

Do Quality of Decisions Influence Firm Performance? Insights From Commercial Banks and Insurance Firms in Kenya

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Abstract

An organization's quality of decisions may influence its overall performance. In order to develop an assessment of the decision situation, central decision makers gather most of their information through their direct environment. Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). The purpose of the study was to establish the influence of quality of decisions on the performance of commercial banks and insurance firms in Kenya. A census survey was carried out on all the 43 licensed commercial banks and 45 insurance firms in Kenya. Out of the 88 firms that were targeted, 54 responded, constituting a response rate of 61%. The hypothesis was tested using simple linear regression analysis. Descriptive statistics were computed for organizational data and the main characteristics of the study variables. Data was presented in form of tables. The findings revealed that the influence of quality of decisions on non-financial measures of firm performance was statistically significant. The evidence however, did not show any statistical significance in the influence of quality of decisions on financial performance indicators i.e. return on assets and return on equity. This study contributes to understanding the link between quality of decisions and firm performance. This implies that if organizations build their human capital, the decision quality will improve, which in turn translates into improved firm performance. This is because employees with the relevant knowledge, skills and competencies would contribute to high quality decisions and consequently increase an organization's competitiveness.

Keywords: Quality of Decisions, Firm Performance, Commercial Banks, Insurance Firms, Kenya

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1. Introduction

Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). Strategic decisions, therefore, set the tone and tempo of managerial decision making for every individual and unit throughout the entire organization. If the decision making at the top of the organization is ineffective, then the choices made at lower levels of management will be the same. Similarly, if top management's strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organization. Strategic decisions are highly complex and involve a host of dynamic variables (Harrison, 1996). The quality of strategic decisions depends on the amount of human capital possessed by the social networks whose input organizations heavily rely on. Pfeffer (1998) concluded from a study on a wide range of industries in more than twenty countries that how organizations manage their people determine their long term success and economic results.

The banking industry is a major driver of economic development for world economies. By offering different types of services, such as facilitating money transfers between countries and ensuring that savers and borrowers are brought together in well-organised structures, the industry determines countries' economic development and long-term sustainability. Although critical to world economic stability, the last six decades have seen the industry experience severe financial challenges which have negatively affected economic performance of most countries. The main causes of financial crises have been non-performing loans, political interference, uncertain global financial trends and poor leadership. The Kenyan banking industry is considered the most mature, fastest-growing and largest in East Africa, thereby making it the regional financial leader. The industry has, however, been a victim of both global and domestic financial challenges. The industry still faces challenges of corruption, inability to reach the majority of the rural population, fragmentation and ineffective leadership, non-performing loans (NPLs) exceeding 16%, strict new minimum capital requirements, and intense competition from digital fintechs. Key issues also include cybersecurity threats, economic instability affecting borrower repayment, and the need to adapt to digital transformation to maintain profitability. (Muriithi and Louw, 2017).

In 2025, commercial banks in Kenya faced significant challenges driven by rising asset quality deterioration, high operating costs from stubborn inflation, and increased regulatory compliance. Key issues included managing high-interest rate risks, navigating foreign exchange volatility, and intensifying digital competition from over 85 licensed Digital Credit Providers. Banking sector assets declined by 1.6% to KSh 7.6 trillion in 2024, compared to a strong growth of 17.6% in 2023. The share of loans and advances to total assets fell from 49.4% in 2023 to 48.1% in 2024, while investments in government securities increased to 27.8%, signaling a more cautious risk appetite. Net loans and advances declined from KSh 4.2 trillion in 2023 to KSh 4.1 trillion in 2024, and deposit growth slowed to 1.23%, with total deposits amounting to KSh 5.81 trillion. The Loan-to-Deposit Ratio (LDR) declined to 70.1% from 71.1% in the previous year, reflecting enhanced liquidity and a conservative lending stance. At the same time, the Deposit-to-Liability Ratio (DLR) rose to 91.0%, underscoring the sector's heavy reliance on customer deposits for funding (State of the banking industry report, 2025).

