

DegreeLive

FOUNDATIONS FOR BUSINESS DECISIONS

BBA Semester 1 – Calicut University

MODULE 1: BASICS OF DECISION-MAKING

Meaning, Nature and Importance of Decision Making

1. Decision making is the process of selecting the best option from available alternatives.
2. Every business decision aims to solve a problem or achieve a goal.
3. Good decisions improve efficiency, profitability and growth.
4. Decision making is a continuous part of management.

Nature of Decision Making

1. Goal-oriented.
2. Involves choice among alternatives.
3. Continuous process.
4. Based on information and judgment.
5. Present decisions affect future results.

Types of Decisions

1. **Programmed Decisions:**
 - a. Routine and repetitive decisions.
 - b. Follow established rules and procedures.
 - c. Example: Reordering inventory.
2. **Non-Programmed Decisions:**
 - a. New and unique decisions.
 - b. Require analysis and judgment.
 - c. Example: Entering a new market.
3. **Strategic Decisions:**
 - a. Long-term decisions made by top management.
 - b. Affect the entire organization.
4. **Tactical Decisions:**
 - a. Medium-term decisions made by middle management.
 - b. Help implement strategies.
5. **Operational Decisions:**
 - a. Day-to-day decisions.
 - b. Usually made by lower-level managers.

Factors Affecting Decision Making

1. Availability of information.
2. Time constraints.
3. Risk and uncertainty.
4. Experience of decision maker.
5. Organizational policies.
6. Economic and environmental conditions.

Structured Decision-Making Process and Barriers

Why a Structured Process Matters

1. Reduces mistakes.
2. Improves consistency.
3. Helps evaluate alternatives properly.
4. Leads to better outcomes.

Stages in Decision Making

1. Identify the problem.
2. Collect information.
3. Generate alternatives.
4. Evaluate alternatives.
5. Select best alternative.
6. Implement decision.
7. Review results.

Barriers in Decision Making

1. **Psychological Barriers:**
 - a. Fear of failure.
 - b. Overconfidence.
 - c. Emotional bias.
2. **Structural and Organisational Barriers:**
 - a. Poor communication.
 - b. Lack of resources.
 - c. Rigid rules and procedures.
3. **Environmental Barriers:**
 - a. Market uncertainty.
 - b. Technological changes.
 - c. Government regulations.
 - d. Economic conditions.

Basic Statistical Tools

Measures of Central Tendency

Used to find the central value of data.

1. **Mean:** Arithmetic average.
2. **Median:** Middle value in an ordered series.
3. **Mode:** Value occurring most frequently.

Measures of Dispersion

Show how widely data is spread.

1. **Range:** Difference between highest and lowest value.
2. **Variance:** Average squared deviation from mean.
3. **Standard Deviation:** Measures variation around mean.

Importance

1. Helps analyse business data.
2. Supports better decisions.
3. Makes comparisons easier.

Tools and Techniques for Decision Making

Brainstorming

1. Group members freely generate ideas.
2. Encourages creativity.
3. Advantage: Large number of ideas.
4. Limitation: Can become unorganized.

Decision Tree Analysis

1. Graphical method showing possible choices and outcomes.
2. Useful for evaluating risk.

3. Advantage: Easy visualization.
4. Limitation: Complex for large decisions.

SWOT Analysis

Studies:

1. Strengths
2. Weaknesses
3. Opportunities
4. Threats
5. Advantage: Simple strategic analysis.

Pros and Cons Analysis

1. Lists advantages and disadvantages of each option.

2. Helps compare alternatives quickly.

PESTLE Analysis

Examines external factors:

1. Political
2. Economic
3. Social
4. Technological
5. Legal
6. Environmental
7. Advantage: Helps understand external environment.

MODULE 2: DECISION-MAKING MODELS

Rational Model of Decision Making

1. Assumes decision makers act logically and use complete information.
2. Focuses on selecting the best possible solution.

Process

1. Define problem.
2. Identify alternatives.
3. Evaluate alternatives.
4. Select best option.
5. Implement decision.

Importance

1. Systematic approach.
2. Reduces uncertainty.
3. Improves decision quality.

Strengths & Weaknesses

1. **Strengths:** Logical, Objective, Data-driven.
2. **Weaknesses:** Requires complete information, Time-consuming, Not always practical.

Practical Applications

1. Investment decisions.
2. Strategic planning.
3. Budget preparation.

Bounded Rationality Model

1. Proposed by Herbert Simon.
2. Recognizes that people have limited information, time and mental capacity.
3. Decision makers often choose a satisfactory option rather than the best one.

Importance

1. More realistic than the rational model.
2. Reflects actual business situations.

Strengths & Weaknesses

1. **Strengths:** Practical, Faster decisions, Suitable under uncertainty.

2. **Weaknesses:** May miss better alternatives, Decisions may not be optimal.

