B301: Making Sense of Strategy

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(c) Compare and contrast the strengths and weaknesses of two models of strategic decision-making. Illustrate your answer with suitable examples from B301 and/or your own experience.
2,514 words (including in text citations, excluding references)

Introduction

The assignment is to compare and contrast two models of strategic decision-making, illustrating with examples. I have chosen the garbage can model and the rational model because I have examples from my own experience that seem to fit the descriptions of those models.

The Garbage Can Model

First described by Cohen et al in 1972 the garbage can model is intended to be a descriptive model of decision-making in an 'organised anarchy'. ‘Organised anarchy’ was described by Cohen et al as having “problematic preferences, unclear technology and fluid participation.” ‘Problematic preferences’ translates to not having clear organisational goals. ‘Unclear technology’ appears to relate more to the machinery of governance than to IT as we would now understand it, so relates to uncertain processes for decision-making. ‘Fluid participation’ refers to the intermittent attention of the key decision makers, which is also one of the characteristics of the decisions that the model describes. Gibbons(2003) believes that Cohen et al were suggesting that many organisations have periods of anarchy rather than being characterised that way on a permanent basis.

Cohen et al described four key features of the decisions as 1) a driver prompting a decision to be made; 2) some solutions looking for a problem to resolve; 3) some people who might find time to pay attention and make a decision; and 4) some problems looking for solutions. The order in which these appear, and their particular combination to find a solution was random. Cohen et al likened this approach to participants dumping their solutions into a garbage can and then looking to find something useful, a bit like when a child decides to make something and then looks for old cardboard boxes, tinfoil and bottle tops in the (recycling) bin. Although possibly a lottery might have been a more charitable description, since only those solutions that had sufficient energy (a combination of political will and the resources to make them happen) could be considered.

NI doubt that many organisations would own up to using a model described as 'the garbage can' given its derogatory title, which may be somewhat tongue in cheek. However there are several examples in the literature (Eisenhardt & Zbaracki (1992) quote 13 studies, some covering multiple instances). It appears to be useful in circumstances where an organisation is in crisis and the normal rational models cannot be used, either because it takes too long, or there has been a paradigm shift and past data is not useful for predicting what comes next. In my own experience I have seen something similar in central government departments following a change of government when the old certainties are reversed.

For example, following the 2010 General Election the Identity & Passport Service (IPS) had a significant change in direction. It scrapped Identity Cards, cancelled plans for fingerprints in passports and the associated technology replacement programme was scaled back. At the time I was part of IPS's Operational Design Group (ODG) which was responsible for the Target Operating Model (TOM) which described how we expected the organisation to look in the future. Almost overnight the previous three years work had to be re-written to suit the incoming coalition government's new political priorities (pg.7, GB 2010). This was broadly characterised as smaller government, improved civil liberties and a return to self-funding for IPS. The Executive Director of Operations set us to work. We had a bunch of ideas, an intermittently attentive team of senior

operational managers (the Operations Executive Team – OET) and a tight timetable to get a new TOM agreed. During the four weeks following the election two OET members were temporarily allocated to other work and two other senior managers stepped into their place, a third went on leave and a deputy took over. There weren't clear organisational goals other than that we were definitely stopping Identity Cards, there was no positive vision or Ministerial priorities. All of the classic features of the Garbage Can model were present.

My team of analysts attempted to keep it all as rational as possible, defining the nature of the problem, setting out criteria for us to assess against, building up options and layering levels of austerity to match the likely available levels of capital funding. The OET members on the other hand were busy trying to get their favourite ideas included in the options. Each iteration of options presented resulted in as many new ideas being added as old ones were dropped in what appeared to be random combinations. The objectives changed several times and we ended up being tasked with answering a different question to the one we started with (admittedly because the political landscape moved on rapidly in the few weeks that had elapsed, we started working to what we expected from the coalition document and then got a proper steer from the incoming Minister after about three weeks). In the end we settled on a revised TOM that largely solved the problems identified and also had the least overall resistance from those managers able to be involved.

The way this decision was reached almost exactly matches the garbage can model as described in the literature. I believe that it worked in this instance because we were in a short period of uncertainty after the change in government, and none of those involved, from the CEO down to me, really knew where we were going or what our organisational goals needed to be. With that uncertainty randomly combining the ideas to try and find a good solution was faster than trying to work out an optimal approach using purely objective and rational analysis. A couple of months earlier (e.g. in preparing for likely outcomes of the general election) we attempted a similar exercise which came to no firm conclusions, although it did generate many of the options we used later. Largely it didn't get a decision because there wasn't an imperative to make one at that point, there were some clear guiding principles (for each of the foreseen likely outcomes) and we had a senior management team who were focussing on other things and so weren't interested in making a decision on TOM options.

Rationality

Rationality is the oldest of the strategic decision-making models, with Herbert Simon being the originator in the 1940s (pg276, OU:2009). There has been a lot of research focussed on this model, some of which has spawned the other models covered in the course material (Power & Politics; Garbage Can; and Sense-making) in response to the perceived shortcomings of the rational model. The chief criticism of the rational model is that it is "preposterously omniscient rationality" (Simon 1976 quoted on pg261,OU). It is this that lead to the concept of bounded rationality (Eisenhardt & Zbaracki, 1992) where people make rational decisions based on the information that they have available, and also 'satisficing' where the first approximately satisfactory solution is accepted rather than continuing the search for an optimal solution to a problem.

