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The Study Of Business Decision-Making: Reflections On The Methodological Approach

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Abstract

The paper presents a reflection on the business decision-making and the methodologies used to study decision-making dynamics. It starts from an overview of the prevailing literature, which is essentially based on normative and predictive approaches, and then paves the way for a more realistic view of the decision-making, which belongs to descriptive approach and distances itself from substantial rationality in favor of the adoption of procedural rationality. Business decisions, in the reality of organisations, are the result of strategies, power games, constraints, rules and external influences and for this reason can only be understood ex post, in a descriptive logic.

Every decision appears to be linked to the specific historical and social context in which it is produced. This imposes a different study methodology, based on the exploration of decision-making contexts. The result of the study can only be local and non-generalisable knowledge.

Keywords: *decision-making; descriptive approach; exploration of contexts*

1. Introduction

Business decision-making is complex phenomenon that has always been the focus of researcher from different disciplines, but also of the people who have to manage the most diverse organisational dynamics.

Decision-making is at the heart of the managerial task. The manager is the person in organisation who holds the management skills and who should act on behalf of and in the interest of the owners. Decision-making is framed by management studies as a result-oriented action that is closely linked to business performance.

Consistent with this, the prevailing literature on business decision-making mostly refers to a systemic logic (Sparti D., 2002): the enterprise is represented as a coherent and synergic system by virtue of the goal to be achieved and the manager is framed as a helmsman at the helm of his ship capable of reaching the goal.

However, reality renders a different situation: the enterprise is an organisation made up of individuals and cannot be reified (Mastroberardino P. 2006). The business decision-making involves multiple actors, with different interests, who decide on the basis of personal and social factors: the individual in his choices is guided by interests and preferences and is situated in a social context made up of rules and expectations on the part of other actors (March J.G., 1998). Business decision-making appears more as the result of strategies, coalitions, power games, external influences, dynamics of convergence of interests and conflict. The manager appears more as an explorer who, within a framework of constraints and according to the interests to be satisfied, tries to steer the organisation towards a goal (Mastroberardino P., 2010). Every decision is linked to the context in which it is produced: there is no regularity in the behaviour of individuals, nor pure correspondence to theories and models.

Within this framework, the study of decision-making must be of a microsociological, based on the exploration of decision-making contexts and on the ex post "description" of decision-making dynamics. The knowledge produced is contextual and therefore not generalisable. It cannot be the starting point for theories

or models underlying the normative and predictive approaches that continue to prevail in management studies (Cortese F., 2017).

2. An overview of the business decision-making in literature

The two most important orientations to the study of decision-making in the literature are the normative approach and the descriptive approach. The former, which dominates management studies, focuses on how decision-makers should make decisions: in a prescriptive framework, certain directions and tools for achieving a certain result are provided. The descriptive approach, on the other hand, analyses how real decision-makers make decisions, the motivations that guide the decision-making, how alternatives are identified and the consequences of the alternatives evaluated, in a logic of ex post understanding (Cortese F., 2017).

2.1 The normative and predictive approach

The impact that managerial decisions have on business performance has led management scholars to “standardise” decision-making as much as possible, focusing on the decision-making structure of organisations, with the assignment of decision-making role and functions (Sciarelli S., 1967), and going so far as to “prescribing” behaviours to be adopted in order to achieve the company's objectives.

The organisation of a company provides for different levels of decision-making responsibility, which are characterised by the type of decisions to be taken. It is possible to distinguish between (Hitt et al, 2007):

- higher-order (or global) decisions, through which the company sets the main objectives;
- strategic decisions, which allow for sector-specific paths to be taken, always with a view to achieving the global objective;
- tactical (or operational) decisions, which tend to achieve what is concretely necessary to achieve the strategic objectives.

The various decision-making roles, organised into levels, are assigned to the most suitable individuals in terms of skills, experience, risk appetite and behavioural capabilities. In a way, the profile of the ideal manager for each organisational role is defined.

