

# DECISION IN THE CONTEMPORARY COMPANY, MAJOR FEATURES OF THE DECISION AND OF THE DECISION MAKING SYSTEM

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**Abstract:** *The way the company carries out its activity in a certain period of time (more or less profitably), depends to a certain extent on the quality and efficiency of the decision making activity. Making decisions is an essential attribute of any manager in the selection and classification of decisions, an essential criterion that must be a decision making potential.*

*This study includes references to several important problems starting with setting the decision objective and delineation of the decision situation and continuing with the identification, collection, processing, analysis of information, elaboration and application of decision.*

**Keywords:** *management, decision, company, system, strategy*

**JELClassification:** *M10, M12.*

## ***Introduction***

The multitude of problems the company management is permanently facing should be solved in useful time and optimum conditions. As the most advantageous solution needs to be taken, such selection mandatorily supposes the decision (Sztraka M., 2001, p.2). Starting with the simple reaction type up to the economic decisions, from the elementary psychic acts to those involving complex processes of deliberation and selection, from the individual activity to that of some groups, the term decision has a very wide range of acceptances.

Although in the specialty literature in Romania there is a diversity of opinions referring to defining the decision notion, most specialists define the

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decision as being a line of action consciously chosen out of a number of possibilities in view of meeting some objectives under conditions of maximum efficiency.

The basic element that distinguishes the managerial decision from the personal decision lies in the fact the managerial decision always implies at least two persons, namely the manager, the one who decides, and the performer who participates in materializing the decision in order to reach the goals proposed within the company.

The managerial decision represents the selection process of a way of action in view of meeting some objectives, by the application of which, one influences the activity of at least a person other than the decision-maker (Zorlețan, T., Burduș, E.Căprărescu, G., 1997, p.12). The decision is characterized by the following elements:

- one or more objectives, therefore a finality to which one aspires to in the decision making process;
- the possibility to choose, out of a multitude of action variants, the multitude made of at least two elements;
- the possibility of structuring the optimum variant content to offer all the indications necessary to performers in view of meeting the objectives;
- the influence of actions and behavior of at least one person other than the decision making person.

The process would not have a decisional character if one of the four conditions listed above is not met. Thus, if there were not several decisional variants, a decision could not exist, and if one or more objectives to be met did not exist, the process would have no finality, the very human action itself would be eliminated. The number, nature and the characteristics of the decision included in an economic system show a great variety. Within the company, the assembly of the decisions taken and applied, structured in accordance to the pursued system of objectives and to the configuration of managerial hierarchy, makes the decisional system.

### ***1. The importance of investment strategies for company development***

On the economic market, the investment activity has a central place, both within the production of goods and services and within the consumption, representing the linking chain between demand and offer (Emanoil, H., 2003, p.49). Any investment, on the basis of which there is a demand, creates another

demand and an offer to fulfill it. Besides, investments lead to a continuous economic modernization, therefore to a continuous development of the companies. Without investments, that can take place in various ways, one may come in time to stagnation both of the development of the companies and of mankind. The importance and the variety of such ways led to the creation of investment strategies used function of necessity and purpose.

- Investments and economic decision.

Generally, the investment projects are dealt with in an isolated way in the traditional investment theories. In this case, one doesn't take into account the consequences the decisions have on other investment decisions by the execution or non-execution of an investment. Normally, the benefits of a project or of an investment program are assessed only through the values of direct influence. A possible influence on another field of investment decision is not covered by this calculation. Nevertheless it can result in fatal decisions for the development and even survival of the companies. Thus, one has to take also into account, for various investment constellations, the investment influence on other decisions. Thus, one must first define the other possibilities of investment decisions that can be influenced. An investment decision consists, as the other decisions, of selection between several alternatives. In the simplest of cases it is about selecting between execution and non-execution of an investment project.

- Investments as a result of strategic decisions.

