THE INFLUENCES OF BUSINESS POLICY AND STRATEGY MODEL BUILDING ON THE DECISION-TAKER: A REVIEW

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Abstract

This investigation on influences on the decision-taker in relation to model building began with understanding of the pressures the influencing variables may have on the decision-taker in course of management of organizations systems. The study also looked into the variabilities of the influences on the decision-taker relating to organizational goals with the premise that organizations have conflicting and competing goals and objectives i.e. organizations are teleologically goal-oriented entities. The pursuit of these goals and objectives ontologically has much influence on the manager or decision-taker on any organizational systems. It is also noted that the concept of goals and objectives influences on the decision-taker or manager in any environment or system is among the most important and controversial concepts that confront decision-takers in the study of organizations.

Introduction

Every individual, group or organization has a lot of pressures impinging or exerting on him or the system where the individual or organization is operating. This pressure exerts a lot of influence on both individual and

organization's decision making process and systems set up.

An organization could simply be defined as two or more people working together co-operatively within identifiable boundaries to accomplish a common goal or objective. Implicit on this definition abound several important influencing ideas and issues. Organizations are made up of people (i.e. members) who divide labour among members and who also pursue shared goals and objectives in the organizational system.

However, the influence on the decision-taker or human component is important because of the complexity of socio-economic relationships and variability or diversity in humans. The human component and associated influences affecting the decision making process makes organizations among the most complex systems. This knowledge presents managers and organizational researchers with some of their most critical influences and challenges.

Some other critical organizational tasks may help us to define two different approaches influencing the decision-taker and delineating an organization's systems boundaries. The first approach to systems boundaries emphasizes people and membership while the second emphasizes where activities take place. e.g. Production, Purchasing, Marketing, Personnel, Finance and Contribution to profit of what is sold. It is important to note that systems organizations are made up of people whose task is to bring into the organization necessary employees or members willing to exchange their contributions for wages or other rewards.

Another related critical task for an organization or decision-taker is to determine which activities should be attempted to perform and which ones should be left to other organizations in the external environment.

Literature Review

In the art of management, it should be noted that the task of management is enormous with varying pressures impacting on the organizational systems and manager or decision-taker. In dealing with

organizations, whether industrial, commercial, social or governmental, the decision-taker is also dealing with complex systems which are operating under a complex set of pressures in order to achieve ends and objectives which are ill-defined, ill-structured and possibly mutually conflicting. These situations in one way or the other export enough pressures which have a lot of influences on the decision-taker and system.

Systems theory provides a simple way to model organizations by focusing on the structure and relationships or interdependence among parts of the organization. This relationships and interdependence in the systems pose one type of influence or the other on the decision-taker in course of management model building.

A systems approach concept conveys the idea that organizations are made up of parts and that the parts interact with each other to accomplish the organizations goals. It is important to note that critical relationships or interdependence may exist among the organizational systems departments. For instance, the production and personnel units must work together to ensure that the organization and decision-taker have enough workers with appropriate skills required by the production subsystem. Production and personnel must of necessity, plan carefully to guarantee flows of raw materials necessary to produce products. In the related vein, oversupplies of raw materials can be costly, tying up capital and requiring storage.

Equally impacting on the manager or decision-taker are influences on innovative systems, such as just-in-time inventory control, change in nature of interdependence between production and purchasing, which also make coordination even more critical. Production and marketing must of necessity work together to plan how much of each product to produce and to match expected demands and scheduled promotions. If the marketing department aggressively promotes a new product before production is fully operating, the unexpected demand may place undue pressure and influence on the decision-taker regarding the level of production.

In systems concepts analysis, two additional and related

characteristics of systems that influence the decision-taker are holism and synergism. In the first instance, *holism* means that a system should be considered as a functioning whole. Changes in anyone part of the system are likely to have an impacting influence throughout the system as well as the decision-taker. If for instance, the purchasing department has difficulty in obtaining raw materials, it is likely that the production department will also suffer because it has no raw materials to convert to outputs. This situation invariably may also have tremendous influence on the manager or decision-taker. In a related development, if the organization implements a just-in-time inventory system, it is also likely to have profound impact or influence on the decision-taker's need for communication between purchasing and production. This implies that in model building, the decision-taker should consider performance in all components of the organization when changes affect anyone component.

