8. The quality of decision-making

Abstract

Quality of decisions is postulated to be a product of (social) acceptability and (functional) feasibility. The theoretical discussion outlining this postulate is followed by supportive empirical evidence. Some important phenomena like group think, dysfunctional participative systems, and contradictions of privatisation are interpreted using this postulate to demonstrate its potential explanatory power. In conclusion, some suggestions are given on how to increase the facilitative function of organizational settings conducive to improved quality of decisions.

The postulate and its implications

The quality of decisions is a product of their acceptability and feasibility. It should be stressed here: a product, and not the sum of these two attributes. The first implication of this equation is that when one of the two attributes is zero, the entire quality of the decision is also zero, even if the other attribute has maximal value.

Arguments for this postulate may be found in many theoretical and empirical studies. Thompson (1967), for instance, developed the thesis of two main sources of uncertainty:

1. cognitive uncertainty, deriving from unclear, more or less probable cause-effect relationships.
2. preferential uncertainty, which is a consequence of varying value hierarchies of those involved in the decision-making process.

Many later empirical and theoretical studies demonstrated that the main ambiguity in decision-making theories can be attributed to the fact that no clear division is made between these two sources of uncertainty (Tosi et al., 1973; Downey et al., 1975).

More recent studies frequently illustrate the duality of decision-making processes. In some cases the socio-cognitive network approach is recommended as a more efficient analytical tool (Kearns, 1992). In other studies the cognitive disturbances of decision-making are mentioned. It is repeatedly stressed that the rational model – whereby individuals are rational utility maximizers and organizations are rational profit maximizers – does not fit real decision-making processes (Uhlen, 1990). In reality we observe many cases of cognitive imperfections, self-paternalism, cognitive dissonance and fallacy of costs.

Combined with the intensive development of information and communication technologies, the relationship between acceptability and feasibility of decisions is becoming more and more critical. While computerisation of decision-making allows for a higher level of abstraction and more precise control (Rule et al., 1989), the cognitive structure is more vulnerable to social conflict. The vulnerability of decision-making to the irrationalities of social causes is a general and not an issue specific vulnerability. Thomas (1992) and Swan et al. (1992) report that in the case of technological changes, processes of choice are influenced as much by political considerations as by economical and technological factors. And, if we follow Mintzberg's recommendation that decision-making processes should be treated more as processes of change than as processes of choice (Minztberg et al., 1990), resistance to change should be expected to be a part of them.

The influence of cognitive variables is therefore moderated by political processes and aspects of national cultures (Swan et al., 1992). Loraine (1991) found that cognitive processes

are not only moderated by but also hindered by social conflicts. These conflicts coincide with the restricted interactions between organizational and cognitive processes of decision-making, and with obscured information.

If we wish to improve the quality of decision-making, we should pay more attention to sources of uncertainty, to recognition of feedback, and to adaptive responsiveness. It seems that Japanese management follows these recommendations much more closely than management in other countries. Cosier et al. (1992) have in fact discovered that Japanese decision-makers are more inclined to resolve conflict prior to reaching the decision than managers in the USA or Hong Kong. This is especially relevant as the first steps of decision-making are usually the most conflictuous (Heller et al., 1988). Indirectly, a similar conclusion was drawn by Drucker (1971) who found that Japanese managers spent more time and energy in the preliminary phases of decision-making than their American counterparts.

Through the arguments supporting the initial postulate, we have also established several logical connections between the attributes of quality of decisions, non-rational behaviour of participants, and conflicts. More explicitly, I would like to suggest that further operationalisation should follow these two parallel notions:

1. acceptability should be measured through social determinants of decision-making processes such as social integration, social distance and social conflicts, while
2. feasibility should be measured through cognitive determinants such as under-utilisation of participants' skills, their rational behaviour, and system type of conflicts.

Most important is clearly distinguishing between social and system types of conflict (Coser, 1952). As we know, social conflicts are distributive in nature and may be managed only through redistribution of wealth, power, prestige and other non-material goods, while system conflicts derive from the conflicts of roles or from the incongruity between norms and actual conditions. Through a convergence of norms and conditions we might increase the feasibility of decisions quite efficiently, but we would be totally ineffective if we attempted to increase the acceptability of decisions in this way. The opposite, of course, is true for acceptability.

