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# **EFFECT OF DECISION PREMISES THAT RESOLVE ISSUES ON WORKERS: CASE OF ISTANBUL TEXTILE INDUSTRY**

*ERTAN GÜNDÜZ*

## **Abstract:**

The main object of this paper is to shed light on behaviors of organization members. Despite the general acceptance the modest empirical support for the organizational behavior assumptions of March and Simon (1958) were in need of further inspections. We build the hypothesis on interpretation of March and Simon as follows: 1- When aspirations are unsatisfied, people search until they find better, more satisfying options. Being on the same idea one could not say that - When aspirations are unsatisfied, people don't care about the objectives of organization. 2- Organizations influence individuals primarily by managing the information and options, or "decision premises," that they consider. In other words we may not argue that - Organizations' decision premises consideration does not influence individuals to decide how to act. 3- Individuals find it easier and less taxing to devote limited time and energy to programmed tasks. In the same occasion one could not interpreted that - individuals acts rational and result based, they are eager to innovations (Greve, 2007: 945). To resolve confirmation a study has been conducted with a random sample of Istanbul Textile Industry. This work confirmed all three assumptions of March and Simon which set up the hypotheses. First of three sections of the study was a review on foundations of decision making in organizations. Second section checked for the consistency of March and Simon's pioneering work in current conjuncture. And in the third section concluded as supposed they were still current.

## **Keywords:**

unsatisfied aspirations; decision premises; to devote to programmed tasks; search for satisfying options; rational man

**JEL Classification:** A14, M10, L20

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## Introduction

The common failure is to rely on one of three misleading, oversimplified one-size-fits-all concepts in explaining organizational problems (Bolman and Deal, 2009, p. 25-28). The first and most common are blaming people. When it is hard to identify a guilty individual, a second popular option is blaming the bureaucracy. A third fallacy attributes problems to thirsting for power. This way of thinking helps to avoid fallacies while solving hard issues. Most of the problems were overcome by good resolutions.

Magnum opus that helped to pick up Simon the 1978 Nobel Prize for economics defined a new field by offering a structure and language for studying organizations (March and Simon, 1958). March and Simon offered a cognitive view of organizational behavior with highlights on decision making, information processing, and interpretation. This model of behavior defines humans as continually seeking to satisfy motives based on their aspirations. Aspirations are a function of both individuals' past and their perimeter. When aspirations are unsatisfied, people search until they find better, more satisfying options.

Organizations influence individuals primarily by managing the information and options, or "decision premises" that they consider. March and Simon followed Simon's earlier work (1947) in critiquing the economic view of "rational man" who maximizes utility by considering all available options and choosing the best. Instead, they argue that both individuals and organizations have limited information and restricted ability to process what is available. They never will know all the options. Instead, they gradually alter their aspirations as they search for alternatives. Instead of looking for the best option, "maximizing" individuals and organizations "satisfice" choosing the first option that is good enough. Moving on the idea Recognition-Primed Decision Klein and Klinger (1991: 17) proposes the flow design features of naturalistic decision Making as:

- First option is usually workable NOT random generation and selective retention,
- Serial generation/evaluation of options NOT concurrent evaluation,
- Satisficing NOT optimizing,
- Evaluation through mental simulation NOT Decision Analysis, or Bayesian statistics,
- Focus on elaborating and improving options NOT choosing between options,
- Focus on situation assessment NOT decision events,
- Decision Maker primed to act NOT waiting for complete analyses.

Because the environment is complex organizational decision making is a hard job. Structure set up and job definitions are continuously changing by turnover threatening optimal rationality. Organizations simplify the environment to reduce the pressure on limited information-processing and decision-making capacities. They simplify by developing "programs" — standardized routines for performing repetitive tasks. Once a program is in place, the incentive is to stay with it as long as the results are marginally satisfactory. Otherwise, the organization is forced to expend time and energy to innovate. Routine tends to drive out innovation, because individuals find it easier and less taxing to devote limited time and energy to programmed tasks (which are automatic, well-practiced, and more certain of success) (Bolman and Deal, 2009: 27). A manager may sacrifice quality to avoid changing a well-established routine.

All in all, bounded rationality leads to a representation of choice as a semiautomatic process that is informed by the past and operates in the present, in which calculation and distant forecasts do not have a role. Individuals (and firms) are rule-based actors who solve pressing problems, search their local environment, and adopt solutions that rarely violate the status quo.

The main goal of this study was to confirm the general acceptance the organizational behavior assumptions of March and Simon (1958) which were in need of further inspections because of the modest empirical support. This work started with an overview of the decision making in organizations second chapter was the hypothesis building section. The third chapter was entitled Methodology. A conclusion and management implication was the last chapter.

## **Hypothesis Building**

A Behavioral Theory of the Firm has been extraordinarily influential. Its foundational concepts, assumptions, and aspirations have inspired and, continue to inspire, vibrant community of behaviorally oriented students of organizations and strategy (Argote and Greve, 2007; Gavetti, Levinthal, and Ocasio, 2007). For instance, Gavetti and Levinthal (2005) argued that the current mainstream strategy paradigm hinges on premises that date back to Cyert and March (1963), as well as Simon (1947) and March and Simon (1958). Similarly, Argote and Greve (2007) documented the wide and deep impact of early Carnegie school concepts on behavioral studies of organizations. To check for the consistency of March and Simon's pioneering work in current conjuncture we build the hypothesis as follows:

*Hypothesis 1:* When aspirations are unsatisfied, people search until they find better, more satisfying options.