A study by Bruns, Holland, Shepherd and Wiklund (2008) sought to examine the role of general and specific human capital in the decision policies of 114 Swedish loan officers in their assessments of small-business loan requests. They found that human capital characteristics had marginal impact on decision policy contingencies and that specific human capital had no significant influence on the probability of loan approval. However, they found that the similarity between the loan officers' human capital and the applicants' human capital was a significant indicator of loan approval. The study focused on decision making at an individual level while the focus of this study was firm-level decisions. Currie and MacLeod (2017) conducted a study in the United States of America, where the purpose was to determine the relationship between human capital, decision making and performance of physicians. They considered two dimensions of physician performance, that is, decision making and procedural skill. They found that increased human capital enhances decision making and results into better performance of the physicians.

Bayon, Lafuente and Vaillant (2016) conducted a longitudinal study on human capital and the decision to exploit innovative opportunity in Spain. The purpose of the study was to examine the direct and interaction effect of individuals' human capital input and human capital output in the form of entrepreneurial self-confidence on the decision to exploit innovative opportunities. They found that although human capital inputs and human capital output in the form of entrepreneurial self-confidence are significant factors in influencing the decision to exploit innovative opportunities, human capital inputs interact in different ways with human capital output in influencing this decision. The above mentioned studies were done in developed economies and the contextual differences may yield different results, therefore findings and conclusions of these studies may not apply to firms operating in the Kenyan context. Some of the studies utilized small samples, while the current study used a large sample which comprised all the firms in the insurance and banking industries in Kenya. Some of the studies also employed a longitudinal approach while the current study was cross sectional in nature. This study therefore was aimed at filling up the identified gaps in previous studies and attempted to answer the research question; Do quality of decisions influence the performance of commercial banks and insurance firms in Kenya?

2. Literature Review

2.1 Theoretical Foundation

This study was anchored on the Rational Decision Theory and supported by the Resource-based theory. The Rational Decision Theory was advanced by Herbert Simon in 1947. It is a prescriptive approach assuming managers make perfectly logical, informed, and optimal decisions to maximize organizational goals. It implies that decisions are made by analyzing complete data, evaluating all alternatives, and selecting the best possible outcome. The key assumptions of the theory are that decision-makers have access to all necessary information regarding alternatives, costs, and consequences; the goal is to select the single best option rather than just a satisfactory one; decision-making is objective, consistent, and free from emotional or social bias; the process is entirely rational, linear, and analytical. The theory is relevant because it provides a structured, logical, and evidence-based approach that can lead to high-quality decisions when information is available. It is frequently applied in high-stakes strategic planning, where data analytics can closely approximate perfect information. The weaknesses associated with the theory point to the fact that it is often unrealistic due to time constraints, limited data, and human cognitive limitations, which lead to the development of bounded rationality.

Resource-based theory emphasizes the critical importance of internal resources for sustainable competitive advantage. This perspective argues that firm performance is a function of how well managers build their organizations around resources that are valuable, rare, inimitable, and lack substitutes (Barney, 1991). The theory identifies the firm's potential key resources and evaluates whether these resources fulfill the following

criteria: Valuable – A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses; Rare – To be of value, a resource must be rare by definition. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns; In-imitable – If a valuable resource is controlled by only one firm it could be a source of a competitive advantage.

This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly. An important underlying factor of inimitability is causal ambiguity, which occurs if the source from which a firm's competitive advantage stems is unknown (Peteraf, 1993). If the resource in question is knowledge-based or socially complex, causal ambiguity is more likely to occur as these types of resources are more likely to be idiosyncratic to the firm in which it resides (Mahoney and Pandian, 1992). Non-substitutable – Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability. If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents, resulting in zero economic profits.

2.2 Quality of Decisions

Decision-making is a fundamental cognitive process of human behavior by which an option is selected among a set of alternatives based on subjective preferences. Traditionally, it has been studied within the frame of economic theory and psychology (Fellows, 2004; Rolls, 2007). Decision-making is the process whereby an individual, group or organization reaches conclusions about what future actions to pursue given a set of objectives and limits on available resources. This process will be often iterative, involving issue-framing, intelligence-gathering, coming to conclusions and learning from experience (Russo and Shoemaker, 1992). Tversky and Kahneman (1981) described decision-making as the psychological process resulting in the selection of a belief or a course of action among several alternative possibilities. Mintzberg (1976) defines decision making as an incremental, sequential process which does not necessarily happen at only one point in time. It involves progression from one stage of planning to the next, where plans move along and develop in relation to the decision being considered.

