UNIT 21 – UPSC - Organizational Processes - Decision Making (Organisational Behaviour and Design)

Decision making is an important process in organizational set up. It involves identifying and choosing other solutions that result in desired action. Decision making is not fully explained field. It includes diverse processes that are all intermediate steps between thought and action. They are the antecedents to behavior. Organizational decision-making is a precise decision-making of an intellectual entity composed with autonomous elements. Decisions making in organization occurs at all levels. In all organizations, managers make decisions using both rational and intuitive processes, but organization-level decisions are not usually made by a single manager. Many organizational decisions involve several managers. Problem identification and problem solution involve many departments, multiple viewpoints, and even other organizations, which are beyond the scope of an individual manager. Organizational decision making is the process by which one or more organizational units make a decision on behalf of the organization (Huber, 1980).

Numerous factors influence while taking good decisions in organizations particularly the organizations own internal structures as well as the degree of stability or instability of the external environments. Nutt (2001) argued that a manager could improve decision making process by personally managing decision-making, searching for understanding, establishing the direction with an objective, and managing the social and political forces that can present challenges. From an organizational viewpoint, Nutt (2001) also offered some prescriptions to make better decisions. Objectives should be set to overcome a bias toward action and fear of being indecisive. Lastly, intervention is needed to ensure performance with the decision. By broadening the search for solutions and avoid becoming defensive gives better decisions result.

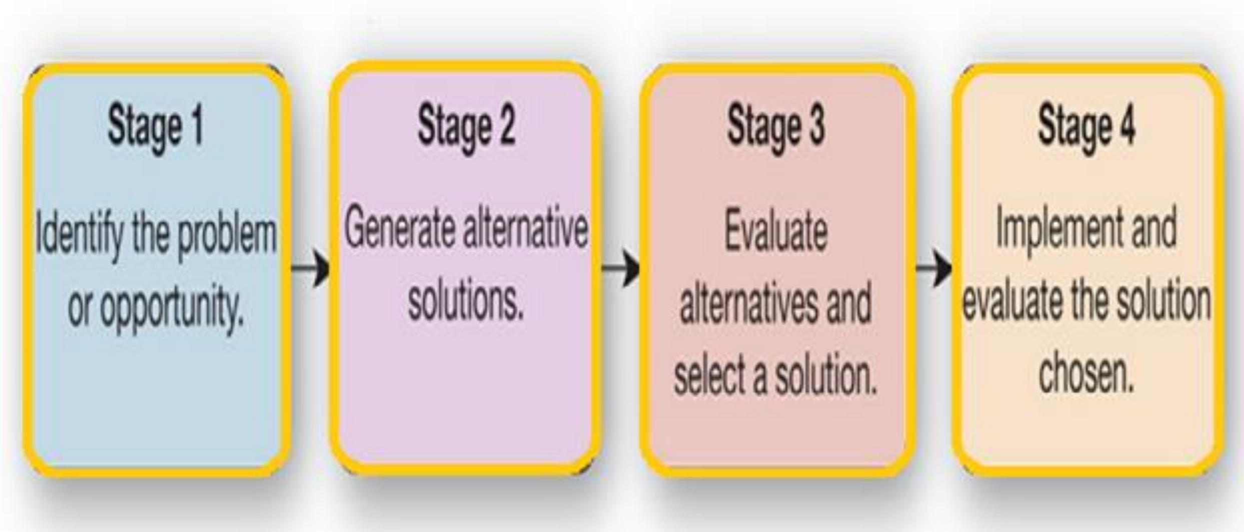
There are various organizational decision making models:

- Rational model (e.g. Howard et al, 1976)
- Political model (e.g. Pettigrew, 1973)
- Garbage can model (e.g. Cohen et al, 1972)

The Rational Model: The rational model proposes that managers use a rational, four-stage sequence when making decisions (Figure: 1). According to this model, managers are completely objective and possess complete information to make a decision. Despite criticism for being unrealistic, the rational model is instructive because it analytically breaks down the decision-making process and serves as a conceptual anchor for newer models.

In rational model, an individual is confronted with numerous known alternative courses of action. Each alternative bears a set of possible consequences. These consequences are known and are quantifiable. The individual has a system of preferences or utilities that permits him or her to rank the consequences and choose an alternative. Major benefit of rationality is as follows. Thinking rationally means thinking logically. Rational thoughts will be always right and true. It's a sole source of knowledge. Rational thinking gives confidence and helps to make decisions. Rational decision making is good for incremental, linear causality. There is a traditional ingrained habituation. It avoids a value-laden assessment. And it ultimately leads to self-awareness. Drawbacks to rationality are numerous. The incompleteness of formal logical systems can be an undeniable truth. An arithmetical statement is true but not provable in the theory. Any theory capable of expressing elementary arithmetic cannot be both consistent and complete. Rationality is subjective and incapable of describing something completely. Rational approach will always fail eventually and it evaluates uncertainty.

