



Economic analysis crucial for decision-making

Christine-Rita Abankwah

Decision-making and forward planning are integral parts of the business management function, and managers must have a basic understanding of economics to steer a business from the survival phase towards profitability and growth. Yet, competent individuals with management potential and capable managers alike are sometimes paralysed by a fear of numbers, mastery over which is necessary for business decision making. Some are simply not convinced that they need these skills in the first place, and choose to deliberately steer clear of quantitative subjects in their postgraduate studies. In the workplace, however, the reality is that managers will need to coordinate the different roles of staff in various departments in order to achieve organisational goals. They will also need to predict trends and plan for the future – all of which require dealing with numbers. While finance and economics experts are usually employed at senior levels of a company, it is vital that business managers have an understanding of all the functions of the business, in order to provide effective leadership and keep abreast of what is happening within the organisation. “Managers make decisions on the basis of things they measure, once you can



Prof. Samuel Mensah

measure something you can manage it. Therefore, being able to use figures to understand the environment in which business operates is very important. This is where business economic analysis, or managerial economics, comes into the picture,” says Professor Samuel Mensah, who lectures in economics and heads the HP-GSB MBA programme. While not everyone’s strength will lie in economics or finance, most fields (marketing, project management and operations, for example), derive the basis of their existence from economics. Therefore, if one’s knowledge of economics is shallow, their chances of optimal decision-making and achieving efficiency are limited. The general MBA at the

HP-GSB caters for students from diverse backgrounds, but equips them with the economic tools that they will need to lead businesses in the competitive and dynamic global business arena, and especially in difficult times.

The HP-GSB Business Economic Analysis module places emphasis on analytical concepts such as economic policies (monetary, fiscal and labour market policies) and economic forecasting. The programme also incorporates some aspects of Game Theory, where participants play ‘economic games’ to learn how to analyse data a company has collected on itself and the market (i.e. its competitors) to arrive at a strategy that will not just enable a company to survive but also make it profitable.

“Managerial economics actually has two broad objectives. Firstly, we want to provide managers with the microeconomic basis for management decision-making at the firm level. Secondly, we want to provide managers with an understanding of the macroeconomic environment in which businesses operate,” Mensah says. “The whole idea of getting managers from a diverse range of fields to study business economics is to improve their capabilities in that area. Of course there are managers who will study economics first and later branch into business, but not everyone gets the chance to study economics beforehand. For professionals who studied business, law, etc., first, we try to equip

them with some economics when they get into the MBA. That is sure to improve their decision-making when they are back at work,” he says.

Taking into account a company’s available resources such as capital, warehouse space and labour, managers must decide on the most efficient use of these in order to achieve targets. Decisions will be made and will be implemented on the basis of available resources; and they are also the basis for forward planning.

“Optimisation and/or programming techniques help to determine the most efficient, cost-saving route for the delivery of goods, for instance. Using information on sales of various products and the contribution of each to revenue, programming can also determine how a store should be arranged to catch the eyes of customers – and make them see products they usually ignore in a completely different light. Employing such techniques, shops may arrange their product offering in a way that they will have maximum impact on customers, ensure goods move quickly, and achieve the goal of making profit without sacrificing quality,” Mensah says.

“Our aim is to produce managers who are equipped with scientific decision-making tools – managers who understand the economics of business well enough to apply it to their firms, and who understand the economics that guide the whole business environment in which they play for them to see how to play it to their advantage,” Mensah concludes.

***Christine-Rita Abankwah is a Communications officer at the HP-GSB**