


# Economic Decision-Making in Private Corporations Versus Public Sector: How to Compare Both Sectors

Brian J. Galli, Department of Engineering, Hofstra University, Hempstead, USA

 <https://orcid.org/0000-0001-9392-244X>

## ABSTRACT

This research takes a comparative analysis approach to study the process of economic decision-making within the private sector and the public sector. There are four main research objectives that guided this article. First, it aims to identify the different kinds of decision-making methods. Second, this article analyzes the economic decision-making processes that stakeholders have to make in public and private firms. Third, this r seeks to illustrate that establish effective decision-making and financial performance relate. Lastly, the article will offer effective economic decision-making procedures in private and public organizations, so as to make recommendations and to guide these businesses. To do so, there is a literature review in this research to find the best economic decision-making processes. Data collection tools were created in reference to the literature review that directed the structuring of the variables, and the study based the quantitative analysis on the adopted descriptive methodology. The sample was comprised of 100 respondents from China, and since 95% responded, that was a total of 95 responses. Based on the formulated study hypothesis and the research objectives, the collected data was examined for descriptive and inferential statistical analysis. In general, the findings showed that cost-benefit analysis was the favored economic evaluation method, and the respondents specified that they their internal and external economic decisions directly influence the company's operations. When focusing on how organizational performance is affected by effective economic decisions, the findings established that there was a key component for a better economic analysis outcome in the public and private firms: accounting information. Additionally, evaluating the number of processes in public and private firms led to findings that revealed the following: every decision in the public sector requires many approvals. These approvals greatly hinder economic decisions and decision-making. Social, cultural, and environmental aspects influence the decision process significantly, so they must be addressed immediately.

## KEYWORDS

Economic Decision-Making, Private Sector, Public Sector, Risk

## 1. INTRODUCTION

### 1.1. Background to the Study

The most common task of managers and executives is decision-making (Kerzner, 2013). So, by providing appropriate decision support, there would be enhancement of managerial decision-making. Making better-faster decisions, and implementing more decisions, leads to the organizational success. Generally, good decision outcomes arise from a good decision process (Pettigrew, 2014).

DOI: 10.4018/IJSSMET.2020010106

According to Hammond et al. (2015), for an organization to make strategic decisions, it must gather intelligence, set directions, uncover alternatives, assess these alternatives to choose an action plan, and, finally, implement the plan. Many scholars agree that the key step in the process is assessing alternatives (Hammond et al., 2015; Anderson et al., 2015; Velasquez & Hester, 2013).

There are notable differences that occur when decisions are made by public organizations versus private organizations (Galli, 2017; Gwartney et al., 2014; Eden & Ackermann, 2013). The decision-making processes for private organizations are smoother compared to public organizations, which experiences more turbulence, interruptions, or even conflicts. The attribution of these differences, by a number of scholars, depends on the roles played by private and public business units in the society. The primary role for private sector organizations is creating wealth for their shareholders, through the provision of services and goods in the markets. The government sector has its main role of providing services to the public through contracts and collecting information regarding people's needs, leaving a call for a public response (Agrawal & Sharma, 2014). Thus, different approaches for decision-making are needed in these two sectors due to the divergent responsibility varied extent of expectancy and accountability (Boyne, 2002).

In distinction private and public business entities, a variety of schemes have been used. These schemes used to highlight these differences include transactional, environmental, and process (Galli, 2017; Gatti, 2013). To account for strategic decision-making, these dynamics, and some peculiarities they identify, have been deeply illustrated in this paper. The focus of this study is to compare decision-making for senior management of private firms and of public firms, because it is vital to see how they both view prospects of budget approval and for people to learn about the risks associated.

## **1.2. Problem Statement**

Management and executives of both private and public sectors are always faced with tasks that require economics decisions in their day-to-day work (Dillon et al., 2010, p. 27). Successful firms always outshine their competitors, specifically in the key three aspects of decision-making: making of better decisions; faster decision-making process; and implementations of the decisions (Dillon et al., 2010, p. 27). While most people see these three components as the key components in decision-making, less people know what constitutes a good or bad economic decision. Therefore, there is a need for a deeper understanding of the principle components of a decision-making process (Raczkowski, 2016).

Dillon et al. (2010), proposed a three-phase decision-making model that comprises of three core activities regarding intelligence, design, and choice. The intelligence enables the managers to recognize the need for decision-making, and the design is only instituted once a choice is made. Moreover, the design phase conceptualizes the mobility from unworkable version to a workable version. The final stage of a decision is making a choice among available alternatives (Badsı et al., 2017).

Dillon et al. (2010) approach to decision-making laid more emphasis on the choice, which, in orientation, was quite normative. They use a model that adopts a "one size fit all" in making unrealistic decisions regarding internal and external economic decisions that affect firms. Typically, decision processes like these are not cognizant of environmental factors whose causal relationships can influent the decision-making process and its outcome.

The study seeks to explore the various environmental constraints that affect the decision-making process in both the private and public sectors, as opposed to the availability of options from which to make (Felfel et al., 2017; Elloumi et al., 2017). This would challenge the decision-makers to adopt descriptive and prescriptive approaches in undertaking their decision-making tasks, and challenging these decision-makers, in turn, will improve their processes (Galli, 2018a; Dillon, 2002). Based on the comparison of decision-making tools, economic aspects, and relationship between effective decision-making process and performance, this study proposes adopting better decision management strategies in different economic sectors for affectivity of their economic decisions.

24 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: [www.igi-global.com/article/economic-decision-making-in-private-corporations-versus-public-sector/240615](http://www.igi-global.com/article/economic-decision-making-in-private-corporations-versus-public-sector/240615)

## Related Content

---

### Changes in CRM Approach: Refined Functional Blocks for Customer Creative Engagement in Services

Sabina Potra, Monica Izvercianand Serban Miclea (2016). *International Journal of Information Systems in the Service Sector* (pp. 45-57).

[www.irma-international.org/article/changes-in-crm-approach/142871](http://www.irma-international.org/article/changes-in-crm-approach/142871)

### Sponsored Search as a Strategic E-service

Roumen Vragov (2011). *Developing Technologies in E-Services, Self-Services, and Mobile Communication: New Concepts* (pp. 81-98).

[www.irma-international.org/chapter/sponsored-search-strategic-service/54959](http://www.irma-international.org/chapter/sponsored-search-strategic-service/54959)

### MoBiFlow: Principles and Design of a Workflow System for Molecular Biology

Markus Held, Wolfgang Küchlinand Wolfgang Blochinger (2011). *International Journal of Service Science, Management, Engineering, and Technology* (pp. 67-78).

[www.irma-international.org/article/mobiflow-principles-design-workflow-system/60736](http://www.irma-international.org/article/mobiflow-principles-design-workflow-system/60736)

### Productivity and Innovation in Services: The Multidisciplinary Perspective Offered by Service Science

Aleksandar Ivanovicand Leonora Fuxman (2012). *Service Science Research, Strategy and Innovation: Dynamic Knowledge Management Methods* (pp. 170-183).

[www.irma-international.org/chapter/productivity-innovation-services/61875](http://www.irma-international.org/chapter/productivity-innovation-services/61875)

### Towards Federation and Interoperability of Cloud Storage Systems

Sebastian Dippl, Michael C. Jaeger, Achim Luhn, Alexandra Shulman-Pelegand Gil Vernik (2013). *Data Intensive Storage Services for Cloud Environments* (pp. 60-71).

[www.irma-international.org/chapter/towards-federation-interoperability-cloud-storage/77431](http://www.irma-international.org/chapter/towards-federation-interoperability-cloud-storage/77431)