QUALITY IN DECISION MAKING

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INTRODUCTION

"Macho Managers may be bad decision-makers. The urge to act drives out quality in thinking"

Helga Drummond

When King Henry II of England said of Thomas Beckett, 'Will no one rid me of this tiresome priest' he had, without realizing it, made the costliest decision of his reign. Four knights took him at his word and, without further reference to the monarch, duly murdered the archbishop (Drummond H 1991). Many practicing managers may face similar situation identifying with King Henry's subsequent anguish. Even though decision making is the key factor of management, rarely does everything ever go completely right and, quite often, things go so badly wrong. Research studies show that managers spend at least fifty per cent of their time dealing with the consequences of bad decision-making (McLaverty p. and Drummond H 1982). The valuable time of managers which should be devoted to innovation and planning is merely wasted retrieving projects which have fallen behind schedule, defending others mistakes, concealing own failures and so forth. Total quality management demands commitment to quality in all aspects of the organization. Decision-making is the most crucial aspect of management, definitely we have to think 'is it really so difficult' (Deming E 1982).

Theoretically, the process of decision-making is simple. Being presented with a problem, the decision-maker first clarifies and prioritizes his goals. He then generates as many ideas for solving the problem as possible, Options are then systematically evaluated and the one most closely matches the decision-maker is selected (Stephenson 1985).

Decision-making is a crucial part of good business. The question then is 'how is a good decision made?

One part of the answer is good information, and experience in interpreting information. Consultation ie seeking the views and expertise of other people also helps, as does the ability to admit one was wrong and change one's mind. There are also aids to decision-making, various techniques which help to make information clearer and better analyzed, and to add numerical and objective precision to decision-making (where appropriate) to reduce the amount of subjectivity.

Managers can be trained to make better decisions. They also need a supportive environment where they won't be unfairly criticized for making wrong decisions (as we all do sometimes) and will receive proper support from their colleague and superiors. A climate of criticism and fear stifles risk-taking and creativity; managers will respond by 'playing it safe' to minimize the risk of criticism which diminishes the business' effectiveness in responding to market changes. It may also mean managers spend too much time trying to pass the blame around rather than getting on with running the business.

Decision-making increasingly happens at all levels of a business. The Board of Directors may make the grand strategic decisions about investment and direction of future growth, and managers may make the more tactical decisions about how their own department may contribute most effectively to the overall business objectives. But quite ordinary employees are increasingly expected to make decisions about the conduct of their own tasks, responses to customers and improvements to business practice. This needs careful recruitment and selection, good training, and enlightened management.

Types of Business Decisions

1. **Programmed Decisions** These are standard decisions which always follow the same routine. As such, they can be written down into a series of fixed steps which anyone can follow. They could even be written as computer program.
2. **Non-Programmed Decisions.** These are non-standard and non-routine. Each decision is not quite the same as any previous decision.
3. **Strategic Decisions.** These affect the long-term direction of the business eg whether to take over Company A or Company B.
4. **Tactical Decisions.** These are medium-term decisions about how to implement strategy eg what kind of marketing to have, or how many extra staff to recruit.

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5. **Operational Decisions.** These are short-term decisions (also called administrative decisions) about how to implement the tactics eg which firm to use to make deliveries.

