7

Organizational decision-making processes

In this chapter we will discuss various conceptual models of organizational decision making. We will roughly follow the chronological order in which the models have been developed. The various approaches are also compared, and their applicability under different circumstances is assessed. After that, a large-scale empirical study of organizational decision making is discussed, and the outcomes of this study are compared with the conceptual models.

7.1 Four conceptual models of organizational decision making

Many – if not most – of the approaches to organizational decision making are based on theoretical considerations or preconceived conceptions about how organizations do or should make decisions, rather than on systematic empirical research. These conceptual models can be grouped into four categories: **synoptical planning models**, **disjointed incrementalism**, **logical incrementalism** and the **interpretative approach**.

Synoptical planning

The synoptical planning model is a prescriptive model, rooted in endeavours to formulate guidelines for practical management. According to this model, top management should periodically reconsider all aspects and functions of the organization. In this way, a strategy and a plan for realizing that strategy should be formulated in a systematic way. The approach is 'synoptical' in that the

strategic decision process is all-embracing: all relevant aspects of an organization's activities should be dealt with in a single comprehensive procedure.

Two variants of the synoptical planning school can be distinguished: the 'design school' and the 'strategic planning school'. (The denominations are taken from Mintzberg, 1990b; 1994.) Both approaches share many characteristics. We will first discuss the design school; then we focus on the strategic planning school.

The design school

The design school approach is characterized by a strong emphasis on top-down decision making. (The discussion of the design school is based on Mintzberg, 1990a, 1994: 36–9. Authors associated with this approach are, e.g., Andrews, 1971, 1980; Learned et al., 1965; Christensen et al., 1987.) The top manager or chief executive officer is assumed to be *the* strategist. The possibility – and in many cases necessity – of support by lower managers and staff specialists is acknowledged, but their role is seen as largely constricted to information gathering in the service of the CEO, and to the loyal implementation of the strategy once it has been formulated. The actual design of that strategy is assumed to take place inside the brain of the top manager.

The strategic decision process prescribed by the design school is akin to the prototypical model of the normative-rational approach depicted in Figure 2.4: a linear sequence of discrete steps. Adoption of this model implies that strategy formulation and strategy implementation are separate activities, with formulation preceding implementation. This order may appear self-evident, but, in combination with the presumption that the CEO is *the* strategist, it also implies that strategies must come out of the design process fully developed, ready to be implemented. Consequently, there is little leeway for adapting the strategy to unforeseen circumstances.

The emphasis on the CEO as the key strategy designer also implies that the strategy must be made explicit: it has to be communicated to other members of the organization who have not been involved in the formulation of the strategy, but who are assumed to implement it. Another consequence of the key role of the CEO is that the process of strategy formulation should be kept simple and informal: the complexity should be limited to what can be contained in the mind of a single individual; and no formal procedures are necessary if all decisions are taken by the CEO.

The characteristics of the design school form a hermetical and consistent whole, built around the principles of strategy formation as a controlled and conscious process and of the CEO as *the* strategist (see Box 7.1).

The most important drawback of a strategic decision process following the design school approach is that by separating formulation from implementation the possibility of learning is severely hampered (Mintzberg, 1990a). Only when a strategy is actually implemented can management find out if its assessment of strengths, weaknesses, opportunities and threats has been realistic, and if its plans work out the way expected. But if strategy formulation is isolated from strategy implementation – both in time because one follows the other, and in

Box 7.1 Principal prescriptions of the design school approach to strategy making

- Strategy making should be a controlled and conscious process.
- The CEO should be *the* strategist.
- The strategy-making process should be kept simple and informal.
- Strategies must come out of the design process fully developed.
- Strategies should be made explicit.

(Source: Mintzberg, 1994: 38–9)

the organization because different people are responsible for both processes – the process of trial-and-error that leads to organizational learning is impeded (Argyris, 1984).

In complex situations not all the relevant information can be digested by the small number of managers at the top. For this reason, the information that they receive will be filtered in its way up the hierarchy. The analysis based on this second-hand and incomplete information is doubtful. For instance, can top managers ever hope to get as good a grasp of the specific details of internal strengths and external opportunities as, respectively, a foreman at the shop-floor or a sales agent?

