
ARGUMENTA O ECONOMICA

1 • 1995

Academy of Economics in Wrocław
Wrocław 1995

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Czesław Zajac

MEANING OF METHODOLOGICAL
RATIONALITY OF DECISION
MAKING IN A PHASE
OF STRATEGY FORMULATION
IN INDUSTRIAL ENTERPRISE¹

Formulating the strategy of the enterprise as the process of making decisions and taking actions which are to lead to forming a strategy is connected, as in the case of any other decision-making process, with both the 'art' of making decisions which requires talent, inspiration, creativity and intuition, as well as with 'ability', learnt and perfected in the course of gathering managerial and personal experience, studies, etc. (Wawrzyniak 1980, 51–52).

Both the art and the ability to solve strategic problems exist jointly. There can exist – depending on the characteristics of the particular strategic problem, its subject degree of structuralization, range and the degree of complexity – different relations between the necessity of using well-known methods, the principles of decision-making and the need of independent and creative research, by the decision-making person, for the ways of solving a given strategic problem only on the basis of the general decision-making rules (Hurlimann 1974).

Analysis and the appraisal of such an ability to make strategic decisions, existing in the knowledge of adequate methods of problem-solving for every class of problems, which are employed by company management and the ability to organize correctly the strategy building process and of executing its correct run, should be the basis of defining the level of methodological rationality of the process of the functioning of the enterprise strategy, formulated on the basis of the general example of rationality.

¹ This paper was published firstly in: *Prace Naukowe AE [RW of WAE] 1993, No 662.*

Rationality in the decision-making process is the concept related to the behaviour of the decision-makers. Because that behaviour can be treated as a choice among varying possibilities, rationality can be treated as a concept based on the way in which the decision-maker chooses among the possible variants. In the subject literature, it is often said that rational behaviour is purpose-orientated behaviour (Aune 1977). The rational decision-maker chooses the possibility consistent with the most preferred or most consistent with the expected results of his decision. Rationality therefore shows that choice is made by the decision-maker.

Decision-making is not a single act of choice, but rather a process of gathering and processing information related to future actions². Behaviour of a decision-maker in the process of the decision-making is rational as long as it is consistent with a given or accepted goal (system of goals). According to W. J. M. Kickert (Kickert 1979, 71, 76), the concept of a goal is used in descriptive decision theories as the theoretical structure explaining the decision-maker's behaviour. Therefore, from the teleological point of view we can assume a certain theoretical model of behaviour. The real conduct of the decision-maker is considered rational if it corresponds with the behaviour accepted as a model. At the same time it is behaviour considered rational from the methodological point of view (Kozielecki 1969). Methodological rationality can be then described as such a choice of behaviour whose base is formed by the information available to a decision-maker, and the choice itself conforms to the knowledge accepted by the decision-maker as real.

If rationality is aim-orientated, and the aims are defined in terms of the expected results, then the dynamics of the decision-making process limits the scope of rationality. That is why it is important to see rationality in terms of procedure leading to the making of a decision and the structure of the decision-making process. Defining the best procedure in the given conditions is called procedural rationality.

Structure, as well as procedure, is an important element in the decision-making process. According to the systems theory, the fundamental structural dimensions of that process are the object, the problems (aspects and issues) and the phases (Kickert 1979, 71, 76). The system is defined here as a collection of aims and of the relations between them and also as the environment together with relations between the environment and the aims. The subsystem is defined as the subsystem of particular aims together with the fundamental relations;

² 'Process' formulation of a decision connected with psychosociological theory of decision is based on analysis of nature and kinds of activities of the decision process, its conditions and the role of decision-makers. The representatives of this theory are, among others: H. A. Simon, J. G. March, R. W. Cyert, W. Edwards and J. Kozielecki (see Wawrzyniak 1980, 51-52). It is treated in the same way by the author of this article.

a problem is defined as a collection of all the aims and the subsystem of relations; a phase is a system identical with the main system, but only during a definite time interval. If we treat a decision-making process in an organization, particularly where strategic decisions are concerned, as a system, and we will define the units taking part in that process as the collection of aims, then the division of that system into subsystems, problems and phases can be generally interpreted as 'who', 'does what', 'when'. An illustration of the process in its phase of creating the strategy of the enterprise can be shown as below:

- subsystems – representatives of general management, groups of employees and departments connected with the work on formulating the strategy,
- problems – strategic issues which can be distinguished in the process,
- phases – distinguishable stages of the process.

