

DECISION MAKING IN AN ADMINISTRATIVE/ORGANIZATIONAL SETUP: A DIGEST OF VIEWS FOR THE USE OF ADMINISTRATORS

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It does not take great men to do things, but it is doing things
that make men great.

(Arnold Glasow)

ABSTRACT

Decision management is an intellectual end point and the culmination of series of mental activities that lead to a conclusion or Judgment. Managers not only must take correct decisions, they must make them according to data and finally to review the other influences on decisions. But unfortunately, in developing countries like Pakistan, a few leaders/managers consider the same. The evidence gathered in this article provides a digest of views. Many normative and prescriptive models have been put forward to assist with the routine decisions and to provide checks and balances. Certainly there are measures which organization can take to improve the quality of their decisions.

Certainly there are measures organizations can take to improve the decisions. By being aware of the "irritant" influences, the pressures of the group dynamic, the illusions under which we think, the dangerous short-cuts to which we are all prone, the different perceptions of issues each individual brings to each decision and the variability of data, those making choices, can protect the quality of their decisions.

This article has shown that organizational decisions are neither optimal nor rational, most desirable are the product of faulty and biased information.

INTRODUCTION

Decision-making forms one of the most important processes in any organizational setup. Simon (1960) considers decision-making as synonymous with managing. A succinct definition is given by Dawson (1986): "Decision-making is defined well as the thoughts and actions associated with a sequence of choices as well as the choices themselves." Given the fundamental nature of decision-making and the responsibility for it, it is worth while to give a digest of opinions about it for the benefit of those engaged in it in our country. If

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decision-making is so fraught with risk and the Administrators hesitate, how can organization hope to function effectively. This article will explore this statement by reviewing what to constitute optimal/rational decision-making, examining the thought processes behind decisions, examining the communication process to establish whether decisions are made on "insufficient" data, and finally to review the other influences on decisions for individuals and groups. Conclusion is *made accordingly*.

RATIONAL DECISION-MAKING

The rational model is derived from the philosophical theories of Bentham and J. S. Mill. This model was transferred into a theory in which the under-lying assumption is the concept of rationality and value maximization. The rational model implies that decision must be fully objective and logical and to choices which are consistent and value maximizing. The steps involved are:

- Ascertain the need for decision*
- Identify the decision criteria*
- Allocate weights to the criteria*
- Develop the alternatives*
- Evaluate the alternatives*
- Select the best alternative*

These steps assume complete rationality on behalf of decision-maker, who will have a clear goal; each step will lead towards the alternative, which will magnify that goal. All options are known, all preferences are clear and can be assigned values, all preferences are constant and the final choice will maximize outcome. Until the 1960's, this classical model was held to be the process to be applied to decision-making in organizations.

According to Simon, these assumptions require the decision-maker to have the foresight and capacities "resembling those we usually attribute to God." Indeed, given the prevailing nature of decision-making in organizations, it is clear that these assumptions rarely, if ever, apply. Whilst the economist may make

decisions in a perfect setting, these assumptions are unrealistic for the organizational decision-maker. Complete agreement between the different parties on goals seems rare.

Secondly, perfect knowledge about options is rare. The information available to parties will vary according to their own perception of the issue and the options. Even if perfect information is available, it is unlikely that the decision-maker could assimilate and understand it in its entirety. Indeed, there are known limits to the information processing capacity of human beings. Thirdly, individuals cannot always objectively state their decision criteria nor list their preferences. Finally, individuals do not always choose maximum alternative as other influences come into play. This optimizing model is a normative model, which shows how decisions ought to be made in an ideal world. However, decisions in our organizations are not optimal. Indeed, how can they be expected to be when the decision maker and the organization are subject to many influences? So, how are decisions in organizations actually made?

SATISFYING MODEL

Simon (1976) was the main theorist to refute this classical view. He criticized the rationality and maximization assumptions of the economic model on the grounds that there are limits to human beings ability to behave rationally, especially when faced with the ambiguity and uncertainty of organizational life, where people act on incomplete information, only exploring a limited number of alternatives and are unable to attach accurate values to outcomes. In 1976, he set out his theory of decision making, which matches reality. Individuals engage in a decision process that "satisfies", which provides satisfactory and sufficient solutions. Since individuals cannot optimize in the sense that is consistent with complete rationality, they seek "good enough" solutions. Simon claims that administrative man operates within the confines of "bounded rationality"; whilst behavior is intended to be rational, it is limited by skills, intellectual capacities, values and interests. Simon takes his theory further and believes that the structure of organization can help to simplify decisions and choices and

thereby assist in approaching objective rationality; "by structuring communication, it determines the environments of information in which decisions are taken". The various job, departmental, and other divisions in an organization define not only work activity, but also create a structure for decision-making. Simon's theory supports the statement that decisions are not optimal, but he is still in the rational decision-making tradition, seeing the crucial task for administration as the design of a structure which will facilitate this. In postulating his theory, Simon distinguishes between "programmed" and "non-programmed" decisions, programmed being routine and repetitive, whereas, non-programmed are new, unstructured, requiring judgment, intuition and creativity. To minimize errors, organizations should aim to program as many of its decisions as possible. Other models have been put forward as normative and prescriptive theories, since Simon. The prescriptive theories attempt to protect the quality of decision, taking into account the realities of organizational life and the failings of man. Both Vroom and Mintzberg are theorists who performed large scale research to establish how managers actually behave in making decisions and to get a greater understanding of the factors which influence the choice of decision processes. Most of the research in this area builds on Simon's findings but goes on to demonstrate the importance and even the value of the irrational, the intuitive and creative processes. Before looking at these influences I shall review the thought processes applied to decision-making.

