1.1 Background

Irrespective of nature and size, decision-making is tremendously vital for every organization. In fact, growth, survival and stability of any organization depend largely upon the kind of decision and the way decisions are made by the decision-makers. Decision-making precedes all the organizational and managerial activities such as planning, organizing, directing, co-ordinating and control. Perhaps, this is the reason why decision-making is often described as the crux of organizational life.

The emergence of organization could be ascribed to the dawn of organized activity to achieve a common objective. Among the various elements of an organization, goal or objective is the eminent one for the attainment of which
jobs are defined and divided, resources are gathered, co-ordinated and controlled. In this perspective, every organization endeavours to become as much effective as possible through the accomplishment of desired results. Evaluation of effectiveness of the organizations in terms of what they pursue and what they achieve is also important from the viewpoint of organization itself and from the viewpoint of society as a whole as well. Since organizations may differ in nature, size, and purpose, effectiveness has been explained variously by the practitioners and scholars. The lack of consensus in the conception of organization has resulted the confusion in design and implementation of the effectiveness model.

This chapter attempts to summarize the concepts relating to decision-making and organizational effectiveness.

1.2 An Overview of Decision-making

It has been said that administration is the critical organizational process making possible production, procurement and the rest; that the leadership is the heart of administration; and that decision-making is the key to leadership (Gore, 1964).

It is not exaggeration to remark that decision-making supersedes all the managerial functions such as planning, organizing, staffing, directing and
control. Perhaps, for this reason decision-making is considered number one job of developing managers.

Decision-making is an integral part of the management. More than anything else, competence in this activity differentiate the managers from non-managers and, more important the good managers from the mediocre managers (Harrison, 1975).

Decision-making is a social strategy for mounting a collective response to a problematic situation. Thus decisions are the product of collaborative efforts of individual, the condition under which individuals can collectively influence the outcomes. When decision-making is considered in the context of organization it becomes a mechanism through which an organizational response is designed and mounted (Harrison, 1975).

Ofstad defines the decision " To say that a person has made a decision may mean that he has started a series of behavioral reactions in favor of something, or it may mean that he has made up his mind to do a certain action which he was no doubts that he should do. But perhaps the most common use of the term is this " (Ofstad, 1961).

In Simon's word " Decision-making comprises three principal phases: finding occasions for making a decision; finding possible courses of action; and
choosing among courses of action" (Simon, 1960). Shull and his associates
define decision-making as a conscious and human process, involving both
individual and social phenomena, based on factual and value premise, which
includes a choice of on behavioral activity among one or more alternatives
with the intention of moving some desired state of affairs (Shull, 1970).

The literature on decisions can be broadly classified as falling into three
categories (Gore and Dyson, 1964).

1. The Intuitive Approach

This classification consists of literature, which is a distillation of the
experience of practitioners. This has the basis on "feel for the situation"
and certain personal insights. The problem is that intuitive hunch while
perhaps being very valid has just great probability of being wrong.

2. The Normative Approach

This classification includes all those writings where the authors have
either constructed or tested a rational model based on statistical or
mathematical premises. These tend to come from the discipline of
economics and psychology or are the work of men with sophistication
in handling quantitative relations who build a deductive model, which
hopefully reflects actual behavior. The biggest deterrent to these
models is to find situations where they may be adequately tested.

3. The Research Approach
This classification contains the literature reporting inductive works. Sometimes, this amounts to no more than suggesting classes of supposedly useful categories of decision products. This literature embraces those writers who attempt to explain the dynamics of the decision process in socio-psychological terms.

1.2.1 Sequences of Decision-making

The sequences presented in the literature contains four to nine steps, most of which are deemed essential and which must be accomplished in a definite order. A typical set of steps would be: (1) Recognize, define and limit the problem, (2) Analyze and evaluate the problem, (3) Establish criteria or standard by which situation would be evaluated, (4) Collect data, (5) Formulate and select the preformed solution and (6) Put into effect (Griffith, 1959).

Another has been postulated by Litchfield with the provision that it apply to decision-making "... in rational, deliberate, discretionary and purposive forms" (Lithfield, 1956).

