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## Holistic approach to the decision-making process

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**Key words:** decision-making process, management, human resources, employees participation in decision-making

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**Abstract:** The primary purpose of management – among the general theoretic and practical positions – is developing, making and organizing the implementation of optimal management decisions. The article provides an analysis of currently operating method of development and making of management decisions. On the basis of this study, it is concluded that the role of management employees in this process is quite passive. The effective economic activity depends first of all on intellectual, creative and professional potential of all employees, both leaders and functional managers as well as other specialists that are able to come up with creative ideas, develop and implement them. An organization conducts the activity as successfully as enterprising and competent are its employees. Under these terms it follows to completely change the management decisions development and making process both in relation to organization of this process and stimulation of management professionals' participation. In principle the new stages of the suggested model of management decision development are the following: attraction of subordinates to the exposure of problem in the organization activity; competition between management employees for a right to develop management decisions; informing the subordinates by a leader about the criteria of evaluation of the decision project quality; proper financial and nonfinancial stimulation of authors of the decision selected for implementation.

### 1. Introduction

The primary purpose of management – among the general theoretic and practical positions – is developing, making and organizing the implementation of optimal management decisions. This task in theoretical and practical terms is served by the theory of decision-making, organizational structure of management, and employee motivation system.

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The aim of this research is to develop methodical principles in relation to the new approaches to the optimal decision development process built on the competitive principles of management employees participating in this process.

Theoretical and methodological basis of the research is the economic theory, management theory, and fundamental scientific works on the problems of management organization and management. The complex of such methods as abstract-logical one, as well as analysis, synthesis, and comparison, was used in the study.

As it is shown by the analysis of the works relevant to this range of problems, the decision-making theory has formulated the basic concepts and characteristics of management decisions, theoretical principles, methodology and organization of their development and making (1, 2, 3, 4, 5, 7, 8, 10).

Summing up, we may state that as of the present moment the theory of decision-making includes a number of sections. They consider the following: 1) a concept and place of decisions in the management system; 2) requirements to the management decision; 3) classification and stratification of management decisions; 4) multidimensional nature of their content; 5) system approach and system analysis in solving the problems of organization management; 6) criteria used in selection of the management decisions variants; 7) optimization of the latter; 8) methods of development and making of management decisions; 9) a process of development and making of management decisions; 10) its information support; 11) implementation of management decisions; 12) evaluation of their effectiveness.

However, even the observance of theoretical recommendations is not always a guarantee of optimal decision-making.

## 2. Decision—making implementation support

The scheme of the current decision making process is presented in Table 1.

As it follows from the above, in general, the role of management employees – “office plankton” as they are often called by media – is rather passive. They mainly carry out routine tasks on collecting and organizing the information required for decision making according to the volume and structure defined by the manager. Nowadays, the managers work stimulation has little in common with the quality and effectiveness of management decisions since these employees are paid the fixed salary amounts and bonuses are awarded for the overall results equalizing the results of both successful and unsuccessful decisions.

Table 1. The content and sequence of actions of management employees in traditional development of management decisions

Actions of the process participants	
Subordinates	Manager
Provide information support for preparation to the development of management decision.	Specifies the volume and structure of necessary information; may inform the subordinates about the essence of the problem during collecting information.
	Formulates a problem to be solved.
	Defines the aim of management decision.
Provide the manager with necessary information but they don't conduct a search or evaluation of possible decision variants.	<ol style="list-style-type: none"> <li>1. Receives information from his subordinates, and then determines the ways to solve the problem.</li> <li>2. Brings the problem to the notion of his particular subordinates, whom it concerns, listens to their ideas and suggestions not submitting them for a group discussion but working with each subordinate individually.</li> <li>3. Brings the problem to the notion of all subordinates, organizes the group discussion and gathers ideas and suggestions.</li> <li>4. Brings the problem to the notion of all subordinates, he searches for and evaluates alternatives together with subordinates trying to come to consensus on the problem.</li> </ol>
Perform a structural analysis of the decision object (if requested by the manager).	Makes a structural analysis of the decision object.
Collect and process additional information (if requested by the manager).	Specifies the volume and structure of additional information.
	Solves the problem and makes a decision individually using all the information available to him at the moment.
	Chooses the optimal decision.
	Makes a decision individually. His decision may or may not represent the view of subordinates.
Implement a management decision.	Controls the decision implementation process and, if necessary, amends its content.

Source: author's own study.

All this occurs within the management structure existing in an organization.

### 3. Organizational management structures and their influence on management decision-making process

The two classes of organizational management structures are known in the theory of management, i.e. a class of mechanistic structures also called bureaucratic, hierarchical or traditional structures, and a class of organic structures, also called adaptive

and market structures. There are certain types of structures within each class. There is also a hybrid class of structures which includes a combination of mechanistic and organic structures (Figure 1).

