



Herbert A. Simon

Simon was influenced by Follett, Mayo and Barnard.

As per Simon Administration is nothing but decision-making.

Simon's View of Classical Theory

Simon criticized principles of administration given by Classical theorists and called them as mere proverbs, myths, slogans and pompous inanities.

The principles of classical theory individually looked reasonable, logical and well-argued but when these principles are applied simultaneously, they go contrary to each other.

For Example: Functional Foremanship and Unity of Command, Hierarchy and Gangplank, Division of work and Mental Revolution etc.

Theory of Herbert Simon

◆ Decision-Making

- Fact and Value
- Stages of Decision-Making
- Nature of Decision-Making
- Types of Decision-Making
- Modes of Influence

Decision-Making – Fact and Value



Simon rejected the Classical view in premise of both methodology and contents. He explained that decision-making basically involves choice between alternative plans of action. The decision (choice) has two components - fact and value. To explain the difference between the factual and value components, Simon had used means-end paradigm. The factual component is the means or medium component and the end is the value, ethical or preferences (or moral). This means-end process is never ending process. The means of today may become the end, when the goal is achieved and the achieved goal may become the means of the future goal.

Simon being interested in developing a science of administration propagated that science of administration should be built on factual premise not based on ethical component. An administrative science, like any science is concerned purely with the factual statements. There is no place for ethical statements in the study of science. His consideration of factual and value premise is very similar to that of Classical theorists' view of politics-administration dichotomy. He observed that the whole of administration is not factual: administration has both factual and value aspects. He propagated that only the factual component of administration should be considered in the development of science of administration.

Stages of Decision-Making

An organization, according to Simon, is a structure of decision-makers. The decisions are made at all levels of the organization. Decision-making is not one shot activity.

Rather, it involves a series of activities and has three phases - intelligence, design and choice.

In the intelligence phase, the occasions which require decision-making is found. The organizational environment is understood and conditions which need fresh actions are identified, such as collection of data in relation to problem. The root of decision is identified.



The second phase that is design phase involves processing of data - identifying, developing and analyzing of data. Then strategies are created alternative courses of actions are decided.

In the final phase i.e. choice phase, the manager strategically chose the best alternatives after thorough mathematical calculations of pros and cons. Though Simon came out with three phases of decision-making, he later added one more phase called feedback stage.

Nature of Decision-Making

Simon expounded the necessity of being rational in decision-making. That is he discussed the dynamics of decisions on the plane of rationality.

He disputed the concept of total (absolute) rationality and propagated the concept of **bounded rationality**.

The decisions in total rationality are made under the following assumptions -

- (a) The decision-maker knows all the alternatives
- (b) The decision maker knows the utilities (values) of all the alternatives
- (c) The decision-maker had ordered preference among all the alternatives.

But Simon firmly believed that all the above three assumptions are fundamentally incorrect since they are not possible in reality.

In order to achieve all the three assumptions,



- The decision-maker first requires infinite capacity to access all the data and information relating to the issue
- Second he should be able to compute and process the infinite data and information
- Third, he should be able to generate all the possible strategies after processing the infinite data and information and he should be able to make the best choice.

And Simon believed that such a scenario is hypothetical. Man has limitations including technical, manpower and resources. Besides, infinite capacity in anything is impossible. Therefore, **total (absolute) rationality is hypothetical.**

Simon, therefore, discussed **bounded rationality**. The decisions are taken with the limitations. The individuals in the organization work through limitations. Through bounded rationality, Simon seemed to have diluted the concept of rationality. But in nitty-gritty he did not undermine the concept of rationality rather promoted rationality. The decision, according to him, should be consistent with the goal.

Simon explained the concept of bounded rationality through the models of decision-making behaviour. There are three models of behaviour: economic, administrative and social man. The economic man calculates the cost-benefit analysis; finds the minimum cost and maximum utility and follows the concept of total rationality, which is unachievable. The social man is emotive and affective; he considers ties and bonds, relations and relatives. He is undesirable to the organization. Finally, the **administrative man** knows that it is impossible to calculate all the alternatives. And like economic man he finds a **good enough solution** which can satisfy his needs. He tries to rationalize but does not have the ability to maximize and ends up **satisfying** (satisfaction + sufficing). He is governed by bounded rationality. It can be summed as '**it is not the best price but the fair price**'. Though an **individual may not be able to achieve the best**



of the organization because of limitations, **he should strive for the best** and try to optimize his capacity.

Types of Decisions

Simon made distinction between two types of decisions - **programmed** and **non-programmed decisions**.

The programmed decisions are usual, repetitive, routine and recurring – nothing is new. The level of rationality in this type decision is comparatively higher.

The non- programmed decisions are novel, unstructured, unusual and non-repetitive. The decision is new as the problem has not arisen before.

