



Aspects of Managerial Decision Making in Organizational Environments

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Abstract: Managerial decisions are one of the most important aspects of managers' work because through them concrete situations are concluded. Because organizations' activities are dynamic in their nature, managers must make decisions constantly. The purpose of the publication is to outline some aspects of this process and discuss these conditions that influence the decision making process in organizational environments.

Key words: manager, managerial decision, organizational environment.

I. INTRODUCTION

The dynamics of nowadays business requires from managers to make situation - adequate managerial decisions. This is a complex process which depends not only on the personal qualities of managers but also on the specific characteristics of problems, available resources, etc. In order for undertakings to have success, managers should be entirely aware of the aspects of managerial decision making and take into account the types of situations as well. Thus they could assess the approaches, aspects and points of view that refer to every type of decision on one hand and the effect of their implementation on the other hand.

II. APPROACHES AND ASPECTS OF THE DECISION MAKING PROCESS IN ORGANIZATIONAL ENVIRONMENT

Making managerial decisions is an activity which depends on the approach that is to be taken in a particular situation. Some situations require a certain type of decisions that to not coincide with choices made in other situations. Therefore the approaches are important in determining the choices of rational decisions and the subsequent actions managers would take in specific situations. There are main approaches to managerial decision making [4,6,9]:

- functional;
- adaptive;
- behavioral.

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The functional approach is static in reference to situations. It is known as an artificially designed mechanism and the taken decisions are complex. Situations are secondary and are a consequence of these decisions which are formed by the contents and structure of the managerial cycle (or part of them). The managers' efforts are focused on the ultimate results which are dominated by the organization's goals. Their intermediate coordination is limited because the decisions taken resolve the problem situations partially.

The adaptive approach is dynamic with reference to situations. It requires the development of scenarios for the analysis of existing problems. Managers prepare different versions of managerial decisions which can be used to react to a problem situation. After that they determine the mechanism which regulate the decisions (according to problem areas). Thus the situation is primary and the managers' efforts are focused on the results of the activity. Every problem is divided into smaller (but related elements). An appropriate decision is made for each comprising element of the problem. The intermediate results of the decisions are used to find an overall, ultimate effect of the problem situation. The adaptive approach is a sequence of discrete solutions and instruments for resolving problems. It introduces structure in the work of employees and provides clear vision of intermediary goals. The approach also facilitates the timely identification of system errors and regulates the organization's priorities.

The behavioral approach takes into consideration people's attitudes to making managerial decisions. These beliefs influence the professional activities of employees and require interdisciplinary expertise. Therefore it is important that the decisions in the social management are based on knowledge about the object of management. However, this is not enough to make rational decisions. Managers' decisions should be based on facts and a reliable analysis of the situations. They should also be able to think logically and react promptly and adequately to problems.

The difference in the three approaches (functional, adaptive and behavioral) lies in the fact that the first one implies a complex decision for solving the problems. The second approach separates the decision making process into its composite elements (smaller partial processes) and the decision is made for each specific case. The third approach is focused on the human factor in the organization and the manager's attitude to participation in the managerial decision making process.

Managerial decisions can be studied as a process and a phenomenon with the following aspects [2,5,8]:

- organizational;
- economic;
- psychological;
- logical;
- technological;
- social;
- legal.

From an **organizational point of view** managerial decisions are a cyclic process through which the subject of management should reach the goals set to the object of management. As of the subject there is a differentiation in the decision – making power. The managers at the different hierarchical levels are entitled to this while the rest of the managerial staff participates in the auxiliary operations in the preparation and realization of the decisions.

The **economic aspect** of managerial decisions refers to the effect of business activities of organizations. Often they have value indicators (for example, decisions about costs) because they reflect the end results, namely profits. For this reason these decisions are taken by managers who have knowledge and qualification. Each decision consumes resources and this leads to results. When organizations have limited resources their managers should apply the multi-criteria decision analysis approach because it guarantees a better realization of objectives and improves the performance indicators of organizations.

The **psychological aspect** of managerial decisions involves the emotional and behavioral attitudes of employees. Managers should consider the activities that affect their choices because they are related not only to their professional responsibilities but also to their personal problems. Therefore, it is also necessary for them to develop various social programs that relieve stress on the workplace [10].

The **logical aspect** of managerial decisions reveals their dependence on the managers' logic and interpretation of problem situations, namely whether it can be considered either as a problem or an opportunity. Logical reasoning is not only an element of the personal qualities of these who make managerial decisions but also a factor of logical interpretation of events. It is very likely that managers react adequately to problems if they think logically rather than react on impulse or risky.

The **technological aspect** of managerial decisions has to do with the technology and information managers need to make decisions. Information is processed by the subject according to its purpose. Decisions referring to the technological facilities of organizations are of key importance for their development. The information and communication of information in organizations is greatly optimized by the use of the Internet and various software applications.

The **social aspect** of managerial decisions reflects the manner in which the society perceives the organization, on one hand, and what subordinates think

of their managers' actions, on the other hand, as a result of the taken decisions. These decisions are the basis of social responsibility and ethical standards because they do not have only economic dimensions. Organizations should also contribute to the welfare of the nation (on the macro - level). On the microeconomic level managers make decisions which benefit people, support the social climate, motivate staff and eliminate conflict situations.