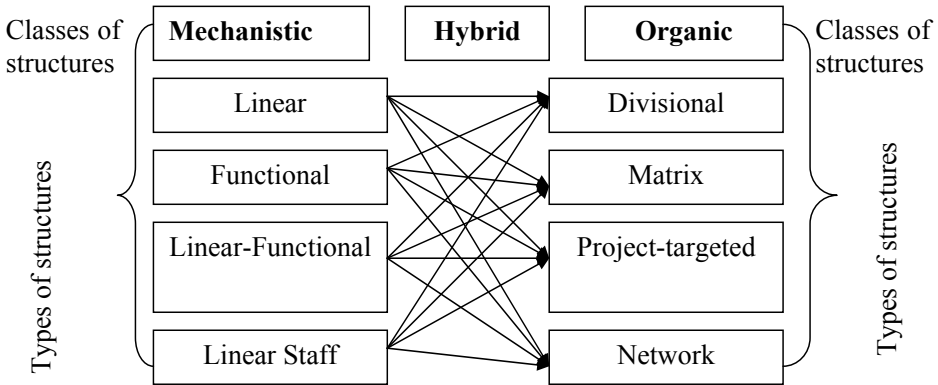


Figure 1. Classes and types of organizational management structures

Source: author's own study.

The mechanistic structure provides strict division of management activity by functions, departments and positions. It is based on the wide use of regulatory documents and provides strict hierarchical subordination in manager–subordinate relations. The highest importance is attached to the official powers and liability, and not to the qualifications and experience of the staff. Generally, this structure, regardless of its type, is focused on mechanical performance of tasks and instructions by the subordinates. Their activity is activated within the limits established by the rules and procedures operating in the organization.

The subordinates are entrusted mainly with routine operations on collecting and processing of information necessary for the future decision-making. Moreover, there is also provided their participation in the management decision implementation which is usually fragmented between groups of management employees and individual executors. The actions of a creative character in most cases are performed by the manager himself. As a result: a) the quality of the management decision depends on the knowledge and experience of a single man; b) a successful decision is considered an achievement of the manager, and if it is unsuccessful – the guilt is often assigned to subordinates blamed for provision of low-quality or incomplete information; c) subordinates do not receive incentives for their complete dedication when working on a decision.

Even in case if the subordinates are involved to the decision-making they often manipulate the manager by referring for advice to the superiors if needed and if not. Three factors are present here. Firstly, one may not exert oneself to resolve the set

task. Secondly, it is always flattering for the manager – if he is consulted it means that his subordinates find him smarter. Thirdly, the fact of consulting with the leadership can shift a part of the guilt for the possible failure to him.

In search of more effective activation of the subordinates activity there appeared so-called organic structures that can function independently, though within mechanistic ones, as well as in greater or lesser extent be synthesized with mechanistic structures creating various hybrids.

The organic model of the structure is based on the change of aims, objectives, defined for particular employees depending on changes of circumstances inside and outside the organization. Practically all types of organic model include a group participation of all management employees, including formal manager, at all stages of the development, making and implementation of management decisions. The activation of management employees is facilitated by the group remuneration, rewarding for the final results of their activity, etc. The examples of such activation we may consider the creation of profit centres in the organizations, the use of different systems of employees' participation in profit, etc.

However even the presence of organic structure does not always guarantee a high quality, efficiency and effectiveness of the developed and implemented management decisions so far as such structure can not function completely independently from the mechanistic structure.

There is a process of management professionalization in the domestic business. Now it is clear that success in any field mainly depends on the intellectual, creative and professional potential of all employees, the managers – generators of ideas, as well as functional managers and other professionals capable to provide creative ideas, develop and implement them. An organization conducts the activity as successfully as enterprising and competent are its employees.

In these conditions, in our opinion, it is necessary to completely change the decision-making process both in terms of organization of the process as well as motivation of professional management employees' participation.

#### **4. Modern professional management model**

We believe that the role of professionals in the development of management decisions should not be limited only to the work with information, but also cover the decision-making process itself. For this purpose the diagram presented in Figure 2 is provided.

