

AN EMPIRICAL STUDY OF ASSESSING THE IMPACT OF DECISION MAKING STYLES ON ORGANIZATIONAL LEARNING

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ABSTRACT

Organizational learning is a process of acquiring, creating, retaining and transferring Knowledge and allows the organizations to stay competitive in changing environment; and it contributes to process improvement that can increase efficiency, accuracy and profits. Organizational learning occurs when there is a change in knowledge of an organization. Organizational learning tracks the changes that have been acquired through knowledge and experience. Decision making is making an impact on learning process. Decision making is a response to opportunities when members of an organization make choices or act in ways that result in benefits or gains. Managers seek out to improve decision making ability of employees and enhance organizational efficiency and effectiveness. This research paper is undertaking to assess the impact of decision making styles on the organizational learning in the Indian Corporations. The study had distributed 76 questionnaires and the survey was conducted on 38 Indian companies. The online survey was conducted and online questionnaire were sent online to Executive and General Managers. The study received 60 responses and this constitutes 78.9% of total responses. Sixteen respondents did not reply the questionnaire, which constitutes around 21.05%. To interpret and validate the survey results, the study also conducted ten direct interviews of managers. The main focus of this research paper is to find out the impact of Decision- Making styles on learning process of the organizations and how to improve the learning process through decision making. The study statistically tested the main hypotheses that whether the decision making styles having a major effect on organizational learning. The study had also statistically tested sub-hypotheses to assess the impact of directive, conceptual, behavioural and analytical decision making styles on organizational learning.

Key Words: - Organizational Learning, Decision-Making, Corporations, Indian and Styles.

1. INTRODUCTION

Decision making is the essence of management. The entire managerial process is based on decisions. The ability to make good decisions is the key to successful managerial performance. Decision making can be defined as the process of selecting and effective course of actions from two or more alternatives for the purpose of achieving desired results. Decision-making is the vehicle for carrying managerial workload and discharging managerial responsibilities. Managers strive to achieve organizational goals through decision making and attempt to bridge the gap between the existing situation and the desired situation by taking and executing the decisions. The tasks of the manager is to make decisions and to get these decision implemented. Decision making is the heart of planning. In the words of **Peter Drucker**, *“Whatever a manager he does it through making decision and getting them implemented in an effective manner.”* Decision-making can be rational or irrational. Rational decision- making means taking decisions on the basis of facts and logical reasoning. A decision-maker is said to be rational when he identifies and analyze the problem systematically. This is the best way to solve a specific problem. When a decision is taken on rational basis and by going deeply into the problem; this is, called rational decision-making: and it involves diagnosing, defining, seconding alternatives, evaluation of alternatives, selection and implementation. Rational decision making explains the ways manager use the information and implement the decisions to solve the organizational problems. Decision making styles cast an impact on acquiring of knowledge, sharing, transferring and utilization. The Fifth Discipline is focusing on organizational problem solving using the systems thinking method in order to convert companies into learning organizations. The five disciplines represent approaches for developing three core learning capabilities: **fostering aspiration, developing reflective conversation, and understanding complexity**. **Peter Senge** introduced the concept of learning organisation in his popular book **“Fifth Discipline.”** According to **Senge**, in the turbulent environment, the learning organisation alone will survive due to its **ability to learn, create, and use knowledge faster than its rivals**. Therefore, people working in organisation should both individually and collectively, nurture innovative thinking, enhance their capabilities and overcome their learning disabilities. **Thinking, learning and knowledge** creation must be a continuous process. **Learning Organisation** is the epitome of continuous change and growth. Its values, policies, practices, systems and structures support and accelerate continuous capacity to learn, adapt and change. A learning organisation creates a sustainable competitive advantage in its industry through continuous innovation and change. Thus, a learning organisation is an organisation that has developed the capacity to continuously experiment and change , and thereby enable it to grow, learn, improve and achieve its purpose in the midst of ever –evolving environment. A learning organisation that can create, acquire and transfer knowledge and also modify their behaviours to reflect new knowledge and insight. Learning is the ability to recognize and nurture the development of knowledge and skill. A learning organisation creates a new order in place of the old one. The four styles of decision making are directive, analytical, conceptual and behavioural. Directive styles of decision making relies on a rational and autocratic style that results in the employee using his own knowledge, experience and judgment to choose the best alternative. Managers using analytic decision making style would like to have more information and consider more alternatives before coming to a conclusion. They seek relevant information from their sources and consider factual and detailed information before taking any decision. Such managers are careful decision makers as they have the ability to adapt or cope with unique situations. Leaders who follow this model believe in participative management and consider the achievement of subordinates and always take suggestions from them. They try to get inputs from subordinates through meetings and discussions. They try to avoid/resolve conflicts as acceptance by others is important to them. Managers using

conceptual decision making style are intuitive in their thinking and have high tolerance for ambiguity. They look at many alternatives and focus on long run outcomes. This research paper undertakes to assess the effect of decision-Making styles on the organizational learning.

