Chapter 14 - Decision-making and change

Answers to end of chapter questions

1. In what ways is a knowledge of managerial rationality useful for understanding the nature of organizational decision-making?

It can help organizations plan any changes and prepare for the associated behaviours of people within the organization.

2. What do managers do?

Research has found little evidence of the kind of rational decision making (planning, controlling, etc.) that was supposed to constitute managers’ main tasks. There was little long-term activity, and much reactive decision making and short-term behaviour.

Managers would spend their time making snap decisions and engaging in interactions of a few minutes’ duration. Interestingly there was also a great deal of social behaviour—a lot of phoning up of contacts in order to pass the time of day and renew acquaintance—which was completely ignored by the classical theories of management. In this way, rationality was seen as being limited not only by real-life pressures, but by the need for a degree of ‘system maintenance’, that is the maintenance of the social groups that form a manager’s network of contacts.

3. In what ways can managerial behaviour be regarded as rational, even allowing for the constraints on rationality?

Behavioural theorists have shown that rationality does not have to be applied in an all-or-nothing sense. Our understanding of management rationality can be ‘softened’ and distanced from the absolute rationality of much conventional management theory, in order to bring it closer to the actual behaviour of managers. But at the same time, there may still be an underlying sense of purpose, or a ‘guiding rationality’ (Hickson et al., 1986), to what managers do.

4. What might lead us to conclude that organizations are irrational?

First, when pushed to the extremes of uncertainty and conflict, we see management being characterized by muddle and failure rather than this being a mere constraint on efficiency. Secondly, though, there is another a view of irrationality that stems from fears that organizations themselves are inherently and deeply irrational—and irrational in the sense that they spawn a version of rationality that is opposed to the rationality of human values and ideals.
5. Contrast recent theories of decision-making in terms of the basic picture each supplies of the management process?

*Population ecology* - The population ecology model of Hannan and Freeman (1977) takes its name from the proposition that a form of economic natural selection operates on populations of organizations. The model contains a similar idea of rationality to that of conventional theories—i.e. that rational processes govern business success—but the key difference is that rationality is not attributed to the individual decision maker or organization. Strategic choice introduces a notion of *power* into decision theories—power being the obvious basis of managerial discretion—but it was a distinctive type of structured corporate power. This involved the notion of a ‘dominant coalition’ of senior managers who embody (and impose) central organizational rationalities.

*Resource dependence* - Rather like contingency theory and strategic choice, there is another influential theory that retains a systematic view of rationality but represents an explicit attempt to marry the idea of a rational system with an element of managerial power. The so-called resource dependence model (Pfeffer and Salancik, 1978) focuses on the exchanges that organizations have to engage in with their environments. But it attempts to do this in realistic terms of the alliances with other organizations that are formed as individual organizations seek to control external uncertainties.

6. How does a knowledge of managerial decision-making help us to understand the effective management of organizational change?

Equipped with an appreciation of the nature of managerial work, interaction, and decision making, we can approach the issue that occupies perhaps the central place in management writing and theorizing, that of organizational change. Bureaucratic red tape means that organizations can become obsessed with procedures that obstruct the organization’s goals. Rationality is bounded by real-life limitations, decision making is complex and risky, and organizations are political arenas with multiple and conflicting goals. Power can be the motor of change, but it can also allow organizations to pursue idiosyncratic paths and hold out against the pressures of the marketplace. The basic nature of decision making therefore introduces a range of problems into the change process.

7. In what ways is organizational change a problematic process?

To begin with, change can be enormously difficult to get going in organizations. In practice, surmounting the barriers to effective change, and what can broadly be termed *organizational inertia*, is a key concern of management. Carnall (1995, p. 43), for example, refers to various ‘blocks’ in the change process. These can be emotional blocks if people feel threatened by change and fear the uncertainty associated with it. The way that change is usually presented makes the comfortable assumption that it is always change for the better, but individuals may not see things in this light. They may refuse to confront the need for change and may meet the challenge with avoidance behaviour and evasion. There are also cultural blocks. Carnall interestingly suggests that in subtle ways our culture may be hostile to change. The ways of thought that
promote effective change often involve factors like insight and irreverence towards the establishment; even factors like humour can be helpful in disturbing the existing pattern. Yet these may be regarded as frivolous and may well be frowned upon in normal organizational exchanges.

8. What are the chief means of overcoming resistance to change?

Collins (1998, p. 82) has defined organizational change as ‘a social activity, involving people from diverse social groups who will tend to interpret issues and situations in different, and often quite divergent ways’. Any ‘useful theory of change’ needs to challenge the rational/linear theories that have over-emphasized planning, and made assumptions that people will follow directions slavishly. Useful theories need to take a range of aspects of social structure and process into account. Collins (pp. 130-50) puts forward three elements of such an approach.

- Embeddeness
- Time connections
- Complexity and contradiction

9. Can organizations learn?

Organizational learning (rather like the organic model or bounded rationality) is one of those management ideas that, in a concise and elegant form, captures a distinctive concept and has great appeal because of this. The learning metaphor suggests a human capacity to change and develop. Learning in human beings is about being able to detect changing circumstances, modifying past behaviour that has been unsuccessful, and on the basis of this building a repertoire of complex responses and skills. It is essentially ‘intelligent’ behaviour linked with distinctive human characteristics like creativity. Care must be exercised, though, because in one sense the learning organization is pure metaphor. Learning is quintessentially a human capacity, and we need to resist attempts to reify the organization in any way. Yet there is a sense in which these ideas can be applied. The requirements for organizational learning are that human characteristics should be allowed to flourish in organizations.