By the decision on an investment, at a certain moment, one can influence the future decisions of the same investor. In this case, one speaks of a sequential problem of investment decision. The decision of the present influences the investment conditions of the future. On the other hand, a decision can influence the decision field of an investor. Such an influence has to be taken into account, particularly when a decision of an investor influences one's own sphere of decisions. In both previous cases, the influence of a decision can be called "strategy". It implies the fact that the investment strategies influence personal success both directly and indirectly. Transformation of this definition into the games theory may have two significances:

*Definition 1:* certain measures or investment decisions can be named strategic when the personal success is influenced not only directly but also indirectly through the influence on the future investment decisions. This

indirect influence occurs when the profitability and possibility of some future investment alternatives depend on investments.

*Definition 2:* The measures or investment making decisions can also be named strategic when, by the decision of other people, the own profitability of the present investment is influenced.

Therefore, the investment strategies are a multitude of information with technical, economic character or of another nature, setting the future actions in order to reach the objectives the ways to meet the, the financing sources and the methods to allocate the resources with both direct and indirect influence on future investments and on own profitability. By this, the investment strategy occupies a central place within the global strategy of the company progress, with influences on the other strategies within the company (market, restructuring, computerization, etc.).

The link and different dominant between these strategies have one purpose, namely, the progress of the company and can be used for recovery, consolidation or development. In the case of the companies that almost totally lost the marketplace, as it happened in Romania too, after 1990, the recovery strategy is aimed at. This assumes not only an investment strategy by production restructuring, change of equipment and technology but also a new market strategy as well as computerization and restructuring.

The consolidation strategy is applied in the moment of a danger to lose the market by the emergence of new competitors or as a result of a wrong development policy. The latter occurs through a rapid, unhealthy development, particularly through buying some companies within the same branch as well as from different branches. The strategy applied in these cases must be one of adjustment to the new conditions, maintaining the position won both on the market and with the old partners and even of selling some companies that do not comply with the company profile.

The development strategy can only be applied by a healthy company that both in the past and in the present applied with precision the strategies of investment, market, computerization and understood their mutual influence as well as the influence of the decision taken at present on the future decisions. This development can take place both in view of increasing the market, the investment strategy, computerization of profile, of business figure and the increase of quality, know-how and market image.

The investments represent the main factor determining the company strategy implementation within which the investment strategy represents the

prevailing component. The investment strategy supposes the need to previously set some actions that are to be carried out in view of reaching the objectives and also the financing resources and the way they are allocated as well as a serious of action ways. An unfavourable business environment amplifies the action and the consequences of all types of difficulties the company is exposed to, from the perspective of the diversity of forms under which they appear and due to the magnitude of the effects they generate (Dragomir, C., 2016, p.26). Having in view the fact that any investment, no matter how well-founded, carries risks, setting an investment strategy is based on accurate, cautious thinking and analysis, because there are situations when to only obtain that goal of any investor, goal called as high a profit (gain) as possible, sometimes, is not enough. The investment strategy focuses therefore on finding that in that reference entity, the material basis tends to permanently get renewed while the duration of the investments implementation tends to a minimum and the orientation of the available resources be primarily done towards active investments.

Consequently, any decision maker shall have to analyze the way of using (allocating) the resources but also the final effect of the efficient distribution of the resources that will permit him a higher profit than the one set or a business figure higher than the expected one or even to achieve savings. One shall not forget, in this respect, the possibility to diversify the activity either or the increase of products quality as well the economic or technical characteristics of production.

In order to set the strategy, one has to start with the essence of the modality by which the proposed goal can be achieved. In a more rigorous framework, the companies, strategy could be appreciated as expressing an assembly of major objectives, in the long -term, possible implementation ways as well as resources allocated to this respect or an assembly of decisions and actions with regard to the selection of the means and setting the objectives and resources necessary to reach them. Settling the investment strategy of the company one has to take into account the fact that it is an ordered multitude of economic, technical and technical-economic information which, in order to be founded at the level of a trade company, must take first into account the place and role the respective company occupies within that branch and also of a series of information determined by the raw materials suppliers and the commodity markets, by the existence of other producers or, why not, by the existence of other competitors in the field. It is also essential the type of the market economy in the country where the investment will be made. Outlining an investment strategy supposes setting the general and specific strategy

