

DECISION-MAKING AS A MANAGEMENT FUNCTION

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Abstract

Organizations survive or disappear primarily thanks to the quality of management that leads them. Decision-making is not the only, but the basic function of management that contributes most to the success or failure of the organization. The manager is the one who makes decisions and decision-making is the essence of planning. Planning is the first and most important function of management as a process that determines all other functions: organizing, managing human resources, managing and control. Techniques of decision-making are associated with levels of management and with types of decisions taken at each level of management. Today, we do not have enough time to spend on decision making process, but that does not mean that we can make decisions thoughtless.

Keywords: *decision-making, management functions, decisions, organizing, managing human resources, control, managers*

JEL Classification: M5, M51, C44

1. INTRODUCTION

Management is a phenomenon of the 20th century and in his hundred years of existence has in general transformed the economic and social content. The largest contribution of management to humanity development lies in the fact that management is omnipresent in our daily life and work. There is almost no organization that does not have its management, and whether some organizations will succeed or will not succeed primarily depends on the quality of management of an organization. Our study examined a convenience sample of executives of Croatian Ministry of the Internal Affairs in all organizational levels. The total number of respondents who participated in the study was 273, of which 268 were males and 5 females. The average life expectancy is 42 years, with on average 19 years of work in the Ministry.

Because of many years of crisis and recession high quality management in general and quality managers are required by large and small organizations, profit and non-profit organizations, real and public sector, government and non-governmental organizations. Management is required at all levels of the organization and is required in all organizational processes of work. The managerial job, unlike other jobs, is not easy, nor can be described or prescribed in details. This situation is a chance for every manager to demonstrate its ability and quality of reasoning. However, if the organization's success largely depends on the quality of management, the question arises: what does a successful manager know (have) and others are missing? Knowledge and skills necessary for the performance of managerial work are not uncommon. These are simplified conceptual skills, knowledge of job (profession) and knowledge of people, and all these skills are correlated with the level of management. It is interesting to note and a study we conducted confirms it, that the majority of executives (managers) thinks that they are competent to perform managerial jobs, and to have qualified knowledge and skills. When asked: Do you consider yourself adequately prepared for a managing position, respondents answered as follows:

Table 1. Preparedness of managers to perform managing tasks

	number of respondents	% of respondents
Yes, I am fully prepared	192	70,32
Partially prepared	74	27,10
Not enough prepared	7	2,56
Not at all prepared	0	0

Source: own study conducted at the Ministry of Internal Affairs in Republic of Croatia

Today, the management can be discussed as a: scientific discipline, skill, profession, process. Since the beginning of the 20th century management has been studied in almost all higher education institutions. Management is a skill, which like any other skill is acquired by experience. Today, management is an established profession in the labor market. The understanding of management as a process or a process approach to management is the most important for understanding not only the term, but its actual content. Management as a process consists of certain functions. In the contemporary theory and practice five basic functions of management have been accepted. These are: planning, organizing, human resource management, leadership and control.

On the other hand, classification of managerial functions consists of opinion that the most important function of management is decision making. (Sikavica et.al; 2008, 22) The question is: which managers are competent to perform the tasks that are result of certain managerial functions, how much knowledge do they have about planning, organizing, managing human resources and control. Every larger organization consists of specialized organizational units and competent employees who are professionally engaged in planning, organizing, managing human resources and control. Therefore, it can be concluded that the only content that no one else can perform as well as managers is leadership. Decision-making is not the only, but it is the basic function of management, and the need for decision-making is so widespread that the decision has become a synonym for management. Decision making is imminent to any management function as a way of achieving those functions. Each managerial function is eventually determined by a particular decision.

The following paper deals with functions of management as a process correlated with time, the definition and importance of decision-making, decision-making techniques, steps in decision-making and the decision-making under conditions of high centralization or decentralization of individual organizations. The paper presents partial results of research of adequate training for the performance of management tasks, autonomy in decision making, the importance of decisions made independently, and exposure of control. The paper ends with a conclusion and a list of used references.