Results of the DIO study

This and the following sections will attempt to test the explanatory power of our initial postulate about the quality of decisions. On the basis of the DIO research project (Heller et al., 1988) the following observations can be made (see Figure 1 in the Appendix):

1. The quality of a decision (i.e. acceptability and feasibility) has the greatest impact on efficiency and effectiveness, which means that it is more relevant to management in organizations than all the other variables involved in this model.
2. The influence of workers and CON 1 (clearness of goals and trust) have a significant but weak positive impact on the quality of decisions; these findings suggest that the quality of decisions is to some extent socially determined.
3. In addition to this positive social determinant of the quality of decisions we have also found a negative social effect on quality by the negative impact of representative bodies of employees and by social conflicts in organizations.
4. The most remarkable finding is the absence of significant associations between the quality of decisions and influence of managers and staff on decision-making. In addition there is no correlation between skill utilisation of participants involved in decision-making process and the quality of decisions.

Although more detailed statistical explanations have not been possible, we developed some hypotheses which might be useful for further investigation of the quality of decision-making processes:

1. Since negative correlations with the quality of decisions are weaker than positive

ones, we might draw the tentative conclusion that improvement of a supportive environment (such as clear goals, trust and involvement of employees in decision-making) is a more efficient way of improving the quality of decisions than trying to reduce the amount of conflict and involvement of representative bodies.

2. Although conflicts do not have a strong negative impact on quality of decisions, they have a strong direct impact on clearness of goals and on the system of trust; we may hypothesize that conflicts have a stronger negative influence on clearness of goals than on the system of trust, since the latter has a broader basis and would therefore be less vulnerable to conflicts. This implies, however, that conflicts may result in unclear preferences of those involved in decision-making and, consequently, in a lower acceptability of decisions.
3. The absence of significant correlations between skill utilisation and quality of decisions, and the very modest positive effect of skill utilisation on efficiency suggest the hypothesis that decision-making processes are not processes of fermentation (Pfeffer, 1971) through which power and knowledge are integrated into a new synergetic entity (Sfez, 1978), but merely a powerful pressure to overcome resistance to change. How the decision-making process may be redesigned to be better equiped to absorb already available knowledge, is therefore a highly relevant topic for further study of decision-making. One possible answer to such a question is given in the DIO (Heller et al., 1988) research project: In order to render the decision-making process a more knowledge-absorbing process, participation of relevant people during the second step (alternative generating) and through to the fourth step (decision implementing) of decision-making should be increased.

Overcoming group-think

In recent years the group-think phenomenon has become a frequently mentioned subject of decision-making studies. Group-think is considered a generic cause of low quality of decisions. Low quality in this case is a consequence of maximisation of decision acceptance and minimisation of decision feasibility.

According to Janis (1972), group-think is a mode of thinking in which people are deeply involved in a cohesive in-group and in which the members of such an in-group in striving for unanimity, override their motivation to realistically appraise alternative courses of action. Group-think is one possible cause of skill under-utilisation, the phenomenon discussed in the previous section, a high degree of conformity to the group renders the information outside group norms irrelevant.

Janis himself tried to implement group-think as an interpretative model in the Watergate affair. He proved that group-think can be a powerful instrument in explaning internal group dynamics that are consistently leading to low feasibility of decisions. Some other social scientists tried to apply the group-think model to the case of the Challenger disaster (Park Won Woo, 1990; Moorhead et al., 1991). In the case of the Challenger disaster, Moorhead found three important antecedents:

- a high degree of esprit de corps,
- the leaders' firm preference for certain decisions, and
- insulation of the decision group from experts

He found the following defects in the decision-making process:

- few alternatives
- no re-examination of alternatives
- rejection of expert opinions
- rejection of negative information, and
- absence of contingency plan

On the basis of this diagnosis he proposes to overcome group-think through a stronger role of leaders, who should protect the decision-making group from time stress. Apart from fulfilling this protective role the leader should also:

- see to the proper inclusion of experts who should play the role of devil's advocates
- mobilise the alternative opinions of group members, and
- keep his own preferences for a given solution to himself

We could say that Moorhead suggested a certain benevolent authoritarian style of leadership in order to reduce the negative group-think effect.

