

# Decision-Making in Organisations

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## **1. Introduction**

This report examines the topic of decision-making. It attempts to identify the important elements of decision-making and present them in a form that will help the understanding of managers. The report's scope involves the processes that managers at all levels go through in making a decision, through to the issues surrounding the implementation of a decision.

One of the main issues covered in this report is the role of politics in decision-making. The process of decision-making is also an important area to understand, with Mintzberg, Raisinghani & Theoret (1976) providing a useful general model of the strategic decision process. Butler, Astley, Hickson, Mallory & Wilson (1979) supply eight variables that can be used to understand how a decision process works in an organisation. Basi (1998) gives insight to the types of decision-making skills individuals require at various levels in an organisation. The area of decision implementation gives rise to models that can help provide a match with a decision solution and an environment.

The structure of this report begins with this introduction, followed by a discussion section. Here the research area of decision-making is briefly summarised, with important works (classic and contemporary) being identified. Following this, three papers that are of great interest to managers are summarised. These are Henry Mintzberg and colleagues' classic 1976 work 'The Structure of "Unstructured" Decision Processes' (Mintzberg et al. 1976), Richard Butler and colleagues' 1979 research on 'Strategic Decision-Making: Concepts of Content and Process' (Butler et al, 1979), and finally a contemporary analysis of decision-making by Raghbir Basi entitled 'Administrative Decision Making: a Contextual Analysis' (Basi, 1998). Closing the report are the conclusions that succinctly identify the important elements that managers should understand about decision-making.

Whilst this analysis of important issues in decision-making tries to cover a wide area, it cannot hope to be an exhaustive list of ideas in the field. The reader curious to learn more about decision-making and the decision-making process is urged to read some or all of the references listed in section 4 of this report.

## 2. Discussion

### 2.1. Decision-Making Research

One of the first works to give insight into the decision-making process is that of Simon (1945, cited in Miller, Hickson & Wilson., 1996). He viewed the choice process involved in decision-making as being ‘satisficing’, rather than ‘optimising’. This is because decisions cannot be made in a completely rational manner due to limitations of organisational complexity and managers’ cognitive abilities. This general concept of bounded rationality links to the examination of the decision-making process in more detail. Lindblom (1959, cited in Miller et al., 1996) shows that the decision-making process is not linear or sequential in public institutions. A more iterative model was shown, with existing strategies being tweaked with no great steps forward (Lindblom, 1959, cited in Miller et al., 1996). Mintzberg et al. (1976) provides a breakdown of the process into various stages (examined in detail in section 2.2.1), while Hickson et al. (1986, cited in Miller et al., 1996) defines decisions as being either sporadic, fluid or constricted. Sporadic processes are characterised by delays, whilst the opposite is true for the more structured fluid processes. Constricted processes are a mixture of both sporadic and fluid, but tend to focus on one individual who is making the decision and who makes use of a wide range of resources (Hickson et al., 1986, cited in Miller et al., 1996). Investigating the decision-making process in investment decisions, Butler et al. (1993, cited in Miller et al., 1996) found that computation, judgement, negotiation and inspiration were required parts of the process for successful decisions.

Moving away from the actual decision itself and into the area of decision implementation, Nutt (1986, cited in Miller et al., 1996) identifies four methods that managers can use. Intervention brings in new norms to the organisation to bring about change; participation makes use of task forces to develop an implementation; persuasion involves getting those who will do the implementing to sell a solution back to the decision-makers; and finally, edict, where the decision-maker makes use of their power to force an implementation (Nutt, 1986, cited in Miller et al., 1996). Bourgeois & Brodwin (1984, cited in Miller et al., 1996) provide five models that give differing priorities on strategic action. The first model is the commander that emphasises centralised direction; the next is the change model pointed at enabling change; the collaborative model gives rise to the use of negotiation; the cultural model calls for a strong culture and the crecive model promotes growth (Bourgeois & Brodwin (1984, cited in Miller et al., 1996).

