

UNIT 9 VIEWS OF HERBERT A. SIMON ON DECISION-MAKING IN AN ORGANISATION

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9.0 LEARNING OUTCOME

After reading this unit, you will be able to:

- describe the views of Simon on classical theory;
- explain the decision making and execution of decisions;

- enumerate the values and facts in decision making;
- discuss bounded rationality;
- describe models of decision making behaviour;
- explain models on organisational influence;
- discuss Simon's views on use of computer in decision making;
- and
- evaluate Simon's ideas on administrative Theory.

9.1 INTRODUCTION

Behaviour studies are studies of human behaviour through interdisciplinary approach drawing knowledge from various social science disciplines. The objective of the behavioural approach is to understand human behaviour in the organisation. After the second world war the behavioural approach to public administration emerged as a protest against the inadequacy and unscientific nature of traditional approaches. In the field of administrative behaviour, the major studies have been on bureaucracy, human relations, motivation and decision-making. Herbert A. Simon's contribution has been particularly significant in the field of decision-making.

Simon started his career in Municipal Government; his greatest contribution to Public Administration is his insight into how individuals make decisions in bureaucratic organisations. According to some scholars Max Weber discussed the anatomy of organisations, whereas, Herbert A. Simon discussed its physiology. Some of his important contributions are: Administrative Behaviour (1947), Fundamental Research in Administration (1953), Organisation (1958), and Human Problem Solving (1972).

In recognition of his outstanding contribution in analysing the decision-making process, he was awarded the Nobel Prize in 1978. He was influenced by Mary Parker Follet's ideas on group dynamics in organisation, Elton Mayo's human relations approach. The greatest influence on Simon is Barnard's work on Functions of the Executive.

In this unit, we will discuss about Simon's views on classical theory; decision-making and execution of decision; bounded rationality; models of decision-making behaviour; organisational influence; and use of computers in decision making. This views of Herbert Simon have been adapted from his original book **ADMINISTRATIVE BEHAVIOUR – A Study of Decision-Making Processes in Administrative Organisation.**

9.2 SIMON'S VIEWS ON CLASSICAL THEORY

Herbert Simon calls the principles of administration as proverbs occurring in mutually contradictory pairs. If there is a proverb "Look before you leap", there is another contrary proverb – "He who hesitates is lost". Simon was the who is first to argue that "most of the propositions that make up the body of administration theory today share this defect of proverbs. For almost every principle one can find an equally plausible and acceptable contradictory principle. Although the two principles of the pair will lead to exactly opposite organisational recommendations, there is nothing in the theory to indicate which the proper one to apply is". For example principle of span of control means a superior can control effectively only a limited number of subordinates, if it exceeds the number it will lead to ineffectiveness. The classical scholars are of opinion that a narrow

span of control contributes to a tall hierarchical organisation which comes into conflict with the principles of minimum number of supervisory levels, implying a flat hierarchy. Another principle, the unity of command implies that in an organisation the employee should receive orders from only one superior but it contradicts another principle, that is, the principle of specialisation. The present organisations are highly complex and due to the reasons of specialisation the specialist would receive orders from technical as well as general supervisors.

Simon says that these principles are not scientifically valid and do not have universal relevance. In his opinion, they are little more than “criteria for describing and diagnosing administrative situations. He also finds no compatibility between the perfection of administrative processes as conceived in the POSDCORD formula, and their utility in the attainment of objectives. Through his attacks, Simon points to the yawning gulf, between the principles and practice.

Administration is defined as the art of getting things done. Here emphasis is placed upon processes and methods for ensuring clear-cut action. In this context, principles are set forth for securing concerted action from groups of men. Simon, is of the opinion that not much attention was hither to paid to the choice which prefaces all action -- to determining of what is to be done, rather than to the ‘actual doing’. The decision aspect did not receive proper attention. According to Simon without a deeper understanding of this dimension, which is related to the behaviour of man in the organisation, the study of administration would remain largely inadequate.

Simon asserts that we all know that every administrative activity involves both “deciding” (decision) and “doing” (action), it has not commonly been recognised that a theory of administration should be concerned with the processes of decision as well as with the processes of action. This process is known as decision-making process.