In addition to the aforementioned suggestions for overcoming the negative effects of group-think, there are many other suggestions of a different nature. Jarman and Kousmin (1990) suggest cognitive remedies covered by the term 'crisis simulation methodology'. This methodology entails more extensive cognitive mapping of the multi-path scheme, which allows a better understanding of erratic crisis behaviour.

Although cognitive measures are necessary, they are probably not sufficient to overcome group-think effects. More effective than benevolent authoritarianism and crisis simulation might be measures which intervene directly in the group dynamics. The following two methods of group intervention have been suggested:

1. Instead of a homogeneous in-group, a heterogeneous nominal group should handle strategic decision-making. According to Milliken and Vollrath (1991) a heterogeneous nominal group is more effective, at least in analysable strategic decision-making processes. However, when decisions must be made about non-analysable issues, small and homogenous groups are more effective.
2. Instead of homogeneous interest groups or heterogeneous nominal groups, a coalition of different groups could be established for making decisions. Members of the decision-making group should not come 'from the same nest'; they are representatives of different interest groups or even coalitions (Tadapalli, 1992). Members might even represent opposing interest groups such as producers, sellers and buyers.

Although this last recommendation can probably not be implemented in all cases, it has several advantages by avoiding both an excessively homogeneous in-group as well as an excessively loose heterogeneous nominal group. Apart from this we should remember the suggestion done by Baldridge (1971) who proposed the coalition model of decision-making long ago using similar arguments. He argued that in an environment of high uncertainty and high complexity of tasks, the coalition model works better than the bureaucratic or collegiate model, because the coalition as the decision maker is composed of different and frequently even conflicting interest groups. In comparison with the coalition model, the collegiate model is too homogeneous and cooperative, while the bureaucratic model is too exclusive and authoritative.

If we attempt to make an overall evaluation of the suggestions to overcome the negative effects of group-think listed above, we might, at first glance, say that they are all acceptable and feasible; and, perhaps more importantly, they do not appear to be mutually exclusive. They are all potential elements for an elaborated and complex regulation of group decision-making which might prevent the level of acceptability to become so excessively high that it would dangerously reduce the feasibility of decisions.

This overall evaluation is based, however, on the implicit supposition that the best decision quality could be achieved with a moderate level of acceptability and feasibility. Such a compromise solution based on a moderate level of acceptability and feasibility is in fact the rationale behind the theory of Cyert and March (1963) on limited rationality.

Although this theory was very fruitful from a pragmatic point of view, it might be challenged from a theoretical point of view by asking: is it completely impossible to develop a supportive decision-making system that allows for the generation of highly acceptable as well as highly feasible decisions?

Dysfunctions of participative systems

The main function of participative systems is

the promotion of employee interests through their active involvement in organizational decision-making processes and better skill utilization; the former should increase acceptability and the latter the feasibility of decisions.

In reality the majority of participative schemes are quite inefficient and far removed from the goals they should achieve. From the IDE group I (1981) and IDE group II (1993) studies conducted in twelve European countries we know that the level of participation of employees is relatively low and that their influence through participation is also low. In Yugoslavia, where self-management existed for almost four decades, the influence of employees was highest, but it did not exceed the little (2) and moderate (3) level (2.44) on a 5-point scale. In Germany, where work councils were set up soon after the Second World War, employees' influence on decision-making is also between little and moderate (2.69). We should add to this that employees' aspirations for greater involvement in decision-making in the studied countries were also rather weak.

The steadily increasing professionalisation of manpower and more demanding work, urgently require more efficient and more effective participative systems, as there is no alternative for the efficient mobilisation of employees' knowledge, and for the promotion of their interests. More functional systems of participative democracy should be developed in the future if we wish to increase the feasibility and acceptability of decision-making.

In connection with this, many questions must be answered. The following three seem to be most relevant:

- Why have the levels of participation, influence and aspiration to participate remained so low in recent decades?
- What content, level and kind of participation will contribute to an increase in acceptability of decisions?
- And finally: what kind of participative system could contribute, not only to heighten the acceptability of decisions but also to increase their feasibility?

Although the final question is the most pragmatic, there are no grounds on which we might be able to answer it. To date, almost all questions that have been investigated relate to the question of how to increase the acceptability of a decision, while feasibility studies of participative systems are missing.

