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THE IMPACT OF SUBJECTIVE FACTORS ON THE QUALITY OF BUSINESS DECISION

УТИЦАЈ СУБЈЕКТИВНИХ ФАКТОРА НА КВАЛИТЕТ ПОСЛОВНОГ ОДЛУЧИВАЊА

Summary: *Deciding is a complex process of making many decisions at different levels and in different decision-making places, and it is under the influence of many factors on which the quality of the decisions made depends. In extensive literature in the field of decision-making theory, different authors differ on different classifications of factors that influence decision-making. In spite of the fact that there are some similarities between them, and differences in classifying, it can be said that in general terms, we distinguish objectivity and subjective decision-making factors. This paper will discuss subjective decision-making factors.*

Keywords: *decision making, business decisions, subjective factors*

JEL classification: *M21*

Резиме: *Одлучивање је сложен процес доношења многобројних одлука на различитим нивоима и на различитим мјестима одлучивања, а дешава се под утицајем многобројних фактора од којих зависи квалитет донесених одлука. У опсежној литератури из подручја теорије одлучивања код различитих аутора налази се на различите класификације фактора који утичу на одлучивање. Упркос томе што међу њима постоје одређене сличности, али и разлике у класификовању, може се рећи да генерално посматрано разликујемо објективне и субјективне факторе одлучивања. У овом раду ће бити ријечи о субјективним факторима одлучивања.*

Кључне ријечи: *одлучивање, пословне одлуке, субјективни фактори*

ЈЕЛ класификација: *M21*

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1. INTRODUCTION

Decision making is the process of choosing the best alternative for reaching objectives. (Certo and Certo 2012, 182).

The quality of business decisions, apart from objective ones, depends on a number of subjective factors, among which they particularly emphasize: good decision-makers, education, decision-making motivation, responsibility for decisions made, and the appropriate distribution of power and influence in the business system. Each of these factors affects the quality of business decision-making more or less.

Therefore, the paper deals with subjective factors that affect business decision-making and how their intensity affects the quality of decisions made. This raises the problem question

whether subjective factors of business decisions and the extent contribute to the quality of decisions made.

It would be difficult to accurately determine the impact of these factors on the quality of business decision-making, but it is certain that this impact is neither small nor is it to be underestimated. The influence of subjective factors on decision making can be positive or negative.

It is quite certain that the quality of business decision making will be different if, for example, power and influence, that is, responsibility in the business system is evenly distributed across all organizational levels, and if the information, education and motivation of the decision-maker is at a desirable level. In reverse situations, decision making will be of a different quality if power and responsibility are incorrectly distorted and if information is insufficient, and there is little or no education for business decision making. Therefore, for the quality of business decision-making, the impact of one of these factors is not only important, but also the level and quality of each of them, since it is precisely the quality of the decision making process, as well as the quality of the business decisions.

2. EDUCATION OF DECISION MAKERS

Education for business decision making is an important subjective decision-making factor. Decisions are made at all levels in the business system and in all workplaces, and accordingly, the required level of knowledge, that is education, for decision-making in individual workplaces and levels of decision-making is different. Regardless of whether it is executive and managerial workplace, the fact is that without the necessary knowledge, which comes from education, one cannot make good business decisions.

Whoever does not possess the appropriate knowledge is not able to understand the information on the basis of which to make a decision, which means that he cannot even decide on the basis. However, this link between decision-making and knowledge-education must not be easily understood, in the sense that each educated decision-maker who possesses certain knowledge will make quality decisions.

Daniel Kahneman and Amos Tversky were awarded the Nobel Prize for exploring the role of intuition in decision-making, that is, how individuals use heuristics or simple rules for decision-making and whether there is a bias in decision-making.

In their opinion, when managers rely on rules when deciding, these decisions are often wrong.

Also, the ability and skills in taking the risk of decisions taken are one of the crucial factors for evaluating the knowledge and value of the decision maker (Trimmer 2014, 71).