Whilst the above research concentrates at analysing the processes of decision-making and implementation, the important element of power is examined by Bachrach & Baratz (1962, cited in Miller et al., 1996), and Lukes (1974, cited in Miller et al., 1996). The former gives the view that decisions that are overtly discussed are only the tip of the iceberg and that those decisions that are kept away from view are the more contentious ones (Bachrach & Baratz, 1962, cited in Miller et al., 1996). This gives us the view that the use of power is very important in shaping how a decision is made. By removing the ability for power to be exercised by stakeholders, or by shaping the way that stakeholders in a decision view a

conflict or lack of one, power itself is being used by the primary decision-maker (Bachrach & Baratz, 1962; Lukes, 1974, cited in Miller et al., 1996).

## 2.2. Research Summaries

### 2.2.1. The Structure of “Unstructured” Decision Processes

By H. Mintzberg, D. Raisinghani & A. Theoret.

This paper studied 25 strategic decision processes over a wide range of organisations and put forward a method to structure non-programmed decisions.

Mintzberg et al. (1976) outlines the way in which a decision presents itself. Before a decision can take place, a stimulus of some sort needs to evoke it (Mintzberg et al. 1976). Such stimuli lay on a continuum, starting at the opportunity stimulus, through to problem and finally at the other end, the crisis stimulus (Mintzberg et al. 1976). An opportunity stimulus improves on a secure situation and is voluntary (Mintzberg et al. 1976). A crisis stimulus requires immediate attention and often involves the organisations well-being (Mintzberg et al. 1976). A problem stimulus is somewhere between these two. An opportunity decision is usually evoked by a single stimulus in the form of an idea that the decision-maker has (Mintzberg et al. 1976). When the timing is right (available resources, power situation) the stimulus is acted upon (Mintzberg et al. 1976). When a problem decision occurs, it is common that multiple stimuli need to build before action is necessary (Mintzberg et al. 1976). Crisis decisions however require only one stimulus and the amplitude of that stimulus is great enough for action to occur immediately (Mintzberg et al. 1976). Once a stimulus has evoked action, a solution can be implemented in one of four ways. Either the solution can be given fully developed, found ready-made, found custom-made or found ready-made and then tailored to create a suitable solution (Mintzberg et al. 1976).

Mintzberg et al. (1976) goes on to provide a general model of the strategic decision process. This model is divided into five components. These are summarised in table 1.

**Table 1. Components of the general model of strategic decision process.**

<b>Component</b>	<b>Description</b>
Recognition.	Recognition that a stimulus or stimuli has generated an opportunity, threat or crisis.
Diagnosis	Examination of current and new information sources to define the issue.
Search and design	Search for ready-made solutions or design a custom-made one.
Evaluation	Use of judgement, bargaining and analysis to choose a solution. This is a multistage iterative process with a deep investigation into the alternatives.
Authorisation	The authorisation of the chosen solution by upper management.

Four types of search behaviour are presented, and these are memory search (search an individual's and organisation's memory for solutions), passive search (waiting for a solution to appear), trap search (get others to generate solutions) and active search (directly trying to find alternative solutions) (Mintzberg et al. 1976).

The final important element of the work of Mintzberg et al. (1976) is that of applying the general model to seven path configurations which are most common in decision-making. These are summarised in table 2.

**Table 2. Seven path configurations using the general strategic decision-making model.**

<b>Configuration</b>	<b>Summary</b>
Simple Impasse	A solution is blocked in debate.
Political Design	To achieve adoption of a solution, political manoeuvring is necessary.
Basic Search	Involves finding the best ready-made solution.
Modified Search	Ready-made solutions need to be modified to find an acceptable solution.
Basic Design	Design process results in often complex and innovative solutions.
Blocked Design	Identical to basic design but resistance from outside groups results in a blocked decision process.
Dynamic Design	Activity flow becomes very complex due to large investment, complex design and likelihood of interruptions due to new requirements.

### 2.2.2. Strategic Decision-Making: Concepts of Content and Processes.

By R.J Butler, W.G. Astley, D.J. Hickson, G. Mallory & D.C. Wilson.

Butler et al. (1979) give us eight variables that can be used to classify a decision-making process. Table 3 below summarises the eight variables. Three hypotheses are given that relate to the variables, and can offer some insight to those making decisions on a regular basis.

