

MANAGERIAL DECISIONS IN BUSINESS

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Abstract

An essential element of the managerial process, the decision is the act of moving from thought to action. This aims to find the most rational way for future actions to ensure maximum efficiency of managerial actions. The process further increasing the effectiveness of management's actions requires that any decision to have a solid scientific foundation. A characteristic of a decision is that it is an expression of a rational act, consistently formulated, and based on interpretation of information that is processed in order to pursue alternatives aimed at achieving predetermined objectives.

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JEL Classification: M₁₂, M₅₁.

1. Introduction

Within the company's managerial process the decisional component occupies a very important position. The decision has a high impact on management and is active in all the company's plans of activities and results.

Decision management has a direct influence on the group, affecting also a single individual's status, behaviour, actions and results. Therefore, the design and implementation of decision should take into consideration the characteristics of the job, training, motivating potential, etc. of the members of that group.

Decision management has always determined directly economic, human, technical, educational, etc. schedule at least at the level of a section of the company.

Decision making is a manager's central work, all the other activities being conducted to ensure correct decisions or, if the decision was already taken, to implement and monitor its effectiveness.

In today's changing environment, the complex process of decision-making becomes more difficult. Decision makers are constrained by the environment acting.

Experienced managers know that the effectiveness of a decision is determined by two criteria: decision quality and commitment of those who must implement. The quality of a decision is determined by how it is carried out when making decisions. A quality decision is not implemented but that is ineffective. Implementation is determined by attachment, for which the degree of involvement of those who will implement the decision is vital for successful decision-making.

Decisions are the essence of management; the study of the decision making process is getting more and more important because the effectiveness of the activities taking place in business depends on the way decisions are largely designed and implemented.

2. The concept of management

Used originally in Anglo-Saxon countries, the concept of management has seen rapid development all over the world. The word management is derived from the Latin "manus" (hand) and is the literary expression of "handling", "Control" (Gâf-Deac, M., 2004, p.45).

The one called to organize the handling or piloting is the manager. S/He is the one who directly participates in the organization and management of an action.

Given the complexity of management, there are many and varied definitions of the concept.

A clear definition and summary of management provides M. Dumitrescu, showing that it is "the science that ensures the management of all processes and economic units, in all their functions, having the fore man, motivated participation it and that involves solving problems from an estimate, organizational, managerial, decision making and control, with their concrete economic efficiency".

Management provides real problems and finding the correct wording, removal of false problems, setting goals, objectives and priorities, and systematic approach, rational, to obtain real results.

To meet these requirements a manager, a businessman, an engineer, an economist, a student must acquire in-depth management and know how to master its development and its analytical methods.

Only in this way the manager can obtain significant results and contribute to the development of his/her company.

3. About "decision"

A decision is an essential element of management, considered either a specific instrument of expression or the very essence of the act of leading. However, the decision is part of the core of management. Taking into account its effects, the decision is a way of expression characteristic to managers, and the measure of the managers' "talent" and training quality level. Some literature considers it a function of major importance to business management.

4. Importance and definition of decision management and decision-making

Within the company's management, it is important to harmonize the performers' actions and behaviours, to adopt improvements and corrections to the effective conduct of business with the help of decisions.

Decisions play a special role in the company's management, role determined by the place of each company's organizational links, each subunit and each employee having to resolve the tasks envisaged. All decisions should be coordinated to provide a certain rhythm in resources and planned tasks.

The great diversity of managerial decisions highlights the need for their typology knowledge.

5. Typology of decision management

Decisions can be classified according to the level of development, content and scope, degree of knowledge of managerial phenomena, source development, etc. The selection criterion for a certain classification is determined by the enterprise's theoretical and practical needs:

- in terms of functional content, managerial decisions can be divided into planning, organizational, coordination, stimulation and control decisions;
- in relation to the level of development, decisions are classified into strategic, tactical, and operational;
- depending on the certainty of clear objectives decisions can be uncertain decisions and risk decisions;
- if the scope of the decision-maker is considered, we can classify decisions as follows: individual and collective.