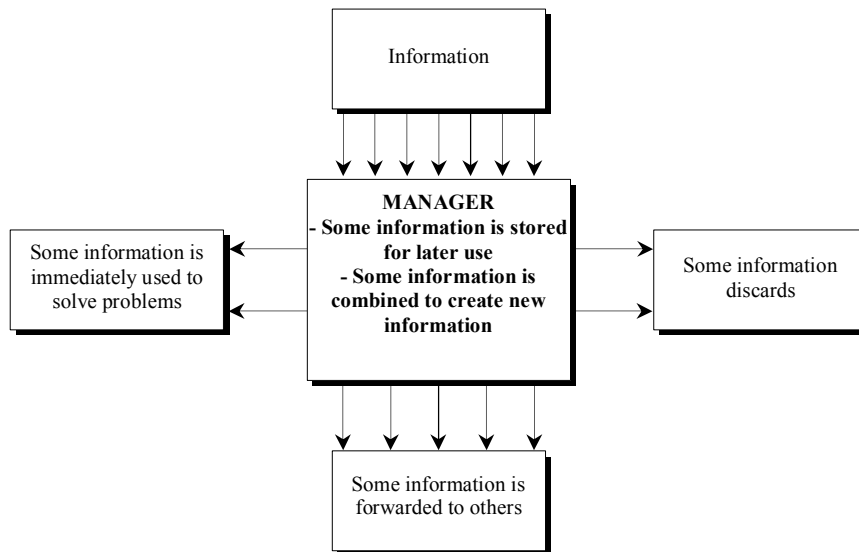
Knowledge, or education is an important assumption, but it is not a guarantee of successful decision-making, because other subjective factors of decision-making are affected, which will be discussed in the continuation of the work.

3. INFORMATION OF DECISION MAKERS

Quality decision makers are important for the successful decision making process. If the decision maker is not informed, it is difficult to decide at all. The disposition of quality information should ensure quality decision-making and vice-versa, if the information is inadequate, it can easily happen that they make wrong decisions based on them, the negative consequences of which may be unimaginable. However, if the decision-maker is well informed about the problem it decides, it is still not a guarantee that it will make a good decision, as it depends on the effect of all other subjective decision-making factors.

The smaller the number of decision-makers, the smaller the number of those who need the information. This is otherwise a feature of centralized decision making. By contrast, in the modern business world of decentralized decision-making, there are a large number of decision-makers, which means that there are also a large number of those with the information necessary for decision-making. In this way, the decision-making process also democratizes the decision-making process. This means that informing the decision maker cannot only be the result of the desire or will of certain structures, but it is the primary requirement for successful decision-making.

Figure 1: Manager and information



Source: Sikavica et al.1999, 289

Informing the decision maker must be such that it reveals the essence of the problem that needs to be solved. This means that good information does not only have to be based on a multitude of information. Quality is much more important than decision making. A large amount of unnecessary information can only prolong the decision-making process with an uncertain outcome regarding the quality of the decisions made. In order for information to really be information, its contents must be (Novak 1976, 117-118): true, current, understandable and clear. If one of these features is missing, the information is not actually information.

Management has four different functions and each requires the support of information systems. As information required at three different levels of decision-making and information systems must support each of these levels (Berisha-Namani 2010, 115).

With the goal of disposing of relevant information as a support in business decision making, the use of modern business information systems is of great importance. The role of the information system in the business system is computer support in business transactions, as well as providing the necessary information to decision makers at the appropriate time and in a usable form (Sikavica 1999, 289).

Particular attention should be paid to the systems for decision support, since in modern business conditions they provide the greatest support to decision-makers in resolving semi-structured problems, and facilitate the adoption of unprogrammed strategic decisions. Decision support systems have numerous advantages, but also some shortcomings. The benefits of applying the decision support system are reflected in the following (Power and Sharda 2000): time savings, increased efficiency, improved interpersonal communication,

competitive advantage, cost savings, improved decision-maker satisfaction, improved learning, increased organizational control. Decision support systems potentially offer various benefits to the business system and its management and can have positive effects, but there have been cases where the application of the decision support system has led to negative results. The bad consequences that decision-making support systems can bring are primarily seen in the following (Power and Sharda 2000): putting too much emphasis on decision-making, assumptions of importance, power transfer, unforeseen effects, shifting responsibilities, misleading beliefs about objectivity, reducing authority, overload information. By analyzing the above advantages and disadvantages, it can be said that the advantages of applying decision support systems are much greater than its deficiencies and that their application contributes to better decision-making.

4. MOTIVATION FOR DECISION

At first glance, it seems that the issue of motivation for decision making is illogical, especially for managers who manage their managerial role through the decisions they make. However, this is not always the case, since decision-making motivation is primarily related to the distribution of power and influence in the organization, which is often asymmetric, to the benefit of one, and to the detriment of other managerial structures, whereas these others are demotivating for decision-making. Sometimes this is influenced by the centralization of decision-making, which marginalizes lower levels of management and also makes them demotivational. In contrast, respect for the decision-making hierarchy in the business system, where the decisions of higher levels of management are only the framework within which decisions are made at lower levels of management, is acting incentive at all levels of management in decision-making appropriate to their decision-making level.