2. MANAGERIAL FUNCTIONS IN CORRELATION WITH TIME

Each process, and management is a process, is a set of activities and / or operations that transform certain inputs into outputs. The process can be recognized by changes that occur during the performance of activities and operations. Results of these changes are outputs. Management activities in the process are called management functions. H. Fayol gave us the first well-known classification of managerial functions in the early 20th century. With logical sequence he lined up management functions such as planning, organizing, ordering, coordination and control. Half a century later, P. Drucker presented his conception of management functions, namely: setting goals, organizing, motivating and communicating, measuring and evaluating of achieved results and staff development. Considering the time in which they occurred significant differences in the concept of function are more than visible. (Buble; 2006, 12) Fayolle concept is almost rigid, the terms are strictly defined, and partly borrowed from the military terminology. According to him, all these functions are required not only for the successful conduct of business, but also in politics, military, religion, and elsewhere, which means that the management functions are universally applicable. Drucker's concept is characterized by mainly two new moments. Firstly, a different attitude toward people (insists on communicating and motivating instead of ordering and controlling). And secondly, emphasizes the qualitative aspect of management, and measurement of achieved results.

According to some opinions management process consists of four functions: organization, planning, control and influence. Therefore, influence includes motivating, leading and directing. (Sikavica et al; 2008, 20) The concept of classification of managerial functions such as planning, organizing, human resources management, managing and controlling dominates today. Such an approach is dominant in the way of structuring managerial functions. (Weihrich & Koontz; 1994, 15) Managers do not differ according to whether they need to perform some or all of these tasks or functions, but in that to what extent they will devote to some of these activities or functions. (Sikavica et al; 2008, 23) So, all managers, regardless of organizational level, perform all management tasks, main difference is how much time they spend on each of the functions of management. Planning is the most important function for managers at the highest levels of management, less important features are organization and control, and the least important features are guiding and management. At the middle level

of management, all the managerial functions are equally important, while at the lowest level of management the most important function is guiding or managing, less important is function of control, while the least important features are planning and organizing. (Sikavica et.al; 2008, 24) It is evident that managing is crucial important at the lowest level of management because they are the only managers in direct contact with the executors. Other authors agree that management functions are generated by all managers in the organization, and they devote more time to particular functions, as already been said, and function like control takes the least amount of time at all levels of management. (Buble; 2006, 15) Not because it is the least important function in comparison to other managerial functions, but because of constructed control systems which facilitate the work of managers and also because of self-control which is increasingly important part of every business. The results of our research mostly support this view. When asked to express daily time spent on individual managerial process in percentages, respondents answered as follows:

Table 2. Percentage of daily time spent on individual managerial process

	% of respondents
How much time do you spend planning your work?	24,80
How much time do you spend on organizing work?	22,60
How much time do you spend on guiding?	29,60
How much time do you spend on management human resources?	12,80
How much time do you spend on control?	10,20

Source: own study conducted at the Ministry of Internal Affairs in Republic of Croatia

Nearly a third of the time managers spend on directing staff (guiding), equally on planning and organizing work, and the least time on human resources management (quality of public and state organizations, executives are largely limited in “staffing”) and control. When asked: How often are you controlled by your superiors, respondents answered as follows:

Table 3. Frequency of control

	number of respondents	% of respondents
Controls are frequent and constant	73	26,73
Controls are occasional and rare	192	70,32
Never controlled by superiors	8	2,93

Source: own study conducted at the Ministry of Internal Affairs in Republic of Croatia

While a quarter of managers are frequently controlled by their superiors, more than seventy percent of managers are occasionally, almost rarely controlled.

3. CONCEPTUAL DEFINITION OF DECISION-MAKING

It has already been pointed out that some authors considered decision-making, not the only, but certainly the primary function of management, which in simple terms can be expressed by the sintagm “the manager is the one who decides.” (Jurina; 2011, 156) Decision-making is determined by each manager. In our numerous, but also in foreign literature, decision-making is conceptually very easily determined. “Decision-making is defined as a chosen way of conducting business among several alternatives; it is the essence of planning.” (Weihrich & Koontz; 1994, 199) This kind of approach to defining the concepts is associated with planning because during various stages of planning process managers make expert and managerial decisions. Decision-making is considered to be the essence of planning and until a decision is made, we cannot tell that planning document has the character of the plan. Decision-making can be defined as “a process that allows decision-maker to select at least one option from a set of possible alternative decisions”. (Barković; 2009, 119) Decision-making is a very wide term , so we can talk about decision-making in various areas of life and work, for example there is decision-making in our personal lives, decision-making in business entities, and decision making in the state and in related institutions. “Decision-making is a process that takes a (longer or shorter) time, and it ends with decision making, and its implementation and control. The process of decision-making depends on the type of decision; it lasts from fractions of a second to several hours and days, months even year.” (Bahtijarević-Šiber; 2008, 336) In conceptual determination decision-making can proceed with a number of different aspects of which two are important. (Buble; 2006, 143) First is the one which starts with the procedural aspect, so in that case, decision-making is defined as a process of identifying problems and possibilities of their solution. Second is the one that starts with condition terms in defining decision, so in that case, deciding is defined as the act of choosing between several potential opportunities. No matter how it is defined, decision-making is a creative process that is realized rationally, with the following three assumptions:

1. there is a clear understanding of the alternative directions through which stated goals with existing opportunities and limitations are possible to achieve;
2. there are information and the ability of decision makers to analyze and evaluate alternatives within the set objectives;
3. there is a will of decision makers in finding the best alternative solution which must be effective In order to achieve settled goals.

From all of the above it follows that making decision on the occasion of solving a problem, or the decision-making process, is primarily determined by the number of alternatives that appear as possible solutions to problems. If there are no alternatives to solve the problem, then we cannot speak about the decision-making process. How will managers, from a number of alternatives, choose the best one, how to conduct selection and narrow down the best alternatives that are complementary with restrictive resources that can be used to achieve the objective? In response to a question usually they use different techniques of decision-making, depending on the type of decision, or whether it is a routine, adaptive or innovative decision. (Buble; 2006, 158) Many authors point out the connection between types of decisions with the level of decision-making. (Jurina; 2011, 157) For making routine or operational decisions, related to well known and well defined problems, rules and standard operating procedures (SOPs) and artificial intelligence are applicable. This type of decision is usually brought by managers at lower organizational levels, immediate managers, and even non-managers or the executors themselves. For the adoption of adaptive decision, referring to moderately unspecified problems and alternative solutions, analysis of critical points and techniques of matrix payment are applicable. Decisions are mostly taken by functional managers at the middle management level. And finally, for the adoption of innovative or strategic decisions, referring to unusual and unspecified problems, techniques of decision trees and Osborne's model creativity are applicable. Decisions are made by managing authorities and managers at higher organizational levels. Of course there are other techniques of decision-making; these are techniques that are commonly used in practice. (Buble; 2006, 160) Rules and standard (operational) procedures are the simplest techniques of making routine decisions. These are pre-written procedures (steps) when making routine, programmed decisions. Artificial intelligence is the ability of programmed computer systems to perform the functions that usually remind us of human intelligence. The essence of analysis is to determine the relationship between costs and profits in relation to the movement

of the level of activity or the volume effect. Matrix of payment (decision) is a technique that is primarily used in the case of risk; it shows the consequences of choices of some alternatives depending on the situation. A decision tree is a special technique of decision making, based on the relationship between strategy and conditions, and is used to solve complex problems. Osborne's model of creativity indicates to a special technique that is used in the process of making innovative decisions, and is focused on stimulating the creation, developing cooperation and innovative group decision-making. It consists of three main phases: researching problems, detecting ideas and searching for solutions.

3.1 STAGES OF DECISION-MAKING

No matter which technique of decision making is used, in the process of deciding, on the way from detecting problem to making a decision, it is important to apply certain stages (phases, steps). In the literature, there are different classifications of decision-making process from the simplest that talks about two phases, to complex that talks about four, five or more steps in decision-making process. The decision making process can be divided into the preparation phase and the phase of making a decision. Most authors say that the decision-making process consists of five stages (phases) (Jurina; 2011, 160):

1. problem identification,
2. diagnosing problems (problem formulation),
3. generalization of alternatives (variants),
4. selection of alternatives (variants),
5. making decision on the best alternatives (variants).