Figure 1: Levels of Decision-Making

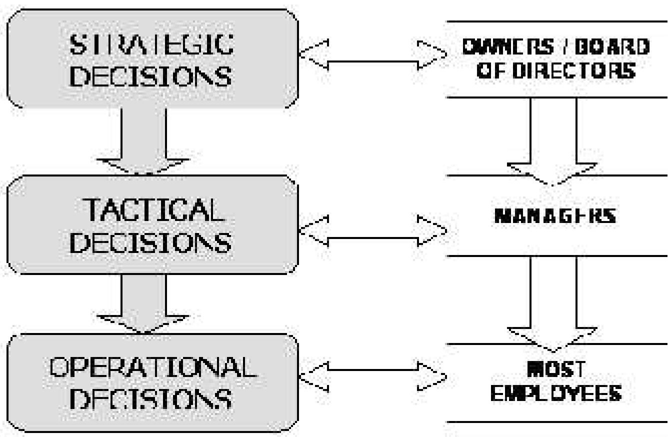
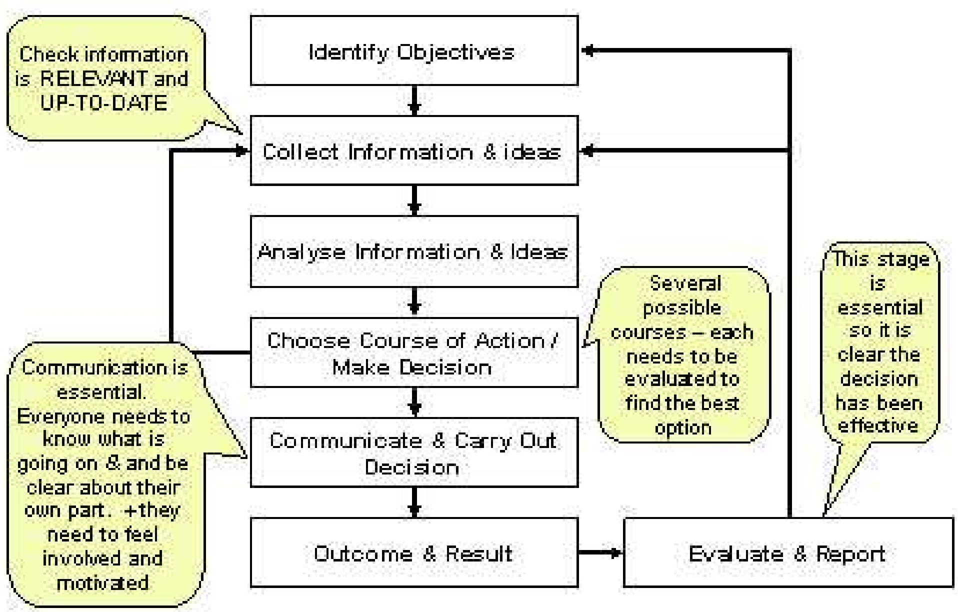


Figure 2: The Decision-Making Process



The model in Figure 2 above is a **normative model**, because it illustrates how a good decision **ought to be made**. Business Studies also uses positive models which simply aim to illustrate how decisions are, in fact, made in businesses without commenting on whether they are good or bad.

Linear programming models help to explore maximizing or minimizing constraints eg one can program a computer with information that establishes parameters for minimizing costs subject to certain situations and information about those situations.

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Spread-sheets are widely used for 'what if' simulations. A very large spread-sheet can be used to hold all the known information about, say, pricing and the effects of pricing on profits. The different pricing assumptions can be fed into the spread-sheet 'modelling' different pricing strategies. This is a lot quicker and an awful lot cheaper than actually changing prices to see what happens. On the other hand, a spread-sheet is only as good as the information put into it and no spread-sheet can fully reflect the real world. But it is very useful management information to know what might happen to profits 'what if' a skimming strategy, or a penetration strategy were used for pricing.

The computer does not take decisions; managers do. But it helps managers to have quick and reliable quantitative information about the business as it is and the business as it might be in different sets of circumstances. There is, however, a lot of research into 'expert systems' which aim to replicate the way real people (doctors, lawyers, managers, and the like) take decisions. The aim is that computers can, one day, take decisions, or at least programmed decisions (see above). For example, an expedition could carry an expert medical system on a lap-top to deal with any medical emergencies even though the nearest doctor is thousands of miles away. Already it is possible, in the US, to put a credit card into a 'hole-in-the-wall' machine and get basic legal advice about basic and standard legal problems.

CONSTRAINTS ON DECISION-MAKING

Internal Constraints

These are constraints that come from within the business itself.

