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**Question No # 1**

**(A)**

**How would you define decision making? Write its types in detail?**

**Define Decision Making**

Decision making can refer either to a specific act or to a general process. Decision making is the act of choosing one alternative from among set o alternatives. The decision-making process, however, is much more than this. One step of the process, for example, is that the person making the decision must recognize that a decision is necessary and identify the set of feasible alternatives before selecting one. Define Decision making and types of decisions.

Hence, the decision making process includes recognizing and defining the nature of a decision situation, identifying alternatives, choosing the “best” alternative and putting it into practice.

**Types of Decisions**

Managers must make many different types of decisions. In general, however, most decisions fall into one of two categories:

**Programmed decision & Non-programmed decision**

**Programmed Decision**

A programmed decision is one that is fairly structured or recurs with some frequency (or both).

**Example:**

>> suppose a manager of the distribution center knows from experience that she needs to keep a thirty-day supply of a particular item on hand. She can then establish a system whereby the appropriate quantity is automatically reordered whenever the inventory drops below the thirty-day requirement. Likewise, the

**Non-Programmed Decision**

Non-programmed decisions, on the other hand, are relatively unstructured and occur much less often.

**Example:**

Consider GE’s decision to exchange businesses with Thomson and BMW’s decision to build a new plant: no business makes decisions like those on a regular basis. Mangers faced with such decisions must treat each one as unique, investing enormous amounts of time, energy, and resources into exploring the situation from all perspectives.

Intuition and experience are major factors in non-programmed decisions. Most of the decisions made by top managers involving strategy (including mergers, acquisitions, and takeovers) and organization design are non-programmed. So are decisions about new facilities, new products, labor contracts, and legal issues.

**(B)**

**Explain different conditions of decision making?**

**Decision Making Conditions**

Everyday a manager has to make hundreds of decisions in the organization. There are different conditions in which decisions are made. Managers sometimes have an almost perfect understanding of conditions surrounding a decision, but in other situations they may have little information about those conditions. At the same time, the decision taken by the managers at present will also have an effect on future. For this purpose, the decision-making process involves the visualization of the conditions that may be present in future.

So, the decision maker must know the conditions under which decisions are to be made. Generally, the decision maker makes decision under the condition of certainty, risk and uncertainty. There are three conditions that managers may face as they make decisions. They are **(1) Certainty, (2) Risk, and (3) Uncertainty.**

**Certainty**

When the certainty conditions are present, it can be reasonably expected by the managers what is going to happen when a particular decision has been taken by them. Certainty is a condition under which the manager is well informed about possible alternatives and their outcomes. There is only one outcome for each choice. When the outcomes are known and their consequences are certain, the problem of decision is to compute the optimum outcome. Similarly, if there are more than one alternative they are evaluated by conducting cost studies of each alternative and then choosing the one which optimizes the utility of the resources. The condition of certainty exists in case of routine decisions such as allocation of resources for production, payment of wages and salary etc. There is a little ambiguity and relatively low chance of making and impractical decision. In these situations, the managers use a deterministic model, and it is assumed that all the factors are exact and there is no role for chance.

**Risk**

In a risk situation, although the factual information may be present but it can be insufficient. Mostly the managers have to take business decisions under risk situations. A more decision making condition is a state of risk. In such a condition, managers have knowledge about alternative course of actions but outcomes are associated with probability estimates. It is more difficult to predict future conditions without full information, so the outcome of an alternative cannot be accurately determined. Therefore, managers can guess the probable outcome on the basis of their experience, research and other available information. They can choose an alternative with highest expected outcome. However, such decisions are largely subjective as no decision criteria are fully reliable. Decision making under conditions of risk is accompanied by moderate ambiguity and chances of an impractical decision. On the other hand, the managers may also use subjective probability that is based on their experience and judgment. For this purpose, several tools are available to the managers that can help in taking decisions under risk conditions.

