

Designing Work Organization
Prof. (Dr.) Santosh Rangnekar
Department of Management Studies
Indian Institute of Technology, Roorkee

Lecture-18
Models of Organizational Decision-Making

In the previous session we have talked about the different concepts of the decision making and in this session we will be talking about the different models of the organizational decision making is there. So, types of the organizational decisions making approaches, then the management science approach, then the Carnegie model, then incremental decision model, then the Garbage Cane model and as usual we will be discussing about the case study research papers and the book recommendations. So, now here when we say that is the stay committed to your decisions, but stay flexible in your approach. So, therefore, we have to understand that we have also talked into the previous session that is those organizations, those highly responsive to the environment and then they make their decisions and change their earlier decisions. So, therefore, in that case that flexibility is very, very important is there. So, if with the period of time the changes into the environmental factors, if organization is required to take a particular decision, then definitely, but the approaches that can be changed.

So, what can be the different approaches can be there. So, organizations are composed of the managers who make decisions using the both rational and the intuitive processes, but the organization level decisions are not easily made by a single manager and many organizational decisions involve the several managers. Problem identification and the problem solution involve many departments, multiple viewpoints and even the other organizations which are beyond the scope of the individual manager is there. The processes by which the decisions are made in organizations are influenced by a number of factors, particularly the organization's own internal structures and the degree of stability or the instability of the external environment.

Research into organization level decision making has identified four primary types of the organizational decision making processes. The management science approach and the Carnegie model, the incremental decision model and the garbage can model is there. So, first we will see the management science approach. The management science approach is to organizational decision making is analog to the rational approach by the individual managers. Management science came into being during the World War II.

At that time, mathematical and statistical techniques were applied to urgent large scale

military problems that were beyond the ability of individual decision makers. Methods for performing the several calculating using trial and error and intuitions are not accurate and take for too long and may never achieve success. This is where management science came in. Management science yielded the astonishing success for many military problems. This approach to decision making diffused into the corporations and business schools, where the techniques were studied and elaborated.

Management science is an excellent device for organizational decision making when problems are inimitable and when the variables can be identified and measured. Mathematical models can contain a thousand or more variables, each one relevant in some way to the ultimate outcome. Management science especially with the increasingly sophisticated computer technology and software can accurately and quickly solve problems that have too many explicit variables for the adequate human processing are there. Managers in other types of the organizations are also applying technology to make the more decisions are there. Advertising firms optimize online advertisement campaign by using the software that can easily calculate response rates and return on investment for every advertisement is there.

It is always it has been taken into care of it is whatever the decisions are being taken, then there has to be the rationale of these ROIs to be there. Many retailers, including the Home Depot, Bloomingdale's and GAP use software to analyze the current and the historical sales data and determine when, where, and how much to make down the prices are there. There are different ways to utilize the management science. The application of the framework helps organizations create enhanced efficiency in areas such as the cost, production and level of the services by solving the different managerial problems. In terms of applying management science in business, there is a six-step formula for making the most of it.

The steps help streamline business operations and create a process-based environment for the organization is there. The six-step formula for the management science approach is identifying the problem and the potential interventions are there, choosing interventions, introducing the interventions, scaling to the interventions and integrating the interventions into the health system is there. So, here we talk about the Carnegie model. So, Carnegie's model talks about organizational decision-making is based on the work of Richard Cyret, James March and Herbert Simon, who were all associated with the Carnegie Mellon University. Their research helped formulate the bounded rationality approach to individual decision making as well as the provide new insights about the organizational decisions.

Research by the Carnegie group indicated that organization-level decisions involve

many managers and that a final choice was based on a coalition among those managers are there. A coalition is an alliance among several managers who agree about organizational goals and the problem priorities are there. Management coalitions are needed during the decision-making for two reasons. The first organizational goals are often ambiguous and the operative goals of the departments are often the inconsistent. Managers must bargain about problems and build a coalition about the question of which the problems to address is to be there.

Now, in this from these managers across departments sit around a table and each person lists on paper the good and bad points about a specific opportunity. This is similar to the pro and con list Benjamin Franklin used for the making the rational decisions as an individual is there. In this case though, managers then share their thoughts and ideas with others and typically find shared interests. The second reason for coalition is that individual managers intend to be rational, but function with human cognitive limitations and the other constraints are there. Managers do not have the time, resources or mental capacity to identify all dimensions and to process all information relevant to a decision is there.

