VALUES AND RATIONALITY IN DECISION MAKING: AN APPRAISAL

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Abstract

This paper examines the theoretical underpinnings to concepts and values that undergird rationality in decision making at all levels of human engagements be it individual, organizational or society wide. Hinged on principled discourses, emphasis is placed on values and the prevailing influence that shaped rational considerations in private and public life of individuals and organizations. It underscores here that decision makers premise outcomes of thought processes on economic assumptions that seek to maximize benefits and minimize costs or wastes. Minimization of costs or waste is thus a prime principle in rationality. It assumes that individuals make consistent choices to maximize economic value within specific constraints. It is important to appraise prevailing values in any society at any given time to achieve a deeper understanding of decisions made by individuals.

Keywords: Decision making, Rationality, Theories, Values

VALEURS ET RATIONALITÉ DANS LA PRISE DE DÉCISION: UNE ÉVALUATION

Abstrait

Cet article examine les fondements théoriques des concepts et des valeurs qui sous-tendent la rationalité dans la prise de décision à tous les niveaux des engagements humains, qu'ils soient individuels, organisationnels ou à l'échelle de la société. Basés sur des discours de principe, l'accent est mis sur les valeurs et l'influence dominante qui ont façonné les considérations rationnelles dans la vie privée et publique des individus et des organisations. Il souligne ici que les décideurs partent des résultats des processus de réflexion sur des hypothèses économiques qui cherchent à maximiser les avantages et à minimiser les coûts ou les pertes. La minimisation des coûts ou du gaspillage est donc un principe fondamental de la rationalité. Il suppose que les individus font des choix cohérents pour maximiser la valeur économique dans le cadre de contraintes spécifiques. Il est important d'évaluer les valeurs qui prévalent dans toute société à un moment donné pour mieux comprendre les décisions prises par les individus.

Mots-clés: Prise de décision, Rationalité, Théories, Valeurs

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Introduction

Rationality is the quality or state of being reasonable, based on facts or reason. Rationality implies the conformity of one's beliefs with one's reasons to believe, or of one's actions with one's reasons for action. "Rationality" has different specialized meanings in economics, sociology, psychology, evolutionary biology and political science. Values and rationality are key issues that the decision maker is always keen and enthusiastic in measuring in the process of making a decision. The rational model of decision making itself is based on economic assumptions. It assumes that people make consistent choices to maximize economic value within specific constraints. On the other hand rational decision making is a method for systematically selecting among possible choices that is based on reason and facts. In a rational decision making process, an individual will often employ a series of analytical steps to review relevant facts, observations and possible outcomes before choosing a particular course of action.

Intuitive and rational decision making are the two ways that an individual can approach problem solving. Some people are very aware of feelings or instincts and use them as guides to decision making. These types of feelings are instinctive and rely on intuition and not facts. In fact, intuition is the ability to have a grasp on a situation or information without the need for reasoning. People use this type of decision making when facts are unavailable or when decisions are difficult in nature. The second, opposing type of decision making is called rational decision making, which is when individuals use analysis, facts and a step-by-step process to come to a decision. So decision-making is a very important part of an organization.

Herbert Simon, a pioneer in the field of decision-making believed that if decisions were not taken properly and timely that may undermine the objective of an organization. His study of organizations appraised the invaluable place of facts to inform objective and rational decision making. Keeping this in mind, it is essential that an organization will resort to utmost caution as to the adoption of any decision in order to focus on the implementation process of the adopted decision. Thus adopting a decision and its implementation must resonate for productive and meaningful outcomes. Rational decision making therefore is a precise, analytical process that organizations and individuals use to come up with a fact-based decision.

Concepts of Values and Rationalities

By rationality, Simon (1976) meant a style of behavior that is appropriate to the achievement of goals within the limit imposed by given conditions and constraints. Weber would stress the goal of rationality in its pursuit of efficiency of achieving a prescribed aim. He would call his own type of rationality formal (Gerth and Mills, 1946). In relation to the types of rationality Simon (1976) added substantive rationality which refers to achievements of rational goals and values and procedural rationality which depends on the procedure to achieve certain goals. Rationality thus can be viewed in one or all of the aforementioned descriptions with underlining aim of achieving objectivity and maximum benefits.

