



INTRODUCTION

Decision-making is central to an understanding of organizations and of business. Organizations which are in so many respects incredibly efficient and reasonable sometimes seem to do such daft or dangerous things. Businesses which are successful for many years suddenly get it wrong and seem unable to correct. We notice these things and we wonder. Was it stupidity? Almost certainly not. Was it indifference? Possibly. It's certainly worth looking at the objectives and priorities the decision-makers were pursuing. Was it some sort of incompetence – that is, were decision-makers concerned with the right priorities but unable for some reason to gather sufficient data, analyse it sensibly and thoroughly in order to come to a sensible answer? Or was it a result of splits and divisions within and between the organizations concerned. Again, very probably.

This book is concerned with the importance of decisions, processes of decision-making and the implications of 'flawed' decision-making. It will suggest that patterns of decision-making can be described and explained. It will suggest that understanding patterns of decision-making requires reference to, and use of, theories and that these theories differ. Understanding decision-making raises questions about our understanding of how organizations work. Theories of decision-making are also variants of theories of how organizations as a whole work. As the authors of Chapter 4 point out: 'the area of organizational decision-making is part of the broader field of organization studies and organization theory. It has therefore followed a similar pattern of evolution, drawing on a variety of paradigms and perspectives and being characterized by a multiplicity of theories, models and methodologies' (Miller et al.: 74).

The book will identify some of the sources and consequences of limited decision-making. And it will suggest that understanding patterns of decision-making may require an understanding of sources of 'distortion' and 'irrationality', and references to the forms of rationality – the dominant logics – which establish the taken-for-granted assumptions underlying decision-making.

Why look at processes of organizational decision-making? There are a number of answers, and Chapter 4 discusses some of them. One reason is that decision-making is central to organizations since decisions underpin and direct organizational activity. Much of this volume is concerned with exploring the relationships between organizational decision-making and the structure and functioning of the organization. But the main reason for studying decision-making is because the decisions taken in organizations are important because they

determine (or justify) organizational action; and because they reveal how organizations think.

Now that is a contentious statement. Surely *organizations* don't think: only people think. There are two points to be made here. First, increasingly organizations do 'think', at least in a rudimentary and mechanical way in that computers and systems can be programmed to respond to incoming data automatically, and this tendency – for decisions to be enshrined in computer systems – will increase. However these are still examples of human thinking embedded in automatic systems.

But there is a more serious sense in which it is possible to talk of organizations thinking. Of course all thinking within organizations is done by people. But the way in which people within an organization think is a product of forces within (and without) the organization itself, not just of their individual personalities and intellects. Organizations influence – in ways which will be discussed in this book – the ways members think on behalf of or as members of, the organization. The way the organization is structured, the way information flows (or is obstructed), the values people hold, the way power is exercised, and many other factors discussed in this book influence how people think (and when they think and even *if* they think). As one authority has put it: 'Organizations have cognitive systems and memories. Individuals come and go, but organizations preserve knowledge, behaviours, mental maps, norms and values over time. The distinctive feature of organization level information activity is sharing' (March, 1999: 243).

Within organizations there may well exist shared ways of thinking, shared sets of assumptions – often known as cognitive routines – which are historically based but which have become irrelevant for future success. As one commentator has observed (Van de Ven, 1986: 596), this can result in a potentially dangerous paradox: size, success, age of organizations can result in the development of habitual ways of thinking which threaten adaptation and innovation: 'the older, larger, and more successful organizations become, the more likely they are to have a large repertoire of structures and systems which discourage innovation while encouraging tinkering.'

So to this extent it is possible to talk of organizations thinking, not in the sense that there is a supra human entity with its own organizational mind, and not in the sense that decision-makers are mere puppets, but in the sense that being a member of an organization and being exposed to its systems and culture and history will significantly influence how members think. Individual employees while retaining their own judgement and discretion will nevertheless tend to think in a way that is subtly informed by their organizational membership.