**Table 3. Eight variables that define a decision-making process (adapted from Butler et al., 1979, pg 15)**

Variable	Summary
Frequency	How frequently a required decision occurs.
Regularity	How regularly a particular decision is required.
Consequentiality	The level of impact that a decision will have.
Equivocality	The level of ambiguity that a decision has.
Scrutiny	The amount of analysis applied to a decision.
Centrality	The scope of the hierarchy that is involved in the decision.
Rapidity	How quickly a decision is made.
Continuity	The flow of the decision-making process.

Three hypotheses are now discussed, with the first being the routinisation hypothesis. To be able to create a routine for decision-making, a high level of frequency and regularity are required (Butler et al. 1979). If the decision is based on a reaction to some one off event, or a crisis situation exists, a routine will not be able to be implemented (Butler et al. 1979). If a routine is in place, formalised scrutiny is likely to be higher and centrality lower, as the decision can be delegated to specialists (Butler et al. 1979).

Next is the participation hypothesis. This states that consequential and equivocal decisions are unable to be sustained if high frequency and irregularity also exist (Butler et al. 1979). Having to constantly make important decisions that are difficult over a variable time frame is too much for most organisations and decision-makers to cope with (Butler et al. 1979).

The final hypothesis is the muddling through hypothesis. When rapidity and continuity are low, a stepwise, incremental process is likely (Butler et al. 1979). Thorough scrutiny with such a process then leads to an increase in the length of time the decision is made over (Butler et al. 1979).

### **2.2.3. Administrative decision making: a contextual analysis**

By R.S. Basi.

This paper theorises that the position in an organisation a decision-maker finds themselves in determines the required set of skills they need to make successful decisions. Also, the position that the organisation is in with regards to its overall evolution impinges on the nature of successful decisions.

For his analysis, Basi (1998) breaks up decision-makers in organisations into executives, managers or supervisors. These are categories that are part of the general management structure of a typical organisation. Basi (1998) describes how executives need to have a high level of intuition when making decisions, and be able to scan to environment for threats and opportunities. The lower level of manager needs to have good compromise and negotiation skills to successfully see a decision through to implementation (Basi, 1998). Basi (1998) goes on to suggest this is because of the need to work with many differing work units to accomplish a goal. The lowest level of supervisor needs to have good computational abilities, as the types of decisions here are usually unambiguous and less consequential (Basi, 1998). The non-ambiguity associated with more routine decisions makes them more amenable towards analysis through computation (computer analysis and other types of modelling).

The final point that Basi (1998) makes is that as the organisation that a decision-making process is part of evolves from a paternalistic to a synergistic structure, the decision-making process must also change. In a paternalistic structure a dictative decision-making style can be successful, but in a synergistic structure stakeholders require that decisions be made in a joint effort (Basi, 1998).

### **3. Conclusions**

- 3.1. A decision-making process can be characterised by the following ideas of importance: Decision-makers satisficing rather than maximising, the type of process involved (incremental, sporadic, fluid, constructed), how the decision is implemented (intervention, persuasion, edict, participation) and political intervention and the use of power in the process.
- 3.2. A general model of strategic decisions (Mintzberg et al., 1976) can be utilised to evaluate the decision-making process and to help identify ways of improvement. Categorising a process with the eight variables from Butler et al. (1979) further improves the ability for analysis.
- 3.3. Stimuli are required to generate a decision process. In a crisis and opportunity situation, only one stimulus is usually required, whereas a problem situation can need many stimuli (Mintzberg et al., 1976).
- 3.4. An organisation is unlikely to maintain a decision process that requires deciding consequential and equivocal decisions on a frequent basis with irregularity (Butler et al. 1979).
- 3.5. Differing levels of administration require different skills to successfully make decisions. Executives require innovation, managers need negotiation and compromise, and supervisors should have good computational skills (Basi, 1998).
- 3.6. As an organisation moves from a paternalistic to synergistic structure, there is an increasing need for stakeholder participation in the decision-making process (Basi, 1998).

#### **4. References**

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