As we know, there are numerous critical analyses of participative systems. The most extensive focused on the Yugoslav system of self-management. I would like to stress several relatively new and perhaps more comprehensive criteria for building such a participative system.

One such criterion is to adapt a participative system to the 'categorical structure' (Scott et al., 1992). Scott argues that to date too much attention has been devoted to process analyses of decision-making, and not enough to the analysis of decision content. It is true that processes are usually more universal and more constant, and that the content of decisions is more transitory and more specific. However, as categorical structures are more specific, they might create participative systems which are more responsive to specific contingencies. The second advantage of this approach lies in the supposition that forms and processes of participation are affected by the decision content or task.

There are many empirical and theoretical studies supporting the assumptions mentioned above. We know, for instance, that long-term strategic decisions are more risky, more burdened by power games, and that they are usually found at higher management levels (Mintzberg et al., 1976). We further know that product related decisions are mainly taken at lower levels, and that so-called programmed decisions are more frequently found in the middle levels of organizations. We also know that the majority principle can only be used in re/distributive decisions, and that application of the majority principle in decisions involving professional issues might cause disasters within the organization (Rus, 1992a).

A second comprehensive criterion for the design of participative systems is related to the aspirations of employees. The empirical results of the IDE group I study (1981) refering to the Yugoslav system of self-management are of particular interest: workers' aspirations were

much more functional and feasible than the existing institutional system of participation. Employees preferred greater participation at the micro level of their daily work, and less participation at the level of the entire enterprise, where strategic decisions predominate. They also expressed stronger interest in consultative involvement in decision-making than in taking part in final decisions.

A more functional and, as far as employees' aspirations are concerned, more responsive system, should also be able to satisfy the third principle, which could be named the principle of 'procedural justice' (Lind et al., 1993). Lind and his colleagues found empirical evidence for procedural justice: a person involved in court proceedings will accept the decisions of a court in a case where the procedure has been correct more easily than in a case where the outcome has simply been favourable to him or her. Since the Yugoslav system of self-management was utopian, formal procedures were transformed into rituals while many of the most important decisions were made without paying attention to formal procedures. The consequence was not only disorganization, but also delegitimisation of the participative system.

Organizational structure as a supportive environment

Although a functional participative system might have the function of a 'global system linking' entity (Magjuka, 1989), the whole organizational structure cannot reduce its own function to solely becoming a support for a participative sub-system. Of equal or even greater importance is its protective role vis à vis the task environment. Because of environmental pressures, organizations are obliged to develop new and different internal structures. Public services are usually structured as machine bureaucracies (Langley, 1989), human services as professional bureaucracies and artistic associations as adhocracies. Each of these structures is, in its own way, adapted to meet the stress emanating from their environments in the most efficient way.

From the point of view of participative sub-systems, the aforementioned organizational structures have widely differing implications. It is evident that the machine bureaucracy offers less support to participative sub-systems than the professional bureaucracy, and that the adhocracy might have ambiguous effects on the participative system. If the adhocracy increases the discretionary power of management, it would inhibit the development of participation due to the excessive internal uncertainty, while when management is powerless, an attempt to delegate most decision-making responsibilities to various organizational groups will probably be made.

In connection with the three organizational structures above, we might develop another set of hypotheses which are more directly related to the acceptability and feasibility of decisions. We could suppose that the machine bureaucracy facilitates higher feasibility and lower acceptability of decisions, since it implies a relatively high system integration and relatively low social integration. However the professional bureaucracy implies a high level of social integration and a lower level of system integration, and therefore provides a better support for the acceptability than for the feasibility of decisions.

More complex and more realistic hypotheses on the supportive function of organizational structures should also take management style into account. However, such complexity cannot be developed in this chapter, so the discussion of the supportive function of the organizational structure will simply be restricted to the following two dimensions:

1. the solidarity-generating division of labour, which, according to Durkheim (1947), should have a crucially supportive effect on the acceptability of decisions.
2. the environmental uncertainty reducing function which should facilitate a higher level of feasibility of decisions (Thompson, 1967).

According to earlier interpretations of Durkheim's theory of division of labour, solidarity is a direct consequence of the division of labour. It this were true, the level of acceptability of

decisions would be a function of the division of labour: the higher the division of labour is, the higher the acceptability of decisions. This mechanically conditioned solidarity has one restriction: according to Durkheim, it is valid only for the normal form of division of labour, i.e. non-oppressive, non-anomic and based on external equality.