The strategic plans that are based on the kind of second-hand, incomplete and aggregated data top managers typically get at their desks may very well be detached from reality and be based on hopes and aspirations instead. Consequently these plans often need revision soon after they are formulated, but the top-down decision making suggested by the design school approach inhibits a flexible learning-by-doing (Mintzberg, 1990a). For fear of being blamed, lower managers may be tempted to postpone the communication of the bad news (Argyris, 1984). It is doubtful, therefore, that top management will get an honest feedback if its pet plan fails to bring the expected success. Lower managers are assumed to implement loyally the strategy designed by the CEO, and not to question its validity. If the strategy does not work out as expected, that is bound to be perceived as a problem of implementation rather than as a problem of formulation (Mintzberg, 1994: 25).

The strategic planning school

The strategic planning school of strategy making developed at approximately the same time as the design school but differs from it in one important respect: the strategic decision process is not kept as simple and informal as possible, but is elaborated and formalized. (This discussion of the strategic planning school is based on Mintzberg, 1990b, 1994. Authors associated with this

approach are, e.g., Ansoff, 1965, Hofer and Schendel, 1978, Lorange, 1980, and Steiner, 1969.) This literature is rooted in a strong belief in the controllability of the long-term development of organizations, coinciding with the conviction that the future can be forecasted. The emphasis is on rational deduction of the best strategy on the basis of all the information available. Box 7.2 shows an example of a synoptical strategic planning system.

On the face of it, there is a compelling logic in this approach. Of course, one first has to know where one wants to go, otherwise it makes no difference which direction you take, as the Cat said to Alice. And only if a long-term plan is made first, can the medium-term and operational plans be formulated so that they contribute to the realization of the strategy. To give an example: if a firm decides that its long-term goal is to grow through in-house development of new products, the strategic plan should indicate the direction and magnitude of research and development efforts. The medium-term plan should be geared to generating the means necessary for realizing the plan, and the various operational plans should with adequate precision point out which activities are to take place in order to realize the medium-term plan. Thus Marketing and Sales may be instructed to 'milk' the existing mature products, Production to dedicate capacity to pilot lines for experimental products, and Purchasing to establish contacts with suppliers commanding vital technological capabilities. Characteristic of the synoptic planning model is the use of flow charts, depicting the strategic decision-making process as a computer program. Many examples can be found in the work of Igor Ansoff (e.g. Ansoff, 1965; Ansoff and McDonnell, 1990), one of the founding fathers of this school of thought.

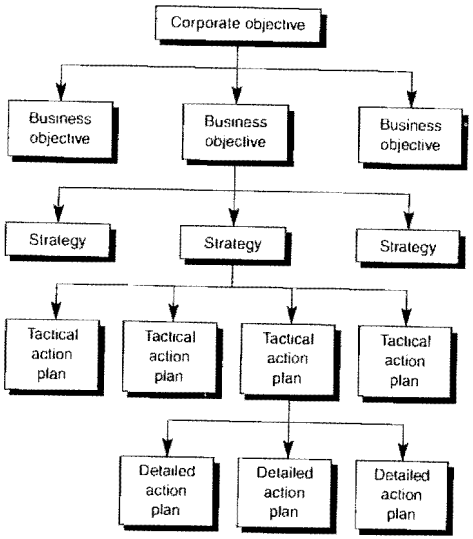
Box 7.2 Synoptical planning at Texas Instruments around 1980

The OST (Objectives, Strategies, Tactics) system, developed at Texas Instruments in the 1960s, is an example of synoptical, top-down strategy making. A company officer described the OST system as 'an attempt to make explicit the company's longer range goals, strategic objectives, and shorter term tactics to achieve them'.

The corporate objective stated the reason of existence of the organization. It was supported by a set of business objectives, expressing the boundaries of a business and the main potential opportunities in it. For every business, a strategy was worked out which described the business environment in detail. Each strategy was assigned to a strategy manager.

