

# Leadership Development Meeting-10 SM III 2019-2020



Photograph by Taufik Noor  
[taufiknooraditama.wordpress.com](http://taufiknooraditama.wordpress.com)

# DECISION MAKING PROCESS AND MECHANISM

Students can understand and know decision making process and mechanism

**Meeting-10 Semester-3/Odd  
Year: 2019-2020**

- Decision Making is *the selection of several alternative actions* that exist to achieve one or several goals that have been implemented (Turban, 2005).
- Basically decision making is *a form of selection of various alternative actions that might be selected*, the process of which through certain mechanisms in the hope that it will produce the best decision (Simon, 1980).

- ✓ Herbert Simon (1978) argues that the decision is a *manifestation of leadership authority* that is highly expected by subordinates, because *without decision making, all subordinates' activities become uncertain*.
- ✓ This uncertainty causes weak leadership which *can lead to organizational instability*.
- ✓ This instability is the starting point for *organizational destruction*.

- ✓ Every organization, both large and small, always faces the condition changes that are *influenced by external and internal environmental factors of the organization.*
- ✓ In dealing with developments and changes that occur, it is *necessary to make decisions quickly and accurately.*
- ✓ Decision making process that is fast and precise is done *so that the wheels of the organization and its administration can run smoothly*

- ✓ The ability of a leader in making decisions *can be improved* if he knows and understands the theories and decision-making techniques.
- ✓ By increasing the ability of leaders in making decisions it is expected to *improve the quality of decisions they make*, so that it will *improve the efficiency and effectiveness* of the organization's work.

# DECISION MAKING PROCESS AND MECHANISM

## DECISION MAKING OBJECTIVES

1. Achievement of *organizational goals* smoothly, effectively and efficiently.
2. *Solving problems for several obstacles* faced by companies/ organizations.



# **STEPS IN DECISION MAKING**

# Decision Making Steps

There are six steps in the rational decision making model quoted from **Stephen P. Robbins** (2002: 90).

## 1. Define the problem

- Many bad decisions start with *the carelessness of a decision maker* in assessing a problem or misidentifying a problem.
- A problem arises when there is *a mismatch between reality and desired conditions*.

## 2. Identify decision criteria

This is needed in solving problems. In this step, the decision maker is *determining what is relevant in decision making*

## Decision Making Steps (cont')

### 3. Weigh the criteria

*Give the right priority in decisions* because the criteria identified do not always have the same weight.

### 4. Produce alternatives

Once alternatives have been produced, decision makers must *critically analyze and evaluate* each of these alternatives.

### 5. Assess all alternatives on each criterion

The *strengths and weaknesses* of each alternative are taken into consideration *after the alternatives are compared with the criteria* and weighed as specified in the second and third steps above.

### 6. Calculating the optimal decision

This is done by evaluating each alternative to the criteria that have been considered and *choosing the alternative with the highest score*.