objectives within the context of the competitive market laws and an economy to run on the basis of market mechanisms that impose the profit as an essential criterion. It is easy to illustrate a strategy under market conditions, based on competition or a strategy that finds its basis within a state controlled planned and centralized economy. To this respect, the transition to market economy Romania has been running through for some time, first implies the modification of the property structure and second the development of the private property co-existing beside the public property within the decentralized type economy. Mention shall also be made that, under the present conditions, an investment strategy may obviously depend on the political options and on the strategies settled at national, regional or sector level. The structural adjustment of the national economy and adjustment to the market mechanisms, essentially, represent a process that must permit to the national economic complex to integrate and to run efficiently within market mechanisms.

The investment strategies may take on several ways and may refer to:

- *recovery strategies* – occurring when the products and services demand decreases and it supposes reorganization and modernization of equipment;
- *consolidation strategies* – that are required in case the competition intensifies on the products market of the company and they might assume actions in view of being maintained on the respective segment of the market as well as adjustment to market requirements by adequate investments;
- *development strategies* – required in case one opts for changing the production structure and also in case of extending or getting new segments of the market. An investment strategy must set its purposes and means of action depending on a series of answers aiming at the investor potential as well as of his profile of size and degree to turn to better account this potential that can be determined by a series of indicators of economic efficiency.

Another problem raised refers to the objective that has to be achieved when setting a future structure of production to efficiently meet the market requirements. The problem is also raised if what follows to be achieved can unify a series of goals connected to the objective possibilities, under technical, commercial and financial aspect. The last but not the least, the problem of the “priority” is raised. To this respect, the answer involves both the plan of financial decision for allocation of resources and projects financing, that in their turn aim, on one hand, at modernization and refitting, and on the other hand the investments too, that imply the construction of new objectives.

A well founded investment strategy has to take into account setting the companies priorities in the field of investment resources. The new constructions have the fundamental advantage that the rational production flows, the scientific organization of the activity and the efficient measures to increase work productivity can be implemented from the very beginning.

With regard to the modernization activity, it assumes renewal of an already existing technical-material basis and it also assumes that the investment effort to be made be particularly oriented towards the fixed means directly participating to the production process (fixed active means) and towards the increase of the degree of reliability and maintainability, in parallel to extending the equipment life. Depending on the economic branch and the company objective as well on the investment possibilities, the role played by modernization, development and refurbishing of the production sections must be stressed. The company success on the market depends on the way these fields combine.

Personally consider the allocation order of the resources has to be directed to creating new production capacities without ignoring at the same time the modernization of the existing equipment and production, sections fitting and the development of production capacities. My opinion is that this selection must be done in a flexible way and shall be adjusted to market requirements.

New objectives (innovations particularly) may be edified in Romania as a key instrument to gain new markets and increase the companies competitiveness. It is known the fact that the investments, in case they are implemented represent a reliable, safe action; instead, their effects to be obtained in future contain elements of uncertainty. For this reason one has to take into account, when the strategy is elaborated and answers are looked for on the evaluation modalities, what was proposed to be achieved, a study has to be made of the project sensitivity to some unfavourable modifications that might occur within the development process of investment and production. These modifications may refer to an extension of the execution duration of the objective, to a cost increase for the raw materials, to decrease demand of end products or to a reduction of the commodity selling price. If the investor finds that the project shows a high degree of sensitivity and risk then, it is desirable to give up the respective project.

For the business success, the investor has to prove respect for what he intends to do. As a result, he has to evaluate correctly the efforts and effects to be obtained. Any investment strategy implies selection among several variants characterized by a multitude of technical, economic, and social aspects. For this

very reason, in order to set the optimum strategy variant it is essential to use economic efficiency indicators under optimization conditions, according to several criteria.