6. Major factors of decision management

Investigations showed that the most important components of a decision-making situation are:

- *The factor of decision-making or the decision-maker* is the manager or a management body who, under the circumscribed objectives, tasks, powers and responsibilities, adopted the decision under certain circumstances;

- *The decision environment* represents the firm's internal and external aspects which make up the decision-making situation, characterized by direct and indirect evidence of significant influence on the content and results of decision management.

7. Stages and methodological foundations of development and achievement of managerial decision

The managerial decision-making process needs three main steps:

- the preparation of the decision, when possible solutions to resolve the problem are outlined;

- the stage of determining the optimal solution, feasible under the circumstances; the proper decision-making step;

- stage of reasoning, transmission and control of the decision.

In taking managerial decisions universal methods and technology are used.

Specialized methods and techniques are designed to ensure the streamlining of decision-making as a whole and used for decision-making situations of great complexity and a high frequency.

Universal methods are used only in certain phases of decision-making. These methods are taken from the economic, sociological, psychological, and mathematical fields. Of these, the economic methods occupy a dominant position.

8. Collective decision

A large number of decisions require equally high levels of quality and involvement. These decisions are usually effective if taken as a group.

About the problem of decision-making: theoretical analyses and many companies' practical experience have shown that the most important decisions are taken properly if a collective deliberates on them. The cooperative decision-making process creates conditions for developing team spirit, increase knowledge and responsibility of workers.

9. Techniques of group decision-making

These techniques are: the interactive group, the group Delphi and the nominal group. Although similar, each of these techniques has defining characteristics that make them more suitable for certain situations.

Interactive groups. Members of a group shall have an interactive calendar and a task. Such groups generally arise when the leader defines the problem and calls for ideas. Discussions are unorganized and consist of formulation of alternatives and their evaluation. The leader's task is to summarize the appropriate ideas, to ensure that all group members participate and contribute with ideas. It usually reaches consensus; the final views are adopted by vote.

Delphi Group. Delphi technique is a method of establishing a consensus of expert opinions. It requires a written expression of a number of opinions of the experts who contribute individually. After collecting written responses on the matter, a summary of the views is made and distributed to the participants. In the second round, participants have the advantage of knowing the experts' views and are able to change the initial response in the light of new information. This process of summarizing the proposals and redistribution of new questionnaires can continue until a consensus is reached.

Nominal groups. The nominal group technique was created to ensure equal participation of group members in decision making. First, the manager gathers a number of people and explains the problem. The members are then asked to write as many alternatives as they can think of. Such ideas are explained, listed on a flip chart or a board for everyone to see. Discussions are made to simple clarifications. After listing all alternatives, more open discussions take place; the best alternative is voted.

10. Managerial decision in a military organization

The key process in any military structure is the management decision. The quality of decisions significantly influences the effectiveness of the management process.

Exercising its functions, the management sets a series of specific activities grouped by their homogeneity in the organization's functions, which are: training-educational, organizational-mobilization, logistics, human resources, research and development.

Of all management decisions that are related to the mission of a military organization and its strategies fulfilling their impact on the military structure is important. And managers focus their decisions on implementation strategies and resource allocation. Finally, the lower level leaders make decisions on daily activities, repetitive in nature, for the most part.

All management activities can be summarized essentially a concatenation of decisions. Increasing complexity and diversity of the environment in which an active military organization continuously creates problems whose solution requires some decision-making and implementation.

Quality management is evident through the quality of decisions to be taken to find solutions to specific military problems at that hierarchical level. It is interesting to assess the effects of various alternatives compared with the results of similar decisions taken in similar conditions, although the experience can sometimes limit its report to creative solutions. Knowledge and creativity favours the proposal of alternatives for which experience can not provide models; it is therefore the duty of the continuous improvement of management staff which works with powers, build skills to work collectively and adopt a democratic style of management.

Decision management is a process of choosing a course of action to achieve objectives; it influences the activity of at least one person other than the governor.

Decision management must meet certain requirements of rationality:

- *be scientifically*: that is, to be taken in accordance with the realities of a military organization on the basis of scientific instruments, removing improvisation, routine, voluntarism, etc.; To achieve this, the management personnel possess the knowledge, methods, techniques and skills necessary to the decisions and understanding of the specific mechanisms.