**Uncertainty**

In case of uncertainty conditions, very little information is available to the managers and the managers are not sure regarding the reliability of such information. A state of uncertainty occurs when managers are unaware of the problem they face. They do not know all the alternatives, the risk associated with them or the likely consequences of each alternative. This uncertainty arises from the complexity and dynamism of contemporary organization and their environments. Managers have limited information to calculate the degree of risk, so statistical analysis is not possible. The condition of uncertainty arises when the organization introduces a new or innovative product or service, adopts new technology, selects new advertising program etc. To make effective decision in uncertain conditions, managers must acquire as much relevant information as possible and approach the situation from a logical and rational perspective. Intuition, judgment and experience always play major roles in the decision making process. However, decision under uncertainty is the most ambiguous for managers and there is more possibility of error. However, there are certain techniques that can be used by the managers for making a better decision under uncertainty conditions. For example, they may use decision trees, risk analysis and preference theory for making the right decisions in uncertainty conditions.

Hence, In conclusion, we can say that greater the amount of reliable information, the more likely the manager will make a good decision. Hence, manager should make sure that the right information is available at the right time.

**Question No # 2**

**(A)**

**What are the foundations of strategic competitiveness?**

**Strategic Competitiveness**

**Basic concepts of strategy:**

* Competitive advantage—operating in a successful way that is difficult for competitors to imitate.
* Sustainable competitive advantage—consistently dealing with market and environmental forces better than competitors.
* Strategy— a comprehensive action plan providing long-term direction and guiding resource utilization to accomplish organizational goals with sustainable competitive advantage.
* Strategic intent—focusing all organizational energies on a unifying and compelling goal.
* Strategic management—the process of formulating and implementing strategies to accomplish long-term goals and sustain competitive advantage.

**Strategic management goals**

* Formulate and implement strategies that yield long-term, sustainable competitive advantage.
* Create above-average returns for investors.Earning above-average returns depends in part on the organization’s environment.

**Environments and competitive advantage**

**Monopoly** Only one player and no competition Creates absolute competitive advantage

**Oligopoly** Few players not directly competing against each other Long-term competitive advantage in defined market segment.**Hyper competition**Several players directly competing against each otherAny competitive advantage is only temporary

* **Strategy formulation**
* The process of creating strategy.
* Involves assessing existing strategies, organization, and environment to develop new strategies and strategic plans capable of delivering future competitive advantage.
* **Strategy implementation**
* The process of allocating resources and putting strategies into action.
* All organizational and management systems must be mobilized to support the accomplishment of strategies
* **Essential tasks for strategy implementation**
* Identify organizational mission and objectives.
* Assess current performance vis-à-vis mission and objectives.
* Create strategic plans to accomplish purpose and objectives.
* Implement the strategic plans
* Evaluate results; change strategic plans and/or implementation processes as necessary.

**How are strategy formulated**

1. **Opportunities for achieving sustainable competitive advantage:**

* Cost and quality
* Knowledge and speed
* Barriers to entry
* Financial resources

1. **Business-level strategy formulation**

* Focus on finding ways to do a better job of attracting customers within a given business or industry.
* Helpful planning tools in formulating business-level strategies: Porter’s generic strategies Product life cycle

1. **Porter’s generic strategies model**

* Business-level strategic decisions are driven by: Competitive scope Source of competitive advantage
* Competitive scope and source of competitive advantage combine to generate four generic strategies.
* **Product life cycle**
* A series of stages that a product or service goes through during the life of its marketability.
* Stages of the life cycle: Introduction Growth Maturity Decline
* **Product life cycle**
* Introduction and growth stages Use differentiation and prospector strategies
* Maturity stage Use focus and/or cost leadership strategies
* Decline stageUse defender or analyzer strategies
* **Corporate-level strategy formulation**
* Key issue is the selection and refinement of the organization’s mix of businesses.
* Approaches to formulating business-level strategies: Portfolio planning Adaptive strategies
* **Portfolio planning approach**
* Designed to help managers decide on investing scarce organizational resources among competing business opportunities.
* Useful for multibusiness or multiproduct situations.
* **Adaptive strategies**
* Miles and Snow model
* Organizations should pursue product/market strategies that are congruent with their external environments.
* **Types of adaptive strategies:**
* Prospector strategy Appropriate in dynamic, high-potential environments
* Defender strategy Appropriate in stable or declining environments
* Analyzer strategyFollowing leading competitors in high-potential environments
* Reactor strategyFollowing competitors as a last resort regardless of environment