A boundedly rational decision-making model is a normative model (i.e. setting out how decisions ought to be made, rather than describing how they happen in practice). Eisenhardt & Zbaracki (1992) describe rational models as supposedly linear, starting with known objectives those involved

gather data and develop alternatives before choosing the optimal solution. Mintzberg & Westley (2001) summarise this as: “define > diagnose > design > decide”. However both studies relate that in practice the decisions studied turned out to be iterative rather than a straight run through the process. Something that I can concur on from my own experience.

Following on a month or so from the example given for the Garbage Can Model we had determined (amongst other outcomes) that one of our primary solutions to restructuring was to close a passport processing office. I was tasked with facilitating the decision-making process and ensuring that a decision was made. On the face of it this followed the normative rational model closely, although in a consciously bounded form. The problem was clearly defined along with some desired outcomes (both estates and staffing reductions, maximising financial savings and ensuring operational continuity) and then criteria for choosing between the options were identified, data was collected and options were developed and analysed. The results were then presented to a group of senior leaders (the Operational Executive Team (OET)) who then asked questions, re-defined the problem/desired outcomes and we went back through another iteration of the model, just as the literature suggested was common practice. After about three iterations we came to an agreed position; the process, data and outcome are summarised on the Home Office website (GB 2010B).

Other than being iterative this process worked exactly as expected from the rational model. It worked like this because the group of managers involved were able to remain objective and had an agreed common purpose from the beginning of the process. This was aided by a clear common purpose across government from new Ministers which was strongly communicated through Cabinet Office and HM Treasury. This external impetus meant that there was no real room for argument on the need to restructure and reduce costs. Had we tried this approach six weeks earlier, before the coalition government’s agenda had become clear then it would have been unlikely to succeed. In fact when we went through the same exercise in 2008 we spent seven months in analysis before concluding that the benefits of action were marginal and that the risks outweighed those benefits. This time round the clear shared goals meant that we got agreement to act in the space of six weeks.

Differences between the Models

The models are radically different in their approaches, and they are mutually exclusive. The garbage can appears to be almost random, whereas bounded rationality is a normative analytical model which is supposed to select the optimal answer. From an applicability point of view the garbage can model works best when the world has been turned upside down and the benefit of experience and analysis is no longer as valuable. Rationality requires you to have relevant information to analyse so that the optimal solution can be identified, which in practice means that you need confidence in the implicit assumption that past performance is a good guide to the future. It would be dangerous to apply a rational model to a situation where there was no relevant data to work from. The garbage can model is generally sub-optimal in its almost random matching of solutions to problems, sometimes it will work really well, but other times it will solve a problem that doesn't exist while failing to solve the problem that does. It acts counter to the normal rational process in this respect.

The other differences between the models are shown in the table below.

Feature	Rational Model	Garbage Can Model
Type of Model	prescriptive	Descriptive
How does it work	Linear analytical model designed to optimise	Random non-linear model with uncertain results
Works best when	Lots of relevant information that can be used to optimise decision outcomes	Uncertainty of goals or situation makes analysis irrelevant, especially when speed is a factor
Speed of resolution	As amount of relevant data increases the speed is likely to slow down, methodical.	Random nature can allow a solution to be picked rapidly, provided there is am attractive solution in the can.
Reliability	Given enough time and data a rational model will get the optimal solution to a defined problem.	An optimal solution cannot be guaranteed, most likely the solution will be satisfactory.

Similarities

There are no real similarities between the models other than that they can both be used to make decisions. The situations where their use is appropriate are mutually exclusive.

Problems & Strengths of Models

The garbage can has some strengths, namely that it will come up with ideas that a logical flow would have rejected, and in an unknown situation these can potentially be the optimal solution. However this is far from certain and cannot be relied upon. Mostly the solution will be sub-optimal. It has the potential to be fast, the solutions already exist and there is no overhead of rational analysis to be crunched through in sequence to come to a decision. In some ways it resembles the start of a set of sense-making experiments. There are a number of options, and one is selected and put into practice, if it works the process stops. If it doesn't then another option needs to be selected and implemented. This continues until either success happens or catastrophic failure prevents any more decisions being made.

The rational model is more reliable at finding an optimal solution, or at least the most optimal of the solutions that have been identified by the process. With a clear shared organisational goal and sufficient data and time to go through the analytical process the best option will eventually be selected given the goals in question. An option picked by a rational process is much harder to argue against as the process of selecting it helps to explain why it was chosen, and it should be an obvious fit to the common organisational goals.

Conclusion

Neither model adequately describes how decisions are actually made in practice, although both have some features that reflect reality. The Garbage Can Model works in a fairly narrow range of circumstances, and the rational model is the one that people would like to think that they are following (although not realising that they are being boundedly rational). Even though I have experienced decision-making that can be described in the terms of both these models I find those examples are a very small subset of all the decisions that I can recall.

The shortcomings of both models are greater than their strengths. In the case of the garbage can there are genuinely few occasions where it can be said to be appropriate and useful. Paradigm shifts do happen, and new ventures are entered into where the old certainties cannot be used to predict what will be successful, but even in those cases there may be better alternatives to the garbage can's random solution generation (although if you have to choose between the garbage can and the rational model then the former would be best for those situations).

The rational model is attractive, not least because we want to appear to be rational, and we want to get the best solution for our desired goals. However it is woefully unrealistic to expect perfect information and to have time to do analysis required for an optimal solution. In taking a boundedly rational view one can achieve good solutions, but the process still takes time and it needs decision makers that share common goals and are objective. That there is a political model of strategic decision making suggests those combinations are probably rarer than is ideal.

Overall I think that Eisenhardt & Zbaracki (1992:pg18) summed up decision-making very well with their conclusion. “It is clear that people are rational, but only boundedly so, that power wins battles of choice, and that chance affects the course of strategic decision-making.”

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