The structure of the decision-making process can be often defined as the relation between subsystems, problems and phases, and we can distinguish the relations between:

- subsystems, i.e. interaction, communication etc.,
- problems, i.e. issues connected directly and indirectly with the decision process,
- phases, i.e. mutual relations between phases, their sequence,
- subsystems and the problem, i.e. 'who' 'does what'?,
- phases and subsystems, i.e. 'who', acts 'when'?

In such a way we obtain a three-dimensional space. Structural rationality is therefore connected with the optimal path in that three-dimensional space, and generally speaking, with the organization of the decision-making process leading to elaborating the strategies. Realizing the relative nature of rationality (there does not exist fully objective rationality), and the practical impossibility of the empirical verification of the results of implementing the strategies formulated within the enterprises, we consider that the best possible concept allowing for recognition, analysis and appraisal of the correctness of the organization and functioning of the above-mentioned process is the concept of methodological rationality. It contains both procedural and structural rationality. Such a definition of methodological rationality creates the need to pose the following questions: who should take part in the strategy-building process of the enterprise? What tasks and duties should be performed by the participants in the process? When is the right time for performing certain actions? And in particular – how should that process proceed?

Organization and the way in which the process is proceeding, largely depends of the degree of preparation on the part of the management representatives in given enterprises for making the correct decisions, the knowledge and the ability to adapt and to use the methods and ways of formulating strategy implemented and tested in the highly developed countries. Also important is the awareness of the role and meaning of these methods, already in the strategy-

-building phase, and not just at the moment when the results of the particular strategy appear. There is no doubt that improper organization (or the lack of it) of the process, and improper procedure in the decision-making (which does not take under consideration the conditions, principles and possibilities) diminish the probability of creating effective strategy. Methodological correctness and also the correctness of the organization and the process itself increase the probability of formulating effecting strategies, thus contributing to the realization of created strategic aims and, as a result, to an increased effectiveness of the whole strategic management process.

One should also examine what determines the methodological rationality of the decisions taken in the process of formulating the strategies of the enterprises. T. Kotarbiński stressed that the person acting rationally, methodologically, is the one who acts according to possessed knowledge and by knowledge we understand here the collection of possessed information to which, considering the way of their justification, that person should ascribe the probability sufficient for the conduct as if it were true (Kotarbiński 1965).

This leads to the conclusion that the methodological rationality of decisions is expressed by adjusting the process of formulating a concept (project) of the decision to the information possessed. This information is gathered and processed in a way fulfilling the demand of correct methodology of the solution selecting process.

Methodological rationality of decisions is determined by:

1. The amount and quality of information obtained by the system, connected with the state of its environment at the moment of making the decision,

2. The internal state of the decision-making system, determined by two groups of factors:

- a) internal possibilities of solving given problems. In the case of an organization there are: the division of decision domains among the decision-makers on a given organizational level, delegations of the rights to decide, characteristics of the internal information system, the level of preparation of the decision-makers, and in the case of a person: perception, memory, qualifications and intuition,

- b) motivation of the system for making methodologically correct decisions.

In relation to the organization these are: the system of internal motivation in the particular organization (i.e. persuading its parts to behave preferring rational methodological choices), the factors determining 'wishes' of the persons to make methodologically correct decisions (i. e. the quality of employees from the point of view of their 'mobility' towards such behaviour), and in the case of a person: attitude, motivation and needs.

The fundamental determinants of the methodological rationality of the strategy formulating process in an enterprise are:

1. The state of knowledge of its management about its environment – re-

cognition of its elements, such as competitors, cooperating parties, customers, suppliers, banks, insurance companies, authorities, the processes and phenomena of economic, political and social nature occurring in the close and more distant environment; various groups of interests (how? when? why? where? and how strongly?) affecting the enterprise; such recognition is usually reached through understanding the possibilities and threats to the enterprise.

2. The awareness of the most important problems and strategic aims, and the degree of the recognition by the management of the state of the resources (such as financial capital, permanent assets, the state of technique and technology, know-how, human resources, and the knowledge about their own organization, especially about the organizational structure of the enterprise, and its information-decision system.

A suitably high level of the management knowledge about its environment, also internal one, and about the directions, mechanisms and tempo of its changes, is a fundamental determinant enabling the proper preparation, organization and proceeding of the strategy within the enterprise. On it depends to a large degree the effectiveness of strategy created and accepted for realization, which is one of the conditions of success in the situation of risk and competition.

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