



Does Environmental Analysis Improves Managerial Decision-making?



Ash Malhotra*

Lecturer, Nelson Marlborough Institute of Technology, Nelson, New Zealand

Submission: February 18, 2021; Published: March 01, 2021

*Corresponding author: Ash Malhotra, Lecturer, Nelson Marlborough Institute of Technology, Nelson, New Zealand, 322 Hardy Street, Nelson 7010

Abstract

One of the important concepts which support management function is decision-making. The recent Covid19 pandemic has sprung many surprises at the way it has been managed by different countries. The outcome can be linked to the way managers and leaders respond to the environment and make decisions to deal with it. This research report deals with the importance of understanding the environment in making better quality decisions. The report explains the relevant management concepts followed by secondary research. The research conducted will be supported by empirical observation by adopting triangulation method to support validation of hypothesis. The primary objective is to scale up the quality of decision-making which is essential for facing complex situations at global level. This is a preliminary investigation with the hope that it will open the interest in others to take the baton for more research and collaboration.

Keywords: Management; Covid; Environment; Decision; PESTEL; SWOT

Introduction

The decision-making plays an important role in management of the organisation. The decisions are made by the managers at different level in the hierarchical chain of command. It could broadly be stated that managers at the top make strategic decision. The middle level managers make tactical decision and the lower level managers make operational decision. It is not only necessary to make correct decision according to the level, but also the quality of decision-making should be of high standard. Managers may make decisions which can be categorized as "no decision", "bad decision", "ordinary decision" or "good decision". The corporate world generally believes that making bad decision is better than making no decision to avoid risk. Making a good decision involves a decision-making process which generates sufficient alternatives to make the best choice. This is based on information. The collation of information is part of a decision-making process. This skill is obtained through blending of concepts, experience and research. Thus, there seems to be a high probability of improving decisions through environmental exploration and analysis. This research report will look into this and present its finding.

Research Hypothesis

The hypothesis on which this research is based is that environmental analysis improves the managerial decision-making capability.

Purpose and Aim

The main purpose for this enquiry is to mend the gap which is leading managers to make disastrous decisions in complex global environment. This will lead to better decisions and help find better solutions to problem.

Theoretical Background

The concepts are the building blocks for better comprehension of a situation and judging the path to a solution. The general rule is, "more the choice better could be the solution". This leads to the following management concepts. The first and primary concept is analysing the business environment. This concept leads to two sub-concepts namely PESTEL and SWOT. These can be classified as the external and internal environment. The PESTEL breaks down the external environment into Political, Economic, Social, Technological, Environment and Legal. This is the dynamic environment which has its share of uncertainties and are not easily predictable. This could increase or decrease the risk based on manager's capabilities. The internal environment in SWOT is the Strength and Weakness of the situation within the entity. The external environment in SWOT is the opportunities and Threats. The SWOT just like PESTEL is volatile and risky if not comprehended skilfully. Every manager needs thorough

investigation inspite of the constrain of time, resources and skill availability. This broadly leads to “no decision”, “bad decision” or “good decision”. The outcome for different managers will vary.

Another relevant concept for this research is the decision-making process adopted by the manager. This will depend on the knowledge, experience and research capabilities. The process depends on collation of information through environmental analysis. The more the alternatives generated, would mean more choice available. In theoretical terms, more choice would mean greater probability to make better decisions. In complex situation, low quality decision is the result of inadequate analysis of the environment [1]. At the ground level most managers take the common-sense route due to lack of theoretical maturity. This leads to disastrous outcomes. In the next section secondary research is conducted to explore the opinion of other experts.

Secondary Research

The secondary research outcome is necessary to validate the interpretation of key concepts explained above. The findings from various sources are explored and explained below: In an interesting article it has been stated that CEO of Daimler-Benz inspite of internal disagreement went ahead to merge Diamler with Chrysler. It proved a disaster as some years later he had to undo his decision by slicing off Chrysler in a forced sale [2]. The demise of Kodak Eastman is a well-known fact. It has left a trail of lessons for managers in environmental analysis and decision-making. The ecosystem at Kodak was built around film-based photography.

They failed to comprehend the fast-changing ecosystem indicating decline in analog photography. Secondly, the rise in digital imaging was not comprehended. Many experts feel that they continued to compete on market strategy rather than on capability front. In hindsight, the environmental analysis of managers went wrong leading to disastrous decision. It finally led to company filing for Chapter 11 bankruptcy in 2012 [3]. This reflects the importance of strong co-relation between environmental analysis to better decision-making.