The **legal aspect** of managerial decisions is focused on the legislative system of the country and the legal consequences of the organization's activities. These requirements bring order in the system because they are regulated by the respective legal and organizational regulations. Every decision is legally justified (rights, obligations, responsibilities, etc.). Therefore, the managerial body is bound with the decisions made and takes responsibility for their execution.

III. THEORETICAL PERSPECTIVES ON MANAGERIAL DECISION MAKING IN ORGANIZATIONAL ENVIRONMENT

In the management science there are different perspectives on the decision-making process. *Depending on the managers' attitudes to problem situations and the possible consequences of made decisions, it distinguishes four general theoretical perspectives* [3,11-16]:

1. Classic perspective. It views the decision – making process as perfect (ideal). Managers rely on their rationality to choose an alternative and it should be based on the economic interests of the organization without putting it on risk. This is a normative perspective according to which the manager's decision depends on the following conditions:

- the manager collects and analyses as much as possible reliable information;
- the managers evaluates the different options for a specific situation;
- the manager rejects the irrational information;
- the manager synthesizes the facts;
- the manager chooses the best possible alternative.

The classic perspective on decision making is abstract rather than realistic one in the practice of managers. Under the conditions of a dynamic environment, such as the present day business context, its application is the sphere of mathematical modeling and engineering.

2. Administrative perspective. Managers make decisions under conditions of *limited rationality*. Choices are restricted by the environment which is unpredictable and risky. In this situation managers cannot make the ideal decision since the pressure of this



context is rather strong and their resources are often insufficient. For this reason they have to be satisfied with the alternative that is appropriate for the particular situation (from all possible choices).

In certain cases the administrative approach requires the use of *subjective rationality* in decision making. This means that managers could accept the first option that corresponds to the effectiveness criteria. This option might not be the ideal one and managers could feel that there are other, better options but, however, their choice would be limited by the one that would solve the problem. This concept is underlined by the understanding that choice depends on the complexity of the situation. In order for managers to make “the optimal decision”, they would need time and resources that are not always available. Therefore, they focus on “the possible decision” – the one that is acceptable for the particular situation and environment.

According to the administrative approach decision making depends on the following provisions:

- the environment reality requires from managers to use their judgment about problem situations which might be subjective;
- the environment reality requires from managers to choose among several alternatives leading to an appropriate solution;
- according to the environment reality, managers are satisfied with insufficient information under conditions of limited resources.

The administrative perspective on managerial decision making entirely corresponds to practice. This is explained by the fact that organizations are complex structures that interact with the environment they function in. Managers face various difficulties that hamper the process of making rational decisions. The difficulties arise from the complexity of the management process and the uncertain problem situations. Unlike the classic perspective, which reveals the theoretical aspects of the decision making process, the administrative perspective puts an emphasis on the circumstances which practically determine the made decisions.

3. Social perspective. It reinforces *Freud's ideas* by analyzing people as a combination of *emotions, feelings and instincts*. Decision making depends on the subconscious perceptions of people and the influence of the work and social environment – it is difficult for people to make rational decisions because of factors that influence and limit their choices.

According to the social perspective, the decision – making process depends on the following factors:

- managers do not make structured decisions because their choices are determined by subjective perceptions;
- managers make subjective decisions without taking into account the actual consequences of problem situations;

- managers often make managerial decisions based on compromise that might have negative effects.

The social perspective on managerial decision making reflects the emotional state of mind of people on their workplace. Managers have to make decisions based on feelings, emotions or instincts. Often this approach is not beneficial both to managers and organizations since it is characterized by the idea that *to be useful for others does not mean that you are good to yourself or the people you work for*. The social perspective, which managers take when making decisions, should be within acceptable boundaries and based on facts and logic.

4. Pluralistic perspective. The decisions are made in situations of uncertainty by considering various points of view which reflect the attitudes (interests) of managers and other interested parties. The decisions are implemented with difficulties in the organizations because there are many personal opinions and ideas that are expressed. Everybody states what they think and conflicts may arise. According to this theoretical perspective, decision making depends on some factors:

- managers has to make decisions when they have different problems and limited information;
- managers make decisions by taking into account the opinions of the other participants in the management process;
- the alternative solutions of the problem are developed by the organization's manager and the other interested parties in collaboration.

The pluralistic approach to decision making is a complex mechanism of intentions that combines personal with organizational goals. Its application could follow two important scenarios. The first one is favorable in nature because the decisions are made with consensus. To a great extent this reduces the tension between the interested parties and the made decisions satisfy their interests. The second one implies conflicts among managers because their objectives do not coincide and they have to look for an agreement.

IV. CONCLUSION

Making decisions in organizational environments depends on many factors that have to be taken into account by managers. The approaches to decision making reveal the actions they undertake in particular situations. The aspects of the process determine the requirements to the decisions that are to be taken and ways managers would interfere in the process. The beliefs form the attitudes of managers and influence the manner into which they make decisions in specific situations. With reference to this it can be concluded that the publication:

- has outlined the approaches to and aspects of the decision- making process in organization environments;

- has discussed the theoretical perspectives on the decision-making process in organization environments.

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