

Decision and type of decisions

Decision making is involved in every walk of life; it is relevant in organizational as well as non-organisational context. In organizational context, decisions may vary from major ones like determination of organizational objectives or deciding about major projects to specific decisions about day-to-day operations. Therefore, there are different decisions which are made by managers in the organizations.

There are different ways in which decisions may be classified. One way of classifying these decisions is to group them into routine and non-routine. In another way, these decisions are classified as programmed and non-programmed. These are further classified as strategic and tactical or operational decisions. Strategic decisions are non-programmed and non routine while tactical (also known as operational) decisions are mostly routine and programmed.

TYPES OF DECISIONS

Programmed Decision

A programmed decision, also known as structured decision, is routine and repetitive and is made within the framework of organizational policies and rules. These policies and rules are established well in advance, to solve recurring problems in the organization. For example, the problem relating to promotion of employees is solved by promoting those employees who meet promotion criteria. These criteria are established by promotion policy and the managers have just to decide which employees meet promotion criteria and the decision is made accordingly.

Programmed decisions are comparatively easier to make as these relate to the problems which are solved by considering internal organisational factors. Such decisions are made by managers at comparatively lower levels where the factors affecting decision making are static and well-structured.

Non-programmed Decision

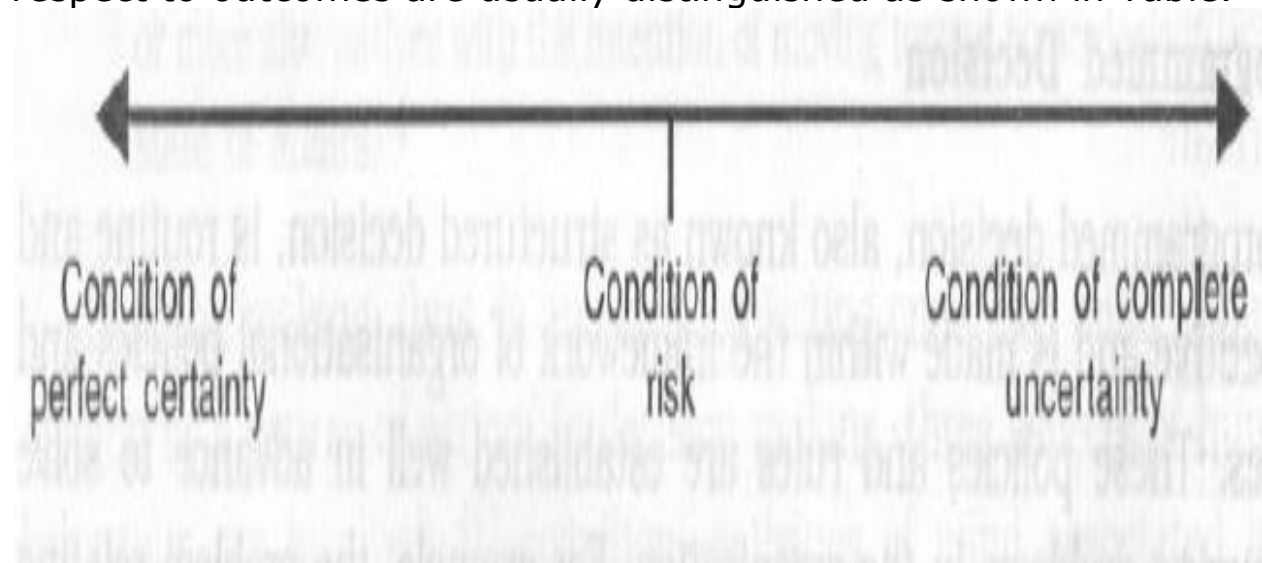
A non-programmed decision, also known as unstructured decision, is relevant for solving unique/unusual problems in which various alternatives cannot be decided in advance. For such a decision, the situation is not well-structured and the outcomes of various alternatives cannot be arranged in advance. For example, if an organisation wants to take actions for growth, it may have several alternative routes like going for a grass-route project or taking over an existing company. In each situation, the managers have to evaluate the likely outcomes of each alternative to arrive at a decision. For evaluating the likely outcomes of these alternatives, the managers have to consider various factors, many of which lie outside the organisation. A common feature of non-programmed decisions is that they are novel and nonrecurring and, therefore, readymade solutions are not available. Since these decisions are of high importance because of their long-term consequences, these are made by managers at higher levels in the organisation.

Semi-programmed decisions :

In these types of decision, at least one but not more than two of the above stages can be handled by a well-defined preset procedure. An example of such a decision is the intelligence phase, which is well-structured, having diverse kinds of variance analysis. Here a comparison with a budget is undertaken in a well-defined way to indicate the need for a decision. Subsequent stages of design and choice are, however, not handled by any set procedure.

DECISION-MAKING CONDITIONS

Decision making involves selection of an alternatives which is put into action and whose impact is known in future period. Thus, the decision maker makes the decision for future conditions. In fact, a decision is not a process of making the future decision but a means of reflecting the future in today's decision. The future conditions for a decision vary along a continuum ranging from condition of perfect certainty to condition of complete uncertainty as In each of these conditions, knowledge of outcome of the decision differs. An outcome defines what will happen if a particular alternative or course of action is chosen and implemented. Knowledge of outcome of each decision alternative is important when there are multiple alternatives and only one alternative is to be chosen. In the analysis for decision making, three types of knowledge with respect to outcomes are usually distinguished as shown in Table.



<i>Conditions</i>	<i>Nature of outcomes</i>
Certainty	Complete and accurate knowledge of the outcome of each alternative as there is only one outcome of each alternative.
Risk	Multiple outcomes for each alternative can be identified and probability of occurrence can be attached to each outcome.
Uncertainty	Multiple outcomes for each alternative can be identified but there is no knowledge of the probability to be attached to each outcome.