

## Leadership and its relationship to the effectiveness of decision-making in an economic organization

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### Abstract

Leadership is the nexus between the human resources of an organisation and its future plans and visions. It is regarded as the crucible through which all administrative concepts and strategies are melted and interact, supporting the positive forces within the organisation and reducing the negative aspects to the greatest extent possible. Leadership is also responsible for the control and resolution of work issues, dispute resolution and the development, training and care of individuals, who are regarded as the most important resource of the organisation. Individuals take their leaders as an example. In other words, this study has gained particular significance because it addressed a topic of strategic importance in the field of developing successful administrative leadership.

**Keywords:** Leadership, decision-making, economic organisation.

### Introduction

Leadership has always been highly valued by all societies that are the focus of influence on individuals and groups in accomplishing work and developing institutions and it has become clear that progress is only a natural result of the effectiveness of their leadership, so organizations try to attract individuals with competencies and abilities to manage and influence because leadership can provide a convincing vision and communicate it to workers and encourage them to express their opinions about this vision and ways to achieve it, all this drives workers to exert maximum effort to achieve goals and integrate with the organization's plans and objectives.

Contemporary economic institutions seek to develop their performance, whether at the level of structural or administrative organization or at the level of production and management, so contemporary institutions were interested in making organizational changes imposed on them by certain circumstances such as expanding their activity or increasing their size and attention to the external environment to create adaptation to changes, which made the institution adopt new procedures in order to bring about change according to specific and studied approaches, and in order to be able to materialize this, it is necessary to involve its management, leaders and workers in order to ensure effective decision-making, by giving responsibilities to them through the roles and tasks assigned to each of the workers

Decision-making in the organization is done through leadership, and therefore the decisions issued by the institutions are an important process that has an important impact due to its connection to the various aspects of the organization, and the decision-making process is by nature a continuous process and is embedded in the basic functions of management, these functions of planning, organization, coordination, guidance and control cannot exist alone, and from this point of view, decision-making represents the main pillar of administrative processes and is a key activity for leaders in particular.

Through this paper, we will try to identify decision-making, the effectiveness of which is largely dependent on leadership in an economic organization.

### 1. Conceptual approach

#### 1.1. The concept of leadership

Herbert Simon defines it as leaders who use their intelligence, redirect it to others, and influence them, who know the types of technology that are used to achieve the desired goals, and who can be relied upon by the individual to find solutions to issues with great skill and ability. (Rashwan, 2004, p. 23)

According to Pigors, leadership is a process of mutual influence in which individuals, despite their differences, come together to direct human activity in pursuit of a common cause. (Rashwan, 2004, p. 25)

Koontz and Idunnell define it as the process of mutual influence that a manager exerts on his subordinates to persuade them to actively contribute their effort to the performance of the collaborative activity. (Thani Mohamed Elnadhir, 2010, p. 10)

Procedural definition of leadership: It is a process by which a person with special qualities of persuasion and confidence is empowered to lead in order to move people toward a predetermined goal.

### **1.2. The concept of decision-making**

**Ahmed Mohamed Ghoneim defines** it as: “The use of some objective criteria to choose an alternative from among two or more possible alternatives”. (Abu Hamad Al Ali, 2001, p. 370)

**Herbert Simon's definition:** “Decision-making is the heart of management and the concepts of management theory must be derived from the logic and psychology of human choice.” The heart of management is decision-making.

**Harrison's definition:** To make a judgment about what an individual should do in a given situation after carefully examining the various alternatives that could be pursued. (Mohamed Jad Al-Dab, 2009, p. 250)

Most thinkers seem to agree that decision-making is the process of selecting an alternative from two or more possible alternatives and evaluating the effectiveness of the chosen alternative in achieving the desired goals.

**Procedural definition of decision-making effectiveness:** A set of processes through which the best and most rational alternatives are chosen in specific situations to accomplish and achieve goals.

### **2. The importance of the decision-making process**

Management or the administrative process can be seen as a continuum of decisions, in the sense that the manager in his position is engaged in management activities of organization, planning and control, he always embodies himself in the field of making organizational, planning or control decisions.

Therefore, managerial decision-making is considered one of the core tasks of the manager, hence the decision-making process has been described as the heart of management, and the manager has been described as the decision-maker and his statutory right to make decisions is what distinguishes him from other members of the administrative organization. Simon also says that the manager is the original decision maker and is capable of it, and this is what distinguishes him from other individuals. (Al-Masri, 2000, p. 221)

The decision-making process is the centerpiece of the administrative process, and the amount of success achieved by any organization depends to a large extent on the ability and efficiency of its leadership to make appropriate decisions, and touches all aspects of the organizational structure of the organization and thus increases its importance in relation to the goals of the organization and the aspects of its activities, and hence the decision-maker should focus on the principles and methods of decision-making just as much as the principles and procedures for implementing the decisions issued, and management scholars have made administrative decision-making a major subject of their study and occupied a prominent part in most books of public administration, business administration, and administrative psychology, and this has increased.