- *be "empowered"*. This must be understood as a two-way. First, each decision should be taken by the management body whose task is expressly stated. Executives who develop decision must provide the knowledge and skills necessary to have an "authority" of knowledge and amplitudes necessary to have an "authority" of knowledge, potentially have the necessary decision.

- *be clear and concise*. This means to formulate the decision clearly, without the possibility of interpreting the contents of the situation, decision-making (variants, criteria, objectives, consequences, etc.). The persons should understand the situation very well;

- *be appropriate*, is should be within the optimal period for the development and application. For every decision there is a certain time to be designed and applied, so that one can achieve a maximum effect. With contemporary dynamism in the military there is a tendency of reducing this period, hence the difficulty in employment during this period, especially since it increases the complexity of decision situations.

To ensure the inclusion of the design and implementation of decisions, particularly those strategic and tactical, it requires a forward looking approach of the leading cadres. A good decision taken at the right time is preferred to a very good decision taken later.

- *to be effective*. Efficiency is the criterion of assessment of business management and the decision is its essence. It is natural, therefore, that any decision to be determined by effects that are obtained from its implementation;

- *be complete*, means to contain all the information needed to understand the situation and its implementation correctly.

Clearly, the requirements of rationality of management's decisions need to be respected in the decision-making processes, but that does not always fully comply with them. The more respected they will be, the better quality a decision will be.

11. The specific managerial decisions in civil protection

Within risk management, as opposed to proper management of disasters, there are a number of specific elements of the decision. Such elements are posed by prospective projects in the whole process, being located in the pre-crisis phase. A prime factor influencing the decision (plan of action to mitigate risk) is likely to produce undesirable phenomenon considered at risk and in identifying and formulating its analysis.

As it is known, the concept of probability is related to the need – random relationship. The existence of freedom to decide and to act consciously on the basis of a decision is subject to the existence of chance. Probability is an objective characteristic of events and keeps to the structure of stochastic processes and phenomena. It is formulated to be equal to the ratio of the number of occurrences of the event as the total number of occurrences of all events in that class. It can be determined empirically or by theoretical calculations.

In cases where complete data is not available, specific risk management of civil protection, choosing the action for mitigation and removal of the effects of hazards determines not so much the actual state, but the image that the decision-maker has on them. Risk mitigation planning is not working with data on real ongoing events, but with assumptions. The results and performances are dependent on determining the likelihood of such objectives (missions), followed by the method of measurement used, from the completed process to the technique used.

More important than choosing the optimal decision is considered to be what precedes this point, the confrontation between the size of present and future, assessing the possibilities and consequences, possible losses and gains and, especially, investment objectives set with the attributes of reality (facts, events, situations, etc.). However, the quality of decision depends on the accuracy of the interpretation of the information elements, the degree to which one uses modern methods of calculation and the level of training of the staff in charge of processing the data.

The presumption of specific risk and uncertainty decision making in civil protection management is reflected in the two types of decision that may be adopted, namely:

- Uncertain decisions: information on the probability of occurrence of states of nature are missing; the variables involved are in many cases controlled and their progress is roughly anticipated; the goal is feasible, but the decision is seriously doubted;
- Decisions under risk: with controllable variables there are many variables that can not be controlled, and their characteristics are insufficiently known; many states have probabilities of achieving nature between 0 and 1; the objective is feasible, but the probability is low.

12. Conclusions

In an organization it is important that any person who occupies a leadership position should have a set of qualities, skills and knowledge on which his decisions are based. Of these qualities we would like to mention: flair, self-control, insight, sociability, communication, honesty, ability to lead people, ability to make himself understood. The manager's leadership style depends on the success of the organization. Given that a manager leads other people, we will retrieve a well-defined formula sized organization (organization, department, section, etc.) The leader must take decisions and initiate actions to achieve objectives in an efficient and effective way in other words it must: provide; organize; coordinate; result; monitor; evaluate.

The managers' decisions are options – they choose from several possibilities – that influence the decision-making process and the others' operational behaviour.

The decision is the condition for economic, marketing and management success, while the "product management" of those who lead.

The quality of a decision is determined largely by the value of the human element.

The managerial decision-maker remains the "prima Donna" decision-making in organizations.

All these elements demonstrate the human nature of decisions that have substantial impact on the design and conduct, completing the decision-making processes.

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