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Curriculum and Course Design Committee

Prof. K. R. Srivathsan
Former Pro-Vice Chancellor
IGNOU, New Delhi

Prof. Parvin Sinclair
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IGNOU, New Delhi

Prof. Geeta Kaicker
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Mathematics and Statistics Unit
Indian Statistical Institute, New Delhi

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Prof. Sujatha Varma
School of Sciences, IGNOU

Dr. S. Venkataraman
School of Sciences, IGNOU

Dr. Deepika
School of Sciences, IGNOU

Block Preparation Team

Prof. G. K. Shukla (**Editor**)
(Retd.) Department of Applied Mathematics
Indian Institute of Technology,
Kanpur (UP)

Prof. Vijayshri (**Language Editor**)
School of Sciences, IGNOU

Prof. Jayant Dubey (**Units 9-12**)
Department of Business Studies
BTIRT, Sironja, Sagar (MP)

Mr. Rajesh Kaliraman (**Units 9-12**)
School of Sciences, IGNOU

Programme Coordinator: Dr. Manish Trivedi

Course Coordinator: Mr. Rajesh Kaliraman and Mr. Prabhat Kumar Sangal

Block Production

Mr. Sunil Kumar, AR (P), School of Sciences, IGNOU

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BLOCK 3 DECISION AND GAME THEORIES

In Blocks 1 and 2, you have studied applications of statistical tools in process and product control in different types of manufacturing industries.

For any individual business/organisation/company/industry, one of the key aspects of achieving its goals is that it should make the right decisions at the right time. In fact, decision making is both a science and an art. In Block 3, we introduce decision theory and discuss certain criteria of decision making. However, the selection of a criteria depends on the environment of decision making and in this block we discuss decision making under the following environments:

- Decision making under certainty,
- Decision making under uncertainty,
- Decision making under risk, and
- Decision making under conflict.

In **Unit 9** entitled **Introduction to Decision Theory** we discuss the criteria of decision making under the environments of certainty and uncertainty.

Unit 10 entitled **Decision Making Process** discusses the criteria of decision making under the environment of risk.

The environment of conflict is generally present in games. In game theory, games may broadly be classified as:

- Games with saddle point, and
- Games without saddle point.

In this block, we restrict our discussion to two-person zero-sum games.

Unit 11 entitled **Two-Person Zero-Sum Games with Saddle Point** deals with the basic concepts in game theory and solutions of games with saddle point.

In **Unit 12**, entitled **Two-Person Zero-Sum Games without Saddle Point**, we discuss some methods of solving two-person zero-sum games without saddle point.

Notations and Symbols

Sec.	:	Section
Secs.	:	Sections
Fig.	:	Figure
A_i	:	i^{th} course of action
N_i	:	i^{th} state of nature
x_{ij}	:	Payoff value corresponding to i^{th} state of nature and j^{th} course of action
v	:	Value of the game