Simon feels that the neglect of this process perhaps stems from the notion that decision-making is confined to the formulations of overall policy. On the contrary, the process of decision does not come to an end when the general purpose of an organisation has been determined. The task of “deciding” pervades the entire administrative organisation quite as much as does the task of “doing” – indeed, it is integrally tied up with the latter. A general theory of administration must include principles of organisation that will ensure correct decision-making, just as it must include principles that will insure effective action. The reason for such an ambiguity, according to Simon, is the ‘inadequate’ diagnosis of the situation and definitions of terms and lack of detailed research into real situations.

Any theoretical construct, should possess a frame of reference, with universal validity. It is this methodological approach that led to the growth of the study of administrative behaviour with a focus on authority and decision-making. According to Simon, unlike the principles, which have a contextual relevance, the decision-making, is a universal process and hence can form the base for wider organisational analysis.

9.3 EXECUTION OF DECISIONS AND THE ROLE OF INFLUENCE

In any organisation there are three types of employees. The top level is considered important as they are entrusted with the crucial functions of decision-making. Below the top level and above the lowest level there are supervising staff that affect the organisation work. The supervisory staff/the non-operative staff of an administrative organisation participate in the accomplishment of the objectives of that organisation to the extent that they influence the decisions of the operatives – the persons at the lowest level of the administrative hierarchy. The latter carry out the actual physical tasks of the organisation.

For example, in any war, it is the soldiers who have direct contact with the enemy soldiers, and actually fight in the battlefield. They may take many decisions at their own level. But the overall strategy formed by the Generals, who are not actually involved in the battle, would determine the outcome of the battle. Even in an automobile industry, the automobile is built not by an engineer or the executive, but by the mechanic on the assembly line. In the same way the fire is extinguished not by the Fire Chief, but by the team of firemen who play a hose on the blaze.

It is equally clear that in an organisation the persons above this lowest or operative level in administrative hierarchy have very important role to play in the accomplishment of the organisational goals. As far as physical effect is concerned, it is the soldier, not the General or it is fireman, not the Captain or it is mechanic not the engineer, who is actually involved in fighting the battle, or assembling the automobile, or playing the hose in the blaze. But we all know that it is the General or Engineer or Fire Chief who plays very important role as he/she is

entrusted with the crucial function of decision-making and in realising the organisation goals.

How then, do the administrative and supervisory staff of an organisation affect that organisation's work? The non-operative staff of an administrative organisation participate in the accomplishment of the objectives of that organisation to the extent that they influence the decision of the operatives – the persons at the lowest level of the administrative hierarchy.

In a very small organisation the influence of supervisory staff upon the operative staff is direct, but in units of larger size they are interposed between the top executives and the operative employees. Several levels of middle level supervisors who are themselves subject to influences from above, and who transmit, elaborate, and modify these influences before they reach the operatives.

The supervisory staff at the middle level influences the operative group toward a pattern of coordinated and effective behaviour.

The term “influencing” rather than “directing” is used here, for direction – that is, the use of administrative authority – is only one of several ways in which the administrative staff may affect the decisions of the operative staff; and, consequently, the construction of an administrative organisation involves more than a mere assignment of functions and allocation of authority.

According to Simon, in the study of organisation, the operative employee must be the focus of attention, for the success of the structure will be judged by his performance within it. Due to these

reasons he asserts “insight into the structure and function of an organisation can best be gained by analysing the manner in which the decisions and behaviour of such employees are influenced within and by the organisation.

9.4 CHOICE AND BEHAVIOUR

Human behaviour involves conscious or unconscious selection of particular actions out of all those that are physically possible to the person and to those persons over whom he exercises influence and authority.

The term ‘Selection’ i.e., selection of choice refers to preference of a course of action over other courses of action open to the decision-maker. In many cases the selection process consists simply of an established reflex action, i.e., the choice and the action are directly related. For example, a typist hits a particular key with a finger because a reflex has been established between a letter on a printed page and this particular key. Here the action is, in some sense at least, rational (i.e. – goal –oriented), yet no element of consciousness or deliberation is involved.

In other cases the selection is itself the product of a complex chain of activities called “planning” or “design” activities. For example, if we want to construct a bridge the engineer would decide on the basis of extensive analysis that a particular bridge should be of such and such a design. His design, further implemented by detailed plans for the structure, will lead to a whole chain of behaviours by the individuals constructing the bridge i.e. the rest of the activities will have to be tailored to the design.

