



Higher Still Notes

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Higher Business Management

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Decision-Making in Business

The Role of Management

What does a Manager do?

A manager makes decisions – i.e. decides what to do when given a choice. He/she also:

- Plans (looks ahead and sets aims and strategies)
- Organises (ensures resources are in the right place at the right time)
- Commands (tells others what their responsibilities are)
- Coordinates (ensures resources are used to achieve overall aims)
- Controls (measures, evaluates and corrects work relative to plans)
- Delegates (gives responsibility for actions/decisions to others)
- Motivates (encourages others to work effectively).

What Qualities or Skills make a “Good” Manager?

- Communication skills
- Leadership skills
- Good judgement
- Initiative
- Organisational skills
- Motivation and motivational skills
- Planning skills
- Innovation
- Personal energy
- Interpersonal skills
- Maturity
- Numeracy skills
- Adaptability
- Stress-handling
- Assertiveness.

Decision-Making

What is meant by Decision-Making?

Decision-making involves making a choice between alternatives in order to get you from where you are to where you want to be.

Types of Decisions

- Strategic/policy (long-term decisions that establish aims)
- Tactical/management (short-term objectives to realise aims)
- Operational/administrative (day-to-day decisions to realise aims).

Types of Decision-Makers

- Strategic – owners or senior management team
- Tactical – senior management or divisional directors
- Operational – section managers and/or workers.

Who Needs to Know About Decisions?

- Owners
- Managers (to ensure they are carried out)
- Employees (to show relevance and ensure motivation)
- Customers (for information which may affect their buying).

Mission Statements

Mission statements are used to communicate decisions to many parties. They usually contain long-term strategic decisions, reflected as a broad statement of an organisation's aims.

Why is Decision-Making Important or Necessary?

- To address the dynamic pressures upon businesses
- To allow changing objectives to be realised
- To prevent problems arising from unaddressed pressures
- To allow management to fulfil their role effectively
- To provide a framework to direct an organisation
- To allow evaluation and changed performance (if required)

Effective Decision-Making using the Structured Decision-Making Model

Most organisations use a **decision-making model** to structure and organise their decision-making. The structure of the commonly used “PO(C)GADSCIE” model can be seen below.

- Identify the **problem**
- Identify the **objectives**
- Some models include identification of **constraints**
- **Gather** information
- **Analyse** information
- **Devise** alternatives
- **Select** one solution from the alternatives
- **Communicate** the decision
- **Implement** the decision
- **Evaluate** the effectiveness of the decision.

Other Decision-Making Models

- Decision trees
- Linear programming
- Critical path analysis.

Why is Evaluation of Decisions a Particularly Important Step in Structured Decision-Making?

Evaluation of the success of a decision made can be performed through:

- Market research
- Comparison of accounts
- Comparison of budgets
- Comparison of sales figures
- Comparison of market share
- Comparison of employee turnover
- Comparison of absenteeism
- Comparison of quality standards.

Evaluation is particularly important in effective decision-making to ensure that:

- The decision has had the desired effect
- The decision was therefore a “good” one
- Such good decision-making practice is identified
- Any decision-making problems are identified
- Problems are stopped and corrected
- Good/bad practice is used to improve other decisions.

Benefits of a Structured Decision-Making Process

- Time is taken to ensure that no snap decisions are made
- Time is taken to fully assess alternative solutions
- Innovation is enhanced due to alternative solutions being devised
- The quality of information and therefore decisions will be good.

Problems Associated with the Structured Decision-Making Process

- The length of time required for effective use may be too long.
- It is expensive and time-consuming to collect the information required.
- ICT and information “overload”
- There are internal and external constraints on alternatives
- There is a lack of creativity due to effort and cost.

Aids to the structured decision-making process

- ICT and software
- SWOT analysis (to show internal and external strengths and constraints)
- PEST analysis
- Brainstorming sessions.

What affects the quality of decisions made?

There are many decision-making constraints that will limit the decisions that can be made, and therefore the quality of these decisions. These constraints can be classified as follows:

Internal constraints

- Availability of resources (e.g. ICT, time, money, sources of information)
- Existing policies and practices
- The quality of internal information available and used
- The quantity of internal information available and used
- Training or expertise of the decision-makers
- The “human” element.

External constraints

- The quality of external information available and used
- The quantity of external information available and used
- Government and EC legislation
- The behaviour of competitors
- The economic environment that the business is currently involved in.