These limitations lead to coalition-building behavior. Building a coalition will lead to a decision that is supported by the interested parties is there. The process of coalition building has several implications for organizational decision behavior. First decision are made to satisfy rather than to optimize the problem solutions. Satisfying means organizational except is satisfactory rather than a maximum level of the performance enabling them to achieve several goals simultaneously.

Second managers are concerned with immediate problems and short term solutions. They engage in what Saibot and Marsh called the problematic search is there. So, problematic search means managers look around in the immediate environment for a solution to quickly resolve a problem. The Carnegie model says that such behavior is just sufficient to produce a satisfactory solution and that managers typically adopt the first satisfactory solution that emerges. Third discussion and the bargaining are the especially important in the problem identification stage of the decision making is there.

The decision process described in the Carnegie model is summarized in figures. The Carnegie model points out that building agreement through a managerial coalition is a major part of organizational decision making. This is especially true at the upper management levels are there. Discussion and bargaining are the time consuming. So, each procedure are the usually simple and the selected alternatives has to be searched so that we can satisfy rather than optimize the problem solutions is there.

When problems are programmed are clear and have been seen before the organization will rely on previous procedures and the procedure rules are there. Rules and procedures prevent the need for the renewed coalition, but formation and the political bargaining is there. Non-programmed decisions however require bargaining and the conflict resolution is required. Now here we find this is the choices processes in the Carnegie model. So, uncertainty is there and the conflict is there.

So, information is limited. We are not having the full information and management have many constraints, maybe they are related to the resources. So conflict will arise. So, managers have diverse goals, opinions, values and experiences there. When uncertainty and the conflict is there, then there is a need for the coalition formation.

So, hold a joint discussion and interpretation goals and problems. Share the opinions and establish the problem priorities. Obtain the social support for the problem solution is there. Then you have to search about a conduct a simple local search, use established procedure if appropriate, create a solution if needed and then the satisfy and that is about the adopt the first alternative that is acceptable in the coalition is there. Third one is the incremental decision model.

So, Henry Meinberg's and his associate at Macquarie University in the Montreal approached organizational decision making from a different perspective. They identified 25 decision mates in the organizations and trace the events associated with decisions from the beginning to end. Their research identified each step in the decision sequences there. This theory of decision making called the incremental decision model places less emphasis on the political and social factors described in the Carnegie model, but tells more about the structured sequence of activities undertaken from the discovery of a problem to its solution is there. The scope and importance of the decisions are revealed in the length of the time taken to complete them.

Most of these decision took more than a year and one third of them took more than the two years is there. Most of the decisions were non-programmed and required the custom-design solutions are there. Organizations move through several decision points and may hit barriers along the way. Means were called these barriers are their decision interrupts. An interrupt may mean an organization has to cycle back through a previous decision and try something new.

Decision loops or cycles are one way the organization learns which alternative will work. The ultimate solution may be very different from what was initially anticipated and therefore you have made the changes also. So, when you have made the changes to the approaches and then you talked about the alternatives other than the previous one.

So, naturally, your decision that way has to be different from what has been initially anticipated. Identification phase, the identification phase begins with the recognition and recognition means one or more managers become aware of a problem and the need to make a decision.

Recognition is usually stimulated by a problem or an opportunity is there. Now, the second step is a diagnosis in which more information is gathered if needed to define the problem solutions. So, diagnosis may be systematic or informal and depending upon the severity of the problem is there. In the development phase, a solution is shaped to solve the problem and define the identification phase. The development of a solution takes one of the two directions.

First, such procedures may be used to seek out alternatives within the organization's repertoire of solutions. The second direction of development is to design a custom solution. This happens when the problem is novel so that the previous experience has no value. Now, here because you are now making these developments and identifying a customized solution, so naturally in that case, you have adopted the new ways, and when you adopted the new ways, then in that case it becomes important that is your previous experience and how much it will be used and normally because you are adopting the new process and procedures, so that will have a very less value. Then the next stage is the selection process after the developmental phase is there.

The selection phase is when the solution is chosen. This phase is not always a matter of making a clear choice among the alternatives are there. In the case of a custom made solutions, selection is more in evaluation of the single alternative that seems feasible. Dynamic factors are there and organizational decisions do not follow an orderly progression from the recognition through authorization. Many problems arise that have a loop back to end the earlier stage.