In some decision-making situations, some decision makers are not motivated to make decisions, as they consider that their decision-making, as well as the decisions they make, have no impact on the business system. This is mainly the case with lower levels of management, as well as with executives. In the closest relation to the motivation of decision makers, there are material and other fees that are assigned to managers for successful business results, which is the result of quality decision making. Bonuses they receive, and other forms of material and immaterial stimulation can be a powerful motivating factor for quality decision made by managers.

Motivation of employees, both internal (own promotion and material motivation) and external (the need for the power to influence other people with the goal of gaining profit for the organization), significantly influences the performance of the organization in the long run, ie its effectiveness, efficiency and consistency (Argandoña 2008).

5. RESPONSIBILITY FOR DECISION

The quality of the decisions made, especially the strategic ones, depends on the future of the business system, and therefore it is not surprising that the responsibility for the decisions that are made, as a subjective decision-making factor, is a prominent place among the decision-makers. All decision-makers, and especially managers, and those at the highest levels, due to the importance of the decisions they make, must behave in a responsible manner in the decision-making process. Responsibility could generally be defined as an obligation to perform tasks with a satisfactory solution (Mescon et al. 1985, 283). The degree to which managers feel obliged to carry out the task is a clear definition of responsibility. A person doing a job at some level of management must know where the boundaries of his or her

responsibility are. Responsibility in the business system must always be clearly defined and at any time it must be known who is responsible for it.

When it comes to the responsibility of managers for the decisions they make, this responsibility must always be tied to the powers that managers have at certain levels of management. The business system needs to strike a balance between authority and responsibility at all times. Certain degree of authority entails and answers the degree of responsibility. This means that managers who have greater responsibility for decision-making should have greater authority in the decision-making process, and vice versa, managers with lesser authority should have less responsibility for the decisions they make at their management level.

When it comes to responsibility in general, and even the responsibility for decision making, it is necessary to take care of avoiding it (Certo 1989, 224): overlapping responsibility, i.e. responsibility in which two or more persons are responsible for making decisions, although for each decision, it should be clearly known in which jurisdiction, as well as the liability, that is, situations in which certain decisions are not included in the area of responsibility of any individual in the business system, so decisions are not made, and are of major importance for the business.

Responsibility for decisions must exist at all stages of the decision-making process, from initiative, ie identification of the problem to the control of the implementation of the decision, and not only at the decision-making stage, since irresponsibility at any stage of the decision-making process will result in negative consequences for the entire decision-making process.

6. DISTRIBUTION OF POWER AND INFLUENCE

The power and influence as subjective factors decide the closest ties with the authorities, although some individuals in the business system can have a great influence and power independent of formal powers that are in the business system.

The power index concerns the attitudes towards the hierarchy, or how much a particular culture values and respects the authority (Petar 2010). In organizations with a high power index, there is no or very little possibility of expressing disagreement with a manager who is considered unmistakable, so his communication to subordinates is reduced to the command and orders to his subordinates. Communication is based on an order and a call to duty and obligation.

In organizations with a medium power index, employees can express disagreement with managers and show arguments to support their behavior, which makes the organization more flexible and more successful in the long run, as everyone is involved in decision making and execution. Communication in the organization is based on teamwork and expression of opinion.

In organizations with a low power index, employees generally express disagreement with managers, often without arguments and without fear of punishment. Everyone involved in the decision-making, but almost no one is involved in the execution.

Authorizations belong to the key aspects of management, that is, the most important dimension of the business system, and are especially important when it comes to making decisions at individual levels of management. Authorization could be defined as the right of decision making and ordering others in the business system to perform certain activities or duties in order to achieve the goals of the business system (Gordon et al. 1990, 240). It should be pointed out that the powers relate to the position or position rather than to the individual who occupies a certain place in the business system.

It is precisely the emphasis that powers relate to a position rather than to an individual occupying a certain place in the business system, pointing to a possible disagreement between

the powers of that power and influence. This means that position powers and power, or influence, do not have to indicate real power or influence in the business system, and thus in the decision-making process. Namely, it is possible that some individuals without formal authority have more power and influence in the business system than they formally belong to, given their position in the business system. Of course, this is about informal power and influence that can be so strong in the business system that if misused, especially in the decision-making process, the survival of the business system can be called into question. Therefore, for the decision-making process in each business system, it is extremely important that workplaces, that is individuals in the workplaces with the highest authority, have the greatest power and influence on decision making, which will be the highest level of management positions at which the most important decisions are made for the business system.

