Managerial decision management

Profession, Manager

INTRODUCTION

Managerial decision making involves managers to choose from various alternatives and decide on how to solve organizational problems in both programmed and non programmed situations (Rue & Byars 2005). Furthermore, based on extensive research, two models which describe how managers make decisions have been identified. These are the rational and non-rational models of managerial decision making (Bartol et al. 2006). For further understanding of this topic, this essay is going to compare and contrast these two models, illustrate a non-programmed decision situation handled in an organization, as well as highlighting the decision making model that best describes the decision process involved.

DISCUSSION

Firstly, it is crucial to understand that the ability of managers to make effective decisions is the key success for any organization (Nelson & Quick 2005). Yet, however, all decisions are different whether it is a rational or non-rational decision. Some require a wide and complicated range of considerations while others are relatively simple (Rollinson 2005). Thus, in comparison to the non-rational model, the rational model is based on understanding all relevant and related information of the current situation which would then allow managers to choose the optimal solution and make the best decision after weighing other possible alternatives and considering all potential outcomes (Bartol et al. 2006). Moreover, the rational model to decision making comprises various logical steps in order to reach optimal decision making. These steps include (1) identifying the problem and the need for a decision, (2) goal formulation, (3) finding possible solutions to the problem, (4) testing the validity and effectiveness of each alternative, (5) choose the best alternative, and (6) implementing and monitoring the decision (Rue & Byars 2005; Nelson & Quick 2005).

The diagram below demonstrates the steps to rational decision making:

The Rational Decision Making Process

(Source: Nelson & Quick 2005)

To illustrate a rational decision, consider the following example: before coming to its final optimal decision of choosing the appropriate product to sell in a specific country, the organization has to do market research first and go through a rational decision making process in order to understand all the facts and see which product is suitable. Hence, basically, the rational decision making model is a decision making model in which all facts of the decision are known and understood with a systematic analysis of alternatives and their consequences (Nelson & Quick 2005).

The non-rational decision making model, on the contrary, expresses uncertainty and difficulty in reaching optimal decision making because information gathering concerning the issue or problem is hard to obtain or information is limited (Bartol et al. 2006). In other words, limited information, limited time, and limited capacity to process information are constraints to a decision maker’s complete rationality (Rollinson 2005). For example, when a major problem which requires immediate attention arises in an organization, the general manager is required to make an immediate decision to solve the problem as well. In light of the frantic situation, the manager does not have enough time to study the issue and gather relevant information. This causes the manager to make an instant decision to solve the problem, but the decision made may not be an optimal one. This exemplifies a situation in which the manager had to make a non-rational decision.

Even though, the rational and non-rational models of managerial decision making are quite different, there is one major aspect which links them together, and that aspect is the fact that it does not matter which model managers approach to come to their final decision because the main intention or purpose of the decision making is the same: all managerial decisions that are made are based on the overall interest of the organization (Rue & Byars 2005). Hence, this factor makes the rational and non-rational models comparable.

Now after having understood the similarities and differences, and the main concepts of both rational and non-rational models of managerial decision making, it is obvious that managers have many difficulties in making optimal decisions. In addition, there is another factor which causes the decision making process to be even more difficult and complicated, and that factor is a non-programmed decision situation.

A non-programmed decision is a decision that is unstructured, unclear, and risky because there is little or no earlier action or event serving as an example or guide (Rue & Byars 2005). Deciding on a new product, a new strategic alliance, a new collaboration, building a new factory, entering into a new market, and setting organizational goals for next year are all non-programmed decisions (Daft 2005; Rue & Byars 2005). As an example to illustrate a non-programmed decision situation, consider the new collaboration between Sunway University College and Lancaster University. Before this collaboration was officially established and finalized, Sunway University College was put in a non-programmed decision situation because it had to decide whether to introduce the Lancaster University curriculums in its campus or not. Representatives from Lancaster University had to make several visits to convince and ensure Sunway University College that collaborating with Lancaster University would result in good remarks for both parties. Sunway University College then had to make the risky decision (non-programmed decision). The decision was finalized when an agreement between the two universities was formally signed on the 18th of September, 2006 (Department of Psychology Lancaster University, , November 2006).

Lastly, the final objective of this essay is to highlight the decision making model that best describes the non-programmed decision situation above, and that decision making model is the rational model.

As explained above, the rational model assumes that decisions are made with full knowledge of all relevant facts. Therefore, in a non-programmed situation like in the case of the collaboration between Lancaster University and Sunway University College above, other decision making models such as the satisficing model, and the rubbish bin model would not result in optimal outcome because decision making on a collaboration between one organization and another is a major and important decision; therefore it has to be done rationally (Rue & Byars 2005). Managers could not just approach the satisficing model and settle for a solution which satisfies the minimum needs. Consequently, the rational model best suits this situation because both parties have time to evaluate and gather important information before coming to a final decision and making the agreement.

CONCLUSION

Based on the explanation above, we can come to a final conclusion that managers have to make decisions in any circumstance given. Sometimes, it is easy and less tense for managers to come to a final decision when they are placed in a programmed decision situation (decision making based on rules), or they have enough valid and credible information to make an optimal decision (rational model). However, some other times, managers might be in doubt when they have to make sole decisions without having any precedent (non-programmed decisions), or they are unable to gain enough information on possible alternatives to the problem, and thus having difficulties in making optimal decisions (non-rational model). But then again, this is the norm because the problems and situations present themselves. Managers do not have control in choosing the problems and situations. The only thing managers can do is decide on the decision making model that best utilize their skills and make effective decisions for the whole organization’s interests.

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