The differences between the suggested model and the existing one are the following:

- the subordinates are involved in the development of management decisions starting from the first phase – diagnosing the fact of the problem appearance;

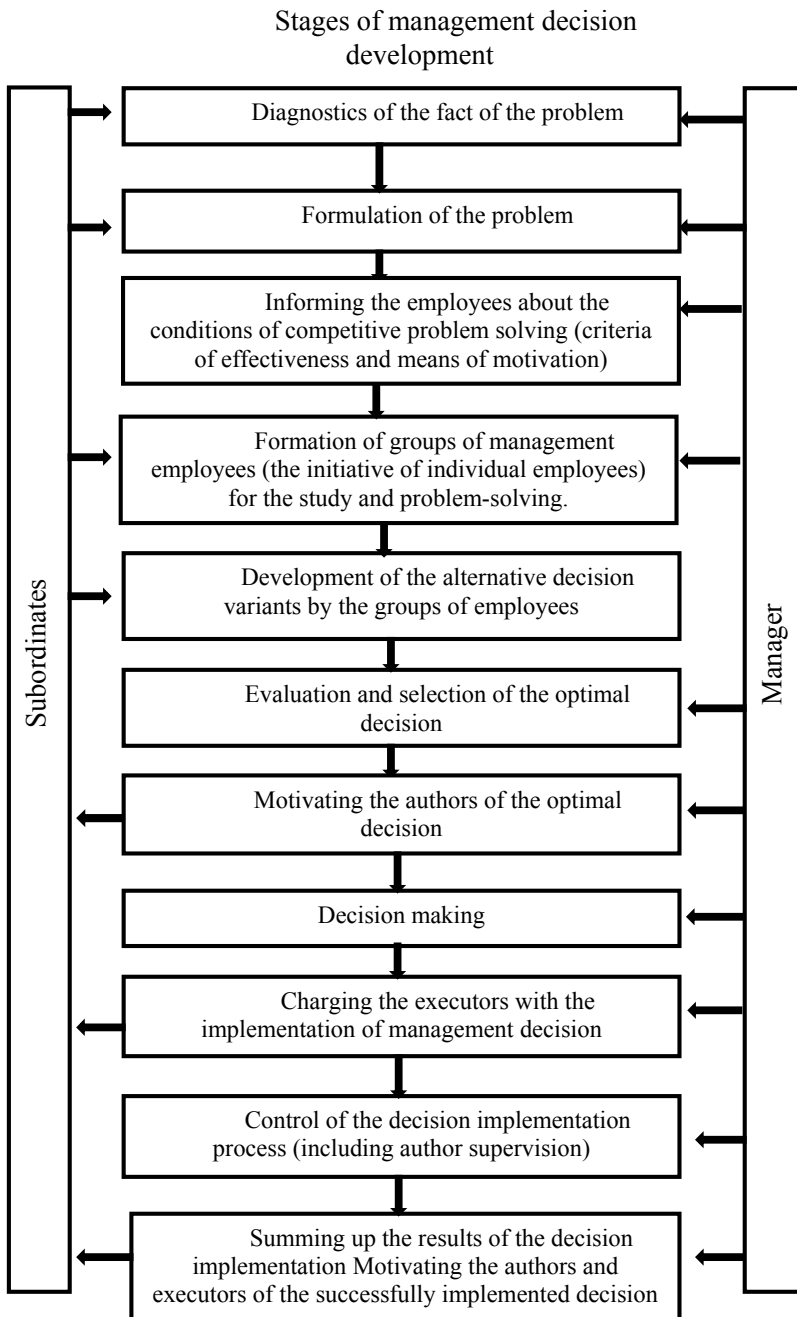


Figure 2. The scheme of the process of creative making and implementation of management decision

Source: author's own study.

- the subordinates participate in verification the basic nature of the problem;
- the subordinates are informed that they will be involved on a competitive basis for further development of decision;
- the manager informs the subordinates about qualitative criteria to be met by the future decisions;
- there are formed groups of employees (in their appearance order) declaring their wish to solve the problem. Similar applications may be provided by individual executors as well.
- the groups of employees or individual performers develop and submit to the manager's consideration variants of management decision on the problem solution;
- the manager chooses out of the submitted decisions such that is considered by him the optimal one;
- the developers of the decision chosen as the best variant are given the financial reward and nonfinancial incentives;
- the manager announces the decision made to the executors;
- the control of the course of decisions implementation and its adjustment is provided by the manager and the authors of the decision;
- successful implementation of the decision is a basis for additional (final) motivation of their authors.

As it follows from the above, the fundamentally new stages of the suggested model of management decision development include: involvement of subordinates to identifying the problem in the organization activity, competition between the management employees for the right to develop management decision, informing the subordinates by the manager about the decision project quality evaluation criteria, two-stage financial and nonfinancial stimulation of authors of the decision chosen for implementation.

Due to the suggestive character of these stages their introduction into the management decision-making process and their content require individual consideration.

In the current model of management decision development the prerogative right to formulate the problem appeared in the organization activity belongs to the manager who receives the relevant information from the subordinates. Thus, it is possible that the problem is wrongly formulated by the manager due to the fact that: 1) there is a certain time lag between the time the information is received by the executor and the manager, and 2) the manager receives aggregated information, while a subordinate disposes all of its volume.

