

Martin Dimitrov: March—Primer On Decision Making chapters 1 and 2 (1994)

Introduction: March rejects the possibility of pure rationality due to cognitive limitations. Information is imperfect. Actors are not unitary but multiple. Preferences are not clearly ordered and stable. Decision rules are unclear. Individuals are boundedly rational.

Key notions:

- A. Satisficing. Actors will not necessarily make the best decision, but a decision that exceeds some acceptable criterion and thus is “good enough”.
- B. Social construction of reality.

Limited cognitive capabilities explored in depth:

A. Incomplete (or distorted) information

--simplification processes: editing, decomposition, heuristics, and framing

--attention is a scarce resource that is “rationed”; the allocation of attention determines the information available and thus the decision that is taken eventually

B. Preferences not known

--importance of search –search for alternatives, consequences, and preferences

--presence of slack –“undiscovered and unexploited technological, market, and cost reduction opportunities” –slack exploited during times of adversity, increased during times of success

--search can be failure-induced or deliberate (e.g. presence of search departments that solve problems –planning, strategy, R&D, and other departments that find problems – quality control, customer service)

C. Risk taking doesn't reflect preferences

--decision makers live in a world fraught with uncertainty –their propensity to take risks depends on their estimation of the risk involved in different situations

--risk estimation is skewed by the fact that decision makers are successful within their organizations and don't experience rare events which leads them to overestimate their own abilities and to underestimate the risk involved in rare events

--risk taking is therefore cognitively flawed and is not an accurate reflection of preferences

Rule Following (logic of appropriateness) vs rational choice (logic of consequences)

--individuals and organizations identify different situations and follow the rules that are congruent with their identity and appropriate to a particular situation

A. Identity

--identities are adopted or imposed rather than discovered or created

--identities are standardized and reduced to rules –not much thinking and choice going on here

--IDENTITIES ARE SOCIALLY CONSTRUCTED

--identities are multiple

B. Role of organizations

--organizations determine which identity will be invoked

--organizations provide cues (scripts, prompts) about the appropriate rules attached to each identity

C. Rules

--not fixed but modified on the basis of direct experience –experiential learning;
environmental selection –glorification of past practices (myths)

D. Biases in learning

--learning is superstitious, memories are distorted by inadequate recall, distortions of
sample size

To sum up: The logic of appropriateness is past-oriented; decision-makers hardly deserve
that name since their decisions are shaped by environmental and cognitive limitations;
individual agency is limited –decision-makers have a weal of scripts and rules to choose
from; not much independent thinking necessary.

While it is important to acknowledge the presence of cognitive limitations, isn't this view
of lack of agency too simplistic? How could we model decision-making under
uncertainty using March's framework –it seems too arbitrary and fickle.