MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-2

PART-XIX

IMPORTANCE OF DECISION-MAKING

Management is essential a process of decision-making and managers at various levels are mainly concerned with decision-making. In words of Allen, decision-making is "the work, a manager performs to arrive at conclusions and judgements". Without decision, the functions of management can not take place and the entire process of management can not exist. In this context, Melvin T. Copeland says that "administration essentially is a decision process and authority is responsible for making decisions and for ascertaining that the decisions made are carried out. In business, whether the enterprise be large or small, changes in conditions occur; shifts in personnel take place, unforeseen contingencies arise. Moreover, just to get wheels started and to keep them turning, decisions must be made."

Decision-making is an important aspect of planning. Without decisions, nothing can be done for performance various functions as management like planning organising, direction, control, etc., decisions must be made.

The Role of Management Information Systems in Decision-making

You can make valid decisions if you have high-quality information. Management information systems can help you make valid decisions by providing accurate and up-to-date information and performing analytic functions. You have to make sure the management information system you choose can work with the information formats available in your company and has the features you need. Suitable management information systems can structure the basic data available from your company operations and records into reports to present you with guidance for your decisions.

Information

When you base your decisions on data available from management information systems, they reflect information that comes from the operations of your company. Management information systems take data generated by the working level and organize it into useful formats. Management information systems typically contain sales figures, expenses, investments and workforce data. If you need to know how much profit your company has made each year for the past five years to make a decision, management information systems can provide accurate reports giving you that information.

Scenarios

The capability to run scenarios is a key decision-making tool. Some management information systems have this feature built in, while others can provide the information required for running scenario. So, on other applications, such as spreadsheets. Your decision is influenced by what happens if you decide a certain way What-if scenarios show you how different variables change when you make a decision. You can enter reduced staff levels or increased promotion budgets and see what happens to revenue, expenses and profit for different levels of cuts or increases. Management information systems play a critical role in making realistic scenarios possible.

Projections

Any decisions you make result in changes in the projected company results and may require modifications to your business strategy and overall goals. Management information systems either have trend analysis built in or can provide information that lets you carry out such an analysis. Typical business strategies include projections for all fundamental operating results. A trend analysis allows you to show what these results would be in the current situation and how they will change once you have implemented the decisions you have taken. The new values form the basis of your strategic approach going forward.

Implementation

While you make your decisions with specific goals in mind and have the documentation from management information systems and trend analysis to support your expectations, you have to track company results to make sure they develop as

planned. Management information systems give you the data you need to determine whether your decisions have had the desired effect, or whether you have to take corrective action to reach your goals. If specific results are not on track, you can use management information systems to evaluate the situation and decide to take additional measures if necessary.