In the second place, *synergism* refers to the interactive effect of the parts of the system working together. It is to be noted that the sum of the interaction of the component parts of the organization working together is greater than the effect of the parts working separately. As each part of the system performs its role, it invariably enhances and influences the performance of other parts and that of the decision-taker. The organization's system creates separate departments in purchasing, production, personnel, and marketing because of the specialized knowledge and skills that each area requires. The influence on the decision-taker to build a model will enable him to coordinate the interaction of these departments, as well as ensuring that the organization achieves its goals.

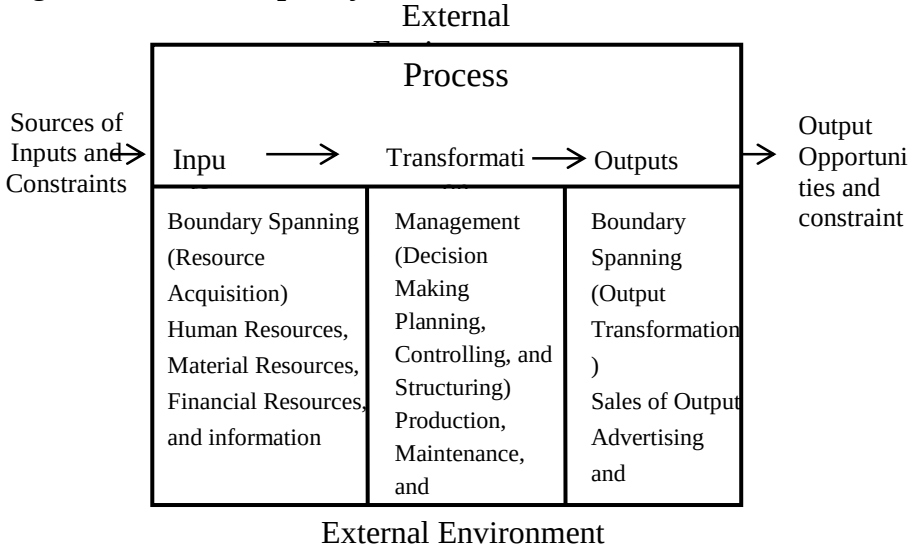
As expressed by Hodge, Anthony and Gales (1996), systems theorists differentiate between close systems and open systems. Any type of system exerts one type of influence or the other on the manager or decision-taker. Closed systems are self-perpetuating and receive no outside energy or resources. They have no need to interact with their environments. It is of note that as closed systems run out of energy, they enter a state of collapse called entropy. A major advance in the

study of organizations and model building was the realization that organizations are not (and cannot be) closed systems because they depend on their external environments for energy, and accordingly has a lot of influence on the decision-taker.

Open systems can avoid entropy and create a state called negative entropy by importing energy in the form of physical, human, and financial resources. The approach presented in this work emphasizes how organizations as open systems attempt to manage relationships with their environment as well as their influencing relationships it has on the manager or decision-taker.

Open systems models theorists acknowledge that organizations must receive energy (inputs) in the form of important resources from their external environments.