Although some authors cite different numbers of stages in decision-making process, all authors without exceptions, cite phases that are essential and without which it would not be possible to carry out the decision making process. A complete decision-making process can be parsed at eight phases. (Bahtijarević-Šiber; 2008, 370) The first phase in decision-making process is to identify problems which need to be solved. Misdiagnosing the situation unavoidably leads to wrong therapy. Therefore, the first stage of the decision making process is crucial for all other phases. Defining the tasks is the second stage of decision-making process which follows when we know what needs to be solved. The third stage in decision-making process is to record and analyze current situation. It

can be determinate which resources (human, material, financial) managers can use to solve problems. Searching for problem solutions as the fourth stage in the decision-making process is actually the first “real” phase in the decision-making process, and all the previous stages are preconditions for deciding. At this stage, the process of developing ideas is carried out as possible solutions for problems. The fifth stage of the decision-making process is the evaluation of different versions for solving problems. After assessment, versions are accepted or rejected. After five steps that can be considered as a preparation for making a decision, follows the sixth phase of the decision-making process or the selection phase of the best versions. Making a decision is choosing the most appropriate version, respecting the present circumstances. The seventh phase of the decision-making process is the reason why the whole process of decision-making and decision implementation even starts. By monitoring the flow of implementation we ensure proper implementation of the decision. And at the end of the decision-making process (last eighth stage) follows the control of implemented decisions. Control enables verification through all the decision-making process.

4. DEGREE OF CENTRALIZATION AND DECISION-MAKING

The paper pointed out that many authors indicate the relation of organizational levels of management with the types of decisions that are made and the importance of these decisions for the organization in general. How many decisions will managers bring at each level of management and the importance of these decisions, largely determines the degree of centralization or the decentralization of the organization itself. When senior management makes all important decisions, we talk about the centralization of decision-making, and the decentralized organizations are the ones in which decisions are deployed at lower levels in the organization. (Sikavica; 2011, 364) The range of decentralization in decision-making can be revised by answering to several questions.

1. What is the number of decisions made at lower levels of management?
2. What is the importance of the decisions made at lower levels of management?
3. What is the impact of decisions made at lower levels of management?
4. How often does senior management check subordinate levels of management?

If lower levels of management brings a large number of decisions, which are important and significant, and controls of senior management are occasional or rare, then one can speak of a high degree of decentralization in decision-making process. Of course, the reverse is also true. Results of our research suggest the following. When asked: How many decisions associated with functioning of the organizational unit, or the use of potential of organizational units are made independently, without consultation with the supervisor. Respondents answered as follows:

Table 4. Degree of autonomy in decision-making

	number of respondents	% of respondents
None decisions can be made independently	2	0,73
I make a small number of independent decisions	90	32,96
I decide alone, and only in rare cases I consult with a supervisor	176	64,46
I decide independently	5	1,83

Source: own study conducted at the Ministry of Internal Affairs in Republic of Croatia

Most of respondent's decisions are made largely independently, while one third of respondents are unable to make decisions without consulting superiors managers. When asked: What is the importance of the decisions that are made independently in the strategic, tactical and operational terms, respondents answered as follows:

Table 5. Importance of decisions made independently

	number of respondents	% of respondents
These are mostly unimportant decisions	2	0,73
These are decisions of minor importance, which are operational nature	63	23,07
These are decisions whose importance are tactical and operational nature	188	68,86
These decisions have extensive strategic significance	20	7,32

Source: own study conducted at the Ministry of Internal Affairs in Republic of Croatia

Managers who decide independently or mostly independently make exclusively decisions that are operational and tactical nature. Only a small number of decisions have strategic significance. Strategic decisions are made at the political level by the Government, the Minister and his associates.

5. CONCLUSION

How competent, educated, qualified are managers (executives) to perform the tasks? How many knowledge of the planning, organizing, managing human resource and control do they have? The question is of subjective nature. This is the knowledge that requires education throughout their entire life. However, management is decision-making, being a manager means to make decisions and take responsibility for the effects of decision implementation. Regardless of the many techniques that are used in decision-making, the task of choosing a specific version (alternative) for solving a specific problem lies on the managers. We live in a time of great uncertainty, rapid and frequent change and turbulence. Long-term planning becomes an utopia, dynamic planning is evident more than ever, plans on a daily basis must be corrected, and the decision-making is the essence of planning. The decision process shortens, decision-making cannot last indefinitely, but it does not mean that decisions can be taken recklessly, without fundamental preparations. Despite constant environmental demands for changes the use of approximate methods in decision-making process cannot be useful. From presented answers it can be concluded, that it is an organization with appropriate decentralization in decision-making. Great autonomy in decision-making comes primarily from clearly defined tasks, powers and responsibilities of each employee, including managers in system of the Ministry of Internal Affairs. And finally, one author wrote that smart managers make decisions only when they are sure of the outcome, and they delegate everything else to close associates.

6. LITERATURE

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