Facts and values are essential in rational decision making. According to Gortner (2001) facts are the information and knowledge that the public administrators possess in formulating policies and are therefore important in deciding the appropriate means to take in order to achieve higher ends. They may not be readily known by individuals or administrators but need to be acquired through extensive research and analysis. Values on the other hand are internal perceptions on the desirability and priority of one’s actions and choices (Van Wart, 2004). This is because besides setting up goals for specific plans, decision makers draw

priorities, interpret facts and act upon objective situations and in accordance to their values. Values thus provide a balancing technique in conflicting decision making situation because of the weighing processes attached to alternative causes of action. The role of a manager in decision making situation comprises the rationalization of facts and values in order to maximize the economic return to the firm by making decisions based on economically rational criteria.

The decision maker thus pursues goals that are known and agreed upon in a well structured problem and therefore:

a) Strives for conditions of certainty, gathering complete information and calculating the likely results of each alternative.
b) Selects the alternative that will maximize economic returns.
c) Is rational and logical in assigning values, setting preference and evaluating alternatives.

The rational model of decision making for all intents and purposes is also logically normative because it only defines how a decision maker should act but does not describe how managers actually make decision. It only help decision makers to act more rationally rather than rely solely on intuition and personal preferences and is most valuable for programmed decision where there is little conflict in decisions. It can only work perfectly where the information required is available and people can agree on the criteria for choice which may be a very difficult situation.

Since decisions are taken by human beings, values and rationality are virtually inevitable in the process if any useful decision is to come out of any situation. In this regard, Simon et al (1960) developed an influential model of decision making known as behavioral theory of decision making, because it treats decision making as an aspect of human behavior. This model also recognizes that in the real world people are restricted in their decision processes and therefore have to accept what is probably a less than perfect solution. That was why the concept of bounded rationality and satisficing were introduced to the study of decision making. Simon's (1960) administrative model of decision making aims to describe how managers make decisions in situations that are uncertain and ambiguous. Many management problems are unstructured and not suitable for the precise quantitative analysis implied by the rational model but that people will rely heavily on their judgment to resolve such issues.

Simon based the model on two central concepts i.e. bounded rationality and satisficing. Bounded rationality expresses the fact that people have mental limits, or boundaries on how rational they can be while organizations and their environments are complex and uncertain, people can process only limited amount of information. This according to this view constrains the ability of managers to operate in the way envisaged by the rational model which can be dealt with by satisficing (choosing the first solution that is good enough). This is because while continuing to search for other options may eventually produce better results but time taken to identify, evaluate the problems costs more than the benefits.

So, bounded rationality is a behavior that is rational within a decision-making context. It is limited or bounded by an individual's ability to process information while satisficing is the acceptance by decision makers of the first solution that is good enough. So, the administrative model focuses on the human and organizational factors that influence decisions. It is therefore

more realistic than the rational model for non-programmed and ambiguous decision. According to this model, managers:-

a) Have goals that are typically vague and conflicting and are unable to reach a consensus on what to do.
b) Have different levels of interest in the problems or opportunity facing the business and interpret information subjectively.
c) Rarely use rational procedures, or use them in a way that does not reflect the complexity of the issue.
d) Limit their search for alternatives.

Usually, rational decision is settled for a satisficing rather than a maximizing solution because the decision maker is having both limited information and only vague criteria of what would be maximizing. It is therefore seen as descriptive aiming to show how managers make decisions in complex situation rather than stating how they should make them.

Decisional Process – Rationalist Model

The rationalist model is the approach to decision making developed by classical economists in which man is seeing taking rational decisions. The decision is assimilated to a single actor reasoning that seeks to maximize defined purposes depending on means at its disposal. The individual has preferences, establishes goals, sets some values and choose their utility. Then available alternatives that are exhaustively inventoried and whose effects can also be worth trying are sought to solve a given problem. In the next phase, a criteria of choice is adopted as objectively as possible, to allow him to identify the best balance between the advantages and disadvantages of each possible alternative. The set of alternatives are then sorted out using these criteria which would yield a solution considered most appropriate to resolve the problem (Profiroiu, 2006).

