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Models of Decision-Making in Enterprises

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Abstract: We make many decisions in a day (when we go to a restaurant, clothing store, when preparing for work, how much we need to save for a future vacation trip, etc.). It may be that our decisions are unconscious, but often we have to make conscious choices about the alternatives. Imagine a student who has finished high school. He has to decide whether to study psychology, accounting or art. How do cultural values influence individual decisions? One can expect an answer to this question either from descriptive (cognitive) psychology or from cross-cultural psychology. The purpose of this study is to highlight the importance of culture in decision making, in order to reflect on the main work related to employee behaviors on motivation and the latter's influence on decision making. Descriptive theories in decision making, however, rarely consider culture factors in decision making. Therefore the study of culture and decision-making is a relatively new and unexplored field. This study discusses three examples of individual and collectivist decision-making using different methodologies to describe them. Decision-making is the choice between several options.

Keywords: Decision making; descriptive models; conflicts; cultures; strategies

JEL Classification: M14

1. Description

According to normative decision-making models, we try to explain what is the best choice among some choices. In an attempt to explain the decision-making process Von Neumann and Morgenstern used the normative model, which they called the expected utility model. Under this model the individual will make the decision that maximizes an expected benefit. The expected benefit of an alternative is the sum of the probability of its success and usefulness.

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First, has the individual really made a rational decision according to the expected utility theory?

First of all, the decision on the problem is much more complex.

Second, what is the criterion of success? Success is the criterion for getting a good degree? Isn't university reputation also important? Isn't a Harvard diploma with modest results better than a diploma in a university of Kosovo that is not even known? Another criterion of success may be to receive a high salary with the work completed after college.

Third, how will the numerical probability values and utility of each alternative be determined?

Real life is more complicated as it is not possible to evaluate every option especially when dealing with a large number of alternatives. Moreover, the potential short-term and long-term consequences are more difficult to predict, making it difficult to assign numerical values.

Another criticism of the normative model is the fact that it is not considered the decision-making process. Descriptive theories of decision-making deal with this topic and describe the decision-making process. So many descriptive decision-making models (Lipshitz) describe the decision-making process not as a single act, but as a process that is involved in other cognitive processes.

On the other hand, each individual's cultural background is different in a variety of ways; plans for the future, experiences, individual values, the size of their families, the role and influence in decision making of mum, dad, sisters, brothers, society, etc. Culture as a term is very heterogeneous and there is no widely accepted definition. Depending on the specific area of research we should focus on the same specific area in terms of culture. Here the focus will be on the orientation values of different cultures and the link to decision making. When it comes to the word 'value' one might think for anyone that 'Don't kill' or even 'Make lots of money!'

Values can express a firm stance and an already stated "Don't kill!" decision. Values can also provide an advice or suggestion describing how to do something but not being involved in decision making. "Think twice before you decide."

In intercultural psychology the dimension of values most prevalent and discussed is collectivism and individualism.

Individualistic cultures are defined as disconnected from the community and connections. The individualists see themselves as independent of the community in which they live as well as of what should be the immediate circle (family and society). Collectivist culture, meanwhile, emphasizes the importance of connections, roles, and status in the social system.

Individualist and collectivist values influence the individual in decision-making in three ways, perceiving the problem, generating strategies and alternatives, and selecting the final alternative.

The decision maker perceives and evaluates the critical aspects of a problem. Expectations and cultural values are represented in the mind of the individual and can act as guiding principles for selecting specific strategic decision making. The values guide us on which strategic decision-making to choose and why. Cultural values will also influence the generation and selection of problem-solving goals and strategies.

2. Problem Identification

This study highlights the different methodologies that can be used to study decision making and individualist and collectivist culture. Decision-making is a choice by which a person or group of people draws conclusions about a given situation. These conclusions and this process are conditioned by several forces and factors that guide decision-makers' behavior during the process of choosing a rational alternative.

The results of this study support some of the conclusions drawn by foreign researchers. Many of the results are consistent with elements of collectivist culture that influence decision making. Given the group-oriented culture, many respondents do not prefer to be in decision-making positions. This result is in line with the findings of the studies "Culture matters: Individualism vs. Collectivism in conflict decision making" as well as that of Mann, Radford, Burnett, Ford, Bond, Leung, Nakamura, Vaughan, and Yang (1998), who show that individuals in collectivist cultures seek to be dependent on others and tend to avoid decisions. This study also supports the result of Hofstede's (1984) study that states that individuals of this culture tend towards group decision making.