Within every strategy, a number of more concrete tactical action programmes was formulated. Every tactical action programme, covering 6–18 months, described in detail the steps necessary to reach the goals of a specific strategy. For each tactical action programme a responsible individual was

designated. The strong top-down character of the OST system is expressed graphically in the figure below.



(Source: Quinn et al., 1988: 262–9. A further adaption of Figure A, originally published in Richard F. Vancil and Ronald Hall, Texas Instruments Incorporated: Management Systems, 1972. Case 172-054. Boston: Harvard Business School, 1972, p. 3. Copyright © 1972 by the President and Fellows of Harvard College. Used with permission.)

The strategic planning school, just like the design school, prescribes a mode of strategy formation with a strong emphasis on top-down decision making, and in which strategy formulation is separated from strategy implementation. Therefore, the criticism of the design school applies to this school of thought as well. There are a number of additional criticisms of the strategic planning school.

In the first place, this approach appears to assume virtually unbounded rationality. Many, if not all possible options should be taken into consideration, all the consequences of options systematically analysed; and a strict separation between goals and means maintained (Braybrooke and Lindblom, 1963). The preceding chapters of this book go to show the inadequacy of such an approach from a descriptive point of view.

Secondly, if the prescriptions of this school of thought are followed, strategic decision making to a large extent becomes a task of staff specialists rather than top management. The reason for this is that most top managers

do not have the time (and otherwise do not feel inclined) to perform the elaborate planning tasks themselves. Therefore important parts of this task will be delegated to staff specialists, typically placed in a strategic planning department. It is one of the 'cardinal principles' of the strategic planning school that strategy making should be a task of line managers (Schwendiman, 1973: 43). But in practice top managers will only be involved in the process at certain key points, and given the information advantage of the planning specialists it is doubtful whether they will have an overriding influence on the direction of the strategy (Mintzberg, 1994: 30–1).

Finally, an underlying premise of the strategic planning approach appears to be that analysis breeds synthesis. All the analytical steps and techniques for forecasting future developments, for performing the SWOT analysis, and for evaluating possible strategies are carefully spelled out, but there is 'one missing detail': it is unclear where these strategies are assumed to come from (Mintzberg, 1994: 33). The emphasis on decomposition obfuscates the integration and creativity necessary to come up with a strategy.

Contemporary synoptical planning

In spite of the descriptive and prescriptive shortcomings of the underlying model, the synoptical planning approach is anything but dead. In fact, the design school and the strategic planning school are still dominant in the normative, practitioner-orientated literature on strategy making (Stacey, 1990). About a decade ago, the vast majority of practitioners were deemed to be proponents of the synoptical planning approach (Walter, 1980). It is doubtful whether that proportion will have decreased dramatically by now.

The design school approach originally developed at Harvard Business School is still in use, with only minor alterations. The original 1965 textbook has been succeeded by a number of new editions, with new co-authors, but the basic approach is the same. (The most recent edition is Christensen et al., 1987. For a description of the minimal alterations in this text compared to Learned et al., 1965, see Mintzberg, 1990a.) The strategic planning approach is also still very much alive. Ansoff's writings provide an example (e.g. Ansoff and McDonnell, 1990; other examples are Godet, 1987, and Hax and Majluf, 1984).

But perhaps most importantly, the synoptical planning approach still predominates in educational textbooks on strategic management (see for example Hill and Jones, 1989, and Rowe et al., 1994). This means that generations of future strategy makers are imbued with this heroic model of decision making in organizations. Far from dismissing the synoptical planning approach altogether, the point we want to make in this chapter is that the underlying model of organizational decision making is of limited applicability. In Section 7.2 we will determine in which situations the approach can best be used. First we will discuss a number of other approaches. The first of these, the disjointed incrementalist model, shows a marked contrast with the synoptical planning approach.

Disjointed incrementalism

Incremental decision making

The model of disjointed incrementalism is in more than one respect a reaction to the idealized picture of organizational decision making underlying the synoptical planning approach (Braybrooke and Lindblom, 1963; Lindblom, 1959). Instead of being prescriptive, the disjointed incrementalism model is predominantly descriptive. Instead of unbounded rationality, severe limits to rational decision making are assumed.