The decisional process presented by the rationalist model comprises the following distinct and sequential stages (Mercier, 2008, p.149). These include 1), identifying the values and objectives achieved; 2), analyzing all possible alternatives for achieving the objectives; 3), researching and selecting information based on the efficiency or effectiveness of various alternatives; 4), making a comparison between alternatives and their consequences; 5), choosing the alternative that maximizes the values and objectives; 6), implementation; and 7), feedback. The rational actor model has many qualities and decision-makers are encouraged to focus essentially on the problem, the contents of alternatives and preferences, as well as choosing good criteria suitable to the content. Several analysts have adhered to this model and tried to improve it by examining all possible options and their costs. The improved model is called the rational – comprehensive model (Profiroiu, 2006).

Basically in the rationalist model, the decision maker must take the decision at the right time. In reality, the decision-maker works with several dossiers in parallel and cannot fully concentrate on a single decision. Gortner (2001) insisted that, for adopting a decision, decision makers do not possess the right tools for them to make future projections of all the effects of a decision. He mentioned that the relevance of a decision is based on the underlying value of the information to cases in which all information is available or rare and therefore it is difficult to have an objective decision that takes into account all the important aspects.

Critics of the rational decision-making model indicate that the model makes unrealistic assumptions, particularly about the amount of information available and an individual's ability to process this information when making decisions. For example, bounded rationality relates to the individuals' ability to act rationally but is constrained by the information

available, the cognitive limitations of their minds, and the finite amount of time and resources they have to make a decision. Because decision-makers lack the ability and resources to arrive at optimal solutions, they often seek a satisfactory solution rather than the optimal one.

Rationality in Decision Making

It is frequently said that effective decision making must be rational. Therefore, people acting or deciding rationally are attempting to reach some goals that cannot be attained without action. They must have a clear understanding of alternative courses of action by which a goal can be reached under existing circumstances of limitation. They also must have the information and the ability to analyze and evaluate alternatives in the light of goals sought. Finally, they must have a desire to come to the best solution by selecting the alternative that most effectively satisfies goal achieving. Individuals seldom achieve complete rationality particularly in managing. For example, since no one can make decisions effective in the past and must operate for the future; the future invariably involves uncertainties. In this context, absolute rationality become difficult to achieve. It is also difficult to recognize all the alternatives that might be followed to reach a goal. This is particularly true when decision making involves doing something that has not been done before. Moreover, in most instances not all alternatives can be analyzed even with the newest analytical techniques and technological means available.

Bounded Rationality

Simon (1957) had proposed the concept of bounded rationality to deal with uncertainties in decision making. Bounded rationality means whatever decisions managers make are limited in their rationality and not absolutely rational for two reasons. Firstly, managers can never have all the information required or all alternatives on any issue or situation to arrive at decisions of unlimited rationality. Available information and alternatives will not be exhaustive. Their decisions will be based on limited information and alternatives. Therefore decisions are bounded in rationality. Secondly, managers are not competent enough in absolute and indefinite terms because of human mind limitations to deal with all the information and alternatives as most of them are complex. Hence complex information is translated into simplistic model by capturing essential features from problems and not taking all the features into account and managers take decision based on this.

In organizational decision making for instance, efforts are made to collect all the relevant information and alternatives to handle an assignment or an encountered problem. In reality, sometimes, not get all the relevant information and all the alternatives are explored. Despite this lack of complete information, decisions must be taken because they ought to be. Thus incomplete information based on which a decision is taken is bounded in its rationality.

Again, sometimes the volume of information and number of alternatives available to an issue/problem become unmanageable. In these circumstances, attempts may be made to reduce the number of alternatives and by extension the complexity of problem to the level that can be better understood and handled. Simon (1983) called this phenomenon as satisficing. Decision taken in this mode is limited in its rationality because the decision arrived at considers only few alternatives or facts.

In the circumstances therefore a manager must settle for limited or “bounded” rationality. In other words, limitations of information, time and certainty limit rationality even if a manager tries earnestly to be completely rational. Since managers cannot be completely rational in practice, they sometimes allow their dislike of risk i.e. their desire to “play it safe”

to interfere with the desire to reach the best solution under the circumstances. Although many managerial decisions are made with a desire to get by as safely as possible, most managers do attempt to make the best decision they can within the limits of rationality and in the light of the degree and nature of the risk involved.