In terms of evaluating reasoning versus emotion in decision making, the result of our study is in line with the study of "A cultural decision: differences in decision making between Japan and the United States", which concludes that Japanese business leaders as a collectivist society, focus on making decisions from a semi-rational and full emotional perspective. Respondents in our study also relied more on emotion than on reasoning when making decisions.

How do collectivist and individualist values influence decision making?

The key elements of individualism are independence and being unique, while the key element of collectivism is group tasks and maintaining harmony. Most studies on culture and decision making have described differences through states. The following model shows a theoretical assumption. Under this model, people with individualistic values orientation try to avoid contention by controlling the situation

through in-depth exploration and information gathering. They are achievement-oriented and are willing to take risks, resulting in an expansive decision strategy.

Cross-cultural comparisons have shown that individuals in individual cultures prefer active, secure, conflict-resolution strategies, and are more confident in their personal decisions and may be more decision-making and riskier than people in collectivistic cultures. People with collectivist values pay more attention to the social aspects of the problem and look for information in uncertain and complex situations. They are sensitive to the social consequences of their actions and pursue an increased defense strategy. They value safety, are more risk averse and pursue passive, cooperative and avoidant strategies. The model also includes the difference between the individualistic and collectivist dimension in the horizontal and vertical designs. Horizontal value orientation, which favors an egalitarian social structure, emphasizes individuals' responsibility for their actions and favors individual initiative, leading them to an active, innovative, future-oriented strategy. However, vertical value orientation favors a hierarchical social structure that emphasizes the limitation of individual responsibility and initiative, resulting in a more responsive and adaptive decision making strategy. A recent study shows that US students prefer an innovator style (doing things differently) and Chinese students prefer an adaptive style (doing things better). The vertical-horizontal dimension strengthens or weakens strategies resulting from individualistic or collectivist value orientations.

A person with individualistic values favors an expansion-defensive strategy. If he or she has horizontal values, his or her strategy can become more active-expanding-decisive. A person with vertical-collectivist values may pursue a response-defensive strategy, leading to the extreme of avoiding or refusing to face the problem. In fact, Asian students had higher scores in avoidant and hyper vigilant decision-making styles than Western students.

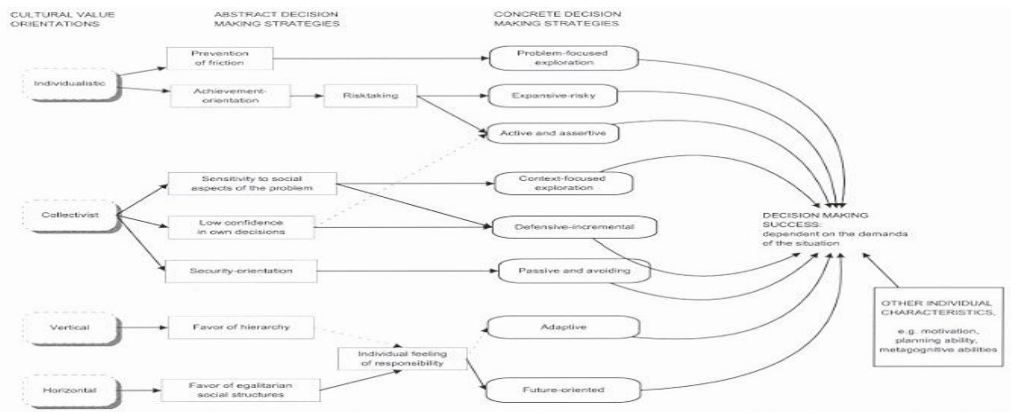


Figure 1. Relations of Cultural Value Orientations, Concrete and Abstract Decision-Making Strategies (Hofstede 2000).

It has been hypothesized that the application of these decision-making strategies influences the success of running a specific problem. As every decision-making problem has its own characteristics and is different from others, certain strategies may be more successful than others. Decision-making strategies, for example, can vary if one wants to buy a car or a bottle of milk. Usually that person spends more time gathering information, generating alternatives, and selecting one of them when buying a car. In this model, the success of decision-making depends not only on the requirements of the decision problem and cultural value orientations, but also on individual differences, such as planning skills and motivation to face a decision problem.

