

MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-2

PART-XVIII

TECHNIQUES OF DECISION-MAKING

Decision-making is one of the important functions of the management. A number of important changes have taken place in the field of decision-making and new techniques have been developed frequently. Owing to these rapid changes it is difficult to draw a definite list of the techniques of decision-making. John G. Hutchinson has included a number of techniques in his book Management Strategy and Tactics. Certain techniques out of these many are as under:

(1) Judgement Technique, (2) Intuition Technique, (3) Statistical Techniques, (4) Operational Research Techniques, (5) Model Building Technique, (6) Behavioural Techniques, (7) Principles of Management, and (8) Economic and Financial Techniques.

1. **Judgement Technique:** In considerable investments with any business, this technique is considered unfit yet it is a very useful technique of making decision on

daily basis or in limited effect areas of any institution. This technique is based on ancient experiences. This technique is easy to apply and economical also. Decision-making through this technique is full of risks and dangerous. In some circumstances, accuracy in its full extent cannot be obtained because of being this technique based on forecasting.

2. **Intuition Technique:** Taking decision under this technique employs one's intuitive feelings and knowledge. The decision-maker thinks about a problem and his mind suggests the solution. Decisions by this technique are quick. The correctness of the decision depends on the experience, education, training, etc., of the decision-maker.

3. **Statistical Techniques:** Several new statistical techniques have been organised in modern era. All these modern techniques are as under:

- (i) Probability method
- (ii) Sampling technique
- (iii) Variance analysis
- (iv) Statistical quality control
- (v) Time services analysis
- (vi) Hypothesis testing
- (vii) Ratio analysis
- (viii) Correlation/regression

4. **Operational Research Techniques:** Besides the above said methods of decision-making, following specialised techniques are also used at present:

(i) Linear Programming

(ii) Queuing or Waiting Line Theory

(iii) Games Theory

(iv) Simulation

(v) Break-even analysis

(vi) Programme Evaluation and Review Technique or PERT

(vii) Decision Tree

5. **Model Building Technique:** Model building technique is not used in business world now-a-days but it is being used in non-business fields too for tracing different possibilities. This technique provides a structure in which decisions can be evaluated. Model of the goods proposed for production is prepared and it is discovered subsequently whether goods shall cater to the demand of the buyers or not, whether it will be preferred by them or not and whether it will be appropriate from technical angle or not.

6. **Behavioural Techniques:** Behavioural techniques play an important role in rendering necessary information's in the process of decision-making. There are some techniques in this method by which direct evaluation of the factors affecting decision can be made. The behavioural techniques of decision-making contribute

necessary information in decision-making process, but these do not play any important role in real analysis and solution to specific problems. According to Hutchinson, "The behavioural techniques of decision-making play an important role directing the prospective process of decision-making."

7. **Principles of Management:** There is no technique of decision making on the principles of management laid down by a number of experts in management still these principles are guide of the decision-making. Principles of management give a direction to the persons making decision. According to Hutchinson, "Principles of management give actually direction to the managerial functions - These are the rules of road - but not methods."
8. **Economic and Financial Techniques:** Economic and financial techniques have an important role in decision-making techniques in genera and specific form. According to John G. Hutchinson, "*It is the most benefit of economic and financial techniques that one side, these are the manner of analysis and evaluation and a mean of the alternative solution to be selected on the other.*"

Decision-making in Practice

The importance of decision-making for a business organisation is no secret Various managerial functions are performed only through decision-making. The modern techniques of management can be efficiently used in the process of decision-making. Analysis of principles of decision-making play an important role in

determining the policies of an organisation. Now the question is whether we are using these modern techniques. The obvious answer is in the affirmative It can be said that both the old and the modern techniques are being utilised depending on the nature of the business. India is witnessing just the beginning of the principles of decision-making but there is no cause to panic because nothing much has been done in this field even in other developed countries. But it is for sure that these techniques will gradually make a mark for business managers and executives and will be used more frequently.

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