Decision-making process involves three important phases as activities. They are discussed below.

Stages in the decision-making process

Simon explains that decision-making is a process of problem definition, of development alternatives, appraisal of alternatives and selection of solution. Thus, according to Simon, the following stages are involved in administrative decision-making:

Identification of Problem

This activity involves finding occasions to take decisions. For this the executive has to analyse and understand the organisational environment. He has to begin with the identification of the problem to be solved. Recognition of such a problem establishes the need for a decision. Problem determination involves intelligence activity.

Search for Alternatives

Once the problem to be solved has been recognised, the administrator begins the search for all various possible courses or strategies or alternatives and identifies the merits and advantages as well as problems involved in each of the alternatives, which would achieve the solution to the defined problem. This second step is called the design activity.

Evaluation of Alternatives

Once alternatives have been developed, the administrator begins the third step: critically evaluating the different consequences and costs of all the alternative courses available.

Selection of Solution

The last step in the decision-making process takes place when the strengths and weaknesses of all the alternatives have been ascertained. The final step is the selection of the most appropriate available alternative, which enables the attainment of objectives at lowest cost. This is called the choice activity.

The four steps in the decision-making process mentioned above require certain skills such as judgement, creativity, quantitative analysis and experience. Although a small fraction of time is spent in choosing between alternatives, a substantial chunk is spending on other related activities in the decision-making process.

9.5 VALUES AND FACT IN DECISION-MAKING

The effectiveness of a course of action depends upon the capacity of that decision to attain the goals that are set. The selection of a correct choice is related to the individual's preference. This deals with the question of 'values'. The effectiveness of a course of action depends upon the information available at a given point of time. This is related to 'facts'. Value is the expression of a preference. It can only be subjectively asserted as valid. Fact, on the other hand, is a statement of reality. It can be proved by observable means. Choice or decision involves both facts and values. They clarify the criteria in analysing the ethical and factual elements involved in a decision.

Every organisation has a purpose. The behaviour of individual in organisation is purposive or oriented toward the attainment of goals or objectives. This purposiveness of the organisation for the attainment of the goals brings about an integration in the pattern of behaviour, in the absence of which administration would be meaningless. If administration consists in “getting things done” by a group of people, purpose gives direction in determining what things are to be done and the things that should not be done.

In the process, even minute decisions that govern specific actions are inevitably instances of the application of broader decisions relative to purpose and to method. Simon gives the example of a man walking. He describes the process as follows:

The walker contracts his leg muscles in order to take a step; he takes a step in order to proceed towards his destination; he is going to the destination, a mail box, in order to mail a letter; he is sending a letter in order to transmit certain information to another person, and so forth. Each decision involves the selection of a goal, and behaviour relevant to it; this goal may in turn be intermediate to a somewhat more distant goal; and so on, until a relatively final aim is reached. In so far as decisions lead toward the selection of final goals, they will be called “value judgements”; so far as they involve the implementation of such goals they will be called “factual judgements”.

For instance, in the budgeting of a local body the council has to decide on what items the amount should be allocated. This depends on the priorities. The decisions whether to allocate more amount to roads or parks, education or health are inter-linked with the 'value judgements'. Once the priorities are decided, then the implementation mostly depends on 'factual judgements'. For instance, the length of the road, the connecting points, and the type of road, etc., are decisions related to factual judgements.

Value decisions and factual decisions do not exist. Values and facts are only the premises and components, which are intertwined. Problems do not come to us as value decisions or factual decisions.

9.6 THE HIERARCHY OF DECISIONS

It is difficult to think of organisation without hierarchy. Hierarchy means a graded organisation of several successive steps or levels. All organisations have purposes. In order to achieve that purpose, it divides its jobs into various functions or units and further sub-units until one reaches the base. The concept of purposiveness involves a notion of a hierarchy of decisions each step downward in the hierarchy consisting of implementation of the goals set forth in the step immediately above. Behaviour is purposive in so far as it is guided by general goals or objectives; it is rational in so far as it selects alternatives, which are conducive to the achievement of the previously selected goals.