Managers are assumed to command only restricted rational faculties in the disjointed incrementalist view, and consequently they are not able to oversee all aspects of a strategy, nor to foresee all consequences of a chosen line of action. The strategy of an organization is seldom if ever completely reconsidered. Rather, managers decide on small changes in the existing situation. As a result changes of strategy are most of the time only marginal or 'incremental'.

The organizational decision-making process is incoherent ('disjointed') in two respects: in time, and over issues. According to the proponents of disjointed incrementalism decision makers do not even try to look far ahead (ostensive attempts to do so are mere rituals). Instead they concentrate on goals that are proximate in time. Thus, rather than trying to formulate a strategy for the coming decade, decision makers prefer to try to achieve an advantage next month, or next year at the latest. The distant future is heavily discounted.

Negative coordination

In the synoptic model decisions pertaining to all kinds of disparate issues are related to one another, and all decisions contribute to the realization of one overall strategy. According to the disjointed incrementalist model real-world organizational decision making is fragmented. Different agents are entrusted with different issues. All agents have their own perceptions of reality, and pursue their own goals. Coordination with other policy makers, if existent, is negative rather than positive. **Negative coordination** means that preventions are being taken to ensure that the decisions of various managers or parts of the organization are not in flat contradiction. **Positive coordination** is the orchestration of all decisions within one strategy, as prescribed by the synoptical model. Fragmented negatively coordinated decisions can result in a patchwork strategy at best.

Although the disjointed incrementalist approach is mainly descriptive, it also formulates rules of behaviour that are assumed to have prescriptive value. The main prescriptions of the disjointed incrementalist approach are summarized in Box 7.3.

The model of disjointed incrementalism has been developed to describe decision making in the context of public administration. It does not fit in with the picture of efficient organizations pushed to the limit by the unrelenting

Box 7.3 The main rules of incrementalist decision making

- Choose as relevant objectives only those worth considering in view of the means actually at hand or likely to become available.
- When contemplating means, continue at the same time to contemplate objectives, and vice versa.
- Limit attention to alternatives that differ only incrementally between themselves.
- Limit attention to alternatives that differ only incrementally from the present situation or policy.
- Evaluate alternatives only through a comparison of their incremental effects on the present situation or of their incremental difference from the present policy.

(Source: Braybrooke and Lindblom, 1963)

pressures of the market. Nevertheless, if the assumptions of disjointed incrementalism are productive in the public sector, there is no a priori ground to dismiss the model for application in the private sector. We see the model as a useful correction to the synoptical approach, but in its over-simplified negation of any form of long-term planning it may be almost as unrealistic as the contested model.

The garbage can model

A variant of the disjointed planning approach is the 'garbage can' model of organizational choice developed by Cohen, March and Olsen (Cohen et al., 1988; March and Olsen, 1976). The model is developed to describe decision making within 'organized anarchies'. An **organized anarchy** is an organization without a clear set of central goals, using a technology unclear to itself, that is, it does not very well understand its primary processes. Furthermore, organized anarchies are characterized by fluid participation: 'the boundaries of the organization are uncertain and changing; the audiences and decision-makers for any particular kind of choice change capriciously'. (Cohen et al., 1988: 295). Universities are examples of organized anarchies (the model was in fact developed on the basis of empirical studies of decision making at universities).

In an organized anarchy decision making does not look at all like the orderly process prescribed by the synoptical planning approach. The decision making context can best be described as a 'garbage can' in which problems, solutions, and decision makers are dumped more or less at random. Thus the process in many cases is not driven by the urge to solve a problem, but by the desire to use a particular solution, or by the fact that a decision maker is

looking for something to do. If a problem, a solution, and a decision maker with certain goals happen to match, a decision is made. On the other hand, many decisions are made by oversight, because no solution and/or motivated decision maker happens to be available at the right time.

Garbage can decision processes may appear to be pathological, but only if the inappropriate standards of rational choice are used. In spite of its limitations, garbage can decision making 'does enable choices to be made and problems resolved, even when the organization is plagued with goal ambiguity and conflict, with poorly-understood problems that wander in and out of the system, with a variable environment, and with decision-makers who may have other things on their minds' (Cohen et al., 1988: 323). An organization trying to emulate synoptical planning procedures under these circumstances could easily become paralysed.

