

Classical model of decision making

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International Journal of Business and Management June, 2008 The Classical Model of Decision Making Has Been Accepted as not providing an Accurate Account of How People Typically Make Decisions Bin Li Foreign Languages Department, Guang Dong University of Finance Guangzhou, 510521, China E-mail:com Abstract Decision making is an accepted part of everyday human life. People all make varying importance decisions every day, thus the idea that decision making can be a rather difficult action may seem so strange and unbelievable.

However, a large number of empirical studies have shown that most people in organizations are much poorer at decision making. Therefore, people began to pay more attention to understand how to make a suitable decision. Keywords: Decision making, Rational decision-making, Demonstrate classical decision making 1. Introduction Decision making is one of the most central processes in organizations and a basic task of management at all levels. According to Cole (2004: 151), decision making is “ a process of identifying a problem, evaluating alternatives, and selecting one alternative. During the whole process, people are making the best choice from among several options based on the current situation. Additionally, Rollinson (2002) considered that decision making is the process of producing a solution to a recognized problem. There are three basic activities involved in decision making: intelligence activity, design activity and choice activity. Although all the decisions are made based on these three main activities, not all decisions are the same (www. bized. ac. uk). Some are relatively simple and others involve a more complex range of considerations.

Consequently, people need an approach to understand decisions making. Good decision making is an essential skill for careers success generally, and effective leadership particularly. 2. The classical decision making model The traditional approach to understanding individual decision making is based upon classical decision making theory or the rational economic model (Huczynski & Buchanan, 2001). The classical view of decision making has always integrated the concept of rationality and rational decisions within the whole process of discussions and prescriptions.

Obviously, a rational decision-making process is often suggested as the way in which decisions should be made through those three activities, and it involves the following strictly defined sequential process shown in Chart 1 (Heracleous, 1994). It begins with seeking to ask the right questions, continues by discovering creative answers and finishes by making sure that the chosen solution is valuable and useful. According to Huczynski & Buchanan (2002: 740), “rationality is equated with scientific reasoning, empiricism and positivism and with the use of decision criteria of evidence, logical argument and reasoning”.

And the rational decisions are decisions which are based on the rationality. The advantage of the classical model is to indicate a rational approach that can be applied to the business of reaching decisions in organizations. On the other hand, Lee et, al. (1999: 18) considered that “classical decision theory views the decision maker as acting in a world of complete certainty.” It assumes that “decision makers are objective, have complete information and consider all possible alternatives and their consequences before

selecting the optimal solution. (Huczynski 2001: 738) Based on the definition above, it is clear that classical decision making theory is derived from several assumptions. However, all those assumptions are not reality within this modern information age. Herbert (1981) agreed that this process is underlain by certain assumptions and characteristics, which are highly unrealistic in practice and are widely argued among managerial field. In the managerial field, how to make a suitable decision is very important.

Faulty strategic and operational decisions can and must seriously weaken companies' competitiveness. It is possible misleading to a completely wrong developing direction. According to the research by Robbins (2003), he considered that classical model of decision making could not fully represent how people make decisions in organizations, because people do not know how accurate the data is used to make decisions, how reliable are the estimates of the probabilities and how useful the data is related to the event.

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International Journal of Business and Management Besides all above reasons, there are others evidence to challenge classical assumptions, which to demonstrate classical decision making model is not providing an accurate account of how people typically make decisions. In general, based on the research by Robbins (2003), he summarized all the assumptions of classical decision making model illustrated in Chart 2. Robbins (2003) considered that all these assumptions are subjective and can not represent the real situation in the practice.

Cole (2004) also agreed with that all these assumptions would be correct as people in a completely perfect world where does not exist. Moreover, all these assumptions would be disadvantages as people could not discover this model entirely relies on the accuracy of the data used and must require qualitative input to give complete picture. Based on the disadvantages of classical model of decision making, in the following section, it is going to stick to the sequence of classical model of decision making to challenge its assumptions in details one by one. 3. Further analysis in the decision making model

In the first step of classical model of decision making, people have to identify what problem they face or deal with. And the model assumes that all the problems are easy to be defined and discovered. In fact, there are two types of problem. One is bounded problems, which means that “ problems that can be more easily defined and treated as separate from the context in which they exist” (Rollinson, 2002: 254). Under this situation, people can easily define the problem, because the problem is usually small, less important and is not complex without limitation by time or cost.