It should not be inferred that this hierarchy or pyramid of goals is perfectly organised or integrated in any actual behaviour. A governmental agency, for instance, may be directed simultaneously

toward several distinct objectives i.e. the government agencies seeks to achieve many goals for example, a recreation department may seek to improve the health of children, to provide them with good uses for their leisure time, and to prevent juvenile delinquency, as well as to achieve similar goals for the adults in the community. It is the complexity that makes perfect integration extremely difficult. However, certain amount of integration will have to be achieved in reality, without which no purpose can be achieved. The above discussion, you would notice, unfolds two important dimensions of behavioural approach: (1) the policy-making and the implementation; (2) the involvement of facts and values in decision-making. It highlights that the decisions at the lower levels involve more of factual judgements. In the decision-making process, choosing of ends involves selection of an alternative based on value judgement and factual judgement in selection of means to achieve the end. Rationality in the decision-making process largely depends upon the correct choice of both the 'value judgement' and 'factual judgement'.

9.7 RATIONAL DECISION-MAKING

Simon's decision-making formula assumes that the rational administrator has perfect knowledge of the possible courses of action and their consequences and has equal access to the relevant information on all or any of them. But, this is rarely the case in the real world because administrators operate in the face of numerous limitations in decision-making activities. The various limitations, which stem from the decision-maker's deficiencies in knowledge about various things and the structural arrangement of the organisations, are as follows:

- The decision-maker rarely knows the full range of possible solutions to the defined problem.
- His knowledge of the consequences of each possible alternative strategy is limited.
- His information is inadequate.
- He lacks sufficient time to examine fully each possibility and its consequences.
- Lack of knowledge about the future events in which the decision will be operating.
- Decision-maker's habits, personal beliefs, and intellectual capacity.
- The influence, conventions, and behavioural norms of informal groups.
- Organisational factors such as the rules and procedures of formal organisation, its channels of communication, etc.
- External pressures.

Looking at the above, we note that in the simpler situations analysing the sequence is easier and, therefore, a better and rational decision is possible. In complex situations, which involve a large network of decisions in different phases, rationality in the decision-making is bound to suffer. But Simon emphasises that all decision-making should be based on rational choices. He defines rationality as one "concerned with the relation of a preferred behaviour alternative in terms of some system of values whereby the consequences of behaviour can be evaluated". This requires that the decision maker should have knowledge about all available alternatives. The decision maker should also be able to anticipate the consequences of each of the alternatives.

Simon explains that there are six different types of rationality viz., objective, subjective, conscious, deliberate, organisational and personal. Simon differentiates between these different types of rationality. A decision is:

- objectively rational where it is correct behaviour for maximising given values in a given situation;
- subjectively rational if the decision maximises attainment relative to knowledge of the subject;
- consciously rational where adjustment of means to ends is a conscious process;
- deliberately rational to the degree that the adjustment of means to ends has been deliberately sought;
- organisationally rational to the extent that it is aimed at the organisation's goals; and
- personally rational if the decision is directed to the individual's goals.

9.8 BOUNDED RATIONALITY

Simon recognises these limitations to the decision-making processes and disputes the concept of total rationality in administrative behaviour. He is of the opinion that human behaviour is neither totally rational nor totally non-rational. He, therefore, falls back on the concept of 'bounded rationality' to explain the way in which decisions are made in reality. Operating under conditions of 'bounded rationality' a practical decision-maker has not the wits to maximise on decisions of any significance. On the other hand, he

makes only satisficing (a word derived from the combination of ‘satisfy’ and ‘suffice’) decisions, that is, decisions do not maximise, and they only satisfy and suffice. In other words, the practical decision-maker looks for a satisfactory course of action in solving a problem rather than making an endless search for an ideal solution. He takes into account only those few factors of which he is aware, understands, and regards as relevant in making decisions.

According to Simon, the fundamental criterion guiding an administrator in all aspects of decision-making must be “efficiency”. In Public administration the efficiency criterion dictates the choice of that alternative which produces the largest result for the given application of resources. Simon finds the efficiency criterion applicable to low level decisions also. He thus concedes the significance of efficiency for the lower rungs of administration too.

9.8.1 Types of Decisions

Simon distinguishes between two types of decisions (i) programmed decisions and (ii) non-programmed decisions. These terms have been derived from computer literature.

- (i) *Programmed decisions* are standing decisions. A programme in computer literature is a plan for automatic solution. In organisation there are decisions, which are repetitive and routine in nature. A definite procedure can be worked out for handling them, as they may not be treated as new and, therefore, no adhoc decisions are called for. Programmed decisions are available to administrators as guides in solving those problems that recur frequently.