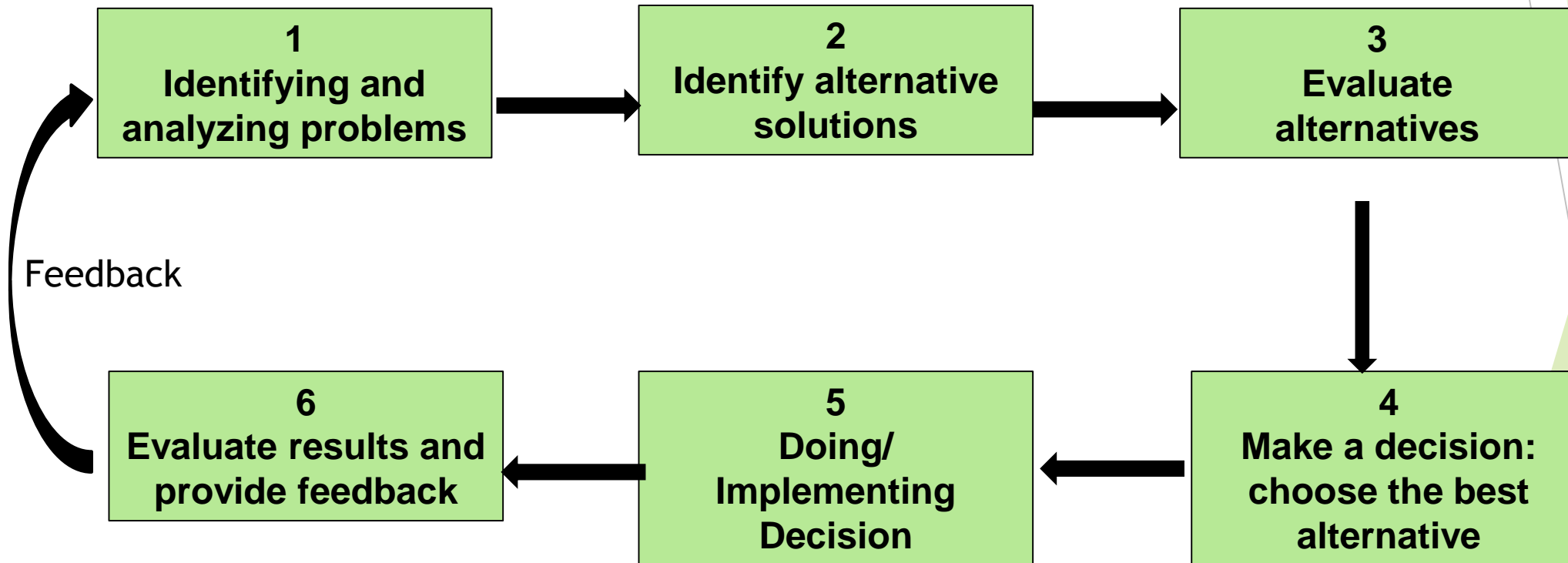
# **DECISION MAKING PROCESS**

# Decision Making Process

(Wirawan: 2014: 652)

- a. Identifying and analyzing problems
- b. Identify alternative solutions
- c. Evaluate alternatives
- d. Make decision
- e. Carry out the decision
- f. Evaluate results and provide feedback

# DECISION MAKING MODEL



## A. Identifying and Analyzing Problems

### Types of problems:

- 1) Structured problems → have ever happened before
- 2) **Unstructured problems** → have never happened
- 3) Critical problems → require an immediate decision
- 4) **Non-critical problems** → ordinary decisions without time pressure
- 5) Problems have an opportunity → if decision is good, it will have *a positive effect/ profit*
- 6) Problems are risky → if the decision is not good, cause *negative effects/ losses*

## Phase Identifying and Analyzing Problems (Cont.)

### Steps:

1. **Identifying and recognizing problems** → Collecting data on changes in performance or changes in the external and internal environment
2. **Define the problem operationally** → dimensions and indicators, so they can be measured (quantity and quality)
3. **Diagnose the situation** → Factors, elements causing the problem



## B. Identifying Alternatives Solution

- Identify *various alternative solutions*
- In this cycle, *only collecting alternatives without judging*
- Alternative solutions → the forms can be *past experiences, creativity, and new innovations*

## C. Evaluating Alternatives

### Activity:

- Determine alternative selection criteria → to get the best alternative with criteria: organizational goals, required resources (man, money, material, machine, method and time), feasibility, effectiveness and efficiency
- Evaluate alternatives by critical selection → Each alternative evaluates its advantages and disadvantages

## D. Make a Decision

- Nature of risk → big risk gives a large return value, and small risk gives a small return value
- Leaders take risks by calculating *risk reward trade offs* → because profits follow the risk of each alternative
- The leader chooses *the best alternative* → high profit value and low risk
- The *courage of the leader to take risks* (risk propensity) is crucial
- In deciding the leader should *include followers*

## e. Implementing Decision

- Followers carry out *high commitment* (because they also decide)
- The leader *minimizes the negative side effects of decisions* (ex: employee complaints, etc.)
- *Describe the activity* plan, *implement* the plan, and *control* its implementation

## F. Evaluate results and provide feedback

- *Assessing* whether the implementation is as expected
- *Make corrections* if needed
- Maybe there is possibility that *at the beginning of the problem is not precisely defined*
- Maybe the *alternative chosen isn't right*
- If needed, you can make *a new decision* (repeat)

## Some Factors to Consider In Deciding:

1. **Critical thinking** → realistic, clear, logical, and analytical
2. **When making decisions** → not too late and too fast
3. **Conditions when making decisions** → distinguished the uncertainty and certainty conditions
4. **Limitations/ constraints** → resources, laws, regulations, policies and procedures
5. **Dependence on other parties** → board of commissioners, shareholders, etc.
6. **Expertise and experience** → if it is lacking, help is also needed from: *consultants, advisors, and people around* (inner circles)

# **STAGE OF DECISION MAKING PROCESS**

## **STAGE OF DECISION MAKING PROCESS**

Decision making involves four interrelated and sequential stages (Simon, 1980).

