DECISION MAKING & GOOD GOVERNANCE: THEORATICAL PERSPECTIVE

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Abstract

The issues of decision making and the governance have always been the hot topic amongst the public and business administrators. Hallmark of good governance in any organization have always been contingent upon good decision making. Though there is no is no dearth of literature on decision making and governance. Since the topic encompasses a wide range of academic disciplines and stretches back to several centuries therefore, it was felt necessary to review the literature, pick up the relevant threads and weave-in the conceptual details in to a theoretical perspective. While maintaining the spirit of objectivity and brevity the article attempts to present a logical, synthesized and coherent answer of the questions arranged as follows:

- *What is governance and what are the essential ingredients of good governance.*
- *What is decision making process, dynamics and styles of managerial decision making as theorized in different models.*

Key words: Decision making, governance,

Governance Theoretical Perspective:

Webster New world Dictionasry denotes word ‘governance’ as the act, manner, function or power of the government or the governing body. The word *governance* derives from the Greek verb κυβερνάω (*kubernáo*) which means *to steer*.[1] The idea of governance is not new rather; the concept can be traced back along with the footsteps of human civilization. It relates to the management (individual or bodies)

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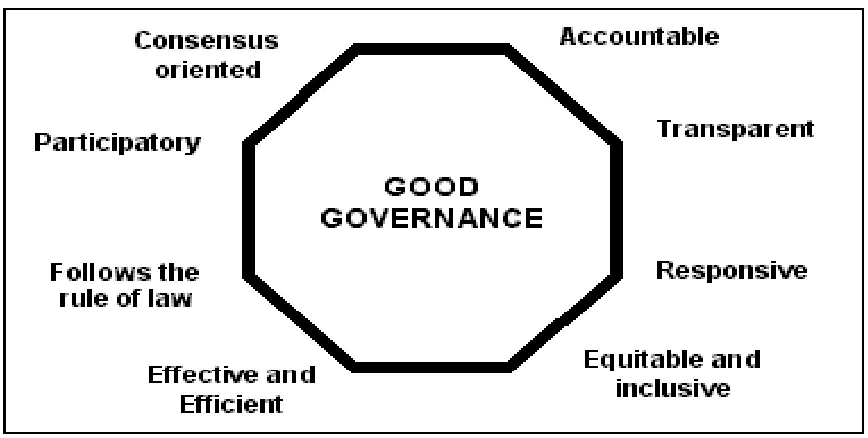
[1]. see document on etymology prepared by the European Commission at http://ec.europa.eu/governance/docs/doc5_fr.pdf

decision making process that defines expectations in the form of objectives, invest appropriate authority for the realization of these expectations, and appraise performance. Keeping in view the context and the objective sought, good governance encompasses: full respect of human rights, the rule of law, effective participation, multi-actor partnerships, political pluralism, transparent and accountable processes and institutions, an efficient and effective public sector, legitimacy, access to knowledge, information and education, political empowerment of people, equity, sustainability, and attitudes and values that foster responsibility, solidarity and tolerance. However, there is a significant degree of consensus that good governance relates to political and institutional processes and outcomes that are deemed necessary to achieve the goals of development. It has been said that good governance is the process whereby public institutions conduct public affairs, manage public resources and guarantee the realization of human rights in a manner essentially free of abuse and corruption, and with due regard for the rule of law. The true test of "good" governance is the degree to which it delivers on the promise of human rights: civil, cultural, economic, political and social rights. The key question is: are the institutions of governance effectively guaranteeing the right to health, adequate housing, sufficient food, quality education, fair justice and personal security?

Governance can be used in several contexts such as corporate governance, international governance, national governance and local governance. In the case of a business or of a non-profit organization like a university or other public/ private institution, governance relates to consistent management, cohesive policies, processes and decision-rights for a given area of responsibility. Good governance is a term used to refer a governing process that is conducted with due regards for the rule of law/ governing statutes, free from all manifests of abuse and corruption The key attributes of good governance as identified by the Commission on Human Rights in its resolution 2000/64 are; transparency, responsibility, accountability, participation, and responsiveness (to the needs of the people).[2] It can be assumed as synonymous corporate governance in business world that works for the benefit of everyone concerned by ensuring that the enterprise adheres to accepted ethical standards and best practices as well as to formal laws. United Nation's Economic and Social Commission for Asia & pacific rightly calls good governance not only responsive to the present and future needs of society but an evolving system that assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making.