In the suggested model all management employees are oriented to the earliest possible detection of the problem in the organization activity. Additionally, the executive level employees have a significant advantage over the manager in the early problem detection because they can grasp the weak signals about its appearance having at their disposal a wide range of primary data which they work every day with. This allows

not only to state the fact of the problem appearance but also to verify it, i.e. to determine the primary and secondary parameters and variables.

The information about the appearance (possible appearance) of the problem received from subordinates is evaluated by the manager, and in case of real threat he announces the start of decision development process. At this stage the subordinates work in groups or individually on alternative variants of problem solution. In the process of development of different variants of decisions any management employees of the organization may take part regardless of their affiliation to the different structural divisions or professional training and specialization.

The manager is obliged to inform the subordinates about the criteria to be met by the future decisions. These criteria are well-known and they are the following: scientific validity, purposefulness, quantitative and qualitative definiteness, relevancy, optimality, opportuneness, complexity, flexibility, completeness of execution.

The obtained variants of decisions are evaluated by the manager who chooses the variant he considers optimal. Then the manager approves it and brings to the knowledge of the executors who may be both the decision developers as well as those who did not participate in the decision-making process.

After the manager makes the decision, its developers receive a stimulation. For this reason the operating system of management employees' remuneration and work incentives requires changes. We consider it necessary to distinguish three components in the gross earnings of the management employees: a fixed part, a flexible part and a performance-oriented part.

The fixed part is established to each management employee in a fixed amount as payment for carrying out of the routine duties (mainly work with information). The fixed part should amount at least to 70% of the maximum possible earnings for the calendar period.

The flexible part of remuneration should reflect a management employee's participation in the development of management decisions. It should be paid to the employee in the amount up to 10% of the maximum salary on condition that each variant of the management decision developed with the employee's participation was chosen for implementation.

The performance-oriented part of salary amounting up to 20% of the maximum salary should be paid in case of successful implementation of management decision developed with the employee's participation. Of course, in practice there may be other correlation between fixed, flexible and variable part of salary.

## 5. Conclusions and recommendations for further research

In our opinion, the use of the suggested management decision-making model will facilitate: activation of the management employees towards the identification of the personal aims as the aims of organization which they belong to; stimulation of the



striving for new knowledge and improvement of their professional skills, strengthening of the team members' sense of mutual responsibility and formation of modern management culture. Additionally, the possibility to introduce competitive principles of management activity in other spheres cannot be excluded.

The application of the suggested model of development and making of management decisions requires further research in the following directions: improvement of organizational structures of certain organizations taking into account the individual features of their activity; development of new techniques of the management staff performance evaluation, development of flexible salary and motivation systems oriented on final performance results of the organization, etc.

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## Proces decyzyjny w organizacji. Podejście holistyczne

**Streszczenie:** Podstawowym zadaniem zarządzania – zarówno z teoretycznego, jak i praktycznego punktu widzenia – jest identyfikacja, projektowanie i wdrażanie optymalnych decyzji

zarządczych. W artykule poddano analizie współczesne metody podejmowania i implementacji decyzji, pokazując bierną rolę pracowników niższych szczebli w tych procesach. Tymczasem efektywność ekonomiczna organizacji jest uzależniona przede wszystkim od potencjału intelektualnego, zawodowego i kreatywności pracowników wszystkich szczebli, zarówno zarządu i kadry kierowniczej, jak i specjalistów, którzy mogą z powodzeniem tworzyć, rozwijać i wprowadzać w życie nowe koncepcje. Organizacja prowadzi swoją działalność na tyle efektywnie, na ile przedsiębiorczy i kompetentni są jej pracownicy. Zgodnie z tym założeniem, powinna dążyć ona do zmiany procesu podejmowania decyzji zarządczych, tak w odniesieniu do jego organizacji, jak i zaangażowania i motywowania do udziału w nim pracowników. W artykule zaproponowano nowy model organizacji procesów decyzyjnych, w którym istotną rolę odgrywają: zaangażowanie pracowników niższych szczebli w rozpoznawanie problemów pojawiających się w funkcjonowaniu organizacji, wprowadzenie zasady konkurowania pracowników o możliwość projektowania decyzji zarządczych oraz informowanie o kryteriach oceny jakości zaprojektowanych decyzji, a także odpowiednia motywacja finansowa i niematerialna tych pracowników, których projekty będą realizowane.

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Słowa kluczowe: proces decyzyjny, zarządzanie, zasoby ludzkie, udział pracowników w procesie decyzyjnym

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