Programmed decisions are generally used for routine cases such as tenders and contracts, compensation policy and salary administration.

- (ii) *Non-Programmed decisions* when decisions are not repetitive, routine and cannot rely much on the past practices, established rules, regulations and procedures and which are inadequate to deal with the new kind of situations the organisation has to be obviously creative and innovative. Non-programmed decisions thus call for more ingenuity, consultation, and a degree of risk taking. They are new, unstructured and consequential. There is no cut-and-dried method for handling them. They require creativity and a greater amount of judgement in treating each independently. Basically these are special purpose decisions. Their life is short since they exist for a particular or single use. .

According to Simon there are different techniques for handling the programmed and non-programmed aspects of decision-making. To deal with programmed decisions the techniques adopted are habit, knowledge and skills, and informal channel. Whereas for non-programmed decisions the techniques adopted are selection and training of executives possessing higher skills, innovative ability etc. Simon is of opinion that the use of mathematical models, computer simulation and electronic data processing may prove to be revolutionary in making decisions rationally.

9.9 MODELS OF DECISION-MAKING BEHAVIOUR (ADMINISTRATIVE MAN)

There are many models of decision-making behaviour. These models attempt to determine the extent of rationality of the decision-makers. The models range from complete rationality to complete irrationality of the economic man and the social man respectively. Simon develops a more realistic model of administrative man who stands next to the economic man.

The behaviour of an individual in an administrative situation is conditioned by organisational factors such as the expected role of the position, obligations and duties, concern for public interest, and moral and ethical responsibilities. It is therefore, impractical for administrative man to maximise the choice. Economic man maximises – selects the best alternative from among all those available to him, where as the administrative man cannot perceive all possible alternatives nor can predict all possible consequences. Instead of attempting to arrive at ‘optimal solutions’, the administrative man is satisfied with ‘good enough’ or ‘somehow muddling through’. Examples of satisficing criteria, familiar enough to businessmen and unfamiliar to most economists, are “share of market”, “adequate profit” and “fair price”. Economic man deals with the “real world” in all its complexity. Again, as the administrative man recognises that the world he perceives is the simplified version of the real world, he makes his choices using a simple picture of the situation that takes into account just a few of the factors that he regards as most relevant and crucial. Thus the administrative man makes his choice without ‘examining all possible alternatives’, ‘with relatively simple rules-of-thumb that do not make impossible demands upon his capacity for thought’. Since Simon’s administrative man does not have the ability to maximise, he always ends up with satisficing solutions. However, the difference between

maximising and satisficing is relative. Under certain conditions satisficing approaches also maximise, whereas under other conditions satisficing and maximising are very far apart.

The construct of a model depicting the administrative man is followed by attempts at understanding the impediments and obstacles that come in the way of maximisation. According to Simon resistance to change, desire for status, or dysfunctional conflicts caused by specialisation, etc., may impede maximisation.

9.10 DECISION-MAKING IN THE ADMINISTRATIVE PROCESS

Administrative activity is a group activity. If a man can plan and execute his own work there is no need of developing any process. But as a task grows to the point where the efforts of several persons are required to accomplish it, this is no longer possible. It, therefore, becomes necessary to develop a process for the application of organised effort to the group task. The techniques, which facilitate this application, are the administrative processes.

Administrative process as you know is a decisional process. This process, according to Simon, involves three important steps. They are segregating certain elements in the decisions of members of the organisation, and *establishing regular organisational procedures to select and determine these elements and to communicate them to the members of the organisation*. For example, if the task of the group is to build a ship, a design for the ship is drawn and adopted by the organisation, and this design limits and guides the activities of the persons who actually construct the ship. The organisation, then, takes

away from the individual a part of his decisional autonomy and substitutes it with organisational decision-making process. Organisational decision-making processes specify (1) his function, that is, the general scope and nature of his duties; (2) allocate authority, that is, determine who in the organisation is to have power to make further decisions for the individual; and (3) set such other limits to his choice as are needed to coordinate the activities of several individuals in the organisation.

The following are some of the practices that emerge from the structuring of behavioural choice.