Thus the decision-making as a process involves the sequence of (a) definition of issue, (b) analysis of the existing situation, (c) calculation and delineation of alternatives, (d) deliberation, (e) choice (Lundberg, 1969).
Simon (1962) offered three principal phases: (1) Intelligence - finding occasions for making decision, (2) Design - finding possible course of actions, (3) Choice - choosing among courses of action.

1.2.2 Scope of Decision-making

Decision-making can occur at several levels. The first and perhaps most basic level is that of individual acting to satisfy his basic needs (Harrison, 1975).

Much of decision-making accomplished by an individual relates to the solution of the problems - personal employment or social problems. As a general statement on the decision-making or problem-solving approach of individuals the following may be said:

1. Problem solving by individuals entails the use of strategies of searching for relevant alternatives, especially when the slightest degree of complexity prevails.

2. Problem solving behavior is adaptive. Individuals start with a tentative solution, search for information, modify the initial solution, and continue until there is some balance between expected and realized results.

3. Even in the most restricted problem solving situation, the individual's personality and his aversion to or preference for risk enter into his
choice of strategies, his use of information, and his ultimate solution (Alex and Wilson. 1967).

The scope of decision-making extends beyond the managerial process at the level of organization. The totality of organization comprises the system of enterprise. Decision made at the level of system of enterprise tend to be oriented towards-

i) consumer welfare
ii) allocation of resources
iii) production and distribution of goods and services (Bernthal, 1962).

Although the primary focus is on macro-economics at this level, the decision-making process is analogous to that employed at the level of the individual, the group, and the organization.

Decisions are made at the level of total society. Here the primary objective is social welfare with significant corollaries of (i) the good life, (ii) culture, (iii) civilization, (iv) order, (v) justice (Bernthal, 1962).

Harrison (1975) argues that because organizations exist within the economic system that is a part of the total society, managers need to be aware of and responsive to the decisions made and the rationale for them at those superordinate levels.
Thus the scope of decision-making is indeed wide. It commences at the level of the individual and extends to the deliberations of the groups that compose the organization which in turn make up the overall system of enterprise, which forms part of the total society; and societies make up the nation.

1.2.3 Typology of Decisions

Various experts in the field of decision-making have advanced numerous ways of classifying the decisions. Perhaps the best known of these classifications is the distinction proposed by Simon between programmed and non-programmed decisions. According to Simon (1960) " Decisions are programmed to the extent that they are repetitive and routine, to the extent that a definite procedure has been worked out for handling them. If a particular Problem recurs often enough, a routine procedure will generally be worked out for solving it. Decisions are non-programmed to the extent that they are novel, unstructured and consequential. There is no cut-and -dried method for handling the problem because it has not arisen before, or its precise nature and structure are elusive or complex, or because it is so important that it deserves a custom-tailored treatment."

Thus the programmed decisions embody high degree of agreement on what is to be accomplished and how, and what resources are required to attain them. They are useful as (i) they allow us to forecast what will happen in terms of reasonably reliable model, and (ii) they define where we are when we begin consideration of changes.
The non-programmed decisions inherit the uncertainty and risks leading to anxiety and stress (Gore and Dyson, 1964).

The fact that programmed decisions are repetitive does not mean that they are lacking in research or that they imply lack of change. The difference between programmed and non-programmed decisions is not either in forms of the absence/presence of change or in that of degree of change; rather it is in terms of the type of change involved (Selznick, 1957). Programmed decisions offer solution to day-to-day problems for their own sake, and as the daily work proceeds, comparable with routine psychological procedures which signify static adaptation but these changes do not significantly affect the nature of the enterprise or its leadership. Innovative decisions, on the other hand, are comparable with the clinical psychological procedures (Selznick, 1957). In this sense, studies of communication and command channels, work simplification, personnel selection and similar matters are all programmed. Innovative decisions are normally found in the realm of policy, including the areas where policy formulation and organization building coverage. These are the areas where the leadership role assumes greater significance.

Drucker (1967) has differently labeled programmed decisions "generic" and non-programmed decisions "unique". Delbecq (1967) went slightly beyond Simon and Drucker with his three-point classification of decisions as follows:
1. Routine decisions - The organization and group agree upon the desired goal, and technologies exist to achieve the goal.

2. Creative decisions - There is lack of agreed upon method of dealing with the problem. This lack of attitude may relate to incomplete knowledge of causation, of lack of an appropriate solution strategy.