Logical incrementalism

Intuitive, evolutionary, fragmented yet logical

In contrast to the model of disjointed incrementalism and the garbage can model, the logical incrementalist model is developed explicitly for the description of strategic decision-making processes within private sector firms. James Brian Quinn (Quinn, 1978–79; 1980) attempts to demonstrate that incrementalist decision making, if applied in the right manner ('logically'), may be efficient also for business firms, whereas synoptical decision making would be too difficult or risky.

According to the logical incrementalist model, strategic decision making in organizations is an intuitive, evolutionary and fragmented process. Intuition is important because there are no clear criteria as to what is the best strategy in a given situation. Many consequences have to be taken into account, most of which are uncertain, and there is no common denominator to which all pros and cons can be reduced (i.e. compensatory evaluation of alternatives is impossible). In the absence of a completely rational procedure, the manager has always to some extent to rely on his or her gut feelings in choosing a strategy. Restrictions to the rational faculties of human decision makers and scarcity of information make strategic decision making an evolutionary process. Rather than rushing head-on into a completely new strategy, managers will first experiment on a smaller scale with various alternatives, progressively changing policies and goals as more information becomes available. Differences in views and interests and dispersion of power over the organization cause decision making to be fragmented.

Logical and disjointed incrementalism

In these respects logical incrementalism resembles the disjointed incrementalist model. But logical incrementalism also diverges from the purely incrementalist approach. In Quinn's view managers do pursue long-term strategic goals, but

Box 7.4 The main points of logical incrementalism

- Effective strategies for the organization as a whole emerge from the partial strategies of subsystems.
- The decision-making processes within the various subsystems follow a logic and tempo of their own.
- Within each subsystem specific restrictions with regard to information availability, cognitive constraints and process characteristics apply.
- Strategic decision making is strongly influenced by unexpected major events.

(Source: Quinn, 1980)

they are smart enough to realize that formal synoptic planning is not the best way to attain these goals. In other words, the absence of the comprehensive logic of a strategic master plan does not mean that managers are muddling through in a completely 'disjointed' way. A good manager keeps an eye on his or her long-term goals, but also on the political and cognitive restrictions with which he or she has to cope (cf. Wrapp, 1984).

Quinn does not consider the practice of his version of incrementalism poor management. On the contrary, logical incrementalism is an adequate response to the complex problems managers are confronted with. Accordingly, Quinn claims that logical incrementalism is both descriptively accurate and prescriptively valid. It is assumed to give not only a better description of what real-world organizational decision making is about, but also to offer better directions for practice than both the disjointed incrementalist and the synoptic planning model.

The outlines of the logical incrementalist model are summarized in Box 7.4. We will discuss these main points seriatim. But first we will have to make clear what in the context of logical incrementalism is to be understood with a 'subsystem'.

A **subsystem**, as the concept is used by Quinn, should not automatically be identified with an organizational unit like a department or a division. A subsystem is a group of organization members that in a particular problem area formally or informally has the competence to make decisions on behalf of the entire organization. These subsystems, consisting of the key decision makers in the area in question, often cut through several organizational units. Quinn distinguishes subsystems for, among other things, innovation, diversification, divestments, reorganizations and external relations. Other possible subsystems are those for internationalization, production optimization and personnel.

In many cases a subsystem will be made up from one or more members of the executive board, plus managers from the departments or divisions most

concerned. The manager of the research and development department is likely to be a member of the innovation subsystem, the marketing manager of the diversification subsystem, the personnel manager of the reorganization subsystem, and so on. It is also very likely, and for the coordination of strategic decision making desirable, that the various subsystems overlap.

Characteristics of logical incrementalism

The first characteristic of logical incrementalism mentioned in Box 7.4 is the proposition that effective strategies for the organization as a whole emerge from the partial strategies of subsystems. This flies in the face of the conventional wisdom codified in the synoptical planning approach. According to Quinn, however, it is not effective to design an overall strategy at the top and subsequently have that strategy elaborated into plans for the shorter term and for various parts of the organization. Top management lacks the detailed knowledge and information necessary to make these more concrete plans. But how could top management be able to design a realistic overall strategy without this information and knowledge? In short, strategic decision making should be more of a 'bottom-up' and less of a 'top-down' activity.

