

DECISION MAKING AND FIRMS' PERFORMANCE INDICATORS

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ABSTRACT

In the paper, a conceptual model of recurrent decision-making in a competitive environment is developed and used as a framework for analyzing some examples of decision-making strategies. The conceptual model is then used to predict firm performance based on factors such as: decision rules developed by the management groups, the business climate features, the complexity of the implementation process. The relevance of the chosen topic is explained by the meaning of the firm efficiency concept - the firm efficiency means the revealed performance (how well the firm performs in the actual market environment) given the basic characteristics of the firms and their markets that are expected to drive their profitability (firm size, market power etc.). This complex and relative performance could be due to such things as product innovation, management quality, work organization, some other factors can be a cause even if they are not directly observed by the researcher. The critical need for the management individuals/group to continuously improve their firm/company's efficiency and effectiveness, more specifically, the need for the managers to know which are the success factors and the competitiveness determinants determine consequently, what performance measures are most critical in determining their firm's overall success.

KEYWORDS: performance indicator, managerial decision making, management simulation.

JEL CLASSIFICATION: CO2, L25, M10.

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