As a conclusion, within the policy to extend the activity of a company, its investment strategy plays a key role as, by it, one directs the company's future, its effort being oriented to meet some objectives, to permit the use with maximum efficiency of the allocated resources.

Increase of specialization and cooperation degree in production and of flexibility degree for adjustment to market conditions, the efficient use of production capacities, promotion of technical progress and the efficient use of material, financial and labour resources represent primary ways of setting a future production structure capable to be directly determined only by an adequate investment strategy.

## ***2. Decision – management attribute***

In any company, the greatest influence on the decision making system has the decision –maker defined as a person or group of people who, by virtue of their assigned tasks, competences and responsibilities, take certain decisions. Thus, the quality of the managers is conditioned to great extent by their qualities, knowledge, aptitudes and skills, fact reflected in the efficiency of the decisions made. Making decisions is an essential attribute of any manager in the selection and classification of decisions, an essential criterion that must be a decision making potential.

Manager's influence on the decision consists in his decisive intervention in all the decision making stages, starting with setting the decision objective and delineation of the decision situation and continuing with the identification, collection, processing, analysis of information, elaboration of decision alternatives, selection of the most adequate decision and ending by applying it.

The French economist, Pierre Barusy, considers that the deciding factor can be resized by continuous training and specialization finally conferring the manager knowledge for an assembly view of the management activity problems in order to make quick decisions motivated by use of the decisional methodology and by a permanent effort to watch the phenomena and the economic activity and to arrange them in an optimum time period without waiting too long too in looking for ideal solutions. In order to make correct solutions, the managers at any hierarchical level must communicate with the other employees, to cooperate with them. Any process of change must be carefully managed and its effects must be explained in detail to all those affected by it. Employees need to understand the need for change, to be open to

it in total awareness of the benefits it will render. Irrespective of the type of change, its introduction and management with maximum advantages for the company can be accomplished successfully when the organizational culture favors this process, ensuring its rapid assimilation and the capitalization of the advantages brought thereby (Dragomir, C., 2014).

The economic literature considers that for obtaining the economic success and any other kind of success, the main factors are the management, the technologies and the capacity to use in a clever way the human resources. To surpass these disparities in the managerial activity it is necessary to generate performances by developing the professionalism and innovation to combine contemporary management coordinates in the developed countries with the specifics and resources of the managing activity in Romania.

The managerial activity gets a dynamic and complex character in the market economy whereas problem solving requires discernment power, capacity to delimitate the objectives and conditions, courage to give up what is obsolete and to take quick and correct decisions even under conditions of risk and uncertainty specific to this period. The formal authority of the decision – maker, doubled by a substantive authority of knowledge and skills on one hand and removal of excess in delegating authority and concentrating these to a limited group of decision-makers on the other hand, can lead to a high efficiency of the adopted decisions.

The contemporary company must direct the present managerial orientation to edifying some flexible systems of anticipation or even creating the changes to occur in future. As Alvin Toffler (Adaptable Corporation) shows, the super-industrial revolution radically diversify the economic, technical and social environment inside which the companies run and imposes more varied and rapid reactions from them. The increased novelty showed in the company environment implies high levels of unpredictability, both in the internal environment and the external one creating multiple difficulties in planning. This instability suggests the need for the managers to use and develop better, non-linear planning methods permitting at the same time a quicker and more frequent evaluation of the alternatives in the decision-making process.

The super-industrial society requires the appearance of “adjusting managers” capable of radical action, visionary managers to re-conceptualize products, procedures, programs and objectives, to make the most efficient decisions before having inevitable changes made by the crisis. “Instead of making permanent buildings, the present adjustable, decision making factors might be in a situation to rebuild the companies to maximize their flexibility” shows Alvin Toffler. The managers must build the strategies, not based on the

organizational way of another company, but to conceive the company's objectives in the long term and to answer to the immediate changes by rapid and efficient decisions.