The level of rationality is comparatively low and it involves higher risk elements.

Since both the organization and **environment are changing rapidly these days**, the roles of **non-programmed decisions are becoming more relevant**.

The manager has to be tactful as wrong decisions can prove costly to organization. S/he should always take an attempt to increase the rationality in decision-making. It his/her responsibility to covert the non-programmed decisions to programmed decisions.

This is a crucial view of Simon. Here, he is referring philosophically that the decisions should be taken in a manner such that rationality is more and carries the character of programmed decisions.



However, the managers should not stop taking decisions for the fear of decisions going wrong. They should take decisions but the possibility of getting the decisions wrong should be avoided as far as possible.

Simon also discussed the methods of converting non-programmed decisions to programmed decisions.

There are **two strategies** – **traditional** and **neo strategy**.

In the **traditional strategy**, the individuals with the requisite skills are selected. Then they are trained regularly thereby enriching them with skills and innovations. However, traditional strategy has limitations. Therefore, Simon advocated for neo strategy.

In Neo strategy, techniques such application of mathematical tools, operation research, electronic data processing, system analysis, computer simulation and game theories, etc. are adopted.

While discussing the rationality of decision making, Simon had also discussed a few other aspects of decision-making. He observed that the rationality of the organization may be compromised because of displacement of goal.

The displacement of goal may occur because of two major reasons-

1.Commitment of members towards the sub-goals:

The organization has become more complex with time. There are number of sub-organizations within an organization. And the sub-goals of the sub-units may not be related to the primary goals of the organization. The individuals therefore, may no longer be loyal to the organizational



goals rather more loyal to sub goals (sub-units). This ultimately results in the displacement of the goals.

2. Introduction of values or preferences in the decision-making:

When values are introduced in the decision-making from a number of dimensions say religious, cultural and family, etc., then the rationality of the decisions are compromised. The decisions should be based on means- end correlation which is logical and consistent.

Modes of Organizational Influence

Simon also dealt with the basis for motivation in the organization.

There are two types of influences:

Internal (such as organizational loyalty, concern for efficiency) and **external** influence (like authority, advisory and informational services).

He further observed that the basis for motivation is both monetary and non-monetary. He accepted the concept of **contribution-satisfaction equilibrium of Barnard and went beyond it**. The contribution-satisfaction equilibrium is not the only and complete criterion for motivation. It is, in fact, one of the criterion for motivation. Besides contribution satisfaction equilibrium, the individual also evaluates and considers zero point.

Zero point is the best opportunity of the individual that he had. The individual is fully committed only when the return is more than the zero point.



Following Barnard's zone of indifference, **Simon** also discussed '**zone of acceptance**'. The zone of acceptance is a positive psychological state of obedience. If an exercise of authority is attempted beyond the zone of acceptance, then the subordinate is bound to disobey. The zone of acceptance should be worked out through zero point.

Organizational Loyalties

The members of an organization are loyal to the organization if they are able to identify themselves with the organization. This serves as an important internal motivation.

The Criterion for Efficiency

While the zone of acceptance and organizational loyalty influenced the value premise of the individual, the criterion for efficiency influence his capacity to handle the facts. Efficiency implies to adoption of shortest path and cheapest means in achieving the desired goals. 'Be efficient' is one of the major influences on organizational man. This criterion leads to rational behaviour.

The administrator according to Simon must be guided by the criterion of efficiency in all aspects of decision-making.

Note: Herbert Simon's theory is referred as logical positivist theory. This means the theory tried to establish means-end relation and is fact-based.

Criticism



Norton E. Long and Vincent Ostrom **criticized Simon for reviving the discredited politics-administration dichotomy** in a new guise. The classical theorists believed in politics-administration dichotomy.

According to them, **politics is value based and administration is fact based**. Simon like classical theorists believed in a **Science of administration based on facts**. To him, administration is a series or set of decisions which has both ethical and factual components. The ethical component is the value premise. Simon firmly advocated that **administration should be based on the factual part of administration only**. Though he apparently rejected politics-administration dichotomy, he introduced in guise the politics-administration dichotomy through his intra-organizational concept i.e. considering only the factual part of administration. On the contrary, Ostrom and Long propagated that politics-administration fusion which should be based on inter-organizational approach. The fusion involves two entities - politics and administration - and one can't neglect of two in dealing with fusion.

Herbert A. Simon and Artificial Intelligence

Herbert A. Simon is considered a pioneer in the foundations of artificial intelligence. In the mid-1950s, Simon and Allen Newell of the Rand Corporation attempted to simulate human decision-making on computers. In 1955, they wrote a computer program that was able to prove mathematical theorems. The pair called it their "machine that thinks."