- *Specialisation:* Specialisation is a characteristic of organisations. In this particular practice tasks are allotted/delegated to different levels in the organisation. The specialisation may take a form of “vertical” division of labour. A pyramid or hierarchy of authority may be established, with greater or less formality, and decision-making functions may be specialised among the members of this hierarchy.

Many Scholars of organisation have emphasised “horizontal” specialisation – the division of work – as the basic characteristic of organised activity. Simon emphasises vertical specialisation. He examines the reason as to why the operative employees are deprived of a portion of their autonomy in the making of decisions and subjected to the authority and influence of supervisors.

He gives three reasons for vertical specialisation in organisation. First, if there is any horizontal specialisation, vertical specialisation is absolutely essential to achieve coordination among the operative employees. Second, just as horizontal specialisation permits greater skill and expertise to be developed by the operative group in the performance of their tasks, vertical specialisation permits greater expertise in making decisions. Third, vertical specialisation permits the operative personnel to be held accountable for their decisions; to the board of directors in the case of a business organisation; to the legislature in the case of a public agency.

- *Coordination:* Group behaviour requires not only the adoption of correct decision, but also adoption of the same decision by all members of the group. A group of people decide to cooperate in building a boat. If each has his own plan and if they do not communicate their plans, chances of a good boat construction are very bleak. They would be able to achieve better results if they adopt a design, and execute it. He further observes that by exercise of authority or other forms of influence, it is possible to centralise the function of deciding so that a general plan of operations will govern the activities of all members of the organisation. Such coordination may be either procedural or substantive in nature. By procedural coordination is meant the specification of the organisation itself – that is, the generalised description of the behaviours and relationships of the members of the organisation. Procedural coordination establishes the lines of authority and outlines the sphere of

activity of each organisation member, while substantive coordination specifies the content of his work. In an automobile factory, an organisation chart is an aspect of procedural coordination; blueprints for the engine block of the car being manufactured are an aspect of substantive coordination.

- *Expertise:* There is a need for specialised skill at the operative level. The work in the organisation must be subdivided so that persons possessing those skills can perform all the processes requiring a particular skill. Likewise, to gain the advantage of expertise in decision-making, the responsibility for decision must be so allocated that all decisions requiring a particular skill can be made by persons possessing that skill.
- *Responsibility:* The primary function of administrative organisation is to enforce conformity of the individual to norms laid down by the group. The discretion given to the subordinate personnel is limited by policies determined by top administrative hierarchy. Thus, autonomy in the decision-making is restricted at various levels.

9.11 MODELS OF ORGANISATIONAL INFLUENCE

The decisions of the top management will have no effect upon the activation of operative employees unless they are communicated downwards. This process requires an examination of the ways in which the behaviour of the operative employee can be influenced. These influences fall approximately into two categories (1)

establishing in the operating employee himself attitudes, habits and a state of mind which lead him to reach that decision which is advantageous to the organisation, and (2) imposing on the operating employee decisions reached elsewhere in the organisation. The first type of influence can operate by inculcating in the employee *organisational loyalties* and a *concern with efficiency*, and more generally by *training* him. The second type of influence primarily depends upon *authority* and upon *advisory and informational* services. It is not insisted that these categories are either exhaustive or mutually exclusive.

Authority

Chester Barnard devoted considerable attention to the concept of authority. The organisational culture, as pointed out earlier, builds the myth of authority in such a way that subordinates carry out the order coming from superiors above without questioning them. When exercising the authority the superior does not seek to convince the subordinate, but expects acceptance of the orders readily. Barnard, however, maintains that authority lies with the subordinate who is accepting it and not with the superior who is exercising it. But in practice, the authority is usually liberally admixed with suggestion and persuasion. Although it is an important function of authority to permit a decision to be made and carried out even when agreement cannot be reached. Perhaps this arbitrary aspect of authority has been over-emphasised. In any event, if it is attempted to carry authority beyond a certain point, which may be described as the subordinate's "zone of acceptance" disobedience will follow. The magnitude of the zone of acceptance depends upon the sanctions which authority has available to enforce its commands. The term "sanctions" must be

interpreted broadly in this connection, for positive and neutral stimuli – such as community of purpose, habit, and leadership. Sanctions are at least as important in securing acceptance of authority as the threat of physical or economic punishment.