This model is based on research on decision making in individualistic and collectivist cultures. Knowledge about decision-making strategies in different countries can help people to be more sensitive to those from other cultures, to understand the embeddedness of psychological behaviors in a specific culture, and to work together more effectively.

3. Purpose

The main purpose of this paper is to contribute to improving the decision-making process in business organizations, by studying the impact of organizational behavior and human resource motivation on SMEs in Kosovo. Cultural values will also influence the generation and selection of problem-solving goals and strategies. Contemporary literature, empirical studies as well as experiences of transition countries and developed countries have been used for this purpose. Also, speaking openly with owners or managers as well as small business stakeholders, we hoped that discussions would raise issues for further exploration at a later time.

4. Methodology

After observing studies undertaken in different countries, we thought of doing a study about Kosovo. As Kosovo gets involved in countries with a collectivist culture, we will see how different elements of this culture appear in decision making. In this study we selected a sample of 200 young people with different educational profiles. Questionnaires were distributed randomly.

5. The considered Variables are:

1. Every individual's decisions in his or her ability to make decisions ("I think I'm a good decision maker").
2. When making decisions, gather information to analyze alternatives carefully
3. Avoiding responsibility in decision making
4. Transfer of responsibility to someone else ("even after making a decision I cancel the action").
5. Hyper-vigilance, decision-making style in panic ("I feel pressured when making a decision").
6. Reasoning versus emotions ("My mood goes up and down as a result of what happens at work when making decisions.").

Each of the variables analyzed through assertions was scored on a 1 to 10 point scale. The 1-point rating totally negates the assertion, while the 10-point rating fully supports it.

	1 = <i>No way</i>	2 = <i>Disagree</i>	3 = <i>Indifferent</i>	4 = <i>Agree</i>	5 = <i>Totally agree</i>
My style is more spontaneous than cold reflection	30.7	31.7	15.9	9.5	4.8
Activities with the highest activity revive me	4.2	16.9	55.6	12.7	3.2
I am someone who prefers routine before uncertainty	4.2	15.3	41.8	26.5	4.8
I want to make decisions quickly and instinctively	5.8	15.3	29.6	29.6	12.2
I like jobs where foreboding is more needed than careful analysis	4.2	21.2	27	27.5	12.7
I am ready to take new chances	3.2	13.2	37.6	28.6	10.1
I like to study in detail the information before making an election	5.3	13.8	31.2	31.2	11.1

I feel great in situations where I am under pressure to make quick decisions	3.7	12.2	31.2	30.7	14.8
I rarely act impulsively	5.8	12.7	22.8	34.4	16.9
I have no problem when I am in competitive situations	6.3	13.2	29.1	22.8	21.2
I need to think well before making decisions	2.6	13.8	34.4	31.7	10.1

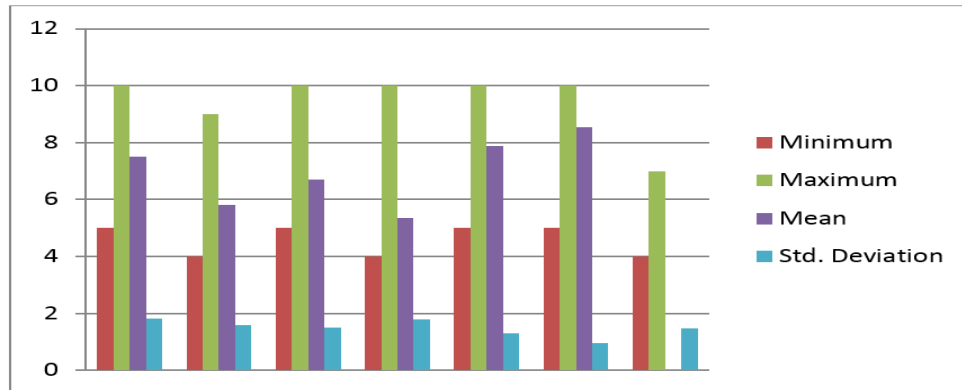
The results obtained in the following table were obtained from the observation. As can be seen from the table, respondents rate themselves as good decision makers given that the score is above average (7.52). This indicates that the level of confidence in one's decision-making abilities is relatively high. In terms of evaluation of alternatives, it is at an average level (5.80). This can also be caused by the fact that we live in an uncertain environment in which it is impossible to know all the possible alternatives when analyzing a given decision.