### **3. Steps of the decision-making process**

The decision-making process goes through multiple steps related to solving a specific issue that impedes organizational goals, and it is suggested to follow the following steps:

#### **3.1. Identifying the issue**

A management decision does not arise out of nowhere, but it is created by the stage of recognizing the issue, which is usually done in several ways, including the existence of a disparity between the objectives and the level of achievement or actual performance. The identification of the issue is important because without it we become without a clear goal, and the lack of clarity and understanding of the issue leads to the loss of a great deal of time and effort, and it is necessary to know the

circumstances surrounding the issue because the decision to be taken is affected by it, and it is divided into three sections:

- Traditional Problems: These are the ones that keep recurring.
- Critical issues: They relate to the plans and policies of the organization.
- Emergencies: They are those that occur without any indication of their occurrence.(Abu Hamad Al Ali, 2001, p. 370)

### **3.2. Identify and analyze the necessary data and information**

In this stage, information related to the issue is collected and analyzed, and one of the most common pitfalls in decision-making is not having enough information, collecting the wrong information, or having too much information that is not relevant to the issue. (Habab, 2004, p. 231)

### **3.3. Developing alternatives**

It is the possible and available means of dealing with the issue to solve it, and there are several alternatives to solve any issue, it is rare that there is a single alternative to any action, so it can be said that providing only an alternative means a mistake in this alternative, and the development of alternatives depends on analysis and innovation, conducting research and scientific studies related to the issue and using scientific methods that enable the discovery and development of alternatives. (Abu Hamad Al Ali, 2001, p. 371) In other words, diversification of alternatives and innovation of other alternatives.

### **3.4. Evaluate the alternatives**

After obtaining the appropriate alternatives, they are evaluated, and the evaluation process should not be done after each alternative because this negatively affects the number of solutions that can be developed, and at this stage, the strengths and weaknesses of each alternative and its costs, advantages and disadvantages are known, the evaluation of alternatives depends on a set of criteria according to the nature of the issue and the time available for it.

### **3.5. Choosing alternatives**

Experienced administrators believe that their achievements and mistakes constitute a guide that can be used to know the future, and some advocate the method of experimentation as a scientific method to try different alternatives to explore what happens, and many believe that this method should be used more widely because it gives a definite answer to the validity or value of the alternative, but this method is not without disadvantages such as high expenses and the time it takes in research and analysis.(Ghoneim, 2001, p. 59)

### **3.6. Monitoring and evaluating the implementation of the decision**

The decision-making process does not end with the selection of the best alternative, but the decision must be put into effect by communicating it to those concerned, so that everyone is informed of it and everyone is committed to its content as soon as it is issued. This stage also requires explaining and explaining the decision to those implementing it. Decisions also require the need to follow up on their implementation and evaluate them by comparing the actual results of the decision with the expected goals in order to identify the shortcomings and weaknesses in this decision, and work to modify it in a manner consistent with achieving the greatest possible effectiveness in work when such modification is legally permissible.

## **4. Effective decision-making**

The beginnings of research on the subject of effectiveness were of the view that its achievement depends on the ability of the organization to achieve goals, a concept that prevailed in the 1950s, as the mere ability of the organization to survive was considered a sufficient indicator of effectiveness, which changed in the 1960s and early 1970s.

Focusing on the organization's ability to achieve its goals of survival to partial criteria such as: Worker morale, job turnover, the nature of communication and information management, employee participation and their ability to influence, and other concepts considered indicators of organizational effectiveness. The effectiveness of decisions is not assessed by the number of decisions that the manager

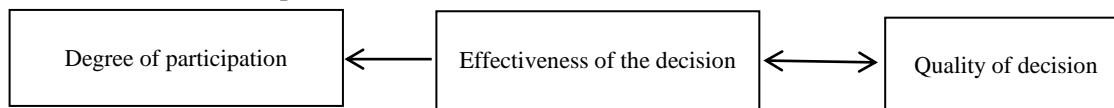
is forced to make, but by the quality of these decisions in terms of their effectiveness in solving a particular issue or exploiting an opportunity.

The effectiveness of decisions is determined by the quality of the decision and the extent to which the decision is accepted by the individuals who must save it. If the decision is not effective, the level of acceptance must be increased, but it is very likely that when the degree of acceptance increases, the quality decreases, so a balance must be made between the level of quality of the decision if the implementers are not willing to implement it as required.