The second proposition of the logical incrementalist model is that the decision-making process within every subsystem has its own peculiar 'logic' and tempo. For instance, when starting up a new plant at a new location a firm does not have to worry about existing personnel practices, commitments to the local community, and so on. But these things are critically important if an organization wants to discontinue or radically change activities at an existing plant.

The 'logic' of diversification is primarily of a financial-economic and technical nature, as the questions to be answered pertain to the market offering the highest growth potential, and to possible synergies between the activities to be performed. On the other hand, in the 'logic' of divestments psychological and juridical-institutional aspects are also crucially important: one has to cast off emotional commitments to an activity or location, examine the legal conditions for laying off redundant workers, assess the impact of such lay-offs on the relationship with trade unions, and so on.

Thirdly, within each subsystem specific restrictions with regard to information availability, cognitive constraints and process characteristics apply. In some subsystems 'hard' data and objective information are relatively abundant. For instance, it is possible to attain information about the cost of capital, or about the effects of promotional campaigns. But it is much harder to judge the comparative effectiveness of several possible organizational structures, or to evaluate possible programmes for boosting employee motivation. In the absence of 'hard' data, a different decision-making process is called for, employing small-scale experimentation and trial-and-error to yield additional information. It is for this reason that organizational decision-making processes according to the logical incrementalist model are often of an evolutionary nature.

The fourth and final major characteristic of logical incrementalism is that

strategic decision making is seen as strongly influenced by unexpected major events. Such events can be things like technological breakthroughs, political landslides, or the sudden death of a key executive. Unanticipated events are a source of irreducible uncertainty, and often put much pressure on the decision-making process because of limited response time. Under these circumstances top managers try to gain time by taking broad and flexible decisions, and by avoiding irrevocable commitments (see also Ghemawat, 1991). As the situation unfolds and initial assumptions are put to the test, the new strategy can be given shape: strategic decision making following major unanticipated events tends to be evolutionary.

Achieving overall coordination

Although strategic decision making according to the logical incrementalist model can best take place within the various subsystems, a danger of this procedure is that these decisions drift too far apart, and the achievement of general purposes is obstructed. Top management should not try to fine-tune all subsystems, but rather give global directions that leave enough room for the decision-making processes in the subsystems to unfold in their own way and at their own speed.

The (partial) integration of the decision-making processes of the subsystems can be achieved in three ways:

1. The top manager can personally try to maintain a broad overview of the various decision-making processes, and in the case of major developments in one subsystem work out the consequences for other subsystems.
2. The existence of personal overlaps between subsystems can achieve the same goal. If several managers play the role of 'linking pins' between subsystems, the risk of overstraining the rational faculties of individuals is less than if one top manager tries to do so on his own. The disadvantage of this system, is, of course, that no individual manager has a complete overview.
3. Formal planning procedures can play an important role in integrating visions and strategies. In this case the formal planning system is not seen as the *source* of corporate strategies, but rather as a device for forging one corporate strategy from the several subsystem strategies. The formal planning system forces managers to look ahead and stimulates communication about goals, strategies and resources across subsystem boundaries (cf. Langley, 1988).

Logical incrementalism as a model of organizational learning

The most important difference between logical incrementalism and the synoptical planning approach is that the latter does not really allow for **organizational learning**. To be sure, most of the synoptical models of strategic decision making are equipped with some kind of feedback from outcomes of actions to the decision-making process (cf. Figure 2.4). But as strategy formulation is supposed to be a comprehensive and top-down process, the implication seems to be that the function of the feedback loop is to detect deviations in the

implementation process that demand corrective action *vis-à-vis* the implementors rather than adjustment of the strategy.

In the logical incrementalist model decision, cycles are deliberately kept short in order to gather information in small-scale experiments. As a consequence there is much more opportunity to learn from the experience gained in the implementation. The much stronger bottom-up orientation of logical incrementalism also helps to enable this kind of organizational learning, of course.