Fig. 3.1: ***The Open Systems Model***



Source: Hodge, Anthony and Gales (1996) – *Organization Theory*

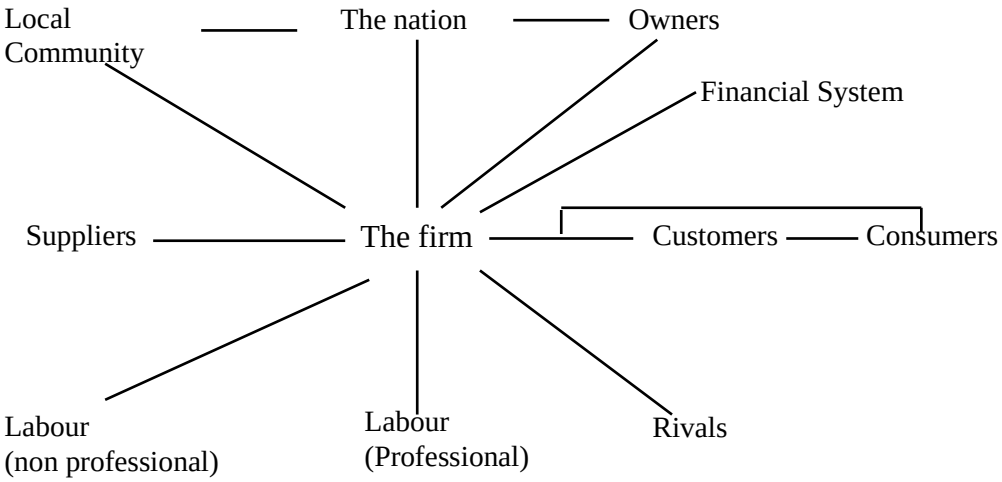
It is important to note that the input and output portions of the open systems model are critical because they represent the organization's interface with the external environment, which invariably exerts influence on the decision-taker. Together, these input and output functions are part of the boundary spanning subsystems. The input subunits of the organization are responsible for importing resources and information into the organization. In a typical business, these activities may include purchasing, receiving, personnel recruiting, and market research as well as links to investors, customers, local community, stakeholders, competitors, etc. These similarly influence the decision-taker. On the other hand, the output units are responsible for disseminating information about the organization and disposing of the firm's outputs. These functions may include advertising, public relation and sales. Consequently, the products or sums of these activities may impact or influence on the type of decisions that the decision-taker may embrace.

The open systems model we discussed above provided us the first step in developing an organization's framework in model building and this is what Hodge, Anthony and Gales (1996), refer as strategic systems approach. The open systems model identifies or implies the existence of several key components of organizations which influence the decisions of the decision-taker or manager.

Managers or decision-takers select organizational structures to respond to specific conditions that the organizations face. These conditions are called the organizational context or contingency factors, and include the organization's goals, environment, technology, size, and culture. Each of these contextual factors has singularly or collective influences on the decision-taker in organizations. One of the most important points under the influences on the decision-taker in model building analysis, is that the essence of the strategic systems approach to organization relates that managers or decision-takers must attempt to maximize the fit between their choice of structure and the context of their organization faces.

The manager or decision-taker in the organization does not exist only to serve the organization, but primarily exist to serve himself. This contextual idea informs us that in our analysis or study of influences of decision-maker in model building, we must look at the situation in two lights – i.e. looking at him firstly as an employee of the organization. Secondly, we have to look at him as someone concerned with moving the organization forward for effective and efficient achievement of organization's objectives.

Fig. 3.2: ***The Industrial Firm and its Pressure***



Source: Rivett (1980)