2. REVIEW OF LITERATURE

Organizational learning is the process of creating, retaining and transferring knowledge. Knowledge creating, transfer and retention can be seen as adaptive processes that are function of experience. (Richard Cyert, and James G. March 1992) Organizational learning is the study of experience knowledge and the effects of knowledge with an organizational context. (M.C. Fiol and M.A. Lyles 1985) Organizational learning is a way which an organization creates and organizes knowledge relating to the functions and cultures. Organizational learning happens occurs in all organizational activities and it happens in different speeds. The goal of organizational learning is too successful adapt to changing environment to adjust under uncertain conditions, and to increase efficiency. (Mark Dodgson 1993). According to Argote (1993), managers in manufacturing plants saw organizational learning occur when they found ways to make individual workers more proficient, improve the organization technology, tooling and layout, improve the organizational structure,, and determine the organizational strength. Chris Argyris and Donald Schon explained that single loop and double loop learning processes are present in organizations and are two types of organizational learning. (Argyris and Schon, 1978) Dutton and Thomas organized field study on various industries to study the rates of learning in organizations and found that the workers errors and costs decrease as they learn from experiences. (Dutton and Thomas, 1984) Learning has been measure through knowledge. Silvia Gherardi measured knowledge as the change in practices within the organization over the time, which is essential learning from experience. (Silvia Gherardi 2008) George Huber measured knowledge as the distribution of information within an organization. Organizational components commonly develop new information by piecing together item of they have obtained from other organizational units. (George Huber,1991). Attempts to explain variance of rates in organizational learning across different organization have been explored in theoretical models. The Muth model was the first to represent the learning curve in log linear form and focused on cost effectiveness in organization process. (J.F. Muth, 1986). The Huberman model filled the void ad aimed at explaining the variation missing form Muth model and focusing on finding increasingly shorter and more efficient path from end to end of an assembly process. (Huberman) The Fang Model shared a major goal with the Huberman model to gradually decrease the steps towards the final stage. This is a credit assignment approach in which credit is assignment to the successive stages as an organization gains more experience.

Whatever a manager he does it through making decision and getting them implemented in an effective manner (P.F. Drucker, 1975). This statement reflects the importance of decision-making. Decision-making is a fundamental function of management (Grant, 2011). Decision-making can be regarded as the cognitive process resulting in the selection of a course of action among several alternative possibilities. *Decision-making is defined as the selection of a course of action from among alternatives* (Heinz Weihrich and Harold Koontz, 1980). *Decision-making is the selection based on some criteria from two or more possible alternatives* (George R. Terry, 1974). *Decision-making is a course of action which is consciously chosen for achieving the desired results* (Haynes and Massie, 1990). *Decision-making is a process of identifying and choosing alternative course of action in a manner appropriate to the demand of the situation. The act of choosing implies the alternative course of action must be weighted and weeded out* (Kreitner, 2008). As decision making is a way to deal with a specific problem. George P. Huber distinguishes it from choice-making and problem solving. According to Huber, choice making refers to the narrow set of activities involved in choosing one option

from a set of alternatives. So, choice-making is a part of decision-making. Problem-solving refers to the broad set of activities involved in finding and implementing a course of action to correct an unsatisfactory situation (Huber, 2008). A business decision relates means to ends. If appropriate means are chosen to reach desired ends, the decision is rational. According to Fred Luthans, “*Means–ends are the most often used definition of rationality in decision-making*”. Of Course, this is the result of the application of reasoning, intelligence, good sense and judgment (Fred Luthans, 1976). But this means-ends chain is seldom integrated and completely connected. Herbert A. Simon has presented three specific problems in using means-ends chain as the test of rationality (Herbert Simon, 1976). Herbert Simon has presented the idea of administrative man who is a descriptive model of decision-making behaviour. *The principle of Bounded Rationality recognizes the fact that due to several constraints managers are unable to make perfectly rational decisions.* According to March and Simon, economic man-model is normative. It describes how a person should make a decision. In reality, people do not behave in an ideal manner. People seldom achieve complete rationality. Therefore, it describes in prescriptive manner how a decision-maker should behave. Complete rationality is not possible. In other words, rationality is bounded by several limitations. Herbert Simon postulates it as bounded rationality (March and Simon, 1958).