3. Negotiated decisions - Because of the differences in norms, values, or vested interest, opposite factions confront each other concerning whether ends or means or both.

Gore (1962) proposed a triadic classification, composed of routine, adaptive and innovative decisions. The basic distinctions in this classification scheme are that adaptive decisions are concerned with major changes in activities and operations that lead to changes in goals, purposes and policies.

Thompson (1967) imparted a dynamic quality to the foregoing classification of decisions with his two dimensional scheme for decision-making strategies. In this scheme, there are four basic strategies:

1. Computational strategy - This is considerable certainty regarding cause/effect relationships, and there are strong preference regarding possible outcomes.

2. Judgmental strategy - Preference regarding possible outcomes are not strong, but cause/effect relationships are highly uncertain.
3. Inspirational strategy - Preference for possible outcomes are not strong, and there is considerable uncertainty regarding cause/effect relationships.

All the classes of decisions are divided into two categories according to their structure and strategies. Category I include the routine, recurring decisions that are handled with a high degree of certainty. Category II comprises the non-routine, non-recurring decisions characterized by considerable uncertainty as to the outcome (Harrison, 1975).

<table>
<thead>
<tr>
<th>Category I</th>
<th>Category II</th>
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<tbody>
<tr>
<td>Classification</td>
<td></td>
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<tr>
<td>Programmable;</td>
<td>Nonprogrammable;</td>
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<tr>
<td>routine; generic;</td>
<td>unique; judgmental;</td>
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<tr>
<td>computational;</td>
<td>creative; adaptive;</td>
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<tr>
<td>negotiated and</td>
<td>innovative.</td>
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<tr>
<td>Compromise.</td>
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<tr>
<td>Structure</td>
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<tr>
<td>Proceduralised;</td>
<td>Novel; unstructured;</td>
</tr>
<tr>
<td>predictable;</td>
<td>consequential; elusive;</td>
</tr>
<tr>
<td>certainty; recurring;</td>
<td>nonrecurring; information</td>
</tr>
<tr>
<td>well defined; well defined decision</td>
<td>channel undefined;</td>
</tr>
<tr>
<td>criteria; outcome</td>
<td>incomplete knowledge;</td>
</tr>
<tr>
<td>preference may be</td>
<td>decision criteria may be</td>
</tr>
<tr>
<td>Certain or uncertain.</td>
<td>unknown.</td>
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Certain or uncertain.
1.3 Organizational Effectiveness: Concepts and Controversies

Organizations typically exist in turbulent environment where resources are limited and where threats to growth and survival can be relatively commonplace. With such environments, they must not only meet a series of what may be termed organizational requirements but in addition must satisfy certain behavioral and social requirements. The role of management under such circumstances is to organize and utilize the available resources in a way that minimizes external threats and pressures and to facilitate the attainment of the ultimate aims of the organization, the notion of which is organizational effectiveness. Thus, effectiveness is concerned with the accomplishment of explicit or implicit goals (Kast and Rosenweig, 1982).
Effectiveness is one of those potentially powerful concepts whose edge tends to become in use. At the organizational and institutional level, its managerial applications are inclined to be haphazard and diffused. At the more personal level, it shades quickly into either the limited vocabulary of efficiency or the worthy but not very rigorous framework for managerial appraisal (Brodie and Bennet, 1979). At the strictly conceptual level, its very meaning and utility are sometimes questioned (Burgoyne, 1976).

A number of writers (Campbell, 1976 and Steers, 1977) state that effectiveness is a value judgement, while other writers (Cameron, 1978; Cameron and Whetton, 1983; Connolly, Conlon and Deutsh, 1980) have raised the issue of 'what judgement defines effectiveness?'.

The generally accepted sense of effectiveness signifies the relationship between performance and task objectives, between achievement assessed against goals and purposes. This view of effectiveness complies with Reddin (1970) who states that 'there is only one realistic and unambiguous definition of managerial effectiveness... the extent to which a manager achieves the output requirement of his position'.