These are the decision interrupts. If a custom design solution is perceived as unsatisfactory, the organization may have to go back to the very beginning and reconsider whether the problem is truly worth solving or not. The garbage can model is one of the most recent and interesting description of the organizational decision process. It is not directly comparable to the earlier models because the garbage can model deals with the pattern or flow of multiple decisions within the organizations where the incremental and the carnage model focuses on how a single decision is made. The garbage can model helps you think of the whole organization and the frequent decision being made by the managers throughout is there.

So organized anarchy is there. So garbage can model was developed to explain the

pattern of decision-making in organizations that experience extremely high uncertainty. So Michael Cohen, James Marsh and John Olsen, the originators of the model called the highly uncertain conditions in organized anarchy, which is an extremely organic organization is there. So first is the problematic preferences there. Goals, problems, alternatives and solutions are the ill-defined ambiguity characterizes each step of a decision process is there. So unclear, poorly understood technology that is a cause and effect relationship within the organization are difficult to identify.

An explicit database applies to the decision is not available. So the organization positions experience turnover of the participants in addition employees are busy and have only limited time to allocate to any problem or decision. Participation in many given decisions will be the fluid and the limited one. Now here we will see in the figure that is how this garbage can model is that is working is there. So here we find that is the problems and solutions are there.

On the basis of the problems and solutions, the middle management then starts working and then there will be the two approaches that is the department A and department B is taken as an example and there will be the solutions will be provided. Now here we see that is these the problems and the solutions are there in the middle management. So here we will find that is as we have discussed that is a developmental phase will be there and here you will find that is the CEOs that will going for these particular the problems, solutions, choice opportunities and then the participants are there. Now here the most important point which is to be noted is that is about the individuals. Whenever we are talking about this particular the participants then in that case the decision making process that will be taken as a solution by these participants.

So therefore, here the problems identifying the solutions, choice of the alternatives that all will go with the individuals are there, individual participants are there. So if I want to compare the department A with the department B, so it is the individual will make a difference because the individual the way he will take the decisions accordingly the organization will be success or failure. So the majority of organizations work hard to make their strategic decision making processes as thorough as possible. The McKinsey-Cottleley survey has highlighted some of the best practices for the organizational decision making. These practices include balancing a mix of financial strategic targets, long and short term considerations, realistic assessment of the execution capabilities of the organization, allowing truly innovative ideas to reach the senior management.

Practices are to be based on the robust fact base. Stakeholders are to share all critical information and accurately forecasting the market demand is there. So on basis of this, the aligning an individual's incentives with the strategic objectives defined by the

decisions and the actively seeking the evidence contrary to the initial plan and factoring it in. So therefore, in that case, the best practices which we see in the organizations and that is the collective approach is there for taking the decisions. These are the best practices for the organizational decision making, which highlights some of the finance processes and procedures for the decision making is there.

The organizations can incorporate and integrate these practices in its operational and marketing strategies and these practices are the result of years of careful planning, design and trials cultivated into a number of highly efficient and effective decision making processes there. A global survey performed by the McKinsey-Cottleley in 2008 revealed that goal and objectives of the organizational decisions include revenue growth, cost saving and the improved efficiency are the productivity is there. In order to make the good decisions, the some basic mistakes are to be avoided at all cost. For example, if the same person initiates and approves the decisions, this leads to a poor results, which points out the value of the good discussion. In addition, the survey of McKinsey-Cottleley has indicated that the organization is twice as likely to generate very poor results as compared to the good ones.

If they make decisions without any strategic planning process, then there is a highly need that is the you are focusing on the organizations that is what are the good results and the poor results are there. One straightforward finding is the existence of a strong relationship between the knowing full well who is in control of the execution and the participation of that particular individual in the decision making procedure and the financial success is there. This is the case study which I would like to discuss that is about the Flipkart and the Mantra and the famous fashion at the E-ritala Mantra was acquired by Flipkart in 2014. The post is acquisition the top level management by Mantra and Flipkart together decided to turn the E-ritala into a mobile app only marketplace from May 15, 2015. According to Mukesh Bansal, CEO of Mantra and head of the commerce of Flipkart, this move was taken keeping in mind the customer demand and the users pattern 95 percent of the company's internet traffic came from mobiles and 70 percent of the sale was achieved via mobile devices.