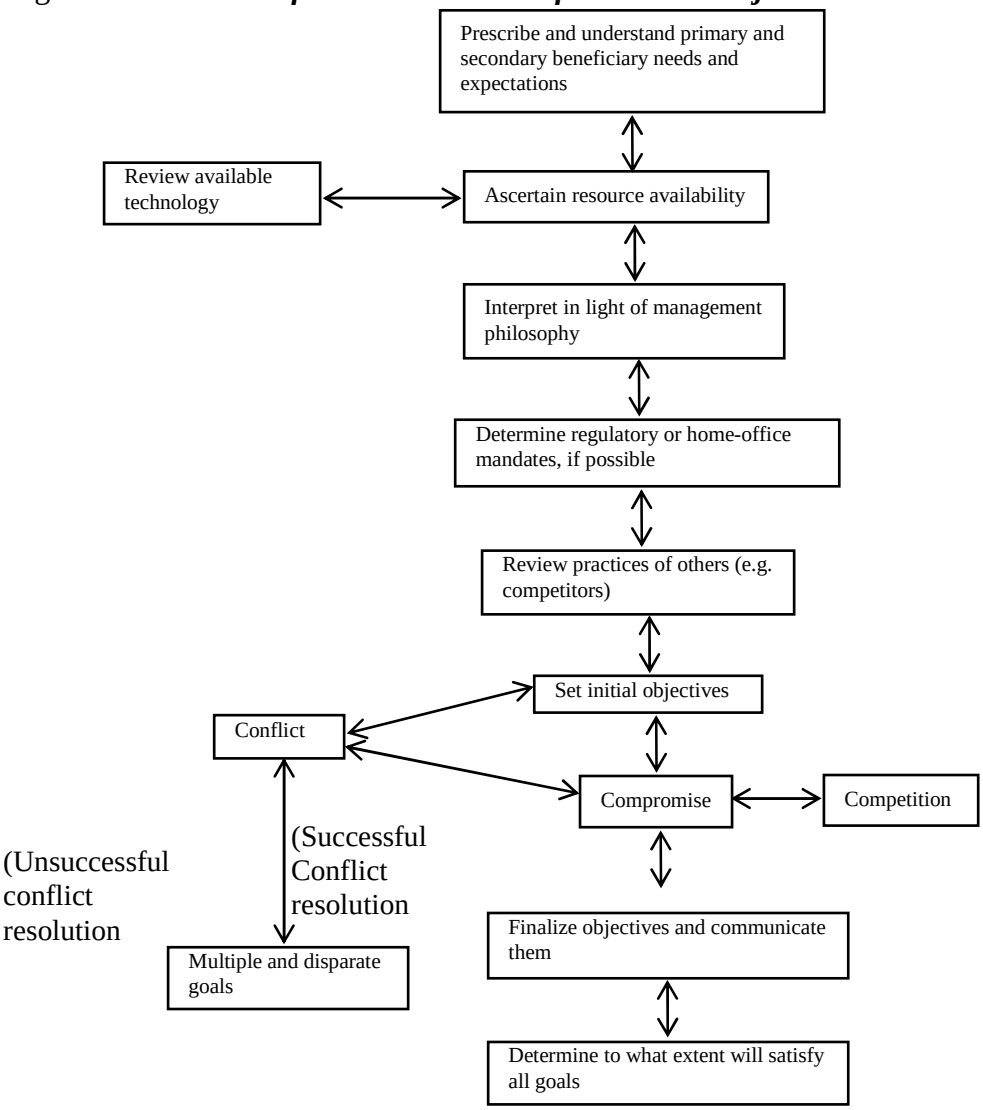
In organizational studies, it is noted that many types of goals exist in an organization and each type performs a different function. One major distinction, as expressed by Daft (1998), is between the officially stated goals or mission or philosophy of the organization and the operative goals the organization actually pursues. The mission describes the organization's vision, its shared values and beliefs, and its reasons for being. It can have a powerful influence on the organization and the decision-taker. The mission is sometimes called the official goals, which are the formally stated definition of business scope and outcomes the organization is trying to achieve. Official goal statements typically define business operations and may focus on values, markets, investors, and customers that distinguish the organization.

Relatedly, operative goals designate the ends sought through the actual operating procedures of the organization and explain what the organization is actually trying to do. Operative goals describe specific measurable outcomes (i.e. objectives) and are often concerned with the short run.

Clearly and strictly speaking, goals and objectives when viewed at different levels serve different purposes. It is of note that the general statements of a mission or organization's philosophy are different from the more specific operative goals (objectives). Nevertheless, goals and objectives serve different purposes which also may have tremendous influence on the decision-taker as hereunder stated (Daft, 1998):

- Guidance or Direction
- Motivation
- Legitimacy
- Standards
- Structure and Design
- Unification of Effort

Fig. 3.3: ***Model for Determination of Goals and Objectives***



Source: Hodge, Anthony and Gales (1998)

This arises as a result of inevitable volume of tasks being executed by a manager or decision-taker in an organization. These tasks do conflict with each other in course of execution by the decision-taker. This invariably exerts a lot of influence on him, and the organization in general.

Rivet (1980), noted the underlisted as some of the more usual criteria of performance which have influence on the decision-taker and are also used to judge the effectiveness of control of organizations.