Central to any understanding of decision-making is the notion of rationality. Rationality refers to the quality of thinking and decision-making. Rationality is where we begin. We expect decision-making – at least organizational decision-making (we are less demanding about individual decision-making) – to be rational. This is the norm against which we judge the actual realities of decision-making. If we attribute rationality to a decision or a decision-making process we are saying that

it follows various steps which we consider to be thorough, logical, systematic, reflecting what we believe to be the proper and necessary stages and elements of an efficient process. (Rationality in decision-making is discussed by Miller et al. in Chapter 4. It is also discussed by numerous other contributors to this volume.) This book explores the nature and determinants of forms of rationality within organizations. However there are some important distinctions and qualifications that need to be made. Some important clarifying points on rationality and its role within the modern organization have been made by Max Weber who as well as noting the central value and role of rationality in modern thinking also defined the modern organization precisely in terms of its ‘rationality’, i.e. the way in which decisions are made. The passage is worth quoting because it establishes a major theme of this book.

Experience tends universally to show that the purely bureaucratic type of administrative organization . . . is, from a purely technical point of view, capable of attaining the highest degree of efficiency and is in this sense formally the most rational known means of carrying out imperative control over human beings. It is superior to any other form in precision, in stability, in the stringency of its discipline, and in its reliability. It thus makes possible a particularly high degree of calculability of results for the heads of the organization and for those acting in relation to it. It is finally superior both in intensive efficiency and in the scope of its operations, and is formally capable of application to all kinds of administrative tasks. (Weber, 1964: 24)

This passage positions rationality at the heart of the modern organization. But what does Weber mean by rationality? Weber distinguishes three different forms of rationality, all and each of which are still apparent, and these distinctions are still important. First, Weber distinguishes what he calls *formal* rationality. This rationality is concerned less with reality and more with appearance. It is based on the use of or reference to, means of calculation. The application of calculation, particularly accounting type calculation and measurement to organizational processes and decision-making. This is a form of rationality that has nothing necessarily to do with the efficiency of the process involved: it concerns the language in which the issue is expressed: the extent to which the decision or choice or assessment is ‘. . . capable of being expressed in numerical, calculable terms’ (Weber, 1964: 185). So according to Weber – and this usage is still very much with us – a decision could be ‘formally’ rational in that it was dressed up in the language of calculation (accountancy-speak, for example, or statistics) but be by other measures irrational, or questionable.

Secondly, Weber distinguishes what he calls *substantive* rationality. This comes in two variants. As he notes this:

. . . conveys only one element common to all the possible empirical situations; namely that it is not sufficient to consider only the purely formal fact that calculations are being made on grounds of expediency by the methods which are,

among those available, technically the most nearly adequate. It addition, *it is necessary to take account of the fact that economic activity is oriented to ultimate ends of some kind, whether they be ethical, political, utilitarian, hedonistic, the attainment of social distinction, of social equality, or of anything else. Substantive rationality cannot be measured in terms of formal calculation alone, but also involves a relation to the absolute values or to the content of the particular given ends to which it is oriented. In principle there is an indefinite number of possible standards of value which are 'rational' in this sense.* (Weber, 1964: 185, emphasis added)

Weber offers two types of substantive rationality which are still current in commonsense reactions to decisions taken by organizations. One sense of Weber's substantive rationality refers to *the appropriateness of means to the achievement of chosen ends* – i.e. the degree to which the 'methods are, among those available, technically the most nearly adequate'. Secondly it refers to the nature, even the rationality of the ends themselves. This is a sensible and commonsense distinction. It is a classic sense of rationality: that the method someone chooses is clearly sensible and 'rational' given the end they are pursuing. If one wishes to pursue a certain end then we can judge the various means available in terms of their likelihood of achieving the desired end. If someone wants to own a car it is a rational strategy to get a job and save money, or to seek a better paid job. It is less rational to spend the day in prayer, or to write to car manufacturers asking them to give you one. This means/ends link is one key form of rationality. It is obviously contextually limited by the prevailing state of knowledge and theory. What counts as an acceptable method of ensuring an outcome depends on the prevailing beliefs and theories about causation. It made total sense in the context of available knowledge for the eighteenth century barber surgeon to bleed his consumptive patient. It doesn't make sense to us, but it is a great mistake to think that while we can see the fallacies and errors of our predecessors (or our contemporaries in other belief systems), our own beliefs about the appropriate means to achieve ends are beyond dispute: that we (uniquely) are free from error, that our knowledge alone is complete, our truth absolute. One of the objectives of this book is to point out how many of the currently widely accepted assumptions about appropriate means for achieving organizational ends are extremely specific to our period: they reflect not rationality *per se* but today's limited version of it.

