

DECISIONS IN ECONOMIC-ORGANISATIONAL ENTITIES OPERATING IN A HOSTILE ENVIRONMENT

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ABSTRACT: *The complete operating cycle of the organisational economic entity provides a connection between its actions and those actions that take place in the environment where it operates, which are deemed to be natural reactions of the environment to the operation of the organisational economic entity. The way in which the environment reacts to its operation must be understood as being the nature of the relations between events, factors and structures of the environment and not as an answer to what the organisational economic entity does. The same action of the organisational economic entity could therefore determine different environmental reactions to various moments and various actions. This is because organisational economic entities act under the conditions of the restrictions imposed by the environment. There are few cases where these restrictions are not observed and the environment reacts unambiguously. But, most of the time, the operating range is relatively tight, and inside of it only a very low part of it can be assigned to the actions taken by the organisation.*

KEY WORDS: *ambiguous environment; preferences; division.*

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1. AMBIGUOUS ENVIRONMENT AND ITS INFLUENCE THE DECISIONAL PROCESS

The connections between the ambiguity of information and adopting the decision are frequent in the researches of the behaviour organisational economic entities and establish the existence of some influences that take into account both the features of the individuals and those of organisational economic entities.

One may speak of the existence of some consequences and namely:

- **Consequences of the environment ambiguity on the decision makers' activity.** When approaching the consequences concerning the decision makers'

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activity, three ways are distinguished and namely: *The first consists in adapting the system to the observed features of human beings*. Instead of a supporting system in decision making, disconnected from the world, as decision makers want it and however they do not use, the system may be designed to provide them with the information in a familiar and useful form. The main difficulty of this system consists in understanding the users' demands and in adapting the system to these demands; *the second approach consists in modifying how decision makers adopt the decisions and their attitude in relation to information*. During its evolution, management and operational research theory operated significant changes in the field of adopting decisions in modern organisational economic entities. Recent researches regarding the decision behaviour have been related to the strategies of improving the capacities of information processing by the human brain. Decades of efforts for determining the decision makers to adopt a behaviour closer to the decision theory precepts have proven that this is not an easy duty because the prejudices, *a priori* reasoning and decision makers' wisdom are resistant to decision theory influences and modern statistics; *the third approach consists in replacing human beings with machines, mainly computers accompanied by logicians in expert systems*. Replacing the information electronic and mechanic processing by human processing is frequent nowadays, as phrases like **artificial intelligence, knowledge engineering and expert systems are too**. Even if the speed at which this process occurs was all the time exaggerated enough, progresses have been achieved for situations where the problems can be decomposed into **hierarchical structures** or into **situations where the amount of available pertinent information exceeds the human memory operation capacities**. The perspectives of improving man's decision adoption through a form of computer software are promising in the case where a decision involves the storage and operation of a large number of data or in the case of modelling the complex organisational processes if the structure of the organisational economic entity allows this. We should also emphasise the problem of capacities of storage and data processing which the modern computer-based information systems have available. Contemporary researches in the field of data processing show that the exploratory analysis of the data collected, without reference to a precise use, clearly progresses to prior formulation of the needs for information. This verifies the arguments according to which future information systems give up the idea of a close connection between the collection of information and anticipation of its use;

- **Consequences of the environment ambiguity on the decision theory.**

Theoretic researches on adopting the decision have shown that individuals and organisational economic entities make decisions, which are in contradiction most of the time with the ethical principles, partly putting this contradiction on the account of theory limits and not on the limits of human behaviour. For example, a rigid connection between the information and decision is not useful in ambiguous situations where preferences, causal structures and meanings are vague and changeable. In practice, this type of situation is frequent, determining that numerous decision problems of contemporary **organisational** economic entities would enter without difficulty within the decision theory, being suitable to its laws. However, the most interesting of the practical decision problems, most of them do not fall within this framework. The difficulties arose from the ambiguity of decision environment, preferences, pertinence,

intelligence can be illustrated by a reflection on some aphorisms suggested by decision theory applied in an ambiguous organisational environment and namely:

. **Never start an action unknowingly.** To the extent where it is operated inside the anticipative and consequential framework of rationality, it is important to know what is desired before acting. However, it is obvious that intelligent decision makers often behaved as if they would not believe in this need. They see in action a way to discover and elaborate preferences, rather than a modality to operate based on them;

. **Refrain yourself under ignorance.** One of the axioms of the theory of decision rational choices is that actions are justified by understanding and anticipating their consequences. Even if it is admitted that this understanding of consequences cannot be total, however the optimal amplitude of ignorance is determined by its expected consequences;

. **Do not ask a question if its answer cannot change your decision.** In the decision theory optics, the value of certain information is related to the capacity of reducing the uncertainties which surround choice, although the essence regarding the information collected, purchased or communicated does not emphasise a direct pertinence for decisions. It is possible to create a background of knowledge and meanings, usable for possible actions or to explain the experience. The participants understand the collection of information as an investment into a collection of knowledge and as an aid to define and choose preferences and options;

. **Do not speak before knowing what you want to say.** Certain communication theoreticians say that a message must be fully understood by its issuer before being sent, as accurately as possible, to its addressee. But a large part of the effective communication in organisational economic entities as in daily life overcomes ambiguous formulations and leads to answers representing the message and seeks its possible meanings. In this context, an information system must be designed based on a static and precise decision structure that would allow the resolution of some elementary problems in organisational economic entities. Under conditions of ambiguity however, it is necessary to design a system for imprecise decision structures and which would be of a dynamic character.

2. ADOPTING THE DECISIONS IN ECONOMIC-ORGANISATIONAL ENTITIES OPERATING IN AN AMBIGUOUS ENVIRONMENT

2.1. Ambiguous Preferences

The preferences of the organisational economic entities and their members are often less clear than those deemed by the theory of rational choice. They are, most of the time, vague and contradictory, developing over time and according to the experience and nature of decision processes. The choice conception pleading the contemporary decision theory and microeconomics postulates the optimisation of decision options based on two circumstances: **The first one has as objective the uncertain future consequences of the actions that could be engaged; the second**

one takes into account the decision maker's uncertain future preferences faced with these consequences once they shall be materialised.

The first conjuncture got decision adopting specialists' attention to a larger extent than the second one. Thus, a large part of the science of management, microeconomics and operational research is dedicated to improving either the optimisation calculations used for complex choices, or the assessment of probability distribution of the future consequences of an action. No effort has however been made to understand or improve either the formulation of **decision alternatives**, or the circumstance of future preferences.

The alternatives and preferences are generally considered as given. Of course, in practice, the methods of management science and decision theory techniques are often used by decision makers authorised to discover the alternatives and clarify their objectives. But the decision theory participates itself to great extent to this effort considering that preferences control the decision choices. It is however impossible to say the same, for the organisational preference processing procedures. This because in this case, preferences are mostly not known from the very beginning, there actually existing a certain ambiguity about them.

2.2. Ambiguous Pertinence

Practically adopting the decision in economic organisational entities is often less coherent than the decision theory implies it. Most of the time, the problems, solutions and actions have a fairly weak connection between them, rather of simultaneity than of casualty. Information strategies are relatively independent of specific decisions.

According to the decision theory, information strategies are deliberately developed to solve the uncertainties concerning certain pertinent future situations for selection. In reality, the behaviour of organisational economic entities does not fully correspond to this theoretical vision, because the information is collected and processed without particularly considering the pertinence in the process of making the stated decision. Empirical studies on adopting the decisions of economic organisational entities shows that most of decision theories underestimate the coherence of the decision process. Organisational economic entities are systems where there is to a little extent the coordination, compared to that existing between solutions and problems, between, between purposes and means, between the orientations of one day and those of the next day or between the various elements composing them. The individuals, solutions and problems are randomly combined, which hardly leads to the possibility to of ambiguity appearance on knowing the conditions in which decisions shall be made.