- **Availability of finance.** Certain decisions will be rejected because they cost too much
- **Existing Business Policy.** It is not always practical to re-write business policy to accommodate one decision
- **People's abilities and feelings.** A decision cannot be taken if it assumes higher skills than employees actually have, or if the decision is so unpopular no-one will work properly on it.

External Constraints

These come from the business environment outside the business.

- **National & EU legislation**
- **Competitors' behaviour**, and their likely response to decisions your business makes
- **Lack of technology**
- **Economic climate**

QUALITY OF DECISION-MAKING

Some managers and businesses make better decisions than others. Good decision-making comes from:-

1. Training of managers in decision-making skills. See Developing Managers
2. Good information in the first place.
3. Management skills in analysing information and handling its shortcomings.
4. Experience and natural ability in decision-making.
5. Risk and attitudes to risk.
6. vested interests also come into it. People simply take different views on the same facts, and people also simply make mistakes. Business Thinkers -John Pierpoint Morgan & Good Management Self-Assessment. Human factors. People are people. Emotional responses come before rational responses, and it is very difficult to get people to make rational decisions about things they feel very strongly about. Rivalries

Interdependence

Businesses are highly interdependent on each other, their suppliers and their customers. Decisions are not taken in isolation. The effects of any decision will depend critically on the reactions of other groups in the market. These have to be, as far as possible, taken into account before decisions are made (Richard Bowett 2014).

Macho Managers

The biggest factor contributing to bad decision-making may well be the western image of the ideal leader. Good leaders are supposedly resolute and decisive. Such a stereotype places a high premium upon quick thinking, persistence in the face of difficulties and above all action. Although this so-called 'macho' approach to decision-making virtually grantees failure, leaders are nevertheless expected to succeed. This explains why so much managerial energy is devoted to impression management.

The emphasis on delegation as a sign of a good manager often leads to an 'over the wall' mentality when applied to decision-making. For example, if a salesman metaphorically throws the problems of delivery and warranty 'over the wall' once a contract is signed; decision-makers often abdicate responsibility for implementation with 'over the wall' statements such as 'I don't care how you do it, just do it'. The result is often a stressed and frustrated subordinate faced with ambiguous instructions, a hopelessly unrealistic time scale and inadequate resources, none of which he dares question (Hennested B 1990)

New Uses for the 80:20 Rule

The 'macho' approach to decision-making typically consists of 20 per cent thought and 80 percent action. The first step towards quality in decision-making is to reverse this ratio by insisting upon and rewarding rigorous questioning, planning and reflection. Much energy is wasted in organizations by the impulse to rush off and do something instead of pausing to ask, 'what for?' Likewise, 'macho' approaches to implementation generally involve getting 20 percent of the basic planning right and leaving the rest to chance. No organization would ever do anything if it attempted to plan 100 percent. But as John Harvey-Jones suggests, it is both realistic and sensible to get 80 percent of an idea right before proceeding to action (Harvey Jones J 1989).

CONCLUSION

'What If'

Where casual assumptions are made, decision-makers are well advised to ask themselves, 'what if'. It means confronting the possibility that assumptions may be wrong. It often involves thinking the awful and the unthinkable, refusing to be hypnotized by propaganda or paralyzed by the existence of sacred cows. Many casual assumptions are based on history. Facing 'what if' can achieve more than exposing dubious assumptions. Important though that is. One such benefit is the generation of alternatives. Possession of alternatives is a source of power because they enable decision-makers to reject bad choices (Drummond,op.cit). Research evidence indicates that poor decisions are often perpetuated simply because no other option exists (Bateman T 1983)

Quality in decision-making is not just about preventing disaster. The most fascinating thing about 'what if' projections are their capacity to turn dreams into reality. The mere act of thinking about something which might otherwise have been dismissed as impossibly ambitious starts to generate possibilities. By projecting the imagination in this way, a whimsical 'what if' suddenly turns to 'why not'.

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