Later interpretations of Durkheim have denied a causal relationship between the division of labour and solidarity. According to these interpretations, solidarity is not the automatic outcome of division of labour, since it is also conditioned by several external, cultural contingencies (Alexander, 1986). Schulman (1989) went one step further in demonstrating that in organizations with a highly developed division of labour and tightly linked relations, intensive tensions instead of solidarity prevailed. It seems that in such organizations a high level of system integration prevents a high level of social integration. In such relations, logically self-defeating behaviour prevails both in relation to the organization and in relation to the self-interests of individual participants.

The frequent coinciding of high system integration and low social integration suggests that solidarity is in fact a cultural artefact introduced into the organization from outside and exercised through sacred, religious or cultural commitment (Starkey, 1992).

On logical grounds we cannot accept this metaphysical origin of solidarity. However, it may still be possible to accept that, under certain conditions, a higher division of labour creates a greater propensity towards solidarity (Berkowitz, 1963), a greater need for social integration, and consequently a greater acceptability of decisions.

If a higher level of social integration can neither be developed through division of labour nor be introduced from outside, the differing goals of various interest groups in the organization make the creation of social consensus or a satisfying level of acceptability of decisions impossible. In critical or exceptional situations employees might of course develop a temporarily higher level of social integration through devotion to certain non-instrumental and non-business values. However, taking into account the fact that work organizations are primarily instrumental and not expressive organizations, non-profane, sacred values expressed as missions and exercised through rituals, will remain an exception rather than a rule within this type of organization.

Instead of a sacred value, common interests alone might be a reliable basis for social integration and a reliable source of acceptability of decisions. Such a common interest of all organizational groups is not solidarity but the protection of the organization (Thompson, 1967). This is the main, if not the only inherent value of any organization.

The more modern societies are complex and dynamic, the more they generate uncertainties, and the greater is the need for people protecting the organization. Organisations that are not effective in absorbing environmental risk, cannot facilitate acceptable decisions, since they do not ensure a 'basic consensus' among members of the organization, i.e. a sufficient level of protection from environmental stress.

Privatization in Slovenia: a case of intransigent group-think

At the end of the third section we formulated the question: is it possible to establish a supportive decision-making system which would facilitate the generation of highly acceptable and at the same time highly feasible decisions?

The Marxist answer to this question was radical and simple: yes, by abolishing private ownership we might eliminate social conflicts and create a consensual community of workers. Thus, problems related to the acceptability of decisions are not only solved but entirely eliminated from decision-making systems. Therefore we do not need grievance procedures, bargaining mechanisms, or other instruments of conflict resolution. What we need is simply a non-conflict participative system that will ensure a high feasibility of decisions through the cooperation and coordination of various functional and professional views.

Of course, if such a theory were not utopian, it would represent an extraordinary rationalization of decision-making, since all decision-

making processes would simply be reduced to attaining feasibility. We know that, in reality, the outcome was quite different and that non-conflict systems of participation became systems of forced participation, in which unsolved problems of acceptability blocked the feasibility of decision-making. Yet despite these dysfunctions of the Marxist 'solution', there is still a rationale behind it which might be relevant for the future: we ought to try to externalise as much social conflict as possible from the decision-making system, and to reduce problems related to decision-making to issues of feasibility whenever possible.

Privatization in Slovenia has apparently been managed with the intention of externalising social and political issues. At the level of formal statements, such an orientation in fact predominates. The dominant political slogan was: we are responsible for finding a form and methods of privatisation which will be economically effective, while at the same time we cannot be concerned with the social justice of privatization. Although social scientists strongly oppose such a strategy, stressing that privatization as a system of redistribution of wealth and power should be handled primarily from the point of view of social justice if we wish to create a legitimate post-socialist order (Rus, 1922b, 1994), these aspects have been systematically ignored.

When regarding feasibility as the dominant strategic goal, one would expect promotion of managerial capitalism based on the corporatist type of ownership as the only feasible alternative during the period of transition. Such a strategy of privatization, however, did not appear, and was not supported by any party. Instead of such a strategy, which should promote separating ownership from management, ownership itself became a strategic variable (Gedajlowitz, 1993)! After this reorientation, there was no longer room for analytical discussions about acceptability and feasibility of the forms and methods of privatization.

