

13. Decision-making and organizational culture

Abstract

This paper is an attempt to merge models of organizational culture and organizational decision-making. The culture is described as either transactional, transformational, both or neither. The organizational decision-making links in both forward and backward order, the phases of scanning, diagnosis, search/invention, evaluation/choice, authorization and implementation. The linkages and phases are expected to systematically vary with the five types of transformational/transactional organizations: garbage can, virtual family, bureaucracy, high contrast and coasting.

A model of organizational decision-making

Decision-making within organizations is a function of the culture of the organizations. For Schein (1985) culture manages management more than management manages culture and much evidence can be assembled to support this contention (Bass, 1990, pp. 592–594). Thus, decision-making is systematically different in 'clan' and 'market' organizational cultures (Kerr and Slocum, 1987) and between cooperatives and publicly or privately owned businesses (Chitayat and Venezia, 1984).

Rationality dictates an orderly, forward-moving, causal means-to-ends in organizational decision-making. Organizational decision-makers are expected to be alerted to problems requiring solutions which would move them to make decisions. The decision-makers

are responsible for scanning the external and internal environments of their organization for such problems. As a problem becomes apparent, it is brought into clearer focus. If it is judged of sufficient importance, a diagnosis of probable causes of the problem is made. Next follows a search for solutions. One of the alternative solutions is chosen by preliminary evaluation of alternative choices. Then, implementation of the selected choice is sought from higher authority and commitment is sought from those who must execute the decision.

Observations and experiments suggest that this linear process of organizational decision-making fails to fit descriptions of how organizational decisions are actually made. (MacCrimmon, 1974). A non-linear process is involved. A model of the non-linear process, shown in Figure 1, was proposed by Bass (1983).

As can be seen, the decision process may begin at any phase. For instance, the decision process may begin with a favored solution needing justification. Scanning, diagnosis and search may be skipped.

The process may move backward or forward from one phase to the next. Missing information in the diagnosis may call for more scanning. Again, phases may be skipped. There may be a rush from detection of the problem to a search for solutions. Feedback from an advanced phase in the decision-making process can stimulate an earlier phase. A design failure may cause a return to revisiting available alternatives. When a group is involved in the decision process, the absence or presence of a member may substantially alter whether there will be progress or retrogression in the process.

The quality of record keeping and the importance attached to the records and the time between phases will determine how much backward-looking consideration will occur. Authorization and implementation will depend on how much higher authority and subordinates have been involved early in the decision process. The logical forward-stepping is shown in Figure 1 as arrows a, b, c, d, and e. For a more realistic picture of how decisions are really made, we must add arrows a', b', c', d', d'',

d'', e, and f, movements backward from later phases to earlier ones.

For example, linkage a' signifies that problem discovery and diagnosis call for more detailed scanning information. More scanning is required. Decision-makers remain unsatisfied with the explanations for the problem. They open the scanning lens wider to gather additional experiences. They change the focus from one figure to another and may change what is figure and what is ground. Linkage b' describes that searching and innovative ideas produce a redefinition of the problem. Assumptions about the problem are questioned. Figure and ground are switched.

The c' backward linkage is most common to the process of organizational decision-making. Evaluations and choice of solution are made prematurely. There is a foreclosure on what information will be sought. Information to be sought will be to justify the solution rather than to choose one solution from an array of alternatives. (Alexander, 1979). One favorite solution is chosen early on, then a search is made for information to justify that choice. Decision-makers become convinced quickly that they have the right answer to a problem and close the doors on further search or innovation. They often close the door on gaining commitment and involvement in the new plan by not involving the appropriate people in the decision-making process.

As shown in Figure 1, with feedback loop e', choice and evaluation may affect the diagnosis of what needs to be done.

