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Review

Descriptive Models of Organization and Management Within an Economic Entity as System

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The systemic approach in management does not oppose holism to reductionism nor a global approach to a local approach but rather tries to reconcile analytical images to integrative images, showing that the whole is reflected in each of its parts and each part is a small-scale projection of the whole. The systemic approach does not give up the logical and analytical tools which investigate reality by dissecting, fragmenting and decomposing it into its constituents, but it recovers them to obtain morphological, synthetic, dynamic and lively development of this reality. The principle of system approach uses deduction and induction, analysis and synthesis, to discover internal interrelationships and connections that drive complex organized assemblies. The true values of this approach are found not in simplistic schemes such as "input-output" or in "circular" models that economics and management textbooks are full of and which, ultimately, establish a different kind of formalism. We are interested in the formulation and implementation of the descriptive management, i.e. what managers decide to do, the alternatives of action and final stage of implementation and the feedback absolutely necessary.

Keywords: descriptive management, rationality, system, decisions.

General approach

The managerial theories that assimilated at an organic level the systemic approach do not operate by limiting judgments such as "cause-effect" or "stimulus-response" type. They are not positivist in the sense that they no longer convey concepts which define and explain things and direct, visible, logically undeniable connections. These theories aspire to a knowledge that is complex, multidimensional of situations, in order to avoid the obstruction or damages of management judgment and decisions through formal-analytical approaches, which

simplifies to trivialize organizational realities. An emphasis is thus placed not upon the differences between the elements of the organization or between the organization and the environment, but on the interdependencies, the communication points or areas between them. The practical implications of this way of looking at management are the following:

- managers must accept not to overdo when cutting the organization into services, positions and different hierarchical levels, but to get used to address it as a

complex dynamic system characterized by a multitude of interdependencies, interconnected streams, co-development and synergies;

- the management cannot overlook the many interactions between the organization and the environment;

- recognizing the fact that most things and events are not simple keys;

- the diversity of attitudes, perspectives, values and interests must be seen as an element of riches and not as a challenge to the system;

- the organization must get used to act in uncertainty instead of rigidly schedule an improbable future, and the change must become a natural way of being, replacing the values enshrining the orientation toward stability.

One can only speak in a relative way about a systemic school or current within the management theory. It is true, that there is a well structured and well developed perspective that has more in common with a systemic approach - the contingency and situational current. But the models and theories specific to the contingent approach are not always fully in line with the requirements of the systemic approach. What are these requirements? In our view, a theory or a model is constructed in accordance with systemic precepts if they offer complex and complete answers to the following questions:

- 1) What is the organization and which is the man's place within the organization?
- 2) What is the relationship between the organization and its environment?
- 3) What are the sources and ways to ensure organizational effectiveness?

This subchapter contains a review of the main theoretical contributions to the development of a systemic approach in the management of the organization. Here one can find presentations of research synthesis of well known authors such as Barnard, Simon and March, Drucker, Lange, Forrester and Kornai, Mintzberg, Leavitt, Trist and Le Moigne, Peters and Waterman, Morgan. The topics and even the languages of such theories are pretty different, but the common element is that each of them contains, implicitly or explicitly, comprehensive answers to the three interrogations

Simon and March: in search of the limits of rationality

Cyberneticist and psychologist Herbert Simon (Nobel Prize Laureate for Economics in 1978) and economist James March were among the first theorists who made the link between the cognitive capacity limits of the organization members and the normative and behavioral characteristics of the organizational structure.

Initially, Simon has proposed to explain the way in which the organizational structures simplify and support decision-making by the organization members, allowing them, at the same time, to improve decisions and behaviors. The members of the organization are expected to learn the values and operating rules of the organization and to be guided by them in decision-making processes. The decision criteria based upon the beliefs concerning the connections between ends and means are available to members in the form of rules, procedures and organizational routines. Simon shows that, within organizations, behavior is rational because decisions are subject to established constraints and decision-makers are guided by certain rules, formal or informal (Simon H., *Administrative behavior: A Study of Decision-Making Processes in Administrative Organization*, New York, Free Press, 1945).