Two words 'effectiveness' and 'efficiency' often create conclusion with respect to their meanings and applicability. The first is commonly described as the degree to which predetermined goals are achieved, while the latter is described
in economic manner in which goal-oriented operations are carried out, something of input/output ratio (Jackson and Morgan, 1982). Efficiency is the cost of effectiveness and measures relationship of quantity and content of output to input. Efficiency and effectiveness could be differentiated on the basis of what is commonly said "management and organization can be effective but not efficient or efficient but not effective".

The another term that is frequently equated with effectiveness is productivity. Productivity has two sets of relationship with effectiveness and efficiency, the improvement of which is sine qua non for effectiveness. Effectiveness is a measure of productivity and productivity measures effectiveness and in this sense they are synonymous (Bhattacharya, 1980).

The facet of organizational effectiveness is not confined to productivity alone, rather a host of facets have been proposed in an effort to make the abstract notion of effectiveness somewhat more tangible, of which the most widely used are:

1. Adaptability-flexibility
2. Productivity
3. Job satisfaction
4. Profitability
5. Resource acquisition
Variables such as these have alternatively identified as measures of effectiveness itself (Price, 1968). From above facets, it seems that effectiveness is a term that is more comprehensive and reflects how effectively the organization can discharge its responsibility with respect to all constituencies in its internal and external environment. It has also been argued that growth, development, motivation, morale and satisfaction of the employees in the system combined with good projection of the organization to its various constituencies account, in turn, for continued organizational health, vitality and growth which account for the organizational effectiveness. Thus organizational effectiveness is reflected in how well the organization is equipped to:

1. handle its survival functions through successful coping, and
2. its growth in the future through creative adaptation strategy (Sekaran, 1995).

The concern for effectiveness is not confined to organization alone but it spreads to whole society. Gibson and his associates (1976) argue that the fact societies create organizations to provide goods and services implies that their well-being will be determined in large part by how well organization carry out their tasks. Thus, from a society's point of view effectiveness is the extent to which organizations achieve their missions, goals and objectives within the constraints of limited resources.
Despite the growing concern exhibited by practitioners and scholars, there are numerous and varied assumptions and opinions. Katz and Kahn (1966) assert "there is no lack of materials on criteria of organizational success. The literature is studied with reference to efficiency, productivity, absence, turnover, and profitability, all of which offered implicitly or explicitly, separately or in combination, as definition of organizational effectiveness. Most of the what has been written on the meaning of these criteria and on their relationship, however, is judgmental and open to question".

Controversies exist in the evaluation of organizational effectiveness over the use of uni-variate versus multivariate approaches and objective versus subjective index.

1.3.1 Measures of Organizational Effectiveness

The concept of organizational effectiveness has been used variously in the business and management literature. Many management experts have equated organizational effectiveness with economic effectiveness of an enterprise and accordingly have suggested such measures as sales, profits, stock prices, market shares, scrap losses and productivity. On the other hand, behaviorally oriented management and organization theorists have emphasized the measures of human resources effectiveness, which includes factors such as employee morale, interpersonal relationship, interdepartmental relationship, utilization of high level manpower and critical dimensions of the organization's health (Negandhi, 1975).
Single-criterion Measures of Effectiveness

Early models of organizational effectiveness generally focused on single criterion of organizational success. The most popular of these was (and probably still is) profit maximization (Dessler, 1980). The idea that firms seek to "maximize profits" and that effectiveness could primarily reflects profits is a fundamental assumption accepted by most economists. Technically, they assume that the object of the firm is to obtain as large a difference as possible between total revenue and total costs, provided that the difference is greater than or equal to zero.

Profit maximization as a measure of organizational effectiveness has been argued against by Simon (1957) who proposed that managers do not maximize but instead 'satisfice'. He admits that firms do not seek to maximize profits, in other words, but instead set a minimum level of acceptable profits and once this is met, do not aggressively seek to exceed this level (Simon, 1957).

Campbell (1973) identified nineteen different variables that have been used to reflect organizational effectiveness. These variables are (1) overall effectiveness, (2) quality, (3) productivity, (4) readiness, (5) efficiency, (6) profits or return, (7) growth, (8) utilization, (9) stability, (10) turnover or retention, (11) absenteeism, (12) accident, (13) morale, (14) motivation, (15) satisfaction, (16) internalization of organizational goals, (17) conflict-cohesion, and (19) evaluations by external entities.
Many single criterion measures of effectiveness have been proposed and used. However, None have proved to be entirely satisfactory as the sole or universal measure (Dessler, 1980).

