MODELS OF ORGANIZATIONAL DECISION MAKING

When we speak of rational behavior, we should remember that our focus in this discussion is not on making decisions, but rather on how to support the process of making decisions. Managers are *change agents*, not just decision makers, so the steps before and after a decision are as important as the actual choice of action. Preparatory steps include creating tension for change, understanding the positions of the various constituencies, and developing political support for a chosen action. Steps after the decision include naming the change monitor and identifying the monitoring methods. Therefore, the mission of good information system is broader than just collecting data to make a choice. Designers of information systems must understand not only how managers think but also how the decision process will be implemented in the managers』 environment. An information system that is well design is an information system that is used. Thus, an information system, in order to be useful, must be implemented. To understand the implementation process better, we review three models of organizational decision making – rational, administrative, and political.

The Rational Model. The **rational model** of decision making was introduced earlier in this chapter. It is based on the logic of optimal choice: the choice that would maximize value for the organization. The manager is assumed to be an objective, totally informed person who would select the most efficient alternative, maximizing whatever amount and type of output s/he values. We can summarize the rational choice process as follows:

1. An individual is confronted with a number of known alternative courses of action.
2. Each alternative bears a set of possible consequences. These consequences are known and are quantifiable.
3. The individual has a system of preferences or utilities that permits him or her to rank the consequences and choose an alternative.

There is no empirical support for the contention that these three phases are actually used. In reality, managers seldom have the time or money to analyze all alternatives or envision all consequences. If rationality were ever-present among members of an organization, the organization would appear as a coherent and rational policy-making entity that maximizes the attainment of a unique set of goals and has no internal conflicts. In other words, a rational decision process implies a rational organization. A rational organization is an organization that has (1) centralized power, (2) harmony and consistency of goals across boundaries, and (3) members who are objective, fully informed, and inclined to choose alternatives that maximize the common good of the organization.

The rational model represents a sanitized vision of how organizations make decisions. In reality, organizations often seem more like complex groups of coalitions fighting for shares of limited resources, and using multiple sources of information with varying reliability to achieve a set of fluid goals. Individuals within organizations typically have widely divergent perceptions and goals and act to maximize their own gains, not necessarily those of the organization. Because of this disparity between the rational model and reality, we prefer to accept the rational model primarily as a benchmark for comparing the remaining two organization decision-making processes. In searching for a more realistic description of how organizations make decisions, we turn to the **satisficing,** or administrative, model.

The Administrative Model. The quest for a more realistic description of organization decision making produced a variation called the **administrative model.** This model sees decision makers as people with varying degrees of motivation who are besieged by demands but have little time to make decisions and thus seek shortcuts to find acceptable solutions. Under the administrative model, a decision maker does not try to optimize but instead 「satisfices」 – treats objectives as loose constraints that can tighten if there are many acceptable alternatives that fulfill those constraints. While optimization would require choosing the alternative with the highest value, satisficing requires finding the first alternative with an acceptable value, that is, an alternative with a value above a minimally acceptable level on a given constraint.

Assume you had a car you wanted to sell. If you listed your car for $2,500 and had 10 offers, you could choose with either method. With the rational method, you would determine which offer had the highest value in terms of conditions and price. With the satisficing model, you would accept the first offer that met your lowest acceptable price. Satisficing may lead to a reduced decision quality, but it saves time and effort. Satisficing is a dynamic construct: the aspiration levels of the manager and the number of alternatives determine what is a 「feasible, good enough solution.」

It has been pointed out that satisficing is an appropriate (i.e., rational) strategy when the cost of delaying a decision or searching for further alternatives is high in relation to the expected payoff of the supposedly superior alternative. When you take into consideration the costs related to extended search, it is questionable whether the optimum procedure is to search for the optimum value.

When a decision has been reached and the solution to the problem implemented and found to be acceptable, then the organization institutionalizes the procedure used to solve the problem into a **standard operating procedure (SOP).** SOPs are rules, programs, and routines that are invoked by managers to gain time and to avoid the task of solving a problem from scratch each times it appears. Sometimes managers invoke those SOPs when the organization is facing a similar but not identical problem to the one that the SOP originally solved. Since SOPs are often processes that worked once but nobody is quite sure why or whether it was the best way to solve the original problem in the first place. SOPs are not always the time-savers they are supposed to be.

Once implication of having rationally bounded decision makers in organizations is that organizations cannot be seen as single entities. Rather, problems are broken down and assigned to specialized units within the organization that develop their own priorities and goals. These goals, sometimes termed *subgoals*, may not agree with the organization』s overall goals. This phenomenon has been called *local rationality*.[3]

Using the perspective, organizations could be viewed as constellations of loosely allied units, each having a set of SOPs and programs to deal with its piece of the problem. As time passes, these units become more distinct and their subgoals more entrenched. These divergences are enhanced by increasingly distinct perceptions of priorities, information, and uncertainty; they are further reinforced by recruitment, rewards, and tenure. When these tendencies are very strong, the loose alliance of organization units breaks down into 「organized anarchies.」 In the extreme case, coalitions are created with conflicting interests.

This leads us to the political model of rationality. You should note that the term political does not imply that this model is only relevant in the public (government) sector; rather the term applies to a type of organization that may exist in any industry or industry sector.

The Political Model. In contrast to the rational model, players in the **political model** (often referred to as incrementalists) do not focus on a single issue but on many intraorganizational problems that reflect their personal goals. In contrast to the administrative model, the political model does not assume that decisions result from applying existing standard operating procedures, programs, and routines. Decisions result from bargaining among coalitions. Unlike in the previous models, power is decentralized. This concept of decision making as a political process emphasizes 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. The old adage, 「Scratch my back and I』ll scratch yours,」 is the dominant decision-making strategy.

When a problem requires a change n policy, the political model predicts that a manager will consider a few alternatives, all of them similar to existing policy. This perspective points out that decisions tend to be incremental--- that managers make small changes in response to immediate pressures instead of working out a clear set of plans and a comprehensive program. This incrementalist approach can be seen as the simplest or most extreme form of satisficing.

The incremental approach of the political model allows managers to reduce 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 veto some proposals, no policy that harms a powerful stakeholder is likely to triumph even if it is objectively 「optimal.」

Our purpose in reviewing these models of organizational decision making is to highlight the realities of decision making that must be recognized when developing or acquiring information systems. If the designer of an I/S assumes that the rational model is a valid representation of the way a given organization is being managed when in fact the political model is a more valid description, s/he may encounter serious implementation problems. For example, access to information can be very sensitive issue, since in politics, 「information is power.」 If managers discover that once a new information system is implemented they will no longer have access to certain data, it is quite possible they will resist the implementation effort.

When we consider the issue of organizational decision making, it is important to recognize that the structure of the organization has a strong influence on how and when information is communicated and who gets involved in what decisions. We now turn our attention to the issue of organizational structure.