Therefore, it was felt that shifting to mobile app only based format would allow them to provide their customers a more personalized experience through a device that is closest to them that is their mobile phones are there. Sachin Bansal, the co-founder and CEO of Flipkart, Ekorn Mukesh filling when he said mobile commerce will be the most powerful personalized intuitive and inclusive market as 90 percent of the internet consumption in India is on mobile phones. Sachin said that the Flipkart to plan to pursue Mantra suit however, it was not ready for such a massive transition yet to unlike Mantra that they cater to only one category that is a fashion Flipkart catered so many. However, Flipkart

and Mantra soon realized the blunders they had committed as their sales continued to dip even after 6 months while another e-commerce portals such as Amazon and Jabang, rest for 8 for the offering their customers multiple access points. The top management expected that a dip in the sales would stabilize after the first two, one or two months.

However, when that what did not happen, they realized that the Indian consumers were not prepared for this shift yet, especially since the transition was so drastic. Talking about their decision to relaunch their website, Dhananth Narayan, CEO of Mantra stated, we have been humble enough to realize and listen to our customers needs and hence we are relaunching the desktop version on June 1st. So, what is the conclusion? Most organizational decisions are not made in logical rational manner. Most decisions do not begin with the careful analysis of a problem followed by a systematic analysis of alternatives and finally, implementation of a solution. Organizational decision making approaches include the management science approach, the Carnegie model, the incremental decision model and the garbage can model.

Only in rare circumstances do managers analyze the problems and find solutions by themselves. Many problems are not clear. So widespread discussion and coalition building takes place. Organizations can move towards the solutions. Under conditions of the low technical knowledge, the solution unfolds as a series of the incremental trials that will gradually lead to an overall solution.

The most novel description of the decision making is the garbage can model. This model describes how decision processes can seem almost random in highly organic solutions, organizations are there. This is the research paper evaluating the ethical decision making models, a review and application is there. Now we have talked about the different models are there. Now in these different models, now the question arises that is the, what is the role of the ethics and when can, where we can take the decisions for the ethical decision making.

So, perspective value of the ethical decision making model is there. The paper explores types of the models in the ethics literature in concert with the knowledge from the decision sciences. The research paper is there to develop a tentative list of the evaluate criteria that might be applied to the perspective models. It then applies this criteria to one perspective model from the ethics literature developed by the Patrick and Quinn. In an attempt to demonstrate the value of more comprehensive evaluations, it closes by the considering the future research aimed at the evaluation of ethical decision making models as well as the research needed to validate the Patrick and Quinn model.

The findings of this particular paper is that the Patrick-Quinn judgment integrity model

satisfies most of the criteria discussed in the ethical decision making literature. The primary opportunities for refining the Patrick-Quinn model as a prescriptive framework for the ethical decision making are articulating the operations judgment component of the model as a formal quantitative decision analysis and conducting the research to access the real world utility to the model is there. The key particular implication of this particular model is that the essential characteristics of a decision making model is that it is capable of actually making or recommending the decisions are there. So, therefore, it is not only on the basis of the theoretical, but rather than it is giving you a particular perspective that is how practically you can implement your decisions. Now, he goes on state that the data to be used in such model should consist of information that is available in the real world is there.

So, therefore, always we have to see that whenever we are taking the decisions, then in that case, we should get well connected with the real world and should require calculations that can be reasonably performed. Simon advocates models form with the practicality in mind regardless of the approximations and the simplifications imposed on them. The originality value, while there has been a proliferation of the research concerning business ethics, little attention has been focused on evaluating the utility of the ethical decision making models. Accordingly, this paper advances theory, research and practices regarding the ethical decision making in the organizations are concerned. This is the book is recommended the Oxford Handbook of the Organizational Decision Making and the authors are General P.

Hodgkinson and William H. Starbuck as here in the book on the organizational decision making. The author on has broadly emphasized on the psychological perspectives. While encompassing the insights of the economics, political science and sociology, it provides coverage at the individual group organization and the inter organizational levels of the analysis. In depth case studies illustrate the practical implications of the work survey. The case studies are given in this particular book that will be help you for the practical understanding that is how to take the decisions are there.

Each chapter is authored by one or more leading scholars thus ensuring that this handbook is an authoritative reference work for academician researchers, advanced students and the reflective practitioners concerned with the decision-making in the areas of management, psychology and the HRM is there. Otherwise also every manager has to take a decision and then what should be the approach to the decision, these models have well explained this particular process of decision-making. These are the references which you can refer for your further studies and you can find out that is the how to take the right decisions. These include the decision-making by Mckinsey's article the structure of the unstructured decision making and the how to take these references also

cover the about the program and the non-program decision-making are there. These are the other research papers which you can refer for your further studies and can it is suggested that is you are able to understand that is how the research that can help you to deliver your duties and through the with the help of the theory and practice both. Thank you.