The interpretation given by Simon and March of organizational phenomena is based on the identification of the key *generic concepts concerning the human behaviors*:

- the first concept synthesizes the management's concerns to rationalize labor as the members of the organization are considered to be passive tools, capable of performing only simple tasks based upon a direct and permanent hierarchical control;

- the second concept focuses on the fact that the members of the organization are the bearers of perspectives, attitudinal orientations and values which do not always correspond to the rules and objectives of the organization to which they belong. The conflicts caused by the divergence highlight the need for a proper motivation of the organization members;

- the third concept focuses on the fact that the essence of the people's activity, as members of the organization, consists in solving problems and making decisions.

Therefore, in order to understand the organizational dynamics it is crucial to explain the individual or group cognitive processes, i.e. the methods of analysis and reasoning applied by the members of the organization.

If the first two concepts are specific to Taylorism and post-Taylorism, the third is a true redefinition of the organizational management issues. Simon and March demonstrate that the renewal of the organizational theory is possible only under the assumption that the members of the organizations operate choices and make decisions (March J., Simon H., *Les Organisations*, Paris, Dunod, 1969).

The research of Simon and March were largely characterized by the effort to determine the degree of concrete rationality of the organization members. These authors show that the organizational realities recede considerably from the paradigm postulates of the *homo oeconomicus* and the mathematical models of decision.

In reality, the organizational actors do not optimize because they do not have the necessary time, they are not provided with the sufficient capacity for gathering and

processing information or do not have the needful memory. Depending on their perception of reality, norms and personal values that define the criteria for satisfaction, the organizational actors stop, consciously or not, at the first satisfactory solution they find. This decision orientation was conceptualized by Simon and March by using the concept of *limited rationality*. Unlike the Taylor-ist inspired concepts, the new model of cognitive decision-making within organizations can integrate the factors previously considered unreasonable into a rationality which is the selection of the first satisfactory solution. Simon and March show that the organization members do not display irrational behavior, but are always reasonable even if their cognitive skills have limitations. The complexity of real decision-making contexts is to allow a prior detailed regulation of solutions for any problems that may arise. However, organizations try to limit as much as possible the fields of uncertainty by establishing certain *repertoires of action programs* that facilitate the solution of a variety of issues and situations. The structure of these repertoires combines the rigor of procedural formalism and the spaces for creativity and personal initiative of members of the organization faced with the need to perform both routine tasks and novel activities.

The organizational routines state Simon and March, "automates" the common troubleshooting, the "local" adjustments directing attention and cognitive resources of the organization members towards the regulation of certain complex, new or unpredictable issues on system operation.

Thus, the organization shapes the behavior of its members through *"performance programs"*, which conduct the routine activities, on the one hand, and *"search programs"* utilized to deal to non-routine problems, on the other. Often, the decision-making processes are "concentrated" by the help of these "programs" - preset routines which indicate to the members of the organization what to do when solving repetitive and programmable issues.

It is true, these routines significantly restrict the freedom of most members, so they will make fewer choices and, at the same time, they will be more constrained in their options and actions. What leads individual to be rational within organizations? Simon and March state that the rationalization factors of organizational behaviors are the estimates of value, the cognitive frameworks, the rules and routines: the rational individual can only be an organized and institutionalized individual.

Due to limited rationality, decision-making within organizations is strongly conditioned by organizational routines and the game played by the involved actors, all pursuing their own interests and objectives. By developing this idea, James March subsequently identifies the following *types of limited rationality* (March

J., *A Primer on Decision Making: How Decisions Happen*, New York, Free Press, 1994):

1) *contextual rationality* when solving a problem or decision-making is "buried" under many other concerns of the organization members;

2) *game-type rationality* when decision is shaped by the dynamics of spontaneous interactions among the organizational actors;

3) *procedural rationality* when the meaning of decisions and solutions is given not so by the effects produced by their application but by the decision-making process itself or by the search of a solution;

4) *adaptive rationality* when decisions and "good" solutions prefigure as a result of the process of learning and accumulation of experience;

5) *a-posteriori rationality* when decision-making precedes the intentions and the formulation of the decider's objectives.