To deal with constraints that affect rationality but enhance its activation, Lindblom (1959) developed the incremental model in which accumulation of experiences and information is resorted to when in the face of uncertainties about the consequences of a given choice. In the rational model, the situation is certain but people face many decisions in which they cannot know what the effect will be. Lindblom built his incrementalism on Simon's idea of bounded rationality to show that if people made only a limited search options, their chosen solution would differ only slightly from what already existed. Current theories would be heavily influenced by past choices and would not move far from them.

On this view, policy unfolds not from a single event but from many cumulative small decisions. Small decisions help people to minimize the risk of mistakes and to reverse the decision if necessary. Lindblom called this incrementalism or science of muddling through. Instead of looking rationally at the whole problem and a range of possible ways forward, the decision maker simplifies the problem by contemplating only on marginal changes, thus this model recognizes human limitations.

Rationalities, Norms and Values

Much of the work on impact assessment is based on the belief or assumption that the provision of better, scientifically valid information or knowledge regarding a decision issue will contribute to a better, more rational decision, which may be defined as "… one that pursues a logic of consequences" (March, 1994). That is, a decision is considered more rational if the process leading to it is based on insight into the consequences of alternatives, and the selection follows the logic of choosing the alternative that is expected to best achieve one's goals or objectives.

Associated with this notion is a model of the decision process as a sequence of logical steps, starting with the establishment of objectives or goals in a given decision context, followed by identification or design of alternatives, assessment of the impacts of alternatives, and choice of the 'best ' alternative in view of the goals. First, it is noted that this view of rationality in decision-making requires a distinction between the rationality of the process (meaning that rational procedures are followed) and the rationality of the outcome of the process (meaning that, in the end, the best approach is chosen to achieve given aims).

A rational procedure will not automatically lead to a rational choice considering imperfect information, multiple objectives and the preferences of which are often not clearly established, and the fact that people do not always behave as assumed in rational models for decision-making. Second, implicitly or explicitly, a separation is made between objective, science-based knowledge on the one hand, and subjective, decision-maker specific norms and values that come into play in making the trade-offs between alternatives, assuming their impacts are known. Third, this model of decision-making is a normative one, that is, its proponents believe that it should be applied as it will lead to improvement in real-world decision-making over present practice.

However, empirical research shows that decision making processes in practice often do not follow such a rational procedure, even in cases where significant efforts are made to improve rationality (Simon & March, 1958; Lindblom, 1959; Katz & Kahn, 1966; Brewer, 1973; Breheny & Hooper, 1985; Scott, 1987; March, 1994). The fact that real-world decision

processes do not appear to follow rational principles does not automatically mean that attempts at increasing rationality are undesirable.

Nevertheless, insight into the reasons why attempts in the past have often not been successful may increase understanding of the limits of the rational model, and of the merits of other models that may provide additional guidance for efforts to affect decision-making. In addition to the distinctions between process and substantive or outcome characteristics, between scientific knowledge and values, and between normative and descriptive views of decision-making, it is helpful to distinguish conceptually different levels of decision processes: the individual level, where an individual actor or decision-maker develops insight and comes to a choice of a strategy or action, and the collective level, where individuals interact, possibly resulting in (partial) agreement or commitment to a jointly chosen course of action. There is a wide variation of situations at the collective level, for example, team or group decision-making, decision-making within an organization, and decision-making between independent parties. Individuals make decisions all the time—both simple and complex with far reaching consequences. The process of problem solving at the individual level is often described as consisting of three overall types of activity, frequently referred to as stages. These include, (a), finding or identifying occasions calling for a decision; (b), inventing, developing and analyzing possible alternative courses of action; and (c), selecting a particular alternative from those available (Simon, 1957).These activities are, at the individual level, affected by several limitations to rationality, which range from cognitive to resources, behavioural variations and biases.

Conclusion

Rational decision making favors objective data and a formal process of analysis over subjectivity and intuition. That a decision is considered more rational if the process leading to it is based on insight into the consequences of alternatives, and the selection follows the logic of choosing the alternative that is expected to best achieve one's goals or objectives. The model of rational decision making assumes that the decision maker has full or perfect information about alternatives; it also assumes they have the time, cognitive ability, and resources to evaluate each choice against the others. This model further assumes that people will make choices that will maximize benefits for themselves and minimize any cost. Rational decision making is therefore a multi-step process for making choices between alternatives. The fact that real-world decision processes do not appear to follow rational principles does not automatically mean that attempts at increasing rationality are undesirable and therefore should be discarded.

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