Obviously, these kinds of problems will have actual solutions in practical experience; people have enough knowledge to define the nature of the problem, such as an organization makes a decision to purchase a new machine to replace the old one, which is an easy decision to make without more limitation by others factors. Thus people can continue to make decisions through the classical model. However, there is another kind of problem which is unbounded problems. In general, these kinds of problem

are much more complex than bounded problems in terms of scale, implications or time of problem. It is necessary to recognize the nature of the problem before identification. Rollinson (2002) defined that unbounded problems are “ambiguous problems that are harder to define and which cannot easily be separated from the context in which they exist” (Rollinson, 2002: 254). Therefore, in the first step of the classical decision making process, people are hard to clearly define the nature of every problem, so that there is a trap within the first step, because there are many unknown factors surrounding the problem.

People in any organizations who make decisions have to be care about the real nature of the problem and various factors which influence the development of the whole problem before defining. Moreover, unbounded problems may be new problems which people do not have any kinds of knowledge and solutions. Under this situation, people are lacking knowledge to handle the problem leading to making wrong decisions. To illustrate an unbounded problem in organization, Koran electric giant Samsung Electronics has some worries about its ageing product line in the early stage of its development.

This scale of the problem is much larger and has potentially serious implications for the whole organization, which has strong influence in the future. However, although Samsung has noticed about the age of its products, there is little clarity about whether a problem actually exists or what its nature might be. Also, management team did not find out a clear

solution at that time, hence a replacement range of products cannot be selected, because the cost, sales and production implications are not known.

In the case of this example, it is proved that the nature of problem is quite different. Only under the situation, which people can easily define the actual nature of the problem, people can apply the first step of classical decision making. Through discussing the bounded problem and unbounded problem, it is clear that the nature of each of those problems is different. It is not just the size of the issue that is significant. Consequently, the first assumption of classical model, which problem is clear and unambiguous, did not come into existence.

As to the third stage of the classical model, that comprehensive search for alternative courses of action and their consequences is feasible and is carried out is completely wrong. It assumes that the decision maker have entire information about the consequences of alternatives. This assumption is the most serious mistake in decision making theory. To illustrate its mistake, there are several aspects to challenge decision makers' abilities and awareness.

One is that some alternatives will not have occurred to the decision maker, since there are too many. Cole (2004) suggested that everything in the world is changed all the time. Decision makers can not catch all the information by his or her ability. When decision makers intend to legitimize their chosen courses of action, by the appearance of rationality, " empirical studies show that memory search is the initial tactic followed, and only if the problem persists is a more extensive search undertaken"(Heracleous1994: 18).

This statement indicated that most people making decision depend on their brain. And this kind of search for possible solutions and their consequences is largely informal, qualitative and conditioned by the organizational nature and regulations. 152 International Journal of Business and Management June, 2008 However, the brain is not a stable and mature tool to process all the information. In fact, it is totally out of ability to process information that is related to decision maker.

Morse (2006: 42) indicated that “ the primitive, emotional parts of people’s brains have a power influence on the choices people make”. Decision makers are not rational beings, because individuals are lacking of the mental capacity to store and process all the information related to the decision (Huczynski & Buchanan, 2001). Additionally, personal background will drive decision maker from clear objective to confused objective due to their desire, because they do not know how to deal with personal preference when it has conflict with decision.

On the other hand, every decision is made within a decision environment, which is defined as a sequence of collecting information, alternatives, values, and preferences available within the time of the decision (Daft 2001).

However, both the development of alternatives and the selection of an optimum solution will be limited by organizational objective and policies, and by the attitudes of managers and other employees, even by the external environment. This statement indicated that fail to bring the right approach to collect information leading to overlooking information they are not expecting and obeying others regulations. 4. Conclusion In short, in terms of people’s

abilities, it is impractical to collect all the information due to many external and internal factors around the organizations (Huczynski & Buchanan, 2001). As to people's awareness, it still has limitations. The emotional parts of people's brain still have strong influence on decision makers' behaviour and choices (<http://cogsci.uwaterloo.ca>). Thus making a practical decision is not just collect as much as information which is impractical to estimate many of the consequences considered.

It is considered that most people are not aware that the approaches they used are limited within their awareness. References (2008). <http://cogsci.uwaterloo.ca/Articles/Pages/Emot.Decis.htm> [Accessed 27 January 2008] Bazerman. M. H. (2006). Judgment in Managerial Decision Making; 6th ed. , New York; Chichester: Wiley. Belmonte, Joe. Circuits Assembly. (2006). What Do We Control? Vol. 17 Issue 4, p20-21, 2p Cole, G. A. (2004). Management Theory and Practice 6th ed. , London: Thomson Corbett. J. M. (1994).

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(1978). The NewScienceof Management Decision; Revised ed. , London
(etc.); Englewood Cliffs: Prentice-Hall, 153 Vol. 3, No. 6 International Journal
of Business and Management Figure 1. Classical decision model Figure 2.
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