An important element to be noted from the study is that young respondents are moderately inclined to avoid making decisions and not to make decisions (with scores of 6.70 and 5.35, respectively). These results show low levels of leadership spirit. High scores for the pressure variable during decision making (7.87) support the first two variables of propensity to avoid decision making and non-implementation of decisions. Respondents rated the group's interests as having a significant impact on decision-making by giving it an average rating of 8.55 out of 10 points. The last variable we considered is reasoning versus emotion in decision making. The results show that the respondents did not have a particularly pronounced tendency toward reasoning or emotion focus with a mean score of 6.03 points.

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
Good decision maker	200	5	10	7.52	1.901
Evaluation of alternatives	200	4	9	5.80	1.592
Avoiding decision making	200	5	10	6.70	1.490
Non-implementation of decisions	200	4	10	5.35	1.779
Pressure on decision making	200	5	10	7.87	1.300
Group interests	200	5	10	8.55	.893
Reasoning against emotions	200	4	7	6.03	1.465

Source: SME Survey, Kosovo, 2019 conducted by the author



Another analysis we undertook in our study is the correlation between the variables considered. As we can see from the results of the table, we can say that a good decision maker is one who evaluates all possible alternatives, one who feels responsibility and pressure on the decisions he makes, and evaluates the interests of the group taking into account listening to their ideas and thoughts. This is seen from the positive relation that the variables have between them. One result of interest to discuss is the correlation between the good decision-making variable with reasoning in decision-making. With a significant correlation coefficient of - 0.708, it indicates that respondents do not see reasoning as a necessary condition for being good decision makers.

Table 3. Correlations of Variables

		Good decision maker	Evaluating of alternatives	Avoiding decision making	Non-implementation of decisions	Pressure on decision making	Group interests	Reasoning against emotions
Good decision maker	Pearson Correlation	1	.564**	-.759**	-.616**	.088	.342	-.708**
	Sig. (2-tailed)		.005	.000	.003	.645	.132	.000
	N	20	20	20	20	19	18	20
Evaluating of alternatives	Pearson Correlation	.544**	1	-.356	-.473*	.133	.194	-.323
	Sig. (2-tailed)	.005		.068	.019	.555	.388	.107
	N	20	19	20	20	20	20	17
Avoiding decision making	Pearson Correlation	-.849**	-.396	1	.605**	-.040	-.207	.610**
	Sig. (2-tailed)	.000	.068		.003	.858	.356	.002
	N	20	20	20	19	20	18	20
Non-implementation of decisions	Pearson Correlation	-.606**	-.495*	.605**	1	-.201	-.024	.566**
	Sig. (2-tailed)	.003	.019	.003		.369	.916	.004
	N	20	19	20	18	20	19	20
Pressure on decision making	Pearson Correlation	.088	.123	-.040	-.201	1	-.164	-.343
	Sig. (2-tailed)	.645	.525	.866	.469	.22	.338	.132
	N	19	20	20	17	15	20	20
Group interests	Pearson Correlation	.401	.177	-.217	-.024	-.174	1	-.141
	Sig. (2-tailed)	.134	.368	.366	.816	.538	.33	.501
	N	20	20	20	20	20	19	
Reasoning against emotions	Pearson Correlation	-.748**	-.453	.530**	.546**	-.363	-.133	1
	Sig. (2-tailed)	.000	.107	.002	.004	.143	.561	
	N	20	20	19	18	20	20	20

Correlation is significant at the 0.01 level (2-tailed).

Correlation is significant at the 0.05 level (2-tailed).

Source: Election Survey of 200 Young People with Different Educational Profiles, (2019) Conducted by the Author

Recommendations

Managers are recommended to give more weight to the different alternatives, doing a detailed analysis of each option before making a decision on a particular problem. Managers need to know how to combine and differentiate between individual and group contributions in order to properly calculate the respective rewards. If the results of an individual's work depend solely on his work, this should be recognized in the remuneration given to him for the work performed. An important element to note from the study is that young respondents are moderately inclined to avoid making decisions and not to make decisions. If the outcome of the work also depends on the contribution of the group, this should be kept in mind, identifying the promoters to reward the joint effort. It also emerged from the analysis that younger people were more likely to use the analytical method during the decision-making process and were the ones who harvested greater success, greater profitability. Managers are recommended to give more weight to different alternatives, doing a detailed analysis of each option before making a decision on a particular problem.

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