Applications

1. Everyday managerial decisions.
2. Time-sensitive situations.

Intuition-Based Decision Making

1. Decisions based on experience, instincts and judgment rather than detailed analysis.
2. Useful when information is limited.

Types of Intuition

1. **Expert Intuition:** Based on years of experience.
2. **Social Intuition:** Understanding people and relationships.
3. **Strategic Intuition:** Insight into future opportunities and challenges.

Strengths & Weaknesses

1. **Strengths:** Fast decisions, Useful in uncertain situations.
2. **Weaknesses:** May be biased, Difficult to justify logically.

Role of Intuition

1. Supports decision making when data is incomplete.
2. Complements analytical thinking.

Group Decision Making

1. Decisions made collectively by a group rather than an individual.
2. Combines knowledge and perspectives of multiple people.

Significance

1. Better quality decisions.
2. Greater acceptance of decisions.
3. More creativity.

Common Strategies

1. **Consensus Building:** Members agree on a common solution.
2. **Brainstorming:** Group generates ideas freely.
3. **Multi-Voting:** Members vote to identify preferred options.

Limitations

1. Time-consuming.

2. Possibility of group conflicts.

3. Groupthink may occur.

MODULE 3: BASICS OF MANAGEMENT

Management: Meaning, Nature, Functions and Roles of Manager

Management

1. Process of planning, organizing, staffing, leading and controlling resources to achieve goals.

Nature of Management

1. Goal-oriented.
2. Universal activity.
3. Continuous process.
4. Dynamic and flexible.
5. Involves decision making.

Functions of Management

1. Planning.
2. Organizing.
3. Staffing.
4. Leading.
5. Controlling.

Roles of a Manager

1. Sets goals.
2. Allocates resources.
3. Motivates employees.
4. Makes decisions.
5. Monitors performance.

Evolution of Management Thought

1. **Classical School:** Focus on efficiency and productivity. Includes Scientific Management and Administrative Management.

2. **Behavioural School:** Focus on human behaviour and employee motivation. Emphasizes teamwork and employee satisfaction.

3. **Neo-Classical School:** Extension of behavioural approach. Focuses on human relations and group behaviour.

4. **Modern School:** Views organization as a system. Emphasizes adaptability and changing environments.

Types and Levels of Management

Types of Management

1. Production Management.
2. Financial Management.
3. Human Resource Management.
4. Marketing Management.

Levels of Management

1. **Top Management:** Strategic decisions, Long-term planning.
2. **Middle Management:** Implements policies, Coordinates departments.
3. **Lower Management:** Supervises day-to-day activities.

Decision-Making Styles of Managers

1. **Autocratic Style:** Manager makes decisions alone.
2. **Participative Style:** Employees participate in decisions.
3. **Consultative Style:** Manager seeks opinions before deciding.
4. **Consensus Style:** Group reaches agreement collectively.
5. **Directive Style:** Quick decisions with clear instructions.
6. **Analytical Style:** Decisions based on data and analysis.
7. **Cognitive Style:** Focus on thinking patterns and understanding information.
8. **Behavioural Style:** Focus on people and relationships.

MODULE 4: FUNCTIONS OF MANAGEMENT

Planning and Decision Making in Management

Planning

1. Deciding future actions in advance.
2. Provides direction to the organization.

Importance

1. Reduces uncertainty.
2. Improves coordination.
3. Helps achieve objectives.

Types of Plans

1. Strategic Plans.
2. Tactical Plans.
3. Operational Plans.

Decision Making

1. Integral part of planning.
2. Helps choose the best course of action.

Organising and Leading in Management

Organising

1. Arranging resources and activities to achieve objectives.

Importance

1. Clarifies responsibilities.
2. Improves coordination.
3. Avoids duplication of work.

Organisational Structure

1. Framework showing authority and reporting relationships.

Leading

1. Influencing employees to achieve goals.

Motivation

1. Encourages employees to perform effectively.

Leadership

1. Guides and inspires employees.

Staffing in Management

Staffing

1. Process of acquiring and developing human resources.

Importance

1. Ensures right person for the right job.
2. Improves organizational performance.

Components

1. **HR Planning:** Forecasting future workforce requirements.
2. **Recruitment:** Attracting suitable candidates.
3. **Selection:** Choosing the most suitable candidate.
4. **Training and Development:** Improves employee skills and knowledge. Prepares employees for future responsibilities.

Controlling in Management

Controlling

1. Ensures actual performance matches planned performance.

Importance

1. Detects deviations.
2. Improves efficiency.
3. Supports goal achievement.

Steps in Control Process

1. Establish standards.
2. Measure performance.
3. Compare performance with standards.
4. Identify deviations.
5. Take corrective action.

Levels of Control

1. Strategic Control.
2. Tactical Control.
3. Operational Control.

Types of Control

1. **Feedforward Control:** Before activity begins.
2. **Concurrent Control:** During activity.
3. **Feedback Control:** After activity is completed.