Decision making and stakeholders

Decision making lies at the heart of business activity. Typical decisions include:

* what to produce, and how
* how much to produce, and what selling techniques to employ.
* where to locate
* who to employ and how many
* whether to develop new lines or stick to existing ones.

Businesses are decision making units made up of a variety of decision makers e.g. directors, managers, and employees.

Most classifications of types of decisions are based on the predictability of decisions.

Programmed decisions are straightforward, repetitive and routine. They can be dealt with by creating routines and procedures such as stock ordering systems.

Other decisions are more varied and unstructured. Clear cut systems for making these decisions may not have been developed.

It is possible to contrast decision making according to the time available to make the decision:

1. Short term operational decisions have to be frequently made and relate to the management and supervision of activities, such as the ordering of new stock, the creation of a production schedule, organising a work rota etc.

2. Periodic control decisions are made less frequently. They involve making decisions to keep the organisation on track. The include decisions about taking actions when there are budget variances, or production is falling behind schedule.

3. Strategic decisions are the long term plans of the organisation. These decisions are taken by senior managers, but with some consultation of lower levels within the organisation.

An operational decision made by ground staff of an airline might be the organisation of seating patterns and organisation of vegetarian meals.
A periodic control decision might be one which involves altering security arrangements in the light of terrorist threats.

Strategic decisions might include whether to invest in new aircraft and which routes to fly.