Rejected authorization or failure in implementation forces one 'back to the drawing boards' (or to the computer-assisted design programs) (d'), to redefining the problem (d'') or to further search for solutions (d'''). For example, higher authority remains unconvinced about the chosen solution. Or, employees resist the changes required if the solution is to be implemented. These outcomes force the decision-maker to reconsider other alternatives, to review the diagnosis, and/or even to look for other problem conditions. A tremendous amount of energy and time may go into these recycling processes that may or may not have added value. Through proper diagnosis, many

of these steps in the process could have been dealt with in parallel at the outset, thus reducing the cycle time for decision-making.

I expect effective organizational decisions to be characterized by stronger forward linkages (a, b, c, d) with bursts of accompanying backward linkages (such as c', b', and a') and some stronger backward linkages (particularly d'' and f). I expect ineffective organizational decisions to reveal many weak and missing linkages and erratic movements back-and-forth.

Orderly forward staging of the process is the rule in rational problem solving. A phase such as diagnosis must be completed before moving on to the search for solutions (Maier, 1963). Such idealized problem-solving can be conceived in the model as maintaining strong, direct, forward linkages from problem to search to evaluation (a to b to c).

The process will be substantially different if the purpose is long-term such as to develop a new vision than if it is to solve a short-term problem. In the former, there will be greater effort placed on scanning, diagnosis, search and innovation. On the other hand, the short-term problem will involve, for example, a more abbreviated search.

Cross-cultural differences are apparent. The French are likely to be more comfortable with rational problem solving; the Japanese will feel freer to work simultaneously at several phases in the decision process. Mexicans are likely to put more effort into the planning stage and less into the execution and implementation of the plans; North Americans will be more prone to rush to favorite solutions and implementation of them.

Romantic, mystical, political, rationalizing organizations maintain strong backward linkages from evaluation to search to problem (c' to b' to a'). Company image may be more important than logical reasons for a decision (Stagner, 1965). Demagogues present a plan for salvation, then move back (e') to invented causes.

Linkages are skipped for emotional reasons. For example, scanning generates sympathy for a distressing state of affairs. Hasty short-term emergency aid is provided which skips diagnosis and search to generate long-term solutions.

There is premature closure about options (Alexander, 1979).

Not shown in the model are other events and developments which further impede the assumed orderliness of the organizational decision process: interruptions (a key diagnostician is called away for an emergency), scheduling delays (meetings are canceled), timing delays (the data being gathered takes longer than expected to obtain), speedups (higher authorities with greater amounts of discretionary power are brought into the decision process), compressions (the required decision is needed in 24 hours instead of 24 days) and failures (promised help does not materialize) (Mintzberg, Raisinghani and Thoret, 1976).

In sum, organizational decision-making does not ordinarily occur in the neat rational linear order. It is erratic, cyclical, and political. It may reverse its process and skip phases. Decision-makers need to be able to move backwards as well as forwards in the process. At times, failure to pay attention to backward linkages can be disastrous. The Saturday Evening Post pursued the logical progression in decision-making when its profitability declined. To increase revenue, it chose to increase its subscriber list through promotional campaigns for economy of scale and to reduce costs per unit published. The Post was bankrupted. Its decision-makers failed to go back to fully diagnose its most important sources of profit and cost. Profit accrued as a consequence of its advertising revenues; costs, not profit, increased with increases in its list of subscribers.

The phases and cause-effect linkages between the phases of the model are likely to be observed. However, they will differ in amounts of time and resources dedicated to them. Different individuals and groups will attach different importance to the phases and linkages. Effective decision processes will devote amounts of time to each phase of the decision process consistent with the realistic needs of the problem involved. Decisions will be ineffective when some phases are given too much time and others too little. For example, to satisfy the whims of a senior executive, decision-makers will devote too much time to justify a favorite solution to a problem instead of spending the