As the power and influence are distributed in the business system (Hall 1999, 163-164), that is, who has the greatest power and influence in the decision-making process will be recognized in the fact that decisions are made at the very top or at the top of the business system; in the fact that the interests of certain decision-making stakeholders do not have to underpin the main interest of the business system, and in the fact that those who have the power manipulate information and thus influence decision-making for their benefit.

Saša Petar power business system looks at the balance of power, power, position, power, reward and coercive power (Petar 2010).

Balance of power involves a balanced communication where the power you have must be equal to the power of your interlocutor.

The power of the position implies the influence on other persons by the power of the position on the hierarchical scale of the business system. Often the top manager in the communication process introduces someone who has influence on making important decisions and who has credibility on the other hand.

The power of rewarding uses a reward strategy to match with managerial positions, and is used to support the strength of a position.

Power of force is contrary to the power of remuneration and represents the power of a manager who has the power to require the execution of something of a subordinate, or to punish him for failing to fulfill the claim.

Numerous definitions of the power of foreign and domestic authors, especially sociologists, are reduced to the fact that power is the ability to influence others. This is true for individuals, business systems, and the entire community. By comparing terms such as powers, power, and influence, it can be concluded that authority signifies positional potential power and influence, power indicates potential impact, and impact of realized power.

For making decisions in an organization it is extremely important that the level of authority, and the amount of power and influence are mutually consistent and appropriate to each level of management. The distortion of the proportionality between authority, power, and influence between the level of management is questioning not only the decision-making process, but also the functioning of the business system. In the decision-making process, asymmetry in the distribution of powers, power and influence in the business system is not desirable. The distribution of power and influence in the business system is most prominent in the decision-making process. Analyzing the decision-making process leads to the conclusion that they concentrate the power and influence on those levels of management and those who need to make certain decisions or in some other, most often informal structures of power and influence. This second is not desirable for any business system because it distorts the balance between authority, power, and influence. Establishing a symmetric distribution of authority, power and influence is the most common situation in every business system in general, and for decision-making in particular.

7. CONCLUSION

The quality of the decisions made, in addition to what can be objectively determined (such as good and expert preparation of decisions), also depends on some subjective factors such as: well informed decision-makers, education, decision-making motivation, responsibility for decisions made, and adequate distribution of power and influence in the business system. For the quality of business decision making, it is not just the existence or the absence of any of these factors. Also, the level and quality of each of them is very important, because the quality of the decisions made depends on that too.

When it comes to subjective factors that influence decision-making then somehow always put the information of the decision-makers on the first place, ie, decision makers in the business system. Good or bad information system is directly reflected on the quality of decisions made. If the decision-makers have quality information, then the decisions made on the basis of them will be quality and vice versa. Over the past thirty years, information has become an equal sixth organizational resource with five traditional ones: people, machines, money, materials and management.

Business decision-making in times of rapid and discontinuous changes, which is a feature of the 21st century, is not possible without the strong support of information systems based on modern information technologies. The need to build an efficient information system that would allow collection, storage, processing and access to information when needed, as well as support in making business decisions, is imposed as an imperative. Although in the developed world information technology has become a part of everyday life, the use of computers as an accessory for our managers in their planning and control tasks, as well as in the business decision-making process, it is not easily accepted. Resistance and fear of information technology is still present with a large number of our managers. This resistance and the fear of information technology is necessary to overcome as soon as possible if you want to achieve better business decision-making. Namely, the introduction of a computer system, which helps the supply and distribution of information, assumes the adoption of a completely different managerial style in the business decision-making process, which would be more analytically based, and less on provisional subjective decision-making factors.

The study of the influence of subjective factors on the quality of business decision-making has shown a significant impact on the knowledge of decision-makers, their education, decision-making motivation and decision-making responsibilities, as well as the appropriate distribution of power and influence in the business system on the quality of our business decisions.

The research has shown that the level of quality of business decision-making will not significantly increased by the influence of only one of these subjective factors, but it is necessary and very important to have a certain level and quality of the influence of each of them, individually and in interaction with each other, in order to cooperate with the objective factors of business decision making that contributes to the achievement of the goal of business decision making expected from the decision maker.

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