- **Purchasing**
  - Raw materials costs
  - Raw materials quality
  - Raw materials stocks
  - Comparison of costs with main competitor(s)
  - Comparison of costs with best possible or with average of costs.
- **Production**
  - Cost per unit produced
  - Percentage of orders produced on time
  - Percentage of capacity used
  - In-process stocks
  - Overtime worked
  - Accident rate
  - Production per employee
  - Production as function of labour costs
  - Added value per employee
- **Marketing**
  - Volume sold
  - Contribution to profit of what is sold
  - Finished goods stocks
  - Share of market
  - Sales per salesman
  - Sales as product of stocks
  - Deliveries on time/order delays

- Cost orders
- Customer satisfaction
- Customer loyalty.

- **Personnel**
  - Dispute rates
  - Labour turnover
  - Absenteeism
  - Training costs
  - Sickness
  - Accidents
- **Finance**
  - Return on assets
  - Total Profits
  - Profitability compared with main competitors
  - Shareholders return
  - Performance/Evaluation ratio

Influencing Decision-Takers with Business Policy and Strategy Model Building

Organizational decision making could formally be defined as the process of identifying and solving problems. The process contains two major stages, Daft (1998). According to Daft, in the problem identification stage, information about environmental and organizational conditions is monitored to determine if performance is satisfactory and to diagnose the cause of shortcomings. The problem solution stage is when alternative courses of action are considered and one alternative is selected and implemented.

Organizational decisions vary in complexity and can be categorized as programmed or non-programmed. Programmed decisions are repeative, routinized and well defined; and procedures exist for resolving the problem. They are well structured because criteria of performance are normally clear, good information is available about current performance. Alternatives are easily specified,

and there is relative certainty that the chosen alternative will be successful. Examples include decision rules.

A non-programmed decision is novel and poorly defined, and no procedure exists for solving the problem. They are used when an organization has not seen a problem before and may not know how to respond. Clear-cut decision criteria do not exist. Alternatives are fuzzy. There is uncertainty about whether a proposed solution will solve the problem. Typically, few alternatives can be developed for non-programmed decision, so a single solution is custom tailored to the problem. It is to be noted that today's managers are dealing with higher percentage of non-programmed decisions because of rapidly changing business environment. These invariably influence the decision-taker in one way or the other.

Rae (1977) identified at least six stages in the decision-making process.

- First, a decision problem will exist only if the decision-taker or manager is not completely satisfied with the results of his present operation. For example, is he earning "too little" or working "too hard"?
- Given the presence of incomplete satisfaction, the second step involves definition of its cause – i.e. the problem must be defined.
- The third step involves the specification of possible ways of overcoming the problem or alternative cause of action.
- Each alternative must be evaluated in terms of the improvements in goals likely to be achieved through its implementation.
- The best alternative can be isolated and put into operation.
- The manager or decision-taker must realise that a course of action may turn out precisely as planned and must therefore be prepared to accept the consequences of his actions.

Goals are defined as 'ends or states in which the individual desires to be or things he wishes to accomplish (Gasson, 1973). Gasson noted that some goals are self-sufficient ends, while others are instrumental to gaining even more desirable ends that may have noticeable influence on the manager or decision-taker. Thus, a course of action could be seen to be 'the achievement over time of a connected series of goals where attainment of one satisfies an immediate need and also provides a stepping stone to more ultimate goals, that may have an influence on the decision-taker or manager.

In contrast to goals, values are more permanent property of the individual and have more influence on decision-taker. They are less likely to undergo change with time and circumstances. It is also important to note that values are an individual's conception of the desirable and as such serves as standards, influences the decision-taker's goals and therefore his choice among alternative courses of action. Gasson (1973), places values that influence managers or decision-takers which they might also hold into four groups:

- **Intrinsic values –** those that concern production as an activity in its own right, such as 'work enjoyment', 'independence', and 'outdoor activity'.
- **Expressive values –** those that concern production as a means of personal fulfillment (that would have influence on the decision-taker) such as 'pride of ownership', 'self respect', and 'meeting challenges'.
- **Instrumental values –** those that view production as a means of obtaining income and security, such as 'expanding business', and 'obtaining a satisfactory income'.
- **Social values –** those that concern interpersonal relationships, such as 'belonging to a rural community'.