Harrison (1996) contends that decision making is the most significant activity engaged in by managers in all types of organizations and at any level. It is the one activity that most nearly epitomizes the behaviour of managers, and the one that clearly distinguishes managers from other occupations in the society. Of all the managerial functions that executives perform, the act of making a decision is without equal in importance. To be sure, managers and executives do many things besides make decisions. Nonetheless, the current and lasting impact of managerial performance is centered in the efficacy of executive choices. Strategic decisions, therefore, set the tone and tempo of managerial decision making for every individual and unit throughout the entire organization. If the decision making at the top of the organization is ineffective, then the choices made at lower levels of management will be the same. Similarly, if top management's strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organization. Strategic decisions are highly complex and involve a host of dynamic variables.

The major elements of these decisions are the objectives of the decision maker, the available information, and the potential alternatives (Delano, Parnell, Smith and Vance, 2000). Decision quality is based on the thoroughness with which all relevant leadership and technical issues are considered. To evaluate the quality of a decision or series of decisions at the time they are being made, standards are needed such as those that are supplied by the following criteria by Rausch (2007): Direction - How to decide on short-term and long-term direction and priorities for the organization, organizational unit, or function, (including development of the vision), how to organize to achieve them, and how to assign accountability; Communications - What should be communicated to stakeholders, individually and in groups, when and how; Participation - How to ensure appropriate participation in decision making and planning with consideration for who should participate, when and how; Competence - How to ensure that there is at least adequate competence of all stakeholders, (through selection and development efforts) and that most effective use is made of competence strengths of individuals and/or teams; Coordination - How to ensure coordination, and stimulate cooperation, while anticipating, preventing, and managing potentially damaging conflict; Satisfaction - How to achieve highest level of satisfaction by all stakeholders.

Harrison (1996) notes that successful strategic choices tend to manifest a common set of characteristics: The managerial objectives are compatible with and reflective of the current strategic gap of the organization; There is an open search for alternative courses of action that encompass the principal stakeholders of the organization and

which consider applicable time and cost constraints along with the cognitive limitations of the decision maker; There is an objective comparison and evaluation of a set of alternative courses of action with a principal emphasis on probabilistic consequences attendant on the selection of a given alternative; There is a tendency to select that alternative most likely to result in the attainment of the objectives within the boundaries of rational choice; The implementation of a chosen alternative proceeds within the established way of doing business and is reflective of propitious timing and balanced risk and reward factors in relation to the expected outcome; There is no presumption of success following implementation and continuous measurement and evaluation of emerging results is accompanied by timely corrective action to ensure an outcome that attains the objectives.

2.3 Firm Performance

Firm performance is defined as “the economic outcomes resulting from the interplay among an organization’s attributes, actions and environment” (Combs et al., 2005, p. 261). The conceptual domain of firm performance can be specified only by relating this construct to the broader construct of organizational effectiveness. Organizational effectiveness is defined as “the degree to which organizations are attaining all the purposes they are supposed to” (Strasser, Eveland, Cummins, Deniston, & Romani, 1981, p. 323). Organizations obtain different effectiveness assessments based on diverse constituencies. Therefore, organizational effectiveness encompasses firm performance and other performance concepts (i.e., corporate environmental or social performance), which are relevant for practice and research.

Venkatraman and Ramanujam’s (1986) performance-measurement framework focuses on multiple indicators of organizational performance. These indicators are financial performance, operational performance and overall effectiveness. Financial performance includes overall profitability (indicated by ratios such as return on investment, return on sales, return on assets, and return on equity), profit margin, earnings per share, stock price and sales growth. Operational performance refers to non-financial dimensions, and focuses on operational success factors that might lead to financial performance. Operational performance includes both product-market outcomes (including market share, efficiency, new product introduction and innovation, and product or service quality) and internal process outcomes (productivity, employee retention and satisfaction, and cycle time). Measurement of overall effectiveness reflects a wider conceptualization of performance and includes reputation, survival, perceived overall performance, achievement of goals, and perceived overall performance relative to competitors (Lewin and Minton, 1986; Venkatraman and Ramanujam, 1986).