**(B)**

**Strategy Formulation**

**Definition**

Strategy Formulation is an analytical process of selection of the best suitable course of action to meet the organizational objectives and vision. It is one of the steps of the strategic management process. The strategic plan allows an organization to examine its resources, provides a financial plan and establishes the most appropriate action plan for increasing profits.

It is examined through SWOT analysis. SWOT is an acronym for strength, weakness, opportunity and threat. The strategic plan should be informed to all the employees so that they know the company’s objectives, mission and vision. It provides direction and focus to the employees.

**Steps of Strategy Formulation**

The steps of strategy formulation include the following:



1. **Establishing Organizational Objectives:**

This involves establishing long-term goals of an organization. Strategic decisions can be taken once the organizational objectives are determined.

1. **Analysis of Organizational Environment:**

This involves SWOT analysis, meaning identifying the company’s strengths and weaknesses and keeping vigilance over competitors’ actions to understand opportunities and threats.

Strengths and weaknesses are internal factors which the company has control over. Opportunities and threats, on the other hand, are external factors over which the company has no control. A successful organization builds on its strengths, overcomes its weakness, identifies new opportunities and protects against external threats.

1. **Forming quantitative goals:**

Defining targets so as to meet the company’s short-term and long-term objectives. Example, 30% increase in revenue this year of a company.

1. **Objectives in context with divisional plans:**

This involves setting up targets for every department so that they work in coherence with the organization as a whole.

1. **Performance Analysis:**

This is done to estimate the degree of variation between the actual and the standard performance of an organization.

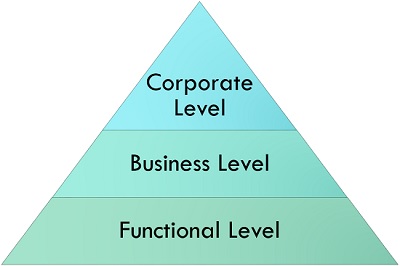
1. **Selection of Strategy:**

This is the final step of strategy formulation. It involves evaluation of the alternatives and selection of the best strategy amongst them to be the strategy of the organization.

Strategy formulation process is an integral part of strategic management, as it helps in framing effective strategies for the organization, to survive and grow in the dynamic business environment.

**Levels of strategy formulation**

There are three levels of strategy formulation used in an organization:



* **Corporate level strategy:**

This level outlines what you want to achieve: growth, stability, acquisition or retrenchment. It focuses on what business you are going to enter the market.

* **Business level strategy:**

This level answers the question of how you are going to compete. It plays a role in those organization which have smaller units of business and each is considered as the strategic business unit (SBU).

* **Functional level strategy:**

This level concentrates on how an organization is going to grow. It defines daily actions including allocation of resources to deliver corporate and business level strategies.

Hence, all organisations have competitors, and it is the strategy that enables one business to become more successful and established than the other

**Question No # 3**

**What is Job Designing? Write about Job specialization with examples?**

**Definition:**

Job specialization is a process where individuals or employees develop specific skills and expertise to perform certain activities. It involves training the person to excel in a given set of tasks.

**About Job Specialization**

Assembly lines are an example of job specialization environments. Since productive activities are reduced to very simple tasks performed by various individuals throughout the whole system. These workers are very specialized in what they do since they only do one task. On the other hand, job specialization can also happen in other organizational and academic environments. Individuals can choose certain academic paths that will lead them to be specialists at their specific field.