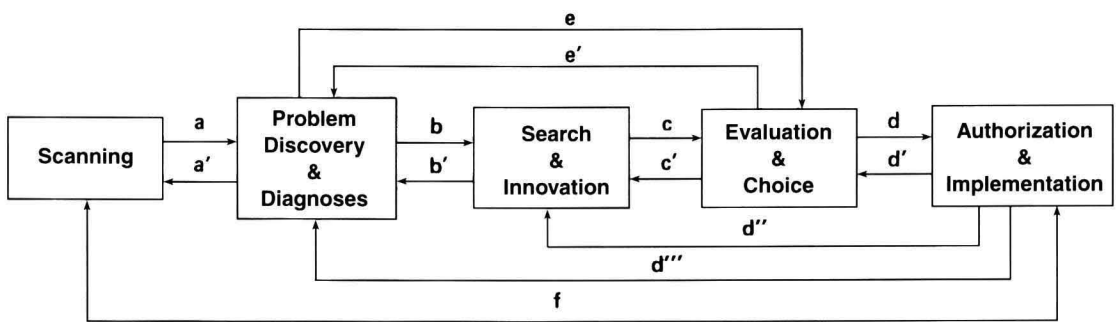
time searching for better alternatives. They will skip from diagnoses directly to justification of the favorite solution.

A model of organizational culture

The Organization Description Questionnaire (Bass and Avolio, 1991) consists of 24 statements to be judged true or false by members about their organization. Two factors emerged in analyses, transactional and transformational. In the transactional organization, explicit and implicit contractual relationships predominate. Job assignments and conditions, disciplinary codes and benefits are explicitly spelled out. Implicit individual incentives are provided. All have a price for their motivation to work. Commitments are short term. Self-interests are stressed. Individuals are rewarded contingent on their performance. Management-by-exception is actively practiced. Members work as independently as possible. Cooperation depends on power or negotiations. Decisions are based mainly on precedents. Everybody bargains with everybody else for resources. Bypassing channels is not permitted. There is little identification of the members with the organization or its mission. Managers are mainly negotiators and resource allocators.

The transformational statements described the organization as a learning organization and as one in which members shared transcendental goals. In the organization with high scores, members have great feeling of belonging. Commitments are long term. Leaders and members share mutual interests and a sense of shared fates. They are interdependent. The inclusion of assumptions, norms and values which are transformationally based does not preclude individuals pursuing their own goals and rewards. Both can occur at the same time when there is alignment with a central purpose and the coordination required to achieve it. Without such alignment, much conflict is likely.

There is strong identification with the organization firms and its goals. Members are proud to belong. They go beyond their self-interests for the good of the organization. Members have mentors, coaches, and role



Causal Linkages

- a. Scanning detects a possible opportunity, threat, variance or disturbance.
- a'. Diagnosis calls for more detailed information.
- b. Discovery and diagnosis determines the direction and location of search.
- b'. Search and innovation produce redefinitions of the problem, changes in level of aspiration, and displacement of the ideal.
- c. Search and innovation provide what is to be evaluated and chosen.
- c'. Evaluations and choices foreclose on what will be sought. Search is conducted to justify what has already been chosen as a solution.
- d. Evaluation and choice must be authorized before being implemented.
- d'. Rejected authorization or failed implementation forces reevaluation; (d') redesign or (d'') redefinition.
- e. Problem diagnosis determines the evaluation and choice. Search is eliminated. The solutions to the problem are given by the diagnosis.
- e'. The evaluation and choice result in modifying the diagnosis. What we want to do leads to our articulating that we have problems.
- f. Implementations experience changes scanning focus.

Fig. 1. A model of organizational decision-making (from Bass, 1983)

models. There is much discussion in the organization about purposes, vision, and the meeting of challenges. Members go out of their way for the good of the organization. Mistakes are treated as learning opportunities. A strong feeling of belonging is encouraged.

The resulting organizational cultures can be typed according to how much they are transformational or transactional. Five types are singled out for discussion: garbage can, virtual family, bureaucracy, high contrast, and coasting. We are likely to see systematic differences among the five types in their patterns of organizational decision-making.

