

MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-2

PART-XV

PRINCIPLES OF DECISION-MAKING

Different experts have laid down certain principles of decision-making on the basis of their experience and study. The managers can take appropriate decisions on under: of these principles. Some important principles are as

- 1. Principle of Human Behaviour:** Under this principle, human behaviour is to be forecasted. In ordinary circumstances a man always does good behaviour. Human behaviour should be forecasted on facts yet the circumstances should be brought to mind while forecasting. We can easily forecast the reaction of an employee terminated recently toward other employees and officials.
- 2. Principle of Maximum Profit:** The first and foremost objective of each business is to earn profit. The alternatives should, therefore, be taken properly to mind before making any decision and finally, the decisions ensuring maximum profit to the organisation should be made.

- 3. Principle of Definition:** A logical decision can be made only if the real problem is defined with minute attention. Too often time and effort are wasted due to the manager's inability to pin-point what the problem is or the objective. Indeed, it would be no exaggeration to suggest that a problem well defined is half solved.
- 4. Principle of Evidence:** Decisions should not be taken hastily. It must be based on evidence, meaning that adequate facts must be there to back the judgement. When the facts underlying a problem are collected and care is taken to analyse the situation the basic work in decision-making is done.
- 5. Principle of Identity:** From a different perspective the same object usually appears to be different to different people. Not only that, the relative importance of the same fact differs from year to year.
- 6. Principles of Self:** Interest according to this principle, a decision should not adversely affect the personal interests of any person working in the organisation. This alone can ensure their co-operation. For example, while deciding incentives the employees who prefer monetary or non-monetary incentives should be kept in mind. Only on this basis incentives should be decided for them.
- 7. Principle of Motivation:** The employee's choice and efficiency in the functions proposed should be given proper thought while in the process of decision-making. It will only be possible when the decision made could motivate the employees for working with full efficiency.

8. Principle of Time: Appropriate decision at appropriate time is the key of successful business. The persons unable to decide at right time, repent later on. Opportunity is spoiled if not decided at right time and the business is denied of profits.

9. Principle of Dynamism: Change is the law of nature. The changes have taking place in social, economic and political fields must be kept in mind at the time of decision-making. Innovative technical changes are taking place daily in this scientific age. These changes are to be kept in mind while making any decision.

10. Principle of Changing Environment: Business decisions are affected by internal and external environment. It is important to anticipate future changes likely to take place in both these cases. If it is not done there is possibility of bringing changes in the decisions according to the changes in these factors which is not a good sign.

It is, therefore, urged that the decision-maker should take into account different viewpoints and determine the relative significance of the time period during which the event happened. In the case of decisions involving two or more persons, it is required that views of each such person should be taken in consideration, weighed carefully and checked with other sources before a decision is taken.