By purchasing further resources or by re-allocating existing resources among possible uses, the manager or decision-taker can influence the degree to which his goals are achieved. If a goal is to

maximise profits, he might produce more of those products that he considers to be profitable. If he desires more leisure time, he can produce products with a suitable low labour requirement, or further take on further hired help. Thus, the overall satisfaction, or utility, achieved by the decision-taker will have influence and depend upon the degree to which his goals are met. This in turn, will have influence and depend on the quantity of resources purchased, the nature of the resources, and the manner in which they are allocated among productive enterprises. Based on the influences such activities may generate, we therefore suggest the existence of a utility function

$$Uj = fj\ (U_1, U_2 \ldots Un) \qquad \ldots\ldots\ldots\ldots \qquad (1.1)$$

This proposes that the overall level of utility (Uj) achieved from a given resource allocation by the jth individual will depend on, or is a function of, the degree to which various conflicting, goals are achieved.

In equation 1.1, the U*i*, *i* = 1, 2, 3, … n, each refers to a specific goal; some writers term them 'preference factors' since they represent factors that help determine a managers or decision-taker's preference for one resource allocation over another. It is to be noted that the utility function is a personal one, and will vary from person to person. It is said to be one-dimentional if it states that utility depends on the achievement level of only a single goal, such as the maximization of profits. The function is described as multi-dimentional if utility depends on the level of achievement of more than one goal.

In relation to our equation 1.1. above, if we consider first the one-dimensional utility function (1.2);

$$U = f(U_1) \qquad \ldots\ldots\ldots\ldots\ldots\ldots \qquad (1.2)$$

In which U_1 represents the level of profit earned by the resources at the decision-taker's or manager's disposal.

The process of evaluating resource allocations in terms of a decision-taker's utility function becomes more difficult when the utility function is multi-dimensional, particularly when goals conflict. As an example, suppose a decision-taker has stated that the satisfaction he obtains from his work depends on two preference factors

influencing him, one being profit and the other the size of his staff. If we further imagine that his satisfaction increases with increasing profit, but decreases as the size of his labour force increases. It is important to note that this latter influencing situation might arise if the decision-taker has problems in handling labour. In view of that, the utility function may now be written as:

$$U = f(U_1, U_2) \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1.3)$$

Where U_1 represents profits, and U_2 represents the number of men to be hired.

Thus, the alternative that maximises the value of utility will depend on the precise form of this utility function, and two possibilities exist (Rae, 1977). He noted that firstly, the decision-taker or manager might consider one preference factor to be overwhelmingly more important than the other and that the less important factor is only taken into consideration if more than one alternative action provides the same achievement level of more important factor.