THOUGHT PROCESSES

Are thought processes applied for decision-making in organizations biased and faulty? There has been considerable research which has demonstrated that decision-making is full of bias and errors. I shall examine firstly the individual decision-making process and then move on to the impact that groups have on decision outcomes.

I-INDIVIDUALS

Until late 1960's, the thought processes behind decisions were considered rational. However, research since then has shown that individual decision-making is systematically bad. There are many factors, which introduce bias into the process. A paper by Taylor and Brown (1988) explores the illusions from which we all suffer, which affect our sense of reality. They identify three illusions, each of which has an impact on the decision-making process by inducing bias. These illusions are based on unrealistic self-evaluation exaggerated perceptions of control and unrealistic optimism. The evidence is clear when we think intuitively, we are prone to bias. Research on unrealistic self evaluation by Brown (1988) asked subjects to judge which attributes were most like their own. The subjects overwhelmingly chose the positive attributes. Similarly Marks (1984) found that people judged their personal failures to be extremely common, but their good points were of rarity value. There is equally strong evidence that individuals act as if they are in control of events, which are subject to chance. Langer (1975) showed that people infer that they have greater control if they personally throw a dice than if someone throws it for them. Research conducted by Brickman et al (1978) on unrealistic optimism showed that subjects considered the present better than the past and that the future would be even better still.

To what extent is this optimism unrealistic? The excessively positive views of the self have been researched by comparing judgements of self with those of others. Weinstein's work (1980) showed that the people estimate the likelihood that they will experience a variety of pleasant events e.g. a good salary, a gifted child, or being higher than their peers. Conversely, when asked about their chances of experiencing a negative event, most people believe that they are less likely to meet negative event than their peers. These illusions will clearly affect the quality of decision-making as people bring their sense of unrealism, optimism and illusory control to bear in the process.

The difficulty in avoiding biases in judgments is further explored by Kahneman and Tversky (1974). They describe three heuristics (involving experimental methods), which people use in decision-making when assessing probabilities and predicting values under conditions of uncertainty (which might be relevant to most decisions in an organizational context). The use of these short-cuts leads to errors and bias. The representative heuristic can lead to serious errors as we base our probability estimate on what "looks" representative of what you get. The availability of a heuristic means people assess the probability of an event by the ease with which instances can be brought to mind e.g. we might assess the risk of heart attack among middle aged people by recalling such occurrences among our acquaintances. The adjustment of heuristic shows how when people make estimates from an initial value the outcomes are biased towards the initial value, (anchoring). Anchoring also occurs when estimates are made on incomplete information.

These processes will obviously have an impact on organizational decisions in our context. One can clearly see the validity of these decisions is the result of faulty and biased thought processes at the individual level. But what is the implication for groups?

II-GROUPS

In reviewing how individuals make decisions, the uniqueness in abilities, intelligence, skills, emotions and past experiences are important within groups. This uniqueness takes on a new quality as each member influences and is influenced by others in the group. In Simon's terms, the group adds another element of uncertainty. So, do groups influence decisions? Are they more rational? Is there less bias? Are thought processes less faulty? Two phenomena worth exploring are "Groupthink" and "Group polarization" as they demonstrate the impact of the group dynamics. Polarization is the concept that an originally dominant position held by an individual is enhanced by the group discussion. Groupthink is an extreme form of group polarization and can lead to very bad decisions. This will happen when a group is very

cohesive, is isolated from other sources of information and the leader of the group favors a particular option. Groupthink, according to Janis (1990), represents a destructive form of group behavior in which the group effectively ignores reality and, overestimates the group's power.

The group dynamics involves considerable pressure to conform, as Janis described it, "The more amiability and esprit de corps there is among the members of a policy-making group, the greater the danger that independent critical thinking will be replaced by groupthink, which is likely to result in irrational and dehumanizing actions directed against out groups". Whilst groups introduce specific advantages to the decision-making process, such as better information and knowledge, easier acceptance and implementation of the solution and greater legitimacy, are the two phenomena which show that the irrational and faulty processes still abound.