Organisational Loyalties

In any organisation its members tend to identify themselves with that group. This is an important characteristic of human behaviour. They take decisions keeping in view the interests of the organisation with which they have identification. The organisation good always dominates the consciousness of the member. It is this conception of good that makes him loyal and enables him to take decisions, which would be in conformity with the good of the organisation. Thus, the behavioural choice is narrowed down by the *organisational loyalties* and facilitates homogeneity of behaviour rendering group work possible. Each member of the organisation would also have a limited range of values, which is essential to ensure accountability. But the problem in *organisational loyalty* is that each individual takes a narrow view of the organisation and ignores the broader organisational interests. Simon opines that as one moves higher in the organisation, greater would be the need for a broader outlook.

Criterion of Efficiency

The exercise of authority and the development of organisational loyalties are the important means through which the individual's value-premises are influenced by the organisation. But in every decision-making process there are also factual judgements. They are influenced by the criterion of efficiency. The concept of efficiency

involves shortest path and the cheapest means in the attainment of the desired goals. The efficiency criterion is largely neutral as to what goals are to be attained. The order “be efficient” is a major organisational influence over the decisions of members of any administrative agency.

Advice and Information

The communication flow in an organisation is also important in shaping the decision-making process. Advice and information available to an individual is an important input in making factual judgements. The organisation, which is capable of facilitating effective communication can not only condition the behavioural choice but also ensure uniformity of judgement and action.

Training

Training is a device, which prepares members of an organisation to take satisfactory decisions, without the need for the constant exercise of authority or advice. In this sense, training procedures are alternatives to the exercise of authority or advice as means of control over the subordinate’s decisions. It equips an individual in methods of using his discretion in conformity with the design and the goals of the organisation. This is also a device through which the information and the necessary goals are transmitted to an individual. Training may provide him a frame of reference for his thinking; it may teach him “approved” solutions; or it may indoctrinate him with the values in terms of which his decisions are to be made.

9.12 SIMON'S VIEWS ON EFFICIENCY

We have seen that, in the factual aspects of decision-making, the administrator must be guided by the criterion of efficiency. This criterion requires that results be maximised with limited resources. The criterion of efficiency is most easily understood in its applications to commercial organisations that are largely guided by the profit objective. The criterion of efficiency demands that, of the two alternatives having the same cost, that one be chosen which will lead to the greater attainment of the organisational objectives; and that, of the two alternatives leading to the same degree of attainment, that be chosen which entails the lesser cost. This 'balance sheet' efficiency involves, on the one hand, the maximisation of income, if cost is considered as fixed; and on other hand, the minimisation of cost, if income is considered as fixed. In practice, of course, the maximisation of income and the minimisation of cost must be considered simultaneously – that is, what is really to be maximised is the difference between these two.

The criteria of efficiency is closely related to both organisation and conservation objectives. It is related to organisational objectives in so far as it is concerned with maximisation of 'output'. It is related to conservation objectives in so far as it is concerned with the maintenance of a positive balance of output over input. Where resources, objectives and cost are all variable, organisation decisions cannot be reached purely on the basis of considerations of efficiency. Where the amount of resources and the organisation objectives are givens, and are outside the control of the administrator, efficiency becomes the controlling determinant of administrative choice.

A potent device for the improvement in the governmental decision processes, both legislative and administrative, is the budget document. The improvement of budgetary methods will:

- (i) permit a more effective division of labour between the policy formulating and administrative agencies, and
- (ii) focus attention upon the social production functions and their critical role in decision-making.

In later years Simon has downgraded the efficiency criteria and observes that it applies only to lower level decisions, as higher-level decisions do not lend themselves to measurements and comparability.

9.13 SIMON'S VIEWS ON USE OF COMPUTER IN DECISION-MAKING

According to Simon, the major problems of governmental organisations today are not problem of departmentalisation and coordination of operating units. Instead, they are problem of organising information storage and information processing – not problems of the divisions of labour, but problems of the factorisation of decision-making. These organisational problems are best attacked, at least to a first approximation, by examining the information system in abstraction from agency and department structure. Discussing about the decision-making, he observes that there has been a revolution in the recent past in the use of techniques such as mathematical tools, operations research, electronic data processing, systems analysis, computer simulation in decision-making etc. Use of these techniques will reduce the dependency on the middle managerial personnel and lead to centralisation in decision-making.