Some specialists concluded from these remarks that decision processes in the organisational economic entities are completely disorganised. On the contrary, others tried to define other concepts of the order that would enable understanding the decision processes from organisational economic entities. It is what has been tried with the pattern of organisational choice through **mise au panier**, which replaces the temporal order, logical order for solutions, etc. It describes a process where the participants' explicit intentions and logical coherences of the choices are often removed by a

contextual flow of problems, solutions, people and choices. The solutions are connected to problems and decision makers, to choices, essentially only by their simultaneity. Such a pattern is however less applicable, because the pertinence structure in an organisational economic entity is more complicated and less related to the decision process. Thus, an information system designed to correlate the information with a series of well defined decisions is not necessarily useful when the decisions are made in a context where attention and logical connections between solutions and problems are ambiguous.

2.3. Complex Systems Intelligence Ambiguity

Although the individual participants often try to act intelligently inside the organisational economic entity, calculating the consequences of the actions they undertake, their behaviour is many times modified as a consequence of the need to be subject to the rules that change the lessons learnt from their experience as members of a complex system of partially overlapped organisations.

Modern theories of adopting decision and interactive competition are theories of intelligence calculated for its own interest or organisational economic entities. Let us imagine an economy where decision makers concerned with their personal interest are **niches** in the organisational economic entities, themselves being **niches** within markets, crowds, political institutions, etc. Every participant tries to make decisions (or reflect on decisions) in such way as to promote his/her personal interest as he/she determines it by comparing the expected consequences from various options. These considerations extend to all decision processes and on getting the information necessary for these decisions.

In this case, the evolution of intelligent processes includes three stages: **collectiveness is divided into the innocent (naïve) and intellectuals**. Those in the second category are intelligent but those in the first category are not. Intelligence acts towards promoting personal interest with all subtlety and possible imagination. The information is a tool in the service of the intelligent ones and competition rewards people according to their relative intelligence in using this tool. If we grant credibility to a few recent specialised studies, modern management and finances are based on the belief that the administration of an organisation's profits is often easier and better paid than the activities and processes which it implies; **gradually, competition eliminates naivety**. People less intelligent are eliminated by competition and lose either their naivety, or the means of livelihood. Once the naives are suppressed, the intelligence margins are decreased and they have no more effect on the distribution of positive results. All participants are intelligent or services can be provided to some who are intelligent. This is what is affirmed by numerous theories of competition applied in politics, ecology or economy. The hypotheses according to which adaptation is relatively rapid do not exist. A new exogenous aspect of naives lacking intelligence and existence available, some sufficient intelligence reserves available at any moment are questionable, but they can however be accepted for simplicity. We are to conclude that competitors' intelligence makes the intelligence, although necessary, not to have any meaning for the distribution of incomes to be distributed; **finally, intelligence**

loses both its victims and competitive advantage. The elimination of those lacking intelligence reduces the competitive value of the intelligence forms that lead to this elimination.

It is however in the interest of every surviving competitor to continue to behave intelligently as long as the others also behave so, even if this has no effect on its relative competitive power, due to the generalisation of this behaviour. The energy consumed in intelligence does not come from the outside, which makes all participants to be intelligent and vulnerable to the new forms of penetration resulted from the outer environment. This approach only applies to information engineering and draws the attention on the problems raised by the dynamics of competition systems. When competition occurs over long periods of time, the style of the dominant behaviour does not consist in the confidence granted to intelligence, *meaning* to consciously elaborate subtle strategies by individuals concerned by their own interest. The problems of determinant personal interest and intelligence are not immoral, in the regular meaning of the word, but they represent a form of incompetence. From this point of view, recent efforts for **improving** organisational intelligence are instructive. It is not a hazard that competition **theoreticians** have recently discovered the importance of trust, reputation, understanding relations in order to also extend them to repetitive and extended games within the decision process.