Lynn and Cox (1997) observe that improvement in individual, group, or organizational performance cannot occur unless there is some way of getting performance feedback. Feedback is having the outcomes of work communicated to the employee, work group, or company. For the organization or its work unit's performance measurement is the link between decisions and organizational goals. Before you can improve something, you have to be able to measure it, which implies that what you want to improve can somehow be quantified. Additionally, it has also been said that improvement in performance can result just from measuring it. Whether or not this is true, measurement is the first step in improvement. But while measuring is the process of quantification, its effect is to stimulate positive action. Managers should be aware that almost all measures have negative consequences if they are used incorrectly or in the wrong situation. Managers have to study the environmental conditions and analyze these potential negative consequences before adopting performance measures.

Kaplan and Norton (1992) contend that the balanced scorecard approach operates from the perspective that more than financial data is needed to measure performance and that non-financial data should be included to adequately assess performance. They suggested that any performance measurement framework should have four perspectives: financial perspective; internal business perspective; customer perspective; innovation and learning perspective. Financial perspective: Return of Capital Employed, Economic value added, Sales growth, Cash flow; Customer perspective: Customer satisfaction, retention, acquisition, profitability, market share; Internal business process perspective - Includes measurements along the internal value chain for: Innovation - measures of how well the company identifies the customers’ future needs; Operations - measures of quality, cycle time, and costs; Post sales service - measures for warranty, repair and treatment of defects and returns; Learning and growth perspective - Includes measurements for: People - employee retention, training, skills, morale; Systems - measure of availability of critical real time information needed for front line employees.

The modification of the balanced scorecard approach has resulted to a sustainability balanced score card which shows the causal relation between the economic, environmental and social performance of firms. Environmental

and social aspects can be integrated in the balanced score card in three ways. Firstly, environmental and social aspects can be integrated in the existing four standard perspectives. Secondly, an additional perspective can be added to take environmental and social aspects into account. Thirdly, a specific environmental and/or social score card can be formulated (Deegen, 2001; Epstein, 1996; Figge *et al.*, 2001a).

Environmental and social aspects can be subsumed under the four existing balanced score card perspectives like all other potential strategically relevant aspects. This means that environmental and social aspects are integrated in the four perspectives through respective strategic and core elements or performance drivers for which lagging and leading indicators as well as targets and measures are formulated (Kaplan and Norton, 2001). As a result of this top-down approach those environmental and social aspects are identified which are strategically relevant within the framework of the four standard perspectives of the balanced scorecard. Environmental/social aspects consequently become an integral part of the conventional score card and are automatically integrated in its cause-effect links and hierarchically oriented towards the financial perspective and a successful conversion of a business strategy (Figge *et al.*, 2002). Reviewing past studies reveals a multidimensional conceptualization of organizational performance construct. A review of the operationalization of organizational performance highlights the limited effectiveness of commonly accepted measurement practices in tapping this multidimensionality. Researchers should therefore establish which measures are appropriate to their research context.

2.4 Quality of Decisions and Firm Performance

Quality in management decision making is vital for any organization. Strategic decision-making is essential to firm performance. Decisions are made every day by industry, government agencies, and individuals. The major elements of these decisions are the objectives of the decision maker, the available information, and the potential alternatives. Decision quality is based on the thoroughness with which all relevant leadership and technical issues are considered. Making a good decision involves making trade-offs between multiple objectives to select an alternative that best meets the values of the decision maker. This is even more difficult when the decision involves uncertain information (Delano, Parnell, Smith and Vance, 2000). A study by Rogers and Blenko, (2006) found that high performers are decision-driven organizations, built for effective decision-making and execution. What sets apart the high performers are the quality of their decision-making. They make the most important decisions well, and then they make them happen, quickly and consistently.