He specially says use of computers and the new decision-making techniques will lead to re-centralisation. He points out also that the use of new techniques of decision-making will radically change the concept of delegating responsibility and decentralising decision-making. This will also make possible for more rational and coordinated communications of decision than is otherwise possible. With the increasing use of computers more and more decisions can be programmed, which in turn increases rationality in decision-making process and behaviour and thereby increase organisational rationality. This makes the executive's work easier, and satisfying.

The new problems created by our new scientific knowledge are symptoms of progress, not omens of doom. They demonstrate that man now possesses the analytic tools that are basic to understanding his problems ---- basic to understanding the human condition.

Of course, to understand problems is not necessarily to solve them. But it is an essential first step. The new information technology enables us to take that step.

9.14 EVALUATION OF SIMON'S IDEAS ON ADMINISTRATIVE BEHAVIOUR

Simon's idea on administration and decision-making has been questioned by a number of scholars. Firstly, they do not agree with Simon's view that efficiency is the most important goal of administrative organisations. They point out that satisfaction of various interests, the production of goods and services, mobilising resources and using the most rational techniques are equally important objectives.

Secondly, they have objected that the exclusion of values, which are an essential part of policy determination, would limit the study of public administration to mechanical, routine and unimportant aspects. His fact-value dichotomy, critics argue, resembles in one way the politics-administration dichotomy of the classical writers. They are of opinion that the idea of a fact-based administrative theory of Simon is more relevant to business administration than to public administration. There are difficulties in measuring the consequences of many government actions and their costs.

Thirdly, Simon gives much importance to the role of decision-making and relegates the role of social, political, economic and cultural factors to the background in analysing administrative behaviour. Although decision-making is an important variable in the organisational situation, it alone is not enough to explain the total picture of an organisation.

Fourthly, Simon importance to rationality in decision-making. But, decision-making is a process, which involves both rational and non-rational dimensions. Simon fails to recognise the role of intuition, tradition and faith in decision-making. His theory uses the concept of 'satisficing'. The concept may be used to justify all those decisions that are less than optimal.

Finally, it is said that Simon's rational decision-making model remains an abstraction and hence an unattainable ideal in the real world. In the practical world of administration, the elaborate search processes may not be feasible as there is always demand for immediate decision and action than cool contemplation. Further,

Simon's theory is also criticised as extremely general; although it provides the framework, it does not supply adequate details to guide organisation planners.

9.15 CONCLUSION

Despite all the imperfections mentioned above, Simon's contribution is undoubtedly a major breakthrough in the evolution of administrative theory. The decision-making theory of Simon provides a new paradigm in administrative theory. Simon's criticism of the principles approach of the classical writers, and his stress on behavioural approach based on logical positivism have emphasised the need to reformulate administrative theories along much sounder lines than before. He emphasises the importance of the concept of decision-making for theories of administration to develop. His penetrating study of the dynamics of decision-making process provides a deep insight into administrative behaviour. His "Administrative Behaviour" has completely reoriented the study of public administration in the decades that followed its publication in 1947. Following Simon's work, several major theorists such as Michel Crozier, Anthony Downs, Gordon Tullock, Victor Thompson, Dwight Waldo and R.T. Golembiewski made contributions to administrative behaviour. In some ways, , Herbert Simon laid the foundation for the development of a new administrative theory. In recognition of his substantial contribution to the social sciences he was awarded the Nobel Prize, meant for Economics. Simon's work also provides a bridge between public administration and business management.

9.16 KEY CONCEPTS

Zone of acceptance: It refers to the area or the extent to which the subordinate is willing to accept the decisions made by the supervisor. In Indian parlance it is called 'Lakshmanarekha'.

Boundary spanning: Representing an organisation to outside groups and organisations.

Satisfice Satisficing: Accept a satisfactory and sufficient amount of information upon which to base a decision. Herbert Simon invented this word to help explain his theory of bounded rationality or limited rationality.

Re-centralisation: With widespread use of computers for information processing required for decisions, control of the top management has increased. Simon calls this re-centralisation.

9.17 REFERENCES AND FURTHER READING

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9.18 ACTIVITIES

Q.1 Describe the criticisms of Simon on principles of classical theory.

Q.2 Explain the models of organisational influence. How far do they contribute to organisational decision-making?

Q.3 Discuss Simon's theory of decision-making.