Organizations can also train its employees to take control over certain unique activities such as digital marketing, social media or human resources recruitment. This will cause the person to specialize in that particular tasks, but it will also create a highly inflexible work situation since it will be difficult to shift his career path after some years have passed.

This is perhaps the most important disadvantage of job specialization, since workers can have a hard time to either change their field of expertise easily or to obtain a new job if the demand for their expertise starts to decrease or the job itself becomes obsolete because of new technologies.

**Example**

Marcus is a mechanical engineer working for a big automobile manufacturer based in Detroit. Marcus has 10 years of experience working in the development of engine technologies and maintenance and the company has invested a lot of money into his training, raising Marcus to be an expert in this particular field. Recently, Marcus started to develop interest in finance and he has been trying to apply for a position inside the company at the Finance Department.

Since his training and academic background is not related to this field at all, Marcus is having a difficult time to shift. A career advisor told him that in order to make this radical change he will need to earn an academic degree in that field and start working his way up in the corporate ladder from scratch.

**Question No # 4**

**Explain how organizational cultures are created and how they can help companies be successful?**

**Organizational Cultures**

A primary source of organizational culture is the company founder. For example, Thomas J. Watson (IBM), Sam Walton (Wal-Mart), Bill Gates (Microsoft), and Frederick Maytag (Maytag) created organizations in their images that they imprint with their beliefs, attitudes, and values.

When the founders are gone, the organizational culture is sustained through stories and heroes. Organizational stories make sense of organizational events and changes and emphasize culturally consistent assumptions, decisions, and actions. For example stories abound at Wal-Mart about the thriftiness of Sam Walton.

Second, organizational culture is sustained by recognizing and celebration heroes, admired for their qualities and achievements.

Preliminary research shows that organizational culture is related to organizational success. Cultures based on adaptability, involvement, a clear mission, and consistency can help companies achieve higher sales growth, return on assets, profits, quality, and employee satisfaction.

Adaptability is the ability to notice and respond to changes in the organization’s environment.

In cultures that promote higher levels of employee involvement in decision making, employees feel a greater sense of ownership and responsibility.

A company’s vision is its purpose or reason for existing. In organizational cultures in which there is a clear organizational vision, the organization’s strategic purpose and direction are apparent to everyone in the company. And, when managers are uncertain about their business environments, the vision helps guide the discussions, decisions, and behavior of the people in the company.

Finally, in consistent organizational cultures, the company actively defines and teaches organizational values, beliefs, and attitudes. Consistent organizational cultures are also called strong cultures, because the core beliefs are widely shared and strongly held.

**Changing Organizational Cultures**

**Behavioral addition**

-is the process of having managers and employees perform a new behavior.**Behavioral substitution**

**-** is having managers and employees perform a new behavior in place of another behavior.**Change visible artifacts**  -such as the office design and layout, company dress codes, etc.

One way of changing a corporate culture is to use behavioral addition or behavioral substitution to establish new patterns of behavior among managers and employees.

Behavioral addition is the process of having managers and employees perform a new behavior, while behavioral substitution is having managers and employees perform a new behavior in place of another behavior. The key in both instances is to choose behaviors that are central to and symbolic of the old culture you’re changing and the new culture that you want to create.

The second way in which managers can begin to change corporate culture is to change visible artifacts of their old culture such as the office design and layout, company dress codes, and who benefits (or doesn’t) from company benefits and perks like stock options, personal parking spaces, or the private company dining room.

Corporate cultures are very difficult to change. Consequently, there is no guarantee that behavioral substitution, behavioral addition, or changing visible cultural artifacts will change a company’s organizational culture. However, these methods are some of the best tools that managers have for changing culture because they send the clear message to managers and employees that the accepted way of doing things has changed.

**The End**