Rational decision making essay

Business, Management

What is Rational Decision Making

Introduction

Rational decision making is defined as a systematic approach to long term decision making. As the word rational suggests, the approach brings logic and order to decision making. Rational decision making involves six main steps to achieve the desired solution. The first step is identifying a problem or opportunity. This has to do with verifying, defining and detailing the exact problem. Everyone involved in the decision should share the same definition of the problem and only then will it be possible to propose alternative solutions.

The second step in rational decision making is to identify the decision criteria that will provide critical direction when seeking solutions to the problem. After the problem has been defined, the decision maker needs to identify an objective assessment criterion that is appropriate as far as the problem is concerned. This involves identify the most relevant approach in making the decision by bringing the decision makers points of view to an agreement.

The third step is to weigh the previously defined two criteria so as to give the correct priority in the decision. The person making the decisions rates the items listed in step 2 to identify those that need to be given the most attention.

Fourthly, possible alternatives which can serve as a solution to the problem are developed. Possible approaches that can assist in dealing with the problem are then derived by the decision makers. At this stage the alternatives are only listed and are not appraised. Then, the alternatives are rated based on each criterion. Each step should undergo critical analysis and evaluation. The merits and demerits of each preference can only become apparent when viewed in relation to the ones that are used the previous steps.

The last step is to compute the optimal decision by evaluating the chosen alternatives against those that are set and choosing the best. After doing this, those who are affected by the decisions should also commit themselves to implementing the decision. Despite the systematic approach of the rational decision making model, most managers do not follow this model. In most cases, the extent through which a manager will engage in rational decision making is determined by their competency levels, grasp of key information and level of emotional underpinning. Thus, poor decision making can lead to wastage of organizational resources. (Berret-Koehler, 2002). As managers, the truth is that we satisfy rather than maximize all of the time (Vecchio, 2006). Satisfying being the construction of simplified models that only extract the essential features from problems. The result of satisfying decisions; is that only fairly good enough solutions are found. In practice, the business environment today is fast paced and does not give room for rational decisions to be made. Rational decision making models are seen to be bureaucratic and time consuming. The other reason why the model is not relied upon is because most managers are not experts so their cognitive and imaginative skills are limited to their scope of knowledge of the subject area in which they are making decisions

The biggest barrier that exists in any company when it comes to implementing decisions is underlying policies, some decisions, however good, might be against policy or generally accepted principles. In all commercial companies, every decision has to be assessed from a financial angle, how the decision will impact revenue, cash flow and capital expenditure. Mangers are reluctant to commit to decision that may adversely affect these financial variables.

Conclusion

It is arguably evident that a rational decision making model can help us the decision makers make better decisions since it provides the decision maker with a range of alternatives to choose from.

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