### ***3. Modalities to increase the decision making activity efficiency***

The way the company carries out its activity in a certain period of time (more or less profitably), depends to a certain extent on the quality and efficiency of the decision making activity, but it is difficult to establish this proportion, how much of the success or failure recorded by the company is due to the management activity. The most spread image of the management activity places the adoption of the decision in the center of the managerial life of the company. The managers are almost totally preoccupied to adopt and apply practically the decisions. A good manager is the one who is capable to take good decisions in various situations that he is to solve. But, what do we understand by “good decision”? Most people make decisions every day, most of them are trivial, but some of them are important, so that each one would have to have certain basic rules in appreciating their own decisions. It is possible that, in very many situations, not to be able to appreciate how good a certain situation is without analyzing the effects of adopting and applying it practically. If, after the consequences of a decision, they become obvious, we can assert: “looking back, the chosen action way was the best of the available ones under given circumstances”, then the decision can be estimated as a good one. Similarly, if we finally come to think that the selection of an alternative would have led us to a better result, then the decision can be estimated as not being the best one.

Another possibility to judge and appreciate a decision supposes the analysis of the way the decision was made. From this perspective, a good decision is the one the decision-maker fully understood all the information characterizing the decisional problem, the objectives, the possible action alternatives and all the consequences of adopting a decision. In this case, the selection between the decisional alternatives shall be done in a reasonably way, in compliance with the decision objectives. Contrary, a decision adopted in an irrational, neglected, unfounded way is appreciated as not being a good decision. In the long run, the decisions made in a coherent manner under the conditions of as complete a documentation as possible have a greater probability to produce satisfactory results compared to those adopted more or less at random, without a complete understanding of the analyzed problem and of the decisional process, generally.

The decision activity is made up of the assembly of the actions that the managerial team of the company carries out in view of obtaining certain results, using to this respect a series of resources. The efficiency of the decisional activity depends on the way one uses the material, human and computerization factors that contribute to its development.

*- The use of the material elements in the decisional activity*

Development of the decisional activity of a company implies the existence of a certain environmental framework consisting, first, of a set of material elements used by the decision-makers in the development of the decisional processes.

The human activity particularly the one of therapeutic nature like the decisional activity is directly influenced by the secured working conditions. Elements such as dimension, brightness, colouring and ventilation of offices, their fitting with transmission/reception equipment for information, for processing, storage and rapid extraction of information directly condition the results of the managerial team work. The volume and complexity of such fitting of material nature shall be duly correlated with the dimension, profile and complexity of the company activity as well as with the size and frequency of the decisional processes within it.

Therefore the existence of a network of performing computers, office equipment, the most modern ones, and of personal transportation means made available by the company to the members of the management team secures the perfect frame to carry out an efficient decisional activity. This, only in the case such endowments are used at its optimum capacity, proving its utility and only if the company permits itself to cover the procurement and maintenance costs without unbalancing its financial situation.

In each stage of its evolution, the company must find the balance between endowment with material means that determine the development of the managerial activity and the results expected after carrying out such activity. It should not make risky expenses with unnecessary equipment nor should it make drastic savings to this respect, on the expense of the decisional activity quality. For instance, for a small size company, whose suppliers are located in the same place and who have the products delivered to one wholesaler, supply of fax and computers network connected to internet can be useless to a great extent while for a large size company with productive units located in various parts of the country with supply-sale relationships with companies throughout the country and outside it, such elements are vital in making correct and opportune decisions.

The efficiency of using material endowment in the managerial activity must, therefore, be seen and analyzed from a double perspective: from the point of view of expenses and from the point of view of the way such endowments condition the quality of the decisional act. With regard to the volume of expenses, it should not determine the considerable increase of the total costs of the managerial activity performance and the overall activity of the company while for its use the company should not deprive itself of such material means that might certainly lead to the improvement of the quality of the decisions made.

*- Development of the efficient managerial styles*

The main factor influencing, in one way or another, the decisional efficiency is the human factor, the decision-maker. The role of the decision-makers, in this case, of the managers, is to coordinate by means of adopted decisions, based on the authority they are invested with, certain operational phases or segments of the company's activity whose responsibility rests with them. In performing the managerial activity, the decision-makers clearly have a role of leaders. Within this role, they cannot avoid performing the authority delegated to them but they may be reluctant in selecting the way of making it operational, in other words, they are free to choose the management style.

