Chapter 4
Decision Making:
International Managerial Skills

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ABSTRACT

Decisions are choices. Decision making is the essence of management. Managers make decisions every day and the practical implications of such decisions are key to the success of the company. After reading this chapter, managers, or those who are preparing to be managers, should be better able to do the following: (1) understand the extent to which such organizational characteristics as structure or technology affect decision making, (2) see why the complexity of task environments determines the decisions being made by managers, (3) define and manage certain strategic organizational capabilities such as learning or absorptive capacity, (4) think about cognitive and non-cognitive human capital characteristics that play a role in decision making, and (5) be aware of the impact of culture on decision-making processes. Understanding these aspects will help you develop a deeper understanding of the role and importance of decision making, not only in the domestic market but also internationally.

INTRODUCTION

The world of management in the new millennium is full of risks and uncertainties. There is usually a lack of information and time available for managers to make decisions. The market moves at such a speed that the decision-making process has become the main, but also the most difficult, function of managers within the organization. This situation is even harder in an international context, where international competition makes it difficult for firms to survive. In an international environment, companies should be creative, offering high-quality, competitively priced products and services if they are to survive. Some of the major challenges managers have to face consist of making decisions quickly to adjust their companies and products to the ever-changing world. Given that decision making is a process of identifying problems and opportunities and resolving them or taking advantage of them, managers who are highly skilled in making decisions become crucial elements to the success and survival of firms.

DOI: 10.4018/978-1-5225-5781-4.ch004

The role and the competences of managers has been a historical topic of interest in the literature in the Strategic Management field, and has also become important in the area of international management. As March & Simon (1981) explained, top managers are imbedded in a situation of complexity and ambiguity and are often saturated with information and experiences. In such circumstances the personal baseline characteristics of decision makers –their experience, education and functional background– as well as other personal attributes are fundamental to their decisions and actions. Managers have the discretion to make strategic choices, and the firm's results are highly dependent on these decisions as well as the external environmental conditions. Making decision is not easy.

How do managers make decisions in an international context? As will be seen in the following sections, top managers make choices based on their cognitive frameworks of reference and their values, also taking into account their firms' strategies and structures. For this reason, this chapter will cover the organizational and individual characteristics that affect decision making, before concluding with a section on international and cross-cultural managerial skills. This will allow you to understand and be aware of the decision-making process that you are involved in and what factors influence this process.

WHAT DOES DECISION MAKING INVOLVE?

Decisions are choices, and choices are not usually made directly, but after going through a process involving multiple steps (Hitt et al., 2006). Basically, this process consists of 6 steps:

1. **Definition of the Problem to Be Solved:** One example of a problem could be: "There is a fall in the number of units being produced, and we need to correct this." This step is very important because, if the problem that is perceived is not really a problem at all, or the problem is misunderstood, then an inappropriate solution will be identified. It is important to devote sufficient time to defining the problem. Einstein said that, if we had an hour to save the world, it would take 55 minutes to define the problem and only five minutes to find the solution.
2. **Identification of Decision Criteria:** To determine what factors the decision maker needs to take into account in order to evaluate alternative solutions. As a second step, the solution the above-mentioned problem (there is a fall in the number of units being produced) may be that more employees are needed, or new machinery is needed, or even both. The decision criteria may include costs or efficiency. If the solution has been defined in terms of new employees, we need to figure out how many employees we will need, what training requirements are needed to perform the job, how much money we can offer as a compensation package, etc.
3. **Gathering and Processing of Information:** At this stage, managers considering all the information mentioned above will need to develop a list of potential alternatives, such as hiring new employees, or promoting employees internally.
4. **Listing and Evaluating Alternatives:** Managers should assess all the alternatives, making decisions in terms of budget restrictions, or in terms of efficiency. In the previous example, managers would evaluate the cost of hiring new employees, the cost of promoting employees internally, or even the cost of buying new machines.
5. **Choosing the Best Alternative:** Managers choose those alternatives which best meet the criteria (cost or efficiency in our case).
6. **And, Finally, Implementation of the Decision:** Managers translate their decisions into action.

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