This repertoire suggests the unstable, poorly structured and undetermined character of most strategies promoted by decision-makers. As the authors postulate, the usefulness of this ambiguity manifests itself in situations where decision is the effect of negotiations between partners. Simon and March state that an organizational policy or strategy has the more chances to win the support of large number of people or groups so as ambiguous and vague they are formulated. This massive adherence is possible to very different reasons. On the contrary, abandoning the proposed policy is often the result of reducing uncertainty and imprecision that can highlight conflicts and differences between organizational actors. In these situations, the decision flow control can raise many problems.

The *"organized anarchy"* model, which is a harmonious development of Simon and March's early concepts, highlights the domination, within organizations, of decision-making contexts characterized by a high degree of ambiguity of the decision-makers preferences through the essential role of negotiations and explanatory talks and through an unstable level of personal commitment of the participants. These situations are configured by a triple organizational dynamics: 1) decision-makers seek objectives; 2) decisions and solutions seek problems and questions to which they might respond; 3) questions seek situations to show relevance.

However, one must not underestimate the degree of structuring of decision-making processes. Even though the "organized anarchy" is more or less present within all organizations, the decision-making processes, as we have seen, are not absolutely vague and random. These processes are configured not only according to the production of ambiguity but also by introducing various forms of objectification, structuring action, such as setting strategic benchmarks, understanding the interests and intentions of other participants to the life of the organization, negotiations helping to define positions and

situations, etc

Background for decisions made in risk and uncertainty conditions

We find the theoretical support for the unbundling managerial ownership approach in the paper published in 1932 by A. A. Berle and G. C. Means entitled *The Modern Corporation and Private Property* (Berle, .A., Means, G.-*The Modern Corporation and Private Property*, MacMillan, New York, 1932.), paper that has given rise to numerous controversies among many economic analysts. The modern approach to business theory leads to the emphasis that one should also consider other final goals for the enterprise, not only maximizing the profit, such as:

- increasing the sales;
- reducing the costs;
- improving the overall process of management etc.

The paper written by R. Cyert, J. G. March and H. A. Simon in 1963, entitled *The Behavioral Theory of the Firm* is also relevant in this respect, the basic concept showing that the managers do not aim only to maximize a certain size of the business' activity, but also seek to ensure the most satisfactory line for the firm's evolution according to a plurality of objectives and constraints as well as the information received. The precise determination of this line can be done by utilizing also the methods presented at the decision making process under conditions of uncertainty. Also from the paper mentioned above results the authors' approach of the modern decision making process under the form of descriptive theory, which presents the decision making process as it takes place in reality in the American enterprises.

The theory emitted by the American authors is based on the formulation of eight basic concepts:

- the chosen goals (therefore more objectives);
- the levels of human aspiration;
- the perspectives of evolution;
- the choices to be made regarding the line of action to follow;
- the partial resolution of the conflict between the goals;
- the uncertainty avoidance;
- the research problem analysis;
- the organizational experience.

The main merit of Cyert, March and Simon's descriptive theory is to have emphasized the human factor in the organization and to have tackled the decision making process in all its complexity. Nevertheless, considering several objectives which should be followed by a given firm do not lead in the end to the claim that long-term results of the proposed performance goals do not necessarily lead to profit maximization (for example sales growth lead to income growth and it ultimately lead to profit growth). Regarded under this aspect, the modern paradigm of the firm theory is not contrary to the

traditional one. What truly matters is the separation of property management function, the owners of the large companies, for example, remaining unknown, the manager being the one who thanks to his qualities, to his moral and professional authority ensures the use of all internal and external factors in achieving the intended purpose (purposes), supporting directly the consequences of all the firm's activity: success which means profit, evolution, and failure which means loss and leads to bankruptcy in the end. Certainly there is no single recipe for successful management, but among the rules that can be taken into account by a modern manager, we mention:

- a. the establishment of knowledge targets (aims) by everyone involved, as well as the establishment of the attributions to fulfill by every employee;
- b. the analysis of existing climate business and many information from outside the office, resulting from a direct contact with the staff and facing the problems that occur;
- c. the following of evolution and the training of insiders capable of becoming, in their turn, managers. Consequently, we refer to the formation of the future leaders from the inside, people with specific merits and skills.

Moreover, the effectiveness of the new approached paradigm, applicable to the current entrepreneur, in condition of an economy based on knowledge, relies on the action of buying an already existing business, or on franchising, in order to omit many of the risks of starting a business. The connection or rather the difference between an entrepreneur and a manager is significant because an entrepreneur can also be a manager (when he is running directly his own business), but a manager cannot be an entrepreneur, since he cannot be substituted for the property owner and / or the capital owner. The purpose of this paper is to emphasize this qualitative side of the document management, especially its starting point for action and the activities that were carried out, all this constituting the decision.

But the emphasized paradigm must be fulfilled also by the organizational side of modern business, which points out the assertion that the modern firm is an opened system, an organizational network which evolves and adjusts itself with the market segments that it is interested in and are suitable to the analyzed firm. Everything is integrated as flexibly and efficiently as possible in the new type of economics of organizational networks, as Alvin Toffler describes it in *War and Anti-War* Toffler, A.-*Război și antirăzboi (War and Anti-War)*, Antet Publishers, București, 1999.

), but moreover in the new economy of the latest discoveries in information technology, without which the economic and social life cannot be conceived today.

Just as different given situations indicate, and also the analysis of the entire process that was described, management represents not only the science, but also the art of controlling and administrating the activity of

other people. For many authors, the term *management* includes a content act that is also pragmatic, referring to the actions, functions and processes through which the organizations' objectives are achieved. Concretely, according to the views expressed in the North American space, management is closely connected to that designated to implement its requirements, namely the manager, in the action of organization, coordination, training, of human, information, technical, material, financial resources, for the purposes set to the organization or the entity in question. Remaining in the same space, let us present a definition of *management* given by two American specialists, Barry L. Reece and James O'Grady (Reece, Barry L., O' Grady, James - *Business*, Houghton Mifflin College Div., 1987).

who considered it pragmatic and being *the process of coordination of the human, information, material and financial resources in order to achieve the organization's objectives.*

CONCLUSIONS

All these ideas, images, principles, point out the profusion and the polyvalent and multidimensional character of the organizational dynamics.

The schemes of organizing, the staff list, the internal rules, the financial and accounting documentation, also known as the formal gearing of an organization, represents but the "top of the iceberg", its seemingly, visible part. "Under the water" many forces are at work, philosophies of the success, psychic throbs, perspectives, axiological orientations, cognitive processes, communication dynamics that fill with life the formal structures. The organizations are always much more than they look like. That is why their performance management is considered to be a process of discovering and understanding the "hidden pieces" of the organization.

The organizational schemes, functions situations, internal regulations, finance and accounting documentation etc., i.e. the organization formal gear, represent only "the peak of the iceberg", the apparent

and visible part of the entity (firm, organization). "Under the water" unfolds a multitude of forces, interests, success' philosophies, perspectives, cognitive processes, dynamics of communications etc., which fill with life the formal structures. The organizations are always some more than they seem to be.

The Performance Management, as a whole, with joint descriptive and perspective methods and ideas is, therefore, a complex process of discovery and understanding of the "hidden" parts of the organizational mechanism.

BUT, the descriptive management, we consider and support this idea, is the factual and operational system for making-decisions within economic systems (entities).

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