OTHER INFLUENCES ON DECISION MAKING & COMMUNICATION

Each decision made in an organization is subject to many influences. As we have seen, the individual brings his own unique make-up to the process and groups add a further dimension. Moving up the level of analysis, power and control are major influential factors. The normative theories of decision-making tend to ignore the significance of the political and social processes which affect the organizational context. Decisions are not made in isolation, these other features will be fundamental, and will considerably affect the data available on which decisions are made. The ability to influence the outcomes of decision-making processes is a well recognized source of power. As organizations are effective decision-making systems, an individual or group that can exert a major influence on the process, can exert a great influence on the direction of the organization. The politics of organizational decision-making often involves both the prevention and the fostering of crucial decisions. In practice, much political activity in an organization will hinge on the control of the agenda. Morgan (1986) refers to this political activity, as the "conscious manipulation of decision premises". Also, Perrow (1970) has

observed that unobtrusive control is built into the structures of communications, the vocabulary, rules and procedures, which shape the way we act which in turn exert a decisive influence on decision outcomes. He calls these procedural constraints, when combined with the attitudes and values of an organization, a "mental straight jacket", which prevents us from even seeing the alternative courses of action. Control of the decision-making processes is a more visible form of power and influence. Who is involved in the decision, when the decision is made, how it is made, which committee, whose agenda etc, these are all variables, which individuals can manipulate to stack the deck in favor of or against a particular decision.

Control by influencing the issues and objectives to be considered (or not considered) will also impact on outcomes e.g. preparing reports, contributing to key decisions. Anyone who has witnessed a "politician" at work in ensuring the "right" issues are on the "right" agenda at the "right" time will relate to Perrow's analysis. Control of knowledge and information also provides a source of power and thereby influences decisions. By controlling knowledge and information, an individual can shape available knowledge in a way that favours their interests. Individuals in key "gatekeeper" roles can open and close channels of communication to suit their ends. Even in the very simple example of slowing down the availability of information, a gatekeeper can wield considerable power.

From this section one builds up an image of seemingly limitless bias as different interest groups machinate plot to ensure their interests are perceived in the right light. Thompson and Wildavsky (1986) have developed a cultural theory of organizations around the notion that "organization is bias, for there is no way to look at data from all directions. There are only partial ways." This review of other influences demonstrates how unrealistic it is to expect the "non-programmable" decisions to be made in a rational way.

In practice, what happens is that managers begin with a vague idea of a solution to the problem. This is developed by

talking and debating; drawing on their collective experiences and then there follows a process of political bargaining between the different stakeholders to decide which the "best" option is.

IMPLICATIONS

So how are decisions actually made in organizations and what are the implications of this article for those concerned with organizational decisions? The evidence this paper has gathered that confirms the "organizational decisions are optimal not rational, most deceivable are the product of faulty and biased information. If one compares a rational model with actual practice, but the reality is, in view and in experience, that decision-making includes both rational and irrational processes.

Some elements of the classical model may be followed for certain decisions, i.e. decision-makers may agree as objectives and may perform a search for alternatives, which they may evaluate against agreed criteria and may ultimately select what they perceive to be the best solution. However, whilst a rational outline framework may exist, the process takes place in the real world with all its constraints, and the participants are real people with all the failings we have explored. Organizational life abounds in uncertainty and confusion, particularly in today's world when recession and the demands of new markets force flexibility and change on to organizations. As we know from Simon and who else?, indeed, from experience, decisions vary in the extent to which they are amenable to standardization. Even if the framework appears rational, the process will revolve around perceptions of issues, objectives and values.

Indeed, some theorists see positive benefits in the ambiguity and the irrational. March (1976) is a protagonist for randomness and ambiguity as central features of organizational life. He argues that human choice behavior is as much a process of discovering goals as of acting on them and believes there are considerable benefits to the organization in this process of discovery. Brunsson (1982) goes a step further and concludes that rational decision-making may lead to irrational action, as the

rational process may consume too many scarce resources and lead to missed opportunities and denominated participants.

So where does this analysis lead to? As a final comment, it is worth including Dawson's analysis. Dawson (1986) identifies a continuum of decision-making strategies varying with the different patterns of agreement and knowledge involved in a decision. It demonstrates quite clearly that the number of occasions on which the rational model is applicable is very rare and only really applies to the routine and consensual decisions where all parties agree on an objective, they wish to maximize and have complete information on alternatives. As soon as one introduces less than full knowledge, or less than complete agreement, then the irrational activities such as "insight, impulse, ignorance, instinct, creative thinking and political activity will all be important facets of the decision-making process." She recognizes that there is a role for the irrational, for bias, for personal perceptions, in the decision-making process and that the extent to which these will dominate or be harnessed by rational processes will depend on the level of two variables, agreement and knowledge.

CONCLUSION

The evidence gathered in this article provides a digest of views, however; what I hope to have shown is that decision-making in organizations is a far more complex process than what the methods suggest. In my view it is unlikely that decisions could be made in any other way. Many normative and prescriptive models have been put forward to assist with the routine decisions and to provide checks and balances with the more intuitive, one-off decisions. Certainly there are measures; organizations can take, to improve the quality of their decisions. By being aware of the "irrational" influences, the pressures of the group dynamics, the illusions under which we think, the dangerous short-cuts to which we are all prone, the different perceptions of issues each individual brings to each decision, and the variability of data, those making choices can protect the quality of their decisions.

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