According to Isabel Briggs Myers (1962) , a person decision making process depends upon the cognitive styles. Myers developed four sets of bi-polar dimensions, called Myers-Briggs type indicator. Styles and methods of decision making was elaborated by pre dispositioning theory (Aron Katsenelinbuogen), in his analysis, on styles and methods he referred to the game of chess, saying that chess does not disclose various methods of operations, notably the creating of disposition-methods which may be applicable to others, more complex system(Myers and Briggs). Decision styles are a cognitive process which includes one’s personality in relations to one’s needs, values, and self concept (Rowe and Manson, 1987). The styles of decision making are dependent on learning process and experience (Harren, 1979). Focus and use of information are the two factors for individual difference important for decision making (Driver, Brousseau and Hunsaker, 1993). Decision style framework is defined by; the way one thinks about a problem; the way one communicates to others; and the way one expects others behaviour (Rowe and Manson, 1987).

Decision –making styles of managers depends on their personality and approach. The four types of decision making styles are prominent in organization: 1) Directive or Authoritative styles: Managers asses few alternatives and consider limited information while taking any decision. Leader takes the decision without the listening to others and directed to obey the order. 2) Analytical Style: In this style, manager would like to have more information and considers more information before arrive on conclusion. 3) Behavioural style: Leaders follows this model believes in participative approach of management and considers the views and opinions of subordinates. 4) Conceptual style: Manager using conceptual style is intuitive in their thinking and has high degree of tolerance for ambiguity.

3. RESEARCH METHODOLOGY

3.1. Objective of the Research Paper

The research paper attempts to assess the effect of decision making styles on organization learning. Decision making is based on criteria of alternatives or course of action which is consciously chosen for achieving the desired results. Modern organization emphasizes on their core competencies and focus on gaining strategic competitive advantage. The main objective of the firm is to sustain and survive in the current context. The firm’s survival and sustaining depends on its strategic competitive advantage which further depends on the

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relationship between decision making styles and organizational learning. The research paper attempts to achieve the following objectives:-

- To study the effect and role of Decision-making styles on the organizational learning
- To study the most adoptive decision making style of the sampling firm
- To study the role of decision making processes in learning and innovation
- To suggest the recommendations how to make decision making processes more effective in learning and innovation.

3.2. Research Hypotheses

The research paper attempts to test the following hypotheses:

3.3. Main Hypotheses:

- **H0:** There is no statistically significant effect of decision making styles on organizational learning.
- Sub-Hypotheses:
 - **H01:** There is no statistically significant effect of Directive or Authoritative decision making styles on organizational learning.
 - **H02:** There is no statistically significant effect of Conceptual decision making styles on organizational learning.
 - **H03:** There is no statistically significant effect of Behavioural decision making styles on organizational learning.
 - **H04:** There is no statistically significant effect of Analytical decision making styles on organizational learning.

4. RESEARCH DATA COLLECTION

This research is based on primarily data and primarily data was collected through survey by structured questionnaire and structured and unstructured interview. The interview was conducted to validate the data collected through questionnaire or proposed model using quantitative data. The main purpose of interview method is to gain depth information relating to decision making style and organizational learning. The unstructured interviews were conducted to interpret and authenticate the quantitative results. Mainly three methods were used: - 1) Structured Questionnaire, 2) Structured Interviews, and 3) Unstructured Interview A questionnaire was designed and tested to find the relationship between decision making and organizational learning. The questionnaire was sent online and online study was conducted on companies. The study was conducted online and online through mail sent/distributed to thirty eight companies. Seventy six questionnaires were given /sent online through mail. Sixteen questionnaires were unanswered and sixty responses were received. The study received 78% responses and 22 percent responses were not received. The study also conducted structured and unstructured interviews of fourteen managers. Theses interviews were conducted online to validate/authenticate the survey results and interpret the survey results of the study. These interviews facilitated the final conclusions and final results.

Table 1 Details of Survey

Number of Respondents	Total Questionnaire Distributed	Unanswered Responses/Questionnaire	Responses Received	Responses used for Study
38	76	16	60	60

(Source: Compiled by the Study)

The questionnaire was designed into three sections: First section is relating to general information such as Name, Male/Female, Age, Education, Experience, and Position. In the second section, thirteen questions were asked about organizational learning as dependent variable. In the third section, forty two questionnaires were asked on decision making styles as independent variables. In order to establish the validity, the personal interactions/interviews were conducted online and asked about certain questions/doubts online. The managers were asked to indicate their preferences online through Google meeting based on five-point Likert scale with One assigned scoring disagree to five assigned scoring strongly agreed.