3. DELEGATION OF ADOPTING DECISIONS

A consequence of increasing the size and complexity of the organisational economic entity is also that there appears the need to delegate some responsibilities from managers to subordinates, meaning certain responsibilities are appropriately transmitted to certain subordinates.

Centralisation allows: Concentration of responsibility in the hand of a relatively low number of people, who should understand the strategy of organisational economic entity, which facilitates the coordination of its activities; reduction of managerial expenses along with the existence of a powerful management.

The advantages of delegation are that by freeing the enterpriser and top management of duties, more freedom of action and permanent control over their work is given to the subordinates. This could have important motivating implications, by increasing the satisfaction of the work done. The delegation also offers the possibility for a person that is directly involved in solving a problem to do it in the most suitable manner. A greater flexibility of the organisational economic entity is also possible, as long as the possibility is created for a person that is **on the matter** and has the appropriate knowledge to solve it without waiting the approval of other leaders, thus also improving the control on the fields where such responsibilities have been assigned.

Delegating some responsibilities by the manager to their subordinates in the organisational economic entity is determined by a series of factors and namely: **the size of the organisational economic entity**. Thus, as the organisational economic entity develops, more problems develop, that are to be solved by the manager. It is impossible for him/her to continue to be involved in all of the activities of the organisational

economic entity. Although some managers can resist before the need to delegate part of their attributions, however developing the organisational economic entity urges the delegation of competences from managers to their subordinates, in order to avoid the danger of overloading; **the geographical dispersion of the organisational economic entity.** If an organisational economic entity develops its activity, it can also increase under the aspect of the geographical area, which determines an increase of pressure on the manager, as long as there is no possibility to be in many places at the same time. Under these conditions, if delegation is not done, considerable delays can occur in making the decisions, concomitantly with overloading manager's capacity. There is also the risk that inappropriate people would make decisions in relation to issues which they do not fully understand or maybe they understand them much too late. Therefore, the larger the geographical area is, the more necessary it is to delegate competences; **the technological complexity of the organisational economic entity.** The difficulties created by developing and geographically dispersing the organisational economic entity that influences even more managers' capacity to make decisions increase along with the technological complexity of the organisational economic entity. Generally, increasing the technological complexity of the organisational economic entity determines the increase in the demand for specialised personnel. The lack of knowledge among the personnel determines managers to delegate part of their responsibilities to those subordinates which indeed have the knowledge and necessary abilities; **the stability of the organisational economic environment.** The action of the previously presented factors increases when the organisation performs the activity in an unstable environment. Where the environment is stable, it is possible to predict which the conditions shall be at a later date, acting as such consequently, which allows the centralisation of adapting the decision at manager level. If however the environment is or becomes unstable, it is possible to predict with certainty how things will be in future. This means that the organisation must be flexible regarding the rapid change and adaptability to the unpredictable environment conditions. In large and complex organisational economic entities, the ability to cope with such environmental changes is favoured by delegation, which offers the possibility to those who have access to relevant information to do the most appropriate adaptations, without needing to be addressed to an extended hierarchy to get the permission and ratification of own decisions. In contrast, in small and simple organisational economic entities, such an instability can be manoeuvred better by concentrating the decision power at the top of the organisational economic entity, which allows the adaptation to external changes; **the division of labour into the organisational economic entities horizontally.** When the organisational economic entities become increasingly larger, more complex technologically and more geographically dispersed, they are based more and more on the division of labour horizontally, each of the departments having duties that differ in many points of view from the duties of other departments. The result is that different individuals from every department deal with just to a small extent with the activities of the organisational economic entity as a whole. From the manager's point of view, such a division can provide important benefits, such as efficiency improvement, productivity increase, etc.; **the vertical division of labour in organisational economic entities.** The horizontal division causes certain problems to the coordination of dispersed

activities and, therefore, the need of vertical division appears, to avoid **overcrowding** and to ensure the distribution of power and authority in an organisational economic entity. The vertical division leads to some responsibilities for various employees and departments which different power and authority is given to, in order to act in various departments of the organisational economic entity, created by the vertical division of the labour.

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