The logic of decision-making responsibility is then linked to that of controlling the decision-making behaviour of actors. The reference is to the hierarchy based on the principle of delegation, but also to the system of sanctions and incentives aimed at aligning the behaviour of principals and agents.

However, after delimiting the field of action, the literature continues in its task of standardisation by also providing the decision maker with tools to operate: business schools and managerial practices continue to disseminate theories, models, techniques, offering lenses for reading contexts and tools for managers to act (Cortese F., 2017).

For the normative approach, the individual acts intentionally: he or she has clear goals and preferences, has the information he or she needs and is able to identify the possible alternatives, clearly define the possible future scenarios for each alternative, select the alternative to which the greatest utility is attached (March J.G., 1998).

The regulatory managerial decision-making can be represented in the following phases:

- definition of the problem and/or objectives;
- information gathering;
- generation of alternatives, or identification of possible courses of action;
- identification of possible scenarios related to each alternative;
- explaining of the preference of alternatives according to the utility function;
- choice of the alternative that maximises the utility function.

The normative approach is based on substantive rationality (Simon H.A, 1976; 1978) and variables related to the unpredictability of human behaviour or the context in which the decision is made have no place in it. The normative approach analyses how decisions should be made and at the extreme leads to a universally predictive model based on ex ante rationality.

Some of decision-making literature accuses these theories of a lack of empirical validity and predictive weakness with respect to decision-making behaviour.

2.2 The descriptive approach

The shift from the normative to the descriptive approach brings with it the abandonment of substantive rationality in favour of the adoption of procedural rationality (Simon H.A, 1976; 1978). Whereas substantive rationality, the researcher's interest is focused on the "outcome" of decision-making behaviour, and thus on how to achieve the optimal choice, for procedural rationality, the interest is on the decision-making "process", that is on how decisions are actually made. Within this framework, the view of the business decision-making becomes more complex.

The descriptive approach, drawing on disciplines such as psychology or sociology, seeks to explore how decisions are actually made in different operational contexts, based on weak forms of rationality and in a logic of ex post understanding of the phenomenon, based on in-depth, but empirical and contextualised knowledge.

A first reflection to be made on the complexity of the study of the business decision-making is on the identification of the decision-maker. In the reality of organisations, it is possible to observe that decisions cannot be traced back to the activity of a single individual and his decision-making logic, but are the result of political games, of negotiations, of the action of a coalition that, within a framework of constraints and on the basis of its own preferences, seeks to steer the organisation towards a goal (Mastroberardino P., 2010).

Secondly, the multiplicity of interests involved makes the reification of the enterprise unrealistic: the latter is not characterised by a single purpose, it has no life of its own independent of the human action that animates it. A conflictual view of decision-making emerges strongly, which can result in negotiation processes to resolve disagreements (Mastroberardino P., 2010).

These reflections impose a study methodology based primarily on observing and describing the behaviour of real decision-makers and the concrete ways in which they approach decisions in specific contexts. It is precisely because of the specificity of the context in which the decision-making takes place that it is not possible to achieve the generalisation sought by the approach.

3. Reflections on research methodology

The research methodology, in its nature as a link between philosophical reflection and research practice (Corbetta P., 1999), must be consistent with the epistemological approach adopted for the framing of a phenomenon and use specific techniques that enable the underlying social processes to be analysed in the best possible way.

Descriptive approaches shift the attention of the scholar of business decision-making from prescribing the appropriateness of decision-makers behaviour to describing the concrete ways in which they act. For the study of business decision-making, it is therefore necessary to refer to a microsociological approach from a methodological point of view.