The second type of rationality refers not to the suitability of means to ends *but the choice of ends themselves*. This too is open to dispute and difference. These ends are personally and culturally fixed. No end is intrinsically more rational than another, despite the different values placed on different ends in different societies and periods and belief systems. Some ends – often those that derive from value systems different from our own – may seem 'irrational' to us. This sort of attributed irrationality is particularly prone to spatial, temporal, or cultural distance and difference. The ends pursued by people far away or different often seem strange. It is a small step to then judge them irrational. Of course there are no absolutely rational ends since any way of attributing or assessing the rationality of ends is ultimately value-based. Even widely accepted and pervasive ends can be

seen as irrational. By what standards for example, is the pursuit of profit rational? What are the obvious irrationalities of an emphasis on profit?

Weber's distinctions establish the basis for the analysis of this book. We will look at the ways in which certain procedures, or frameworks or types of information symbolically come to represent rationality within particular epochs, cultures or ways of thinking. We will also consider how the means that decision-makers deem appropriate for the achievement of certain ends reflect not a neutral detached analysis and assessment of available options but an unthinking commitment to certain established, shared and powerful values or cognitive systems. And we will consider how the processes of decision-making and shared cognitive structures may themselves have an impact on the quality and rationality of thinking and on the choice of means used to achieve desired ends. Finally we shall consider how the ends that organizations pursue are not natural, neutral or given, but chosen (if subconsciously) and chosen within certain cultural regimes which establish their strength and value.

References

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- Van de Ven, A. (1986) 'Central problems in the management of innovation', *Management Science*, 32(5): 590–607.
- Weber, M. (1964) *The Theory of Social and Economic Organisation* (edited with a foreword by Talcott Parsons). New York: Free Press.

The Anatomy of Decision-making

This section is concerned with the questions: what happens when people in organizations make decisions, and in particular what happens when organizations make a disastrous decision – what forces and dynamics cause things to ‘go wrong’? It looks at the ways in which decision-making can and does deviate from the ideal, and idealized, rational model. A major question addressed in this section is: ‘What are the limitations of the rational choice model of decision-making?’. Chapter 1 offers an overview of the literature which identifies the problems with and limitations of the rational decision-making model. There are a number of classic books and articles that have contributed enormously to our understanding of what happens when people actually make decisions and how this differs from the formal rational process. This literature shows the various ways in which managers actually behave when making decisions. Although some of these models of decision-making include some level of explanation, on the whole most of the literature summarized in this section is descriptive.

Of the four chapters, two look at examples of seriously defective decision-making. The other two offer frameworks for understanding why things went wrong or review a number of such frameworks. Every now and again things go badly wrong, sometimes with obvious and public consequences. These occasions are worth studying but although extreme and unusual they usefully reveal the dynamics and features of flawed decision-making. There are two cases explored in Section 1, one a commercial example, the other a governmental one. They reveal some of the key pathologies of decision-making, particularly group dynamics, the role of authority, organizational ideological and cognitive factors which will be explored in greater detail and depth in this module. This

first section also contains a comprehensive review of many theories of flawed organizational decision-making.

The key objective of Section 1 is to ‘problematize’ the process of decision-making: to make the normal strange, to suggest that what we sometimes accept as everyday and normal in fact does merit attention and does merit explanation. So to problematize is to defamiliarize – to renew our perception of things: to analyse by what processes and assumptions we have come to see these events as not requiring explanation or analysis. The first section argues that the reality of decision-making processes differs considerably from the idealized systematic rational model and that these dynamics and features require attention and explanation.

Section 1 also contains two important chapters – by Cyert and March, and Miller et al. – which overview the different ways in which decision-making deviates from the rational model and also offers some overview and mapping of the different sorts of theories researchers have used to predict and understand the nature of decision-making.