When privatization loses the function of providing certain acceptable and feasible socio-economic goals and becomes a strategic goal in itself, two completely intransigent strategies are formulated:

1. The strategy of the old political elite, attempting to establish domination of internal active owners (employees and managers), and
2. The strategy of the new political elite, attempting to establish the domination of passive external owners (state and citizens as shareholders).

The intransigence of these two opposing strategies, both highly acceptable for the in-groups and totally unacceptable for the opposing groups, has generated totally unfeasible solutions, and produced a year-long deadlock causing enormous political, economic and social damage.

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Appendix

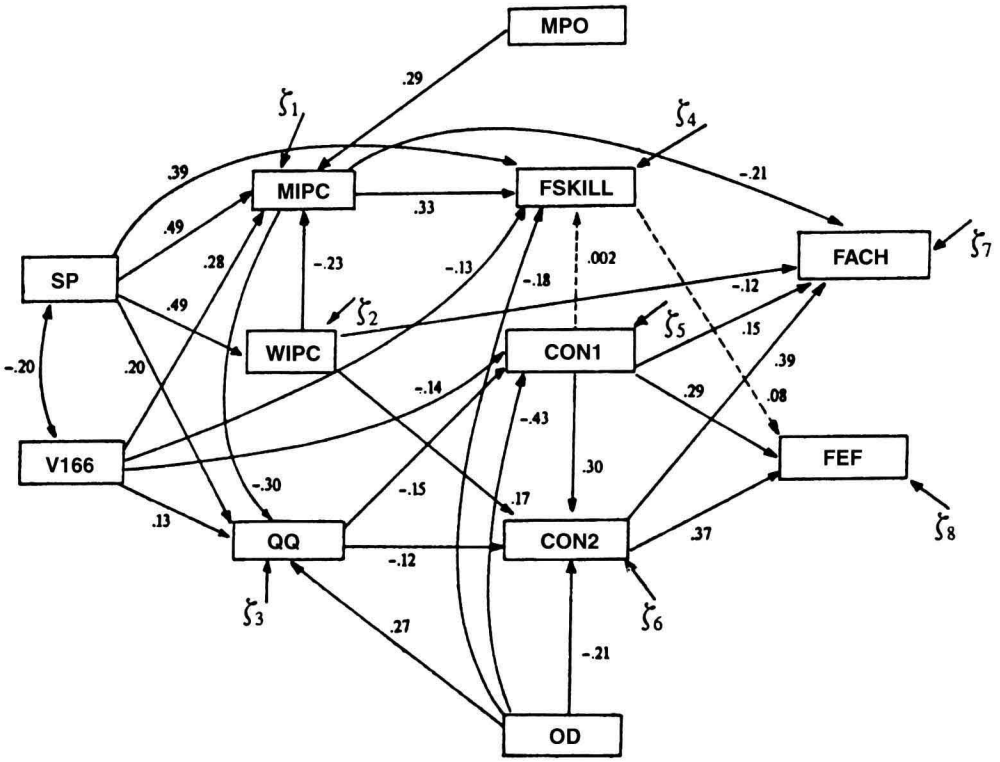

Fig. 1. LISREL model of decision-making process

Test of goodness of fit
X^2 (32) = 25.4
p = .79

Unexplained variance:
VAR (ζ_1) = .74
VAR (ζ_2) = .76
VAR (ζ_3) = .85
VAR (ζ_4) = .63
VAR (ζ_5) = .74
VAR (ζ_6) = .75
VAR (ζ_7) = .73
VAR (ζ_8) = .68

Legend:

SP	Status power of all organizational groups except top mgmt
V 166	Status Power of top mgmt
MIPC	Influence Power Continuum of top mgmt and staff
WIPC	Influence Power Continuum of workers and foremen
QQ	Influence Power Continuum of representative bodies
F SKILL	Skill Utilization of all organizational groups
CON 1	Clearness of goals and Trust among participants in dec. mak.
CON 2	Quality of decision (acceptability and feasibility)
OD	Conflict
FACH	Effectiveness (goal achievement) = V 16
FEF	Efficiency (input-output relation) = V 12
MPO	'Meta-Power' (external interventions)