It is possible for a manager to make decisions that are characterized by high quality, as they take all that is approved by the administrative law and all that is produced by the administrative regulations, but upon implementation, this decision fails, and the previous presentation can be reduced to two elements, namely the quality of the decision and its quality, i.e. the extent of his concern for the legal and administrative aspects, and the acceptance of this decision from the implementers, or insight and sensitivity to those who receive the decision, and whether they can interact with it and make it materialize and achieve the goals.

Figure (01) shows the elements involved in effective decision-making

Source: (Al-Sarafi, 2003, p. 63)



### 5. Factors to increase the effectiveness of the decision-making process

The decision-making process represents the main part of the manager's work, so every manager makes many decisions on a daily basis, but the question that arises is how effective are these decisions that the manager makes on a daily basis?

There are a number of factors that must be taken into account by the manager to increase the effectiveness of decision-making, the most important of which are as follows: (Al-Mursi & Thabit, 2005, p. 146)

- Focusing on defining the issue, searching for alternatives, and choosing the appropriate alternative to solve the issue.
- Relying on a sufficient and accurate base of data about the variables related to the issue and the surrounding situation.
- The appropriate use of modern information technology during the stages of the decision-making process, which is represented by automated calculations and ready-made application programs, in order to produce accurate and categorized information according to the needs of the decision-maker.
- The necessity that every decision involves both expected and unexpected results, and therefore the impact of the dimensions of these unexpected results must be assessed.
- The need to realize that a decision involves tangible and intangible aspects related to the psychological and human aspects facing the decision maker, and an effective decision is one that strikes a balance between the logical and tangible considerations in the decision and the emotional and human considerations that are not tangible.
- To take care of the collective method when making decisions in circumstances that do not require the manager to be alone in order to benefit from the diverse experiences and specialties of others, achieve participation and train them to make decisions.
- Adapting to change in the surrounding situations so that the manager ensures the success of the decision.
- Believing that the decision-making process does not end once the decision is made, and then following up on its implementation and detecting the obstacles that may prevent the application of the desired results from it, and this requires the need for a system to follow up the

implementation of the decision and set indicators to measure the level of progress in implementation.

- Modify the decision if it is discovered that it is ineffective in addressing the specific issue or has negative results, and this reflects the characteristic of flexibility in the decision, but at the same time such modification should not be done repeatedly, because this affects the stability of the decision, which loses respect and commitment on the part of others.
- The decision must take into account the factors affecting the situation not only within the organization but also external factors such as competition, political and social conditions, etc.

## **6. Impediments to the decision-making process**

Obstacles to the decision-making process include constraints and forces that affect the effectiveness of the decision-making process or one of its stages, and these obstacles and difficulties are characterized into two types, internal and external:

### **6.1. Internal Constraints**

It is represented by the set of internal forces or factors that control the management and are represented by the following:

- **Current policy:** The current policy followed by top management is one of the internal constraints imposed on operations and marketing managers and others when making decisions related to product development and must be in light of the current policy applied in the organization, which may be represented in reducing operating costs and focusing on raising the level of performance.
- **Financial capabilities:** The financial possibilities are also considered one of the factors that directly affect the decision-making process, as the alternative that may be within these possibilities is chosen.
- **Behavior of individuals:** An important constraint that hinders decision-making is the behavior of individuals working in the organization, especially those who will be affected by the results of the decision.
- **Lack of managerial competence:** One of the obstacles to decision-making is the unavailability of administrative competencies with knowledge of modern methods of decision-making in addition to the accumulated experience in this field.
- **Lack of information:** Insufficient and inaccurate information is one of the important obstacles that affect the effectiveness of decision-making at all administrative levels, and it must be supported by the latest information about the situation surrounding the issue and help the manager to make decisions related to the organization. (Hegazy, pp. 111-112)

### **6.2. External Constraints**

On the other hand, there are external constraints that come from the environment surrounding the organization and limit the effectiveness of the decision-making process. This type of constraints does not fall under the control or control of management, although this does not prevent the decision-maker from trying to study these constraints and predict them as much as possible and work to avoid or adapt to them, and these constraints are represented in environmental forces of a political, social, economic, technological and other nature.

## **Conclusion**

It is a link between the leader and the organization, and it seeks to unify the cooperation and efforts of individuals in order to achieve effectiveness in decision-making in particular and to achieve various desired goals in general, and on the other hand, during the occurrence of any defect, it seeks to correct it automatically and with the least damage, and to train and motivate individuals and increase human skills in general. Through the above, it can be said that the effectiveness of decision-making is based on scientific foundations and methods, and this reflects the character of objectivity, not to mention the reliance on alternatives to decision-making policies, and the decision-making process is efficient and effective in administrative organizations.

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