The synoptical model appears to allow only 'single-loop learning': on the basis of information on the outcomes of the implementation process corrective actions can be taken in order to attain the pre-specified goals. Logical incrementalism on the other hand allows 'double loop learning' to take place: information gathered in small-scale experiments may be used not only to change the means used for pursuing given goals, but also to alter these goals (see also Chapter 8) (Argyris, 1984).

The interpretative approach

Organizations as paradigms

The interpretative approach to strategic decision making takes issue with the 'logical' aspect of Quinn's model. According to the interpretative approach – also called the 'organizational action approach' – accounts of strategic decision-making processes given by managers should not be taken at face value (Johnson 1987, 1988; Johnson and Scholes, 1993 – other authors associated with this school of thought are Donaldson and Lorsch, 1983; Pfeffer, 1981; Sheldon, 1980; Shrivastava et al., 1987; and Weick, 1983). *Post hoc*, managers rationalize decision making to a process closely resembling logical incrementalism or even synoptical planning. But in reality these decision-making processes are much less 'logical'.

In the interpretative approach strategic decision making is seen as a semi-closed system. Managers are often assumed to react to signals from the environment, but in fact their response is triggered by their *perception* of these signals. As we have seen in Chapter 4, decision makers interpret changes in the environment using simplifying cognitive schemata. These schemata will often be more closely connected with the history than with the present situation of the organization. For instance, managers who in the past have successfully pursued a strategy of cost minimization and low selling prices may interpret a decline of sales as a signal that prices should be lowered and costs reduced even more. In this way the very success of a given strategy may carry in it the seeds of future disaster. Success breeds simplicity: all minds are set at continuing a given successful policy. Organizational structures and procedures, as well as power relations, perpetuate this state of things (Miller, 1993).

Perceptual filters and cognitive heuristics at the level of the individual manager have a bearing on organizational decision-making processes. But the interpretative approach does not stop there. If the belief sets of individual

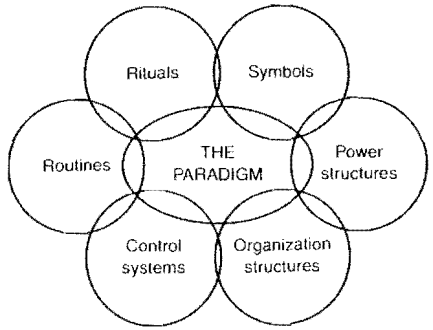


Figure 7.1 The organizational paradigm. (Source: Johnson, 1988: 85.)

managers are relatively persistent and homogeneous within the organization an 'organizational paradigm' may be said to exist. This paradigm is the prevalent model of reality in the organization, and conditions the way in which environmental stimuli are perceived. Thus a kind of 'groupthink' – as discussed in Chapter 5 – is occurring at the level of the organization as a whole.

The organizational paradigm derives its persistency from the fact that individual belief systems are relatively stable, as well as from reinforcement mechanisms at the level of the group and of the organization. The organizational paradigm will among other things be reflected in the organizational power structure (e.g. if serving the client's needs is seen as most important, marketing and sales will be powerful departments). The same is true of the organizational structure, control systems, and routines for accomplishing tasks. Likewise the organizational culture, reflected in rituals, myths, and symbols in force in the organization, will tend to reinforce the organizational paradigm (see Figure 7.1).

The interpretative approach and logical incrementalism

The most important difference between the interpretative approach and the, closely related, logical incrementalist model has to do with the scope for rational choice that is believed to exist if barriers to rationality on the level of the individual, the group and the organization are taken into account. The interpretative approach is much more pessimistic in this respect than the logical incrementalist model. The difference is depicted graphically in Figure 7.2.

On the left side of Figure 7.2, the process of strategic adjustment as assumed in the logical incrementalist model is shown. Changes in the environment, represented by a shift along the vertical axis, are followed, imperfectly and with some delay, by corresponding changes in the organizational strategy. On the right-hand side of the diagram, the process of strategic adjustment according to the interpretative approach is shown. Here the direction of strategic