5. INTERPRETATION AND ANALYSIS OF THE STUDY

Multiple regression analysis was used to test the hypotheses of the study H01, H02, H03, H04 and main hypotheses which specified that there is not statistically significant effect of decision making on organizational learning. The sub-hypotheses were also tested in Multiple Regression Analysis and VIF test. The table No: 2 provides all the details of test of hypothesis:

Table 2 Multiple Regression Analysis and VIF Test

Variables	Model Coefficient B	T-Test	Sig.	R2	Co linearity Statistics (VIF)
Directive Decision-Making Styles	0.305	4.878	.000	0.093	1.020
Conceptual Decision-Making Styles	0.359	3.657	.000	0.129	1.578
Behavioural Decision-Making styles	0.602	5.862	.000	0.363	1.538
Analytical Decision-Making styles	0.778	3.941	.000	0.606	1.176
Decision -Making Styles(Main Dependent Variable)	0.827	17.886	.000	0.864	1.951

(Source: Compiled by Study)

For testing of hypotheses of the study, multiple regressions analysis was applied. The underlying assumptions of regression analysis were tested for generation of results. The residual analysis found that the assumptions relating to linearity, homoscedasticity, normality and independent error terms were not violated. The overall Cornbrash's of the study model was (0.827). The results of the study shows that reliability and consistency test is acceptable because it is more than 70 percent, and reliability more than 70 percent is considered to be acceptable. The ability of additional independent variable to improve the prediction of the dependent variable is related not only to its correlation to the dependent variable, but also to the correlation(s) of additional independent variable to the independent variable(s) already in the regression equation. The impact of multicollinearity is to reduce any single independent variable's predictive power by the extent to which associated with other independent variables. The study expected that the decision making styles were highly correlated and this leads to multicollinearity and that causes unreliable results. Further, variance inflation factor (VIF) was applied to deal this problem. The study found that VIF in the regression analysis model ranged from 1.020 to 1.951. These values are below the 2.5 level pointed out by an indicator of multicollinearity, and therefore multicollinearity was not important to be considered for the result of this study. Multicollinearity can be identified by examination of correlation matrix. Presence of high correlation (0.90 and higher) is an indication of substantial collinearity. However lack of significant high correlation does not ensure lack of multicollinearity as collinearity may be due to combined effect of two or more independent variable.

The interviews were conducted and these depicted that organizational learning is the result of decision making styles as shown in the multiple regression model. In multiple regression model (H0) hypotheses and sub hypothesis (Ho1, H02, H03, and H04) were accepted as shown in the table. The study found that the decision making styles were significantly related with organizational learning, and having a significant effect on organizational learning. The study found that 86.4 percent decision making styles made a major impact on organizational learning. This is shown in R2 column of the multiple regression analysis.

The study found that Analytical decision making styles had a stronger impact on organizational learning with $\beta = 0.778$ and $R^2 = 0.606$. The study had found behavioural decision making styles have a lesser impact then the analytical decision making on organizational learning with $\beta = 0.602$ and $R^2 = 0.363$. Thirdly, the conceptual decision making styles having an impact on organizational learning with $\beta = 0.359$ and $R^2 = 0.129$. Lastly, directive decision making have a lesser impact of all the styles of decision making on organizational learning with $\beta = 0.305$ and $R^2 = 0.093$. The study clearly found that analytical have a stronger effect and play a vital role to foster innovation and change and create positive environment and exercising a stronger influence on learning process in comparison to other decision making styles. The behavioral decision making styles had a reasonable impact whereas directive and conceptual decision making styles had a weak impact on organizational learning.

6. CONCLUSIONS

This study emphasized on finding the relationship between decision making styles and organizational learning. Organizational learning is all inclusive process and decision making is a part of it. Decision making is the process of selecting amongst alternatives. Learning is a continuous process and product of so many factors, knowledge, experience, culture, innovation, creativity, flexibility etc. The goal of organizational learning is too successful adapt to changing environment to adjust under uncertain conditions, and to increase

efficiency. Organizational learning determines how a firm acquires, assimilates, transfers, and exploits internal and external knowledge. The study found that decision making styles are making a huge impact on organizational learning. The study found that flexible and integrative decision making styles adopted the various approaches like participative decision making, involvement and implementation of decisions, transferring of new techniques and methods for taking decisions, developing trust and faith in leaders and managers, decentralization and delegation of authority etc. these approaches facilitate the organizational learning. The analytical and behavioral decision making styles creates a free-reign environment of interaction and communication, in which anyone can communicate or interact with anyone. The study also found that directive and conceptual decision making styles affect positively organizational learning and but to some extent restrict the creativity and innovation in fostering learning environment. Decision making is the core aspects of strategy of survival and sustain in the competitive environment. Decision making plays a vital role in creating the framework of learning. The study suggests that the firms have to establish freer environment to foster innovation and change and creates a creative environment of decision making. The study has not found any mechanism in the firm to create a learning environment. The study found that lack of awareness, lack of knowledge of management practices and shortage in studies in decision making styles, learning, knowledge, capacity, receptiveness, innovation, management apathy etc., constraints the decision making process and styles and organization learning.

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