The *garbage can* culture (Cohen, March and Olsen, 1972) is one which lacks both transformational and transactional leadership. The garbage can is rare among the five types in utilitarian organizations, but is seen more frequently in collegial organizations. In the gar-

bage can organizational culture, preferences are ill-defined, inconsistent, unclear, uncertain, or problematic. It is an organizational anarchy. Learning is only from trial-and-error. Precedents are accidental. Participation in the decision process is capricious; the mix of decision makers changes unsystematically and accidentally. As a consequence, with reference to the model of organization decision-making, scanning is intermittent. Diagnosis and solutions depend on who shows up for a decision-making meeting. Discussion is likely to skip around with little closure on any phase of the process. Linkages among phases of decision-making are particularly weak. I speculate that of the five types of organizations, the garbage can is most prone to interruptions, delays and failures.

The *virtual family* organization is high in transformational scores but low in transactional leadership scores. Everyone is likely to be

constantly talking about purposes, vision, values, fulfillment, without emphasizing the need for formal agreements and controls. The lack of transactional specifications, without a lot of experience, makes it difficult to be certain about what people will do. Much depends on trust. Trust is internalized rather than dependent on formal agreements.

Expressiveness is likely to be high. The organization's structure is loose, decentralized and flat. It is flexible, adaptive, dynamic, and informal. Stressed is the potential of the organization and members to grow and improve. Creativity is high. Outsiders may have a problem knowing what to expect.

As for its organizational decision-making, the virtual family culture is likely to engage in wide and narrow scanning. These will result in strong forward linkages to intensive diagnosis and wide search for alternatives. Premature closure will be avoided as there will be a willingness to step backward as necessary. With strong mutual trust and empowerment, there is a willingness to move back-and-forth among the phases of the decision process. The members tend to be confident that authorization and implementation will be achieved because of early commitments. Nevertheless, the virtual family organization is one which must wrestle with too much innovation and change. Its decision process may suffer from lack of formal coordination, considerations of cost controls, implicit but ambiguous agreements and unwritten, unclear, rules and precedents. I expect that speedups and compressions of the decision process will be most common in comparison to the other four types of cultures.

The *bureaucracy* is high in transactional but low in transformational leadership. Almost everything is regulated by rules and/or negotiations. It is hierarchical and mechanistic. The bureaucracy as defined by its transactional leadership is likely to lack concern for the individual and for new ideas. Self-interest is more important than the interest of the group. Short-term goals prevail. There is much emphasis on the use of controls, directions and standard operating procedures. The bureaucracy is an internal marketplace in which much is negotiated according to the 'rules of the game.' The organ-

ization has a stable, centralized, tight, and tall structure with a top-down chain of command. Members have little discretion and are monitored and controlled.

In the bureaucratic type of organization, I expect that much of organizational decision-making would be 'lawyerly'. Precedents and rulebooks would be emphasized. Looking further in terms of our model of organizational decision-making, we should see specialization of assignments. For instance, the sectors to be scanned would be defined and allocated. Schedules of movement from one phase to another would be arranged. Unforeseen voluntary backward linkages would be discouraged. Commitment and authorization would require moving through different layers of the organizational hierarchy, making commitment of lower levels (overcoming resistance) and authorization by higher levels, a slower and more difficult process. More focus on justification in the context of rules and precedents would be needed at every step. Of the five types of organizational cultures, I would hypothesize that the bureaucracy would have the least interruptions, scheduling delays, speedups and compressions.

The *high-contrast* culture contains a lot of both transformational and transactional leadership. The effective military organization is illustrative. In the high contrast organization, a great deal of both management and leadership activity occur. There are often questions about the best ways to proceed. There are likely to be conflicts over the rules and the old ways of doing things, but much of it is constructive. Maintaining a balance between the strong transformational and the strong transactional aspects of the organization requires trust in the individual and organization, especially when trade-offs are required between short-term gains of the individual member and the long-term gains of the organization.