The four processes are:

- 1) Intelligence
- 2) Design
- 3) Choice
- 4) Implementation



# STAGE OF DECISION MAKING PROCESS

## 1) Intelligence

This stage is the process of tracing and detecting *the scope of the problem* and the process of *problem recognition*. Input data are obtained, processed, and tested in order to identify problems.

## 2) Design

This stage is the process of finding, developing, and analyzing *alternative actions that can be taken*. This stage includes the process of understanding the problem, deriving the solution, and testing the feasibility of the solution

### 3) Choice

At this stage a selection process is carried out among various alternative actions that might be carried out. This stage includes finding, evaluating, and recommending *solutions that are appropriate for the model that has been made*. The solution of the model is a specific value for the outcome variable in the chosen alternative.

### 4) Implementation

The implementation phase is the *implementation phase of the decisions that have been taken*. At this stage it is necessary to arrange a series of planned actions, so that the results of decisions can be monitored and adjusted if necessary improvements.

## DECISION IN MANAGEMENT STAGE

Decision making is needed at all stages of the organization's activities and management of the company (*the planning stage, the implementation stage, and the controlling stage*).

- 1) In the planning stage many decision-making activities are needed throughout the planning process.
  - ✓ Decisions made in the planning process are aimed at *selecting alternative programs and their priorities*.
  - ✓ In making these decisions include the *identification of problems, the formulation of problems, and the selection of alternative decisions based on calculations and analysis of various impacts that may arise*.

- 2) The implementation or operational stage in an organization, leaders/ managers must *make many routine decisions in order to control the business* in accordance with the plans and conditions in force.
- 3) The controlling phase which includes *monitoring, checking and evaluating the results* of the implementation is carried out to evaluate the implementation of the decision making that has been carried out.

# **DECISION MAKING MECHANISM**

## DECISION MAKING MECHANISM

Every decision taken is a manifestation of the policy outlined. Therefore, the analysis of the decision making process is essentially the same as the analysis of the policy process.

The decision making process mechanism includes:

### 1. Identify the problem

In this case *the leader is expected to be able to identify the problems* that exist in an organization.

## 2. Data collection and analysis

Leaders are expected *to collect and analyze data* that can help solve existing problems.

## 3. Making policy alternatives

- ✓ After the problem is detailed and arranged properly, it is necessary to think the *ways to solve it*.
- ✓ This solution must always be *included alternatives and their consequences, both positive and negative*.
- ✓ For estimation, *adequate information and a good estimation method are needed*.

#### 4. **Estimated in the sense of Projection**

Estimates that lead *to trends from data* that has been collected and arranged chronologically.

#### 5. **Estimates in the sense of prediction**

Estimates are carried out using a *causal analysis*.

#### 6. **Estimates based on the power of intuition (feeling)**

Intuition here is *subjective*, meaning that it depends on one's ability to process feelings.



## 7. Selection of one of the best alternatives

- ✓ The selection of an alternative that is considered *most appropriate to solve a particular problem* is made *on the basis of careful consideration or recommendation*.
- ✓ In the selection of an alternative usually *takes a long time*, because this determines the alternative used will succeed or vice versa.

## 8. Implementation of the decision

- In implementing the decision means a leader must be *able to receive positive or negative impacts*.
- When receiving negative impacts, leaders must *also have other alternatives*

## 9. Monitoring and evaluating the results of implementation

- After the decision is carried out, the leader should be able to *measure the impact of the decision made*

## DECISION MAKING PROCESS AND MECHANISM

### CONCLUSION:

- 1) Decision making is *an intentional (conscious) action*, not accidental and should not be hurry-scurry (arbitrary) in order to solve the problems faced by an organization.
- 2) This decision-making is *borne (guaranteed) and decided* by the leader of the organization concerned
- 3) To produce a good decision that is *needed complete information about the problem, the core problem, problem solving, and the consequences of decisions taken*

## CONCLUSION (cont’):

- ✓ Solving problems requires *the formulation of the problem properly*.
- ✓ *Alternatives to problem decisions* are made that are accompanied by positive and negative consequences.
- ✓ If all of these things can be *defined and identified precisely*, the problem will be easier to solve