Many experts believe that the environmental uncertainties being highly complex requires Reduction, Quantification and Plugging which is a formal decision -making concept known as R.Q.P heuristic model to reduce uncertainty in a situation [4]. Even in the political arena, an expert feels that an environmental analysis is the need for sustainable environmental regulation decisions for 21st century sustainability [5]. Thus, the importance of better decision-making based on environmental analysis cannot be overruled. The importance of environmental analysis and improved decision in containing a crisis is reinforced by Toyota Motor Corporation. In their crisis there were external forces such as mass media and internal forces within management which lost sight of quality focus. They failed to comprehend the environment variables. However, they shifted gears and comprehended the problem with active crisis control communication strategies [6]. It reflects the environmental comprehension and better decisions leads to better solutions [7].

Empirical Observation

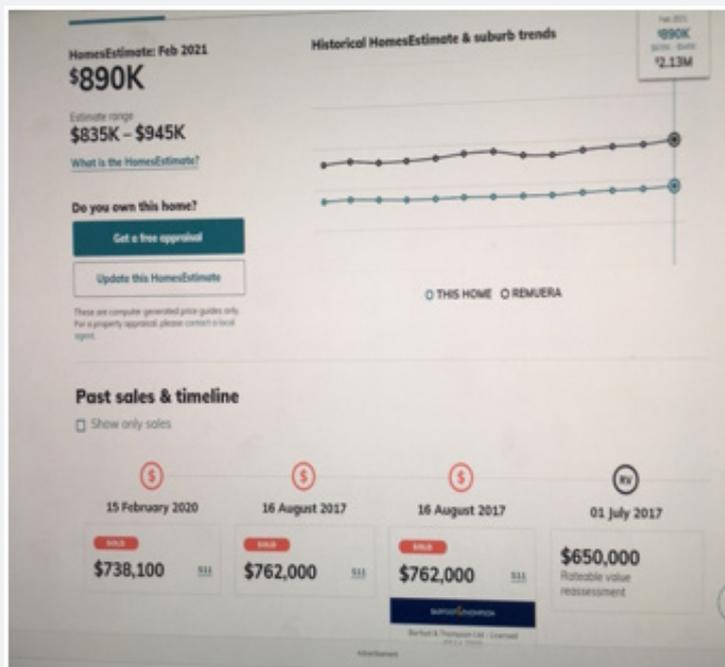


Figure 1: (Homes.co.nz, 2021) [7].

A good route to triangulation in research is empirical observation. It acts as a complementary catalyst to secondary research for validation. One of the profound observations, is a case of two investors with different decision-making outcome. The chart above explains the screen shot of a real case scenario (Figure 1). The first investor bought the property on August 16, 2017 for \$ 762,000 and sold it for \$ 738,100. The second investor is holding to the property which appreciated to \$ 890,000 as on February 18, 2021. It clearly reflects on the importance of environmental analysis for better decision making. This reinforces the findings of the secondary research.

Conclusion

To summarise, the research and findings reveals an interesting relationship between business environment and decision-making. Firstly, environmental analysis and decision-making application to any situation needs a conceptual and theoretical framework. Secondly, the final outcome will depend on blending of concepts, experience and research. Finally, if the environmental analysis is done properly, the managerial decision-making will improve using the right process. Thus, it can be concluded that business

environmental analysis is important to improve managerial decision-making.

Acknowledgments

My sincere thanks to all the staff and colleagues of NMIT for help and valuable suggestions. This work was supported by enthusiastic team of Nelson Marlborough Institute of Technology (NMIT) Applied Business department.

References

1. Lev V (2013) Why good project managers are making bad choices.
2. Campbell A, Whitehead J, Finkelstein S (2009) Why Good Leaders Make Bad Decisions.
3. Shih W (2016) The Real Lessons from Kodak's Decline.
4. Emma EH Doyle, John McClure, Douglas Paton, David M Johnston (2014) Uncertainty and decision making: Volcanic crisis scenarios. *International Journal of Disaster Risk Reduction* 10(part A): 75-101.
5. Esty DC (2017) Red Lights to Green Lights: From 20th Century - 21st Century Sustainability.
6. Feng Y (2010) Toyota Crisis: Management Ignorance?
7. Homes.co.nz. (2021) My Homes.



This work is licensed under Creative Commons Attribution 4.0 License
DOI: [10.19080/ASM.2021.06.555684](https://doi.org/10.19080/ASM.2021.06.555684)

Your next submission with Juniper Publishers will reach you the below assets

- Quality Editorial service
- Swift Peer Review
- Reprints availability
- E-prints Service
- Manuscript Podcast for convenient understanding
- Global attainment for your research
- Manuscript accessibility in different formats
(Pdf, E-pub, Full Text, Audio)
- Unceasing customer service

Track the below URL for one-step submission
<https://juniperpublishers.com/online-submission.php>