Figure-1: Steps in decision making



The garbage can model: It is current descriptions of organizational decision processes. It is not directly comparable to the earlier models, because the garbage can model associated with the pattern or flow of multiple decisions within organizations, whereas the incremental and Carnegie models focus on how a single decision is made. The garbage can model helps managers to think of the whole organization and the frequent decisions being made by managers throughout. The garbage can model was developed to describe the pattern of decision making in organizations that experience extremely high uncertainty. Michael Cohen, James March, and Johan Olsen, the originators of the model, called the highly ambiguous conditions an organized anarchy, which is an extremely organic organization. Organized anarchies do not rely on the normal vertical hierarchy of authority and bureaucratic decision rules. They are caused by three characteristics.

1. Problematic preferences; Goals, problems, alternatives, and solutions are ill defined. Ambiguity characterizes each step of a decision process.
2. Unclear, poorly understood technology. Cause-and-effect relationships within the organization are difficult to identify. An explicit database that applies to decisions is not available.
3. Turnover; Organizational positions experience turnover of participants. In addition, employees are busy and have only limited time to allocate to any one problem or decision. Participation in any given decision will be fluid and limited.

Political model: In contrast to the rational model, companies in the political model often known as instrumentalists, do not focus on a single issue but on many intra-organizational problems that reproduce their individual goals. The political model does not undertake that decisions result from applying existing standard operating procedures, programs, and routines. Decisions result from bargaining among coalitions. In this model, power is decentralized. This notion of decision making as a political process highlights the natural multiplicity of goals, values, and interests in a complex environment. The political model views decision making as a process of conflict resolution and consensus building and decisions as products of compromise.

When a problem requires a change in strategy, the political model predicts that a manager will consider a few alternatives, all of them similar to existing policy. This viewpoint designate that decisions tend to be incremental that managers make small changes in response to instant pressures instead of working out a clear set of plans and a wide-ranging program. This incrementalist approach can be viewed as the simplest or most extreme form of satisfying. Quinn (1980) described that "planning activities in organizations become bureaucratized, rigid, and costly paper-shuffling exercises separated from actual decision processes, the most important strategic decisions seem to be made outside of the formal planning structure and much of the management literature and technique associated with planning has concentrated on developing more sophisticated models of a system that is not working the way the model builders think it is or should be operating" (Pp: ix). Subsequently, Quinn (1980) demonstrated different pattern to define the process of decision-making that combined "various behavioral, power-dynamic, and formal analytical approaches" (Pp: 16).Logical incrementalism identifies that decisions should be made "as late as possible reliable with the information available and needed". Quinn (1980) stated that logical incrementalism assists managers "build the seeds of understanding, identity, and commitment into the very processes that create their strategies"

The incremental approach of the political model permits managers to lessen the time spent on the information search and problem definition stages. Incremental decision making is geared to address shortcomings in present policy rather than consider a superior, but novel, course of action. In the political model, the stakeholders have different perception, priorities, and solutions. Because stakeholders have the power to rejection some proposals, no policy that harms a powerful stakeholder is likely to triumph even if it is objectively "optimal."

The decision-making process involves the following steps:

1. Define the problem.
2. Identify limiting factors.
3. Develop potential alternatives.

4. Analyze the alternatives.
5. Select the best alternative.
6. Implement the decision.
7. Establish a control and evaluation system.

Fundamentally, decision-making process starts when identifying the problem, experiencing pressure to act on it, and the resources to resolve the problem. Decision making can be regarded as an outcome of mental processes leading to the selection of a course of action among several alternatives. Every decision making process produces a final choice. The output can be an action or an opinion. Human performance in decision making terms has been subject of active research from several perspectives. From a psychological perspective, it is necessary to examine individual decisions in the context of a set of needs, references an individual has and values he/she seeks. From a cognitive perspective, the decision making process must be regarded as a continuous process integrated in the interaction with the environment. From a normative perspective, the analysis of individual decisions is concerned with the logic of decision making and rationality.

It can be said that with technological advancement, organizational decision making is complex process because people are much more aware of company behavior and decisions. A decision-making process in organizations can be characterized by decision-makers satisfying instead of maximizing, the type of process involved (incremental, sporadic, fluid, constructed), how the decision is executed such as intervention, persuasion, edict, participation and political intervention and the use of control in the process.