In terms of the model of organizational decision-making, we are likely to see heavy investment in each of the phases from scanning to authorization with demands for progress. Backward movement is a source of conflict with much questioning about whether it is necessary. I would expect to see a lot of speedups

and compressions in the high contrast organization.

As shown in Figure 2, the organizational type of culture which lies inbetween these four extremes of culture – garbage can, virtual family, bureaucracy, and high contrast – is seen to be moderate in both transactional and transformational leadership. It is a *coasting* organization. It is the most commonly observed by members among the five types. The coasting organization is characterized as neither extremely transformational nor extremely transactional. Managerial and leadership activity tends to be moderate. The organization moves along leisurely, not as well as it might with its resources. If it is possible to do so, the status quo will be maintained. It has no ‘stretch’ goals.

Its organizational decision-making is likely to be more erratic and leisurely. It may find itself recycling through all or parts of old deci-

sion processes. These may be simultaneously efforts to activate linkages a and a’ or b and b’ or c and c’, etc. Authorization and implementation may be particularly difficult.

Summary and conclusions

Organizational decision processes will be systematically different in the five types of organizations proposed. Thus, in the garbage can organization, scanning will be intermittent, decision phases will be weak among the linkages. In the virtual family organization, scanning will be wide and narrow with strong forward linkages. The bureaucracy would assign specialists to scan and unforeseen linkages would be discouraged. The high contrast organization would invest heavily in scanning and the phases to be linked. The coasting

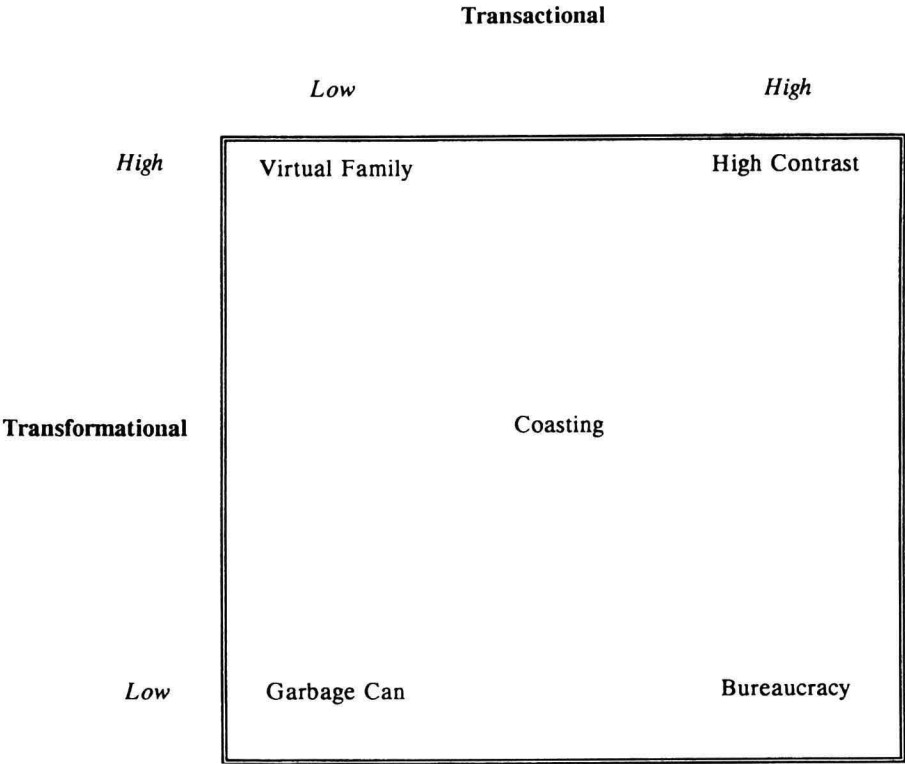


Fig. 2. Organizational culture types

organization's scanning would be more haphazard and its movement through the phases more leisurely and erratic. Interruptions and delays would be readily tolerated; speedups and compressions unlikely.

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