The authors further contend that making good decisions means being clear about which decisions really matter. It requires getting the right people focused on those decisions at the right time. That is true whether the decisions involve the largest issues that a company faces or more tactical, day-to-day concerns. Decision-driven organizations are distinguished by the consistency and caliber of their decision-making and execution at every level. The difference is striking. More than 90 percent of high-performance organizations that were surveyed believe that significant decisions get made well in their organizations, resulting in prompt, effective action. By contrast, nearly half of those who rated their organizations less effective believe that they often fail at making and executing decisions.

Strategic decisions have important consequences for organizational performance and are often the result of the involvement of actors both from inside as well as outside the organization (McKenzie *et al.*, 2009). The implication for central decision makers is that their assessment of the decision situation depends largely on who they are connected to and interact with during the strategic decision-making process (Cross *et al.*, 2009). A study by Letting (2011) found a positive relationship between Board of Directors' involvement in strategic decision-making and some measures of corporate performance.

Figure 1: Conceptual Model



Firm performance depends on the quality of decisions made. The human capital pool can improve firm performance through its contribution to high quality strategic decisions that determine the course of action needed to achieve the desired organizational outcomes. The quality of strategic decisions made have a bearing on the firm's performance. Quality strategic decisions depend on the amount of human capital possessed by the decision makers as well as the input obtained from internal and external networks. This leads to the hypothesis that:

H1: Quality of decisions influence the performance of commercial banks and insurance firms in Kenya

3. Research Methodology

The research design that was used was descriptive cross-sectional design. The target population of this study was all the insurance firms and commercial banks in Kenya, where a census survey was carried out on all the 88 firms which comprised all licensed commercial banks and insurance firms in Kenya. The study made use of both primary and secondary data. The secondary data was obtained through a review of financial statements where the Return on Assets (ROA) and Return on Equity (ROE) were obtained for a three-year period as financial indicators of firm performance, after which an average score was computed. Primary data was collected using a questionnaire, and the organization was the unit of analysis. The target respondents were the human resource managers, marketing managers and the operations managers of the commercial banks and insurance firms. The human resource manager responded to the section on the organization data, the operations manager responded to the section on the quality of decisions, while the marketing manager responded to the section on the non-financial indicators of firm performance. Simple linear regression analysis was used to determine the influence of quality of decisions on the performance of commercial banks and insurance firms in Kenya. Descriptive statistics such as frequencies and percentages were computed for organizational data and multiple choice questions in order to describe the main characteristics of the variables of interest in the study. Mean scores were computed for likert type of questions. Data was presented in form of tables.

4. Data Analysis and Results

This study sought to establish the influence of quality of decisions on the performance of commercial banks and insurance firms in Kenya. To test the hypotheses, it was necessary to compute composite scores for variables that had several measures. Composite scores were calculated to represent the responses to the various attributes that defined quality of decisions and firm performance, which were used as input to the evaluation. The outline and the results from the evaluation were as presented below:

H1: Quality of decisions influence firm performance.

H1a: Quality of Decisions has a significant influence on Return on Assets

The influence of quality of decisions on return on assets was tested and the results were as presented in the table below.

Table 1: Quality of Decisions on Return on Assets

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.100	.010	-.011	.0575888		
ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.002	1	.002	.470	.496
	Residual	.156	47	.003		
	Total	.157	48			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.016	.064		-.252	.802
	quality of decisions	.053	.078	.100	.686	.496

Predictors: (Constant), quality of decisions

Dependent Variable: return on assets

The results presented in table 1 above indicate that the effect of quality of decisions on Return on Assets was not significant ($R^2 = 0.010$, $F = .470$, $p > 0.05$). The test results indicated that 1 % of variation in Return on Assets could be explained by variation in quality of decisions, which was not significant ($p > 0.05$). The β was not significant ($\beta = 0.053$, $t = 0.686$, $p > 0.05$). The evidence therefore indicated that the model could not be used in explaining the influence of quality of decisions on return on assets of the firm.

H1b: Quality of Decisions has a significant influence on Return on Equity

The influence of quality of decisions on return on equity was also tested and the results were as presented in table 2 below.