Figure-1: Essentials of Good Governance



Source: UNO, Economic & Social Commission for Asia & Pacific

The commission regards good governance- a product of eight essentials ingredients that include; participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. Since, the governance of any organization involves authority to make decisions about fundamental policies and

2 . "What is Good Governance", UNESCAP. Available at: http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/gg/governance.asp. (Accessed on July 10, 2009)

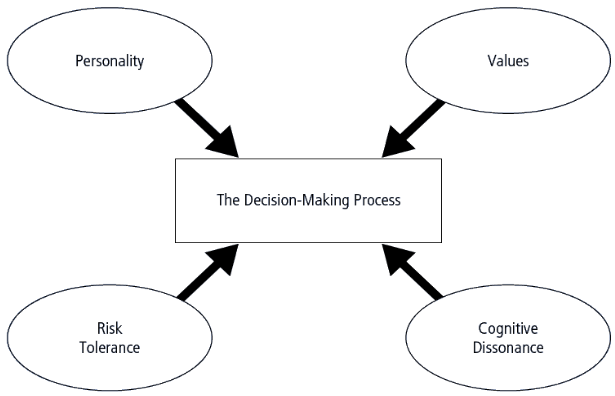
practices in several critical areas concerning attainment of expectations therefore, decision making of an university stretches from its mission, and location to size, level and quality of faculty, research, academic programs and the enrolments. To keep its organizational environment free from any operational crisis, the varsity should ensure that its managerial decision-making process concerning organizations operational environment (academic as well as campus affairs) is taking cognizance of all essentials of good governance as expressed in figure-1.

DECISION MAKING

Management Sciences and leadership related literature grouped three basic roles performed by managers in any organization as interpersonal, informational and decisional. Managers- when plan, organize, lead and control- are called decision makers. The decision-making is widely believed as a fundamental function in organizations and effectiveness and failure of managers or the organization mainly hinges upon the quality of decisions (Leonard et al, 1999). Since decision are considered at the heart of success therefore, the dominant view in management theory and practice describes 'decision making role' as 'heart of executive activities' (Simon,1976) and omnipotent in an organization's success or failure (Marvin,1981). Decision-making is about facing a question, such as, "To be or not to be?" which means making choice from two or more alternatives. Dumler and Skinner (2007) in chapter three of their academic treatise *Primer Management* defines decision making as a choice among competing alternatives and the implementation of the chosen alternative; all decisions have a time horizon or scope. Decision making is a cognitive process that rationally leads to the selection of a course of action among several available alternatives. Rational decision making means 'making consistent, value-maximizing choices with in specified organizational constraints'. (Dumler & Skinner 2007, 39)

> *It is important to note that decision-making is primarily a cognitive process that combines the mental process of perception, action, and coming to closure on stimuli. Cognitive style, on the other hand, is the*

> *patterning or linking of these thinking processes and coming to closure in the presence of ambiguity and uncertainty.* (Goodyear, 1987, 9).



The measure of success is not whether you have a tough decision to deal with, but whether you have the resolve to implement it or not. Because, it is testified from hundred thousands examples from our daily life that it does not take much strength to decide what to do, but it requires great strength to do things. Herbert A. Simon, a noble laureate of 1978 at his work on decision making, argues that the rationale decision maker is assumed to have:

- Knowledge of the relevant aspects of his environment so as to be able to grab all possible options/ alternatives that can be made available as solution of the problem in hand.
- Decision maker is aware of the likely consequences that may follow (each) the alternative that is selected.
- A well organized and stable system of preferences and skill that enable him to calculate preferences / consequences of each alternative being considered. (Simon,1955)

Review of the related literature reveals that different individuals approach differently in their decision making domain.(Forester, 1984) The difference in individual's level of perception and degree of reliability of information is likely to influence the process of choosing the alternative, quality and magnitude direction of the decisions. This difference in decision making amongst managers is also made because of the difference in experience, analytical ability, in forming perception and processing of information, scope of consultation, degree of freedom of choice, availability of resources and trust and rapport between the managers and the managed. Simon (1978) proposing his normative model of decision making in Nobel prize lecture, contends that individual decision maker operates with in the confines of 'bounded rationality' because of its limited capacity of human mind that is far too small to meet the requirements for full rationality in formulating and solving complex problems. Identifying these differences and knowing about an individual's decision style helps us to know how the individual thinks about various situations, processes information, and makes decisions. Once we know the decision style we may be able to predict outcomes in terms of decision behavior (Rowe & Boulgarides 1992). Reinforcing the argument under debate Stueart and Moran (1993) also stress that the selection among alternatives is made on the basis of experience, experimentation and research and analysis. Individual / group experience helps the decision makers to avoid re-occurrence of the past mistakes and re-try the variables caused successes. Analysis based on experimentation and research may be expensive in capital and human resource but will be a most promising/ rewarding help to the decision makers in making their choice amongst the given set of alternatives. Hence, timely and appropriate use of experience supported by experiment / research may be an invaluable resource that has no alternative. Craft reinforces the point by stressing:

> To most observers of the management process there appear to be significant differences in the manner by which individual decision makers seek, acquire, evaluate, integrate and use information in the process of making a decision. Furthermore, the complexity of a decision maker's information processing behavior is determined not only by the complexity of the job environment but also by the cognitive style of the decision maker. "Cognitive style" is defined as the degree of the "thinking" complexity of the individual in

assimilating, interpreting, and reacting to information environmental stimuli. (Craft, 1984, 1-2).

APPROACHES TO DECISION MAKING

Foregoing discussion in view the research agrees with Tetlock (1991) who identifies three competing perspective employed for understanding human decision making:

Rational Perspective: The approach sees people as naïve economists. The approach mostly yields positive results as it is easy to model mathematically. First the people order their preferences and then the decisions are made to achieve those preferences basing on rational judgments in pursuit of maximum expected utility. A formal rational decision process with the greatest expected utility is describes by the Bazerman(1998,3-4) as follow:

- Define the problem
- Identify the decision criteria
- Weight the criteria
- Generate alternatives
- Rate each alternative on each criterion
- Compute the optimal decision.

Psychological Perspective: It views people as naïve psychologists. It does not mean that people are fundamentally irrational. Rather, it emphasizes a logic that meets the challenges we have evolved to face in adverse environments in which resources and time are scarce (Calne' 1999). In other words it revolves around mental short cuts (heuristics) that help us to make quick decisions and well suited to fast-paced intuitive judgments and actions The approach, having optimistic and more pessimistic versions both, sees people as driven to achieve cognitive mastery of their environment. The optimistic approach advocates' use of logical and statistical procedures to arrive at conclusions about the physical world and the behavior of others (Kelley, 1967). On the other hand pessimistic is prone to a wide range of systematic failings of judgments and biases (Nisbett and Ross, 1980). Therefore, Fiske and Taylor (1991) stressed to balance between both extremes. However, these evolved modes of thinking also create some major traps. In the environment of scarce resource and time when decisions are made on the basis of assumptions and accept limits on the availability of information, it lead unconsciously lead to some significant biases in decision making analysis. Furthermore, to avoid analysis paralysis, decision makers also filter out the information that might be uncertain or unfavorable hence, adding up in the biases already prevailing due to the lack of resources, information and time.

Rational and psychological perspectives have commonality of opinion about the limits to the cognitive and information-processing capacity that can devote to any judgment. Both perspectives also focus on individual behavior rather than social processes (Simon, 1957). This deficiency marks the start of other perspective that takes society and social behavior in to consideration.

Social Perspective: The perspective observes people as naïve politicians. The approach contends that important goal in decision making is to satisfy the constituencies to which the decision makers feel accountable. The key question from this perspective is 'What strategies do people use in managing accountability to social groups and norms?' This is the domain of sociology and of institutional theory in particular.

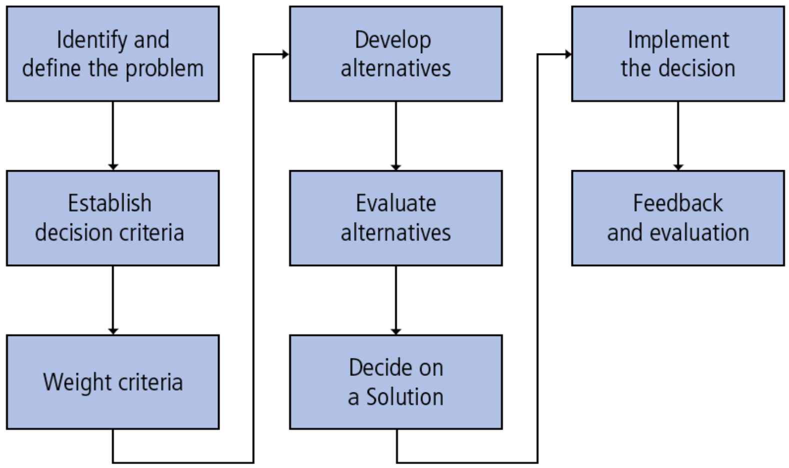
The perspective revolves around the fact that reality is socially constructed. It means that members of society are socially grouped and hold common understanding of belief, meaning and facts of life thereby producing shared pattern of thinking and analysis. Society and social rules in the form of social culture and values affect which action is to be seen as legitimate. Therefore, decisions made in organizations are to be concerned with economic gains only but with the socially granted legitimacy as well. These are the social pressures that affect decision making in any given set up as follow:

- **Coercive pressures** come from the social sanctions that can be applied if we do not act in socially legitimate ways.
- **Mimetic pressures** come from the pressure to imitate what others do. The world is complicated and finding the optimal solution often difficult. One way of dealing with this complexity is to copy others. This chapter of literature review and synthesizing the old theories, rules and concepts of the decision making can be exemplified as an example of mimetic pressure. It is this mimetic pressure that lies behind the tendency to follow management fashions.
- **Normative pressures** concern what we think we 'should' do. They concern our values and the broader social values to which we subscribe. Some organizations make explicit attempts to foster particular kinds of value (for example, in relation to customer service), but normative pressures also come from outside the organization, such as from a particular professional, political, legal or religious affiliation. In the public sector, it becomes tempting for those who evaluate these organizations (governments, regulatory bodies, the public) to judge them on the basis of their processes. In such circumstances, the adoption of techniques that are viewed as rational, modern and progressive can enhance an organization's legitimacy (Louzeau, Langley & Denis, 2002).

DECISION MAKING MODELS

Analytical Model of Decision Making (Decision Making Process): Decision making may be approached differently by the different echelons or the decision making bodies but the process, irrespective of technique employed for, follows a common flow chart of activities in all types of organizational settings and management thoughts.

Figure-2: Steps in Decision Making Process



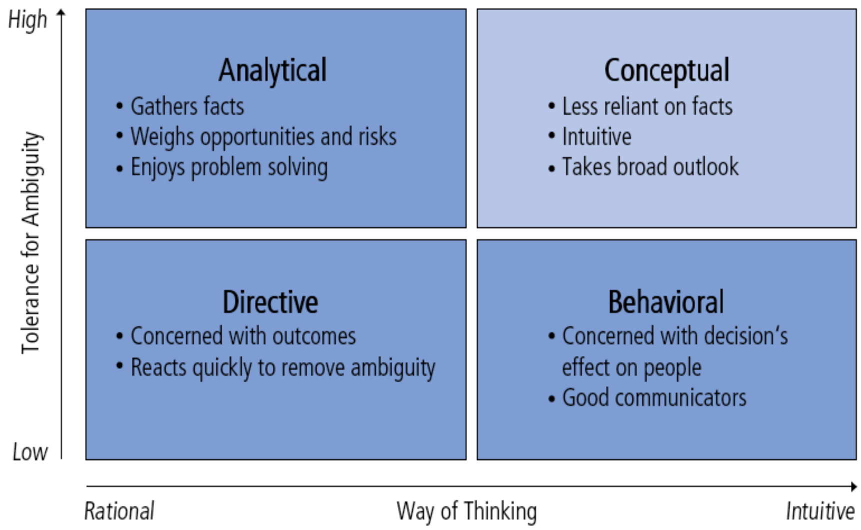
Source: Putty, *Fundamentals of Management*

The foremost step in a fruitful decision making process is to identify and determine decision criteria in the form of rules/ values to be adhered and goals to be achieved. Before deciding for a course of action, the decision maker(s) has to scan the environment to discover a set of alternative courses of action along with gathering of nitty-gritty details and information related to each course. Then these detail information are applied to each course of action/ alternative, related effects are analyzed, and the most likely outcome (s) of each violable alternative is predicted and the decision for implementation of the most suitable choice (in giving set of circumstances) is made.

The point to stress is that decision making involved in public governance must follow objectivity and avoid subjectivity by shunning emotions and biases. According to Michael Bommer 'A behavioral model of ethical and unethical decision making' identifies and describes decision-maker's social, government and legal, work, professional and personal environments as predominant influencers affecting ethical and unethical behavior in organizations and mediating structure of the individual's decision-making process(Bommer et al,1987).

The Decision Style Model: The decision style model theorizes that people, because of their difference in personality, interpersonal skills tend to approach decisions in consistency different ways- that is using different decision styles. (Rowe et al, 1995) The model identifies four different individual approaches to decision making on the axes of way of thinking (rational – intuitive) and Tolerance for Ambiguity (High –low). The decision style model classifies four major decision styles Analytical, Conceptual, Directive and Behavioral as follows:

- Analytical style of decision making prefers to seek rational decision considering complex problems based on ambiguous information.
- Directive style of decision making prefer simple and clear solutions by using little information and considering few alternatives. Decision makers seeking this style aggressively use their status to achieve results.
- Decision makers of behavioral style have a deep concern for their organization and personal development of co-workers. Such individuals are highly caring of others opinions, helping nature and value support from others. Therefore, they are open to suggestions and seek to rely on participative style for making decision.
- People with the conceptual style of decision making are more socially oriented and more humanistic in their approach to the problems. Being creative and intuitive approach problems with broad range of alternatives and initiate solutions with new ideas and creativity.