The descriptive approach, based on a logic of ex post understanding, empirical and contextual knowledge, requires a methodology to study the decision-making based on the following guidelines (Cortese F., 2017):

- the replacement of "explanation" (Sparti D., 2002; Wright von, G.H., 1988) with "understanding" (Corbetta P., 1999), which should be an enriching and indispensable moment part of research in any social field;
- the subversion of traditional research practice: in fact, it does not have to start from hypotheses to be validated in the field, but to detect of "observable regularities" in the contexts, which only later on, may or may not be considered valid and defined; research is thus not a sequential process that starts from hypotheses to arrive at conclusions, but a reflexive process of mutual influence between the various moments of investigation, based on the continuous redefinition of the premises.

The issue of reflexivity is fundamental to exploratory research methodology. Despite the plurality of definitions, the various researcher (Sparti D., 2002; Coulon A., 1993; Bourdieu et al., 1992; Hughes J.A., 1982) nevertheless agree on the subjective nature of the researcher's activity. Reflexivity accompanies the

social researcher in the different stages of his study, from the choice of epistemological and theoretical framework, to the choice of techniques and tools, to the analysis and interpretation of the data and their communication. The relationship between subject and object of the research leads to a co-construction of knowledge that becomes a process, continuous and circular, of reciprocal influence between researcher and object of study.

By virtue of these premises, the production of knowledge about a social phenomenon necessarily follows from observation of the behaviours of the individuals involved.

What is explored in the business decision-making, from a understanding perspective, are the contexts of action: the interests at stake, the external influences on decision-making, conflicts, alliances, negotiation between actors, the competences that animate and justify power games, but at the same time lead to the redefinition of the action framework (Mastroberardino P., 2006; Cortese F., Iannuzzi E., 2012; Cortese F., 2017).

In such a complex reality, the researcher can only empirically observe interdependencies and regularities of behaviour or relationship between actors and from these hypothesise a structure of games that realises the coordination and integration of divergent strategies of the various participants (Crozier M. et al., 1977), in an encompassing system of action that articulates and regulates the relationships contained therein (Friedberg E., 1994).

Knowledge about the contexts of action, arrived at ex post through observation, is local and contingent, not exportable out of the context and therefore not generalisable. The actor himself, in his strategic action, adopts behaviour that cannot be “conceived” outside the context from which he draws his rationality (Crozier M. et al., 1977). The essentially deductive approach of the normative approach, linked to the “justification” of a phenomenon previously framed theoretically, is replaced by a hypothetical-inductive approach: from the observed reality one arrives at conclusions and, in an interactive relationship, from these to new research, without the claim of general validity for the theory (Cortese F., 2017).

It is not a return to the pure principle of induction, but a need to conduct exploratory research processes from the point of view of the social actor: the hypotheses are generated in the field, instead of being simply “validated”. It is not doing research without hypotheses, but researching new hypotheses in the field and focusing to improve existing ones (Grandori A., 1994).

All this has repercussions on the very concept of theory. The narrowness of human rationality and the contingency of action contexts do not allow for a general theory that can be prescriptive and predictive nature. On the contrary, theory and its concepts merely constitute “intellectual armour” for exploring empirical reality, for highlighting and interrogating phenomena and thus being able to respect the particularity of the context of action that it proposes to study (Friedberg E., 1994).

4. Conclusions

At the end of this work, it is legitimate to question why normative and prescriptive approaches to characterise the literature on the business decision-making, even going so far as to provide managers with “solutions” in their operations to achieve a given result. The models, techniques and tools provided by the literature almost assume a technical rationality for the creation of value for the company.

In reality, the phenomenon is much more complex, ungovernable, unpredictable and does not follow pre-plotted paths: business decision-making appear to be linked to the multiplicity of interests involved, the strategies used by the actors to achieve their objectives, and the institutional pressures that influence decision-making contexts.

Could the success of normative and prescriptive approaches be linked precisely to this complexity? A complexity that makes the picture un reassuring, both for the researcher and for the businessman. For the researcher, “explaining” a phenomenon is tantamount to achieving a result; for the manager, slavishly adhering to prescriptions dictated by literature and managerial practices is tantamount to legitimising his or her actions. Is it human nature to flee complexity? (Ghoshal S., 2005; Mastroberardino et al., 2012).

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