Table 2: Quality of Decisions on Return on Equity

Table 2. Quantity of Decisions on Return on Equity

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.009	.000	-.021	.2228169		
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	1	.000	.004	.950
	Residual	2.333	47	.050		
	Total	2.334	48			
Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.135	.248		.544	.589
	quality of decisions	.019	.302	.009	.063	.950

Predictors: (Constant), quality of decisions

Dependent Variable: return on equity

The results presented in table 2 above indicate that the effect of quality of decisions on Return on Equity was not significant (R Square = 0.000, F = .004, $p > 0.05$). The test results indicated that variation in Return on Equity could not be explained by variation in quality of decisions. The β was not significant ($\beta = 0.019$, $t = 0.063$, $p > 0.05$). The evidence therefore indicated that the model could not be used in explaining the influence of quality of decisions on return on equity of the firm.

H1c: Quality of Decisions has a significant influence on Non-Financial Firm Performance

Non-financial firm performance was regressed against the score for quality of decisions guided by the linear equation $Y = \beta_0 + \beta_1 X$ where X represented quality of decisions and Y denoted non-financial firm performance. The results were as presented in the table below.

Table 3: Quality of Decisions and Non-Financial Firm Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.661	.437	.423	.084422

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.221	1	.221	31.042	.000
	Residual	.285	40	.007		
	Total	.506	41			

Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.281	.099		2.834	.007
	quality of decisions	.673	.121	.661	5.571	.000

Predictors: (Constant), quality of decisions computed as a composite

Dependent Variable: non-financial performance computed as a composite

The results presented in table 3 show that the influence of quality of decisions on non-financial firm performance was significant (R Square = 0.437, F = 31.042, $p < 0.05$) with 44% of the variation in non-financial firm performance being explained by variation in quality of decisions. The β was also statistically significant ($\beta = 0.673$, $t = 5.571$, $p < 0.05$). The hypothesis that quality of decisions influences firm performance was therefore confirmed because there was a statistically significant influence of quality of decisions on non-financial firm performance.

5. Conclusion

Overall there was a high agreement on organizations' practices regarding quality of decisions with a grand mean of 4.08. This inclusive nature of decision making is necessary because of the volatility of the environment in which this sector operates. The sector's performance considering non-financial indicators, revealed that organizations in this sector are customer-focused hence are keen on ensuring a high level of customer satisfaction, service quality and greater efficiency in service delivery. This is because the sector depends a lot on repeat business as well as referrals through established networks.

The influence of quality of decisions on firm performance was found to be statistically significant which means that firm performance may improve if high quality decisions are made. Organizations should enhance the quality of strategic decisions by carefully evaluating the various alternatives, understanding environmental influences and obtaining as much information as possible through their social networks. People have a fundamental need to

contribute to the firm's success and see the tangible results of their work (Cameron, 2010). The findings of this study are consistent with the findings of a study done by Currie and MacLeod (2017), who found that increased human capital enhances decision making and results into better performance of the physicians in USA. Decision quality is enhanced when the decision makers have the relevant knowledge, skills and competencies. There is empirical evidence that the quality of decisions depends on human capital.

Rogers and Blenko (2006) contend that making good decisions means being clear about which decisions really matter. It requires getting the right people focused on those decisions at the right time. That is true whether the decisions involve the largest issues that a company faces or more tactical, day-to-day concerns. Decision-driven organizations are distinguished by the consistency and caliber of their decision-making and execution at every level. This implies that if organizations build their human capital, the decision quality will improve, which in turn translates into improved firm performance. The quality of strategic decisions depends on the amount of human capital possessed by the decision makers. Day-to-day decision making sometimes entails a conflict between reason and emotion since many decisions require self-control and emotion regulation in order to be successful (Frith & Singer, 2008). Given this, certain social skills can be assumed to be fundamental in order to make competent decisions (Rilling & Sanfey, 2011).

Enhancing decision quality requires attention to detail considering all relevant issues and not overlooking anything significant. Attention to detail requires awareness of the two aspects of decisions, the technical and the non-technical soft aspects. Enhancing decisions could therefore be a complex, time-consuming task that, in addition, requires extensive knowledge and skills (Rausch & Anderson, 2011). This study concludes that greater knowledge, skills and experience of employees and those in leadership contributes to better decisions, which in turn leads to improved organizational performance. This study presents a major contribution to the literature by confirming the relationship between quality of decisions and firm performance.

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