision time.
Conclusion
Decision-making an integral part of a manager’s work profile which is required to be done as a part of their regular work. Each day, management faces new and diverse challenges that entail thinking in a strategic manner. This makes the decision-making one of the most important company activities for the management. The decision-making is a process that is described by a series of repetitive behavioral stages taking place over a period. The management is responsible for determining the appropriate direction and actions for the organization and hence required maximum attention by the managers and executives. Strategic decisions usually fall inside the operational range of the top management. The decision-making is important because of it of the scope of its impact on the productivity of the organization and its long-term consequences. The decisions taken are connected to the overall strategy of the company. Therefore, the decisions that are taken must form a constant pattern for directing and unifying the company in an effective manner. This pattern is generally known as the strategy which is a continuous flow of decisions that are aimed at aligning or matching the organizational resources with the environmental constraints and opportunities. The rational decision making process is an effective model for making strategic decisions within an organization. Most of the managers use rationality to take decisions. In the organizations, use of rationality, the management use well-structured and planned groups with the particular knowledge, external proficient input and information of the market, information about customers and objectives or target before making a decision. Rationality is the selection of the most sensible and appropriate alternative on the basis of the obtained knowledge for achieving the organizational goals. This type of rationality is usually interlinked with the technical rationality which makes it a structured and an analytical approach and the most used strategy in the management circle.
Summary
The report has discussed about the decision-making process in the management field of the organization. The literature review on the subject has shed light on the importance and the several benefits that an organization can avail with the help of an effective decision-making process. Management is an integral part of any organization and the productivity of the organizations relies heavily on the decision-making capabilities of the management. The characteristics of an effective decision-making process include rational thinking, process, selective, purposive, positive, commitment and evaluation. All these characteristics help in making the process more transparent and valuable for the organization. The rational decision-making model is based on the aforementioned characteristics which make it the best available model that can help any organizational to make decisions based on analysis and evaluation instead of prejudiced opinion.
References