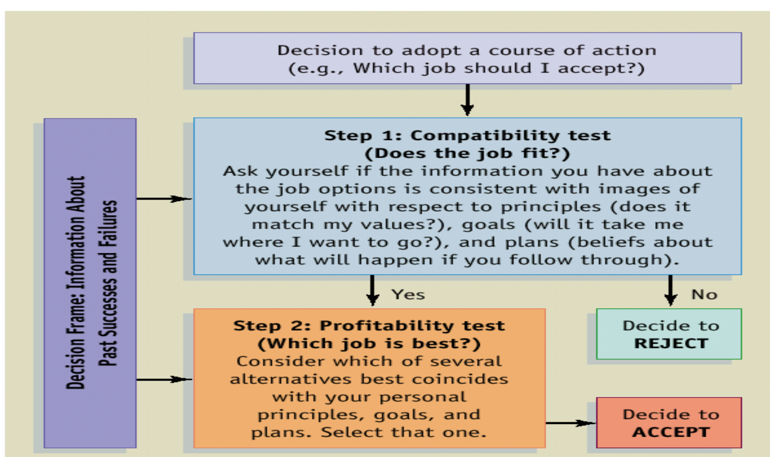
Source: A.J.Rowe, et al, *Managerial Decision Making*

Behavioral Science advocates decision making for adoption of nominal group technique, brainstorming, goal-setting, management by objectives, theory "X" and "Y", check lists, analysis of participatory management, job evaluation, empowerment, and management information system (MIS). Whereas, Management Science calls for employing network analysis, evaluation review technique, critical path method), forecasting (regression, path analysis, time series), cost-benefit analysis, optimization (linear programming, assignment, transportation), sensitivity analysis, significance testing, simulation, Moreover, decision support systems and computers based on these programmed techniques are increasingly being used for making better decisions.

The Administrative Model recognizes the 'bounded rationality', under which most of the decision makers operate (March & Simon, 1958, 344). The model revolves around the limits of human rationality that recognizes that decision makers may have limited view of the problems confronting them. In other words, the number of solutions that can be recognized is limited by the capabilities of the decision makers on one hand and by the availability of organizational resources including scanty of information on the other. According to the model the decision, the decision makers, instead of considering all possible alternative solutions, they consider solutions as they become available and they decided on the first alternative that meet criteria.. Thus, the decision or solution made may be good enough but not the optimal one. Such decisions are referred as *'satisfying decisions'* as these are easier to make than the optimal decisions.

Rational- Economic Model: The model searches for ideal decision. As discussed above the rational decisions are ones that maximize the attainment of goals in most cost effective way hence optimal in their all probabilities. This is possible when the decision maker attempts a systematic and unbiased search for the optimum solution to a problem by considering all alternatives supported with detailed information (Simon, 1979). However, in all respects, the rationale-economic decisions follow the same decision making process as outlined above under analytical model.

Image Theory: Image theory is an intuitive approach to decision making. It is a psychological theory that sees decision making as guided by the beliefs and values that the decision maker holds to be relevant to the decision at hand. According to Beach (1990,p3), "image theory views the decision maker as possessing three distinct but related images, each of which comprise a particular part of his or her decision-related knowledge". The *value image* consists of the decision maker's values, beliefs, and ethics, the *trajectory image* consists of the decision maker's future agenda and the *strategic image* consists of various *plans* that have been adopted to achieve the goals. Using these concepts, image theory has been applied to auditing, childbearing, and political decisions.



Conclusion

Decision making plays a major role in virtually every theory of organizational behavior. However, decision theory has not provided organizational theorists with useful descriptions of how decisions are made, either by individuals or by individuals in organizations. The earliest offering came from economics in the form of the "normative" rational view of decision making. The underlying presumption was that decision makers are all striving to maximize return or minimize loss, that decisions are based upon unlimited information, and that they have the capacity to use the information efficiently. They know the options open to them and the consequences of pursuing one or another of those options. The optimal course of action is revealed by applying the appropriate analysis and choosing the most profitable option. The key concepts are rationality, analysis, orderliness, and maximization.

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