Table 3.1: ***Alternatives and Levels of Achievement***

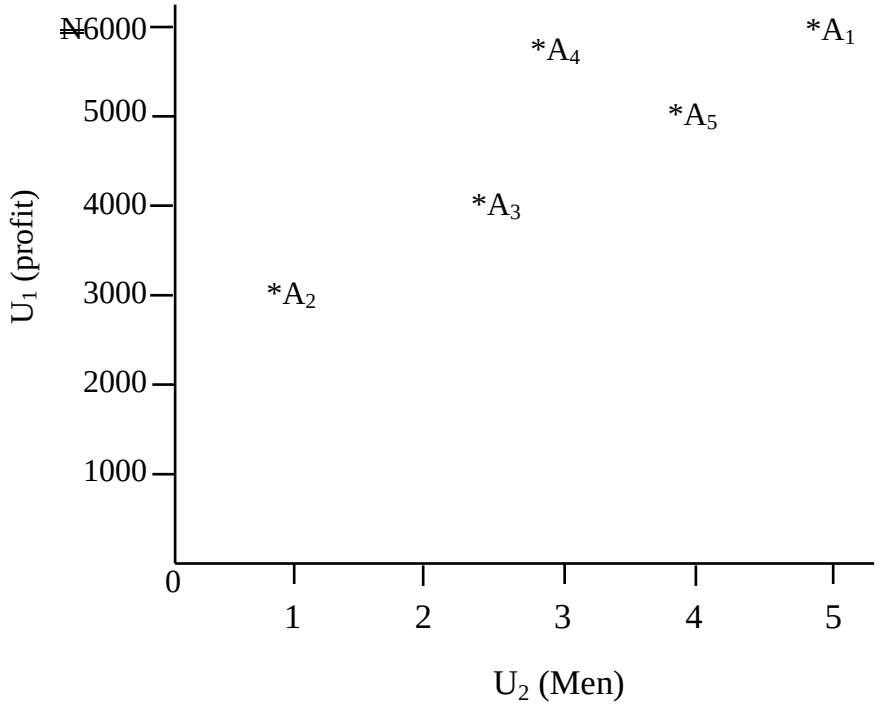
Alternative	Level of profit (₦)	Number of men
A_1	6000	5
A_2	3000	1
A_3	3500	3
A_4	6000	3
A_5	5000	4

In table 1, it is shown that two alternatives (A_1 and A_4) are both estimated to earn a profit of ₦6000, but if profit is considered overwhelmingly important, the decision-taker or manager would prefer A_4 to A_1, since three rather than five men would be required.

The second and more usual influencing possibility arises when managers are willing to sacrifice the achievement of one goal to some

extent, provided that the achievement of another can be increased as a result. This invariably implies that a trade-off between the levels of preference factors is acceptable to the decision-taker.

Fig. 3.4: ***Showing the five alternatives, hypothetically represented***



It is important to note that from figure 4 above, that A_1 cannot be preferred to A_4, since A_1 requires a larger labour force but provides no higher profit than does A_4. We cannot also see that the decision-taker cannot prefer A_3 to A_4 since although both require the same number of men, A_4 provides a higher level of profit. The decision-taker could also deduce that A_4 would always be preferred to A_5 since the former alternative provides both higher profit and lower labour requirement than the latter alternative.

Information is the raw material that feeds decision making at all levels in the organization. To understand the role of information better, it is useful to digress briefly and examine decision making. Theorists have developed three models of decision making, and information plays important but different roles in each of these models. Table 3.2 summarizes key points of these three models.

Table 3.2: ***Decision-Making Models***

Model	Assumptions	Decision Processes	Decision Outcomes
Rational/ Economic	1) Perfect information at no cost 2) Perfect rationality	Stepwise; linear. Begin with problem identification; end with solution implementation.	Utility Maximizatio n
Bounded Rationality	1) Imperfect information-uncertainty-and information costs 2) Power and personal preferences affect decisions. 3) Decision makers face cognitive limitations.	Decision makers attempts to act in a stepwise, linear rational fashion, but rationality is bounded or constrained.	Satisficing
Garbage Can	1) Multiple, ambiguous and conflicting goals 2) Means for achieving goals not well understood (ambiguous technology) 3) Fluid participation of members in decision making.	Nonlinear process; no clear beginning or ending points; decision process can start at any point.	Solutions where there are no problems. Problems that go unsolved. Some problems get solved.

Source: Hodge, Anthony and Gales (1998) – *Organization Theory.*

Conclusion

A lot of emphasis is placed on the need to understand the influencing pressures which impact on the decision-taker and the organization in general and its respective subunits. These pressures consequently affect the type of decision to be taken. In view of these, the most that

the decision-taker or manager has to do is to assemble all available and relevant information relating to the problem, analyze them intelligently and choose a solution to the problem that appears best, both in terms of the available evidence and the manager's or decision-taker's preferences.

The choice of decision-taker should be strategically contingent, or dependent, upon the context that the decision-taker or organization faces. It is of note that some contextual conditions require one type of influencing structural response by the decision-taker or organization, while other conditions require different structural responses. Thus, equifinality and influence come to bear (Scott, 1992).

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