Multi-variate Model of Organizational Effectiveness

Recent literatures on organizational effectiveness have focused on multi criterion to evaluate it. A number of multi-variate models of organizational effectiveness have been developed, each of these models has its multiple criteria to judge the effectiveness. The impetus for the emergence of multi-variate models is the logic that an organization can not be evaluated in terms of single criterion. However, the multi-variate models of organizational effectiveness have also been failed to provide the universally acceptable standard to judge an organization. Different multi-variate models of organizational effectiveness have been developed, but the criteria prescribed by these models are different. Consistency among the models is very little. Greater generality does not help in understanding the concrete organizational effectiveness. An attempt to prepare an index common to all organizations will not be worthwhile. But at the same time, for theoretical understanding, such a construct is necessary (Price, 1972).
1.3.2 Areas of Conflict in Organizational Effectiveness

Although, organizational effectiveness has gained top attention of practitioners and scholars, there are numerous and varied assumptions and opinions. Katz and Kahn (1966) assert that there is no lack of materials on criteria of organizational effectiveness, most of what has been written on the meaning of these criteria and on their relationship which are judgmental and open to question.

Despite the emerging consensus on some points, lack of agreement is still typical of the literature, particularly as it reflects to assessment of issues. Cameron (1986) has tried to summarize several major areas where conflicts about effectiveness exist. The areas are:

1. Evaluators of effectiveness often select the models and criteria arbitrarily in their assessments, relying on convenience.

2. Indicators of effectiveness selected by researchers are often too narrowly or too broadly defined, or they do not relate to organizational performance.

3. Outcomes are dominant type of criteria used to assess effectiveness by researchers, whereas effects are most frequently used in policy decisions and by the public.

1.3.3 Consensus in Conception of Organizational Effectiveness

Organizational effectiveness has been operationalized with as much diversity as the number of published studies which describe it (Hoy et al., 1984). Reviews of organizational effectiveness literature consistently find little
convergence among the many models of effectiveness which have been appeared over the years (Cameron, 1978). Campbell (1976) identified as many as thirty distinct effectiveness criteria which has been used by researchers. Because of the diverse definitions of effectiveness which appear in the literature, it is difficult to generalize from any particular study, much less to compare the conclusions of different studies (Hoy et al., 1984).

Despite the scattered conclusions, suggestions and prescriptions on organizational effectiveness, Cameron (1986) has prompted some points on which consensus in conceptions of effectiveness seems to exist. These points have not always been consensual propositions, but most authors have accepted them as reasonable. These points are as follows:

1. Despite the ambiguity and confusion surrounding it, the construct of organizational effectiveness is central to the organizational sciences and can not be ignored in theory and research.

2. Because no conceptualization of an organization is comprehensive, no conceptualization of an effective organization is comprehensive. As the metaphor describing an organizational changes, so does the definition or appropriate model of organizational effectiveness.

3. Consensus regarding the best, or, sufficient, set of indicators of effectiveness is impossible to obtain, criteria are based on the values and preference of individuals, and no specifiable construct boundaries exist.
4. Different models of effectiveness are useful for research in different circumstances. Their usefulness depends on purposes and constraints placed on the organizational effectiveness investigation.

5. Organizational effectiveness is mainly a problem-driven construct rather than theory-driven construct.

1.4 Scheme of the Study

The study has been composed of eight chapters. The first chapter deals with the introduction including the background and theoretical context of the study and scheme of the study. The second chapter presents the theoretical framework relevant to the study. An attempt to survey the research on organizational styles and organizational effectiveness has been made in this chapter. In the third chapter, a brief scenario with respect to public enterprises in Nepal has been presented. The fourth chapter deals with the methodology used in the study. It includes sample, nature of information used in the study, information gathering techniques and procedure adopted to analyze the information. In fifth chapter, analysis of managerial decision styles adopted by the public sector manufacturing enterprises has been presented. The sixth chapter presents the analysis of organizational effectiveness of these organizations. The seventh chapter is concerned with the analysis and interpretation of interrelationships between decision styles and organizational effectiveness. The major findings of the study have been presented in the eighth chapter.
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