Regardless of whether we have to do with individual or group decisional activities, a distinct characteristic of decisions adoption is the one that a person will bear the responsibility of those decisions. For this reason, when the manager faces a problem, he must first decide the way he will make that decision.

The analysis of a decisional situation in terms of managerial power, relationships and nature of decision makes possible to select a managerial style to lead to an effective and efficient result of the decisional process. Practically, depending on the nature of the problem to be solved, the managers will have the possibility to choose the most suitable managerial style in view of getting the optimum solution. For instance, if the manager is not sufficiently informed on the problem to be solved, he will have to avoid adoption of a prevailing autocratic style if he wishes to obtain a very good solution. In carrying out the decisional processes, the managers have to consider nevertheless, the fact that there is not one decisional style good for all situations. For this reason, they must be capable to modify or adjust the style to the particularities of the respective decisional situation.

Making the decisional process efficient by adopting an adequate managerial style is an attribute of the manager. In order to materialize it,

nevertheless, the manager has first to get familiar with the typology of the management styles good for certain decisional styles.

- Increase of informational – decisional process efficiency

Between the efficiency of the decisional activity and the efficiency of the process of collection, processing, interpretation and utilization of information there is a direct conditioning, the volume, structure, and content of information influencing the quality of decisions in whose adoption they are used. Due to the fact the utility of information is appreciated only on the moment of its consumption, we cannot speak of an economic efficiency of the informational-decisional process on the whole. It can be looked at through the prism of the expenses incurred for production and consumption of information and of the economic effects recorded through the managerial activity.

For the appreciation of the decisional activity efficiency prove its utility, it is estimated that, practically, the companies must have in view all the three aspects approached under this subchapter. One cannot speak of an efficient managerial activity only from the point of view of costs reduction with the material endowment used in its implementation, or exclusively from the point of view of the management style adopted by managers respectively from the point of view of the informational costs needed by substantiation of decisions. Each of these aspects has its own importance and contribution to obtain the desired level of efficiency in the managerial activity, ignoring one or other may lead, on one hand to distortion of the analysis whereas on the other hand, to recording some negative effects in the overall activity of the subsystem managed by the company.

## ***Conclusions***

Treating the psychological problem of an economic decision can not leave aside the interdependence between the decision and authority system with important consequences for the entire theory of decisions. In essence, it is underlined by numerous specialists that within any company there should be a system of authority specified in the rules of organization and functioning and organization chart (Petrescu, I., 1998). The authority creates the relationships between managers and performers within each team work necessary to ensure the normal course of business team. By virtue of this system of authority managers have the right to take decisions and their practical implementation has performers and performers are obliged to fulfill tasks. The authority stated in all its details(conditions for the exercises of authority, the elements subject to

the authority, etc.) is strengthened or conversely tarnished by the personal traits of the manager(intellectually, professional competence, character, traits, etc.).

One of the biggest difficulties that hinder a manager to make decisions whenever needed is psychological: some leaders seek to delay the start of proceedings, the pressure of events or individuals is greater, the manager has conditions increasingly worse proper decisions making. Nothing ruins more the activity than a manager's indecision that tends to continually postpone decisions indispensable for the work of subordinates. In the second case –the adoption of nasty decisions disadvantages in the lack of analytical data in sufficient unreadiness of both the participants and the development of those called to perform. Therefore, it is necessary in the development of economic decision to show calm, which should materialize in that decision that is taken only when all the elements are present, without postponing them. The repetition of such situations and will determine finally the gradual emergence of a climate of disinterest, discouragement and lack of effectiveness. In fact, the manager's authority over his subordinates is determined not only by the documents that stipulate precisely the content of this authority, but also by the manager's personality, his firm character, his clairvoyance, too, his style of work, his power to exercise authority over subordinates (Petrescu, I., 2004, p.244).

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