*Hypothesis 2:* Organizations influence individuals primarily by managing the information and options, or "decision premises," that they consider.

*Hypothesis 3:* Individuals find it easier and less taxing to devote limited time and energy to programmed tasks.

In this article, we aspire to tackle these questions. To set the stage, we first laid out the principal premises of A Behavioral Theory of the Firm and its antecedents. We then opened a window on later developments that we think have been especially meaningful in advancing the learning program within and beyond applicable management implementation boundaries. Such a list is inevitably somewhat idiosyncratic to our interests and perspective, nor is comprehensiveness an aspiration. However, despite these limitations, we hope that it can serve as a basis to identify promising directions for the Behavioral Theory of the Firm.

## **Methodology**

Respondents of both pilot and main group were asked to answer each direct and indirect questions of perception for testing hypothesis' prediction clearly. The indirect questions were composed of antonyms of the direct questions. After an expert and professional consultancy about the reliability and consistency of the questions the pilot group of 40 master of business administration students from Istanbul Gelisim University asked if the survey sheet was clearly understood. Survey sheets had been issued to workers of Istanbul textile industry after necessary simplifications and building of antonyms of direct questions between the dates

January and May 2014. We have randomly chosen some 88 out of 7002 textile exporting firms from the 2013 list of ITKIB (Union of Istanbul Apparel Industry Exporters). The general response rate was about 35 % and the average of 6 respondents per firm is a good ratio in strategy building research (Miller et al., 1988; Milliken, 1990). The sample consisted of valid survey sheets numbered 531. The respondents were required to choose a proper rating to Likert 5 point scale items ranging from 1 strongly disagree to 5 strongly agree. To test the consistency of answers the direct questions and the reverse coded antonyms were compared.

**Table 1. Correlations between direct questions and reverse coded antonyms**

	Pearson	Kendal's tau_b	Spearman's rho
Aspirations – Rev Satisfaction	-.200**	-.201**	-.219**
Behavior – Rev Act	-.002	.008	.011
Time – Rev Innovation	-.190**	-.180**	-.201**

\*\* Correlation is significant at the 0.01 level (2-tailed).

Table 1 show that the question for Hypothesis 2 was highly reliable as it was completely understood by respondents. But despite the pilot survey and consultants founded no problem about the understanding the direct question and its antonym the correlation results showed that respondents answered two question related to Hypothesis 1 and 3 independently. So interpretation should be careful about the Hypothesis 1 and Hypothesis 3. The answers to the other direct and reverse questions were collinear with the assumptions as shown by Table 2.

**Table 2. Means, modes and averages of answers**

Items	Mean	Mode	Average
H1: When aspirations are unsatisfied, people search until they find better, more satisfying options.	4	4	3.61
H2: Organizations influence individuals primarily by managing the information and options, or "decision premises," that they consider.	4	4	3.45
H3: Individuals find it easier and less taxing to devote limited time and energy to programmed tasks.	4	4	3.34
Support for H1: When aspirations are unsatisfied, people do not care about the goals and objectives of the organization. (Reversely coded)	2	2	3.03
Support for H2: Organizational acceptance does not affect employees to decide how to behave. (Reversely coded)	5	5	3.67
Support for H3: Employees act objectively, rationally, and hospitable for innovations. (Reversely coded)	2	2	2.61

In case of direct questions to test the entire Hypothesis all the means and modes were 4: agree supportive enough. To compare the supports the answers were reversely coded in ordinal scale of Likert such a way 1 for 5 and 2 for 4. However all the means and modes were 5: strongly agree, except for the reverse questions to support Hypothesis 1 and Hypothesis 3 indirectly.

**Table 3. Demography.**

Properties	N=531				
Sex	<u>Male</u> <b>390</b>	<u>Female</u> 141			
Age	<u>20-25</u> 122	<u>26-30</u> <b>158</b>	<u>31-35</u> 78	<u>36-40</u> 173	
Education	<u>Primary</u> 9	<u>High Sch.</u> 90	<u>Associate Dg</u> 140	<u>Bachelor</u> <b>267</b>	<u>Master's Dg</u> 25
Legitimate Status	<u>Student</u> 27	<u>Officer</u> <b>436</b>	<u>Worker</u> 31	<u>Unoccupied</u> 37	
Actively on Duty	<u>Yes</u> <b>465</b>	<u>Break</u> 66			
Job	<u>Worker</u> 36	<u>Officer</u> <b>431</b>	<u>Student</u> 13	<u>Unoccupied</u> 51	

The popular statistics of the respondents are listed in Table 3. In the check it was seen that there were no demographic bias between respondents and non-respondents with regard to the answers to questions about the Hypothesis. Our assumptions were supported by direct questions. But when it comes to support the ideas for H1 and H3 reversely coded variables might have been reconsidered demographically. Due to the changes made to demographic cases there have not been any changes to descriptive statistics of the answers. Table 4 shows the correlations.

**Table 4. Correlations between all variables**

Variables	1	2	3	4	5	6	7	8	9	10	11
1. Sex											
2. Age	<b>-.213**</b>										
3. Education.	-.051	-.075									
4. Leg. Status	.051	<b>-.089*</b>	<b>-.130**</b>								
5. Active Duty	<b>.265**</b>	<b>-.287**</b>	<b>-.110*</b>	<b>.333**</b>							
6. Job	<b>.260**</b>	<b>-.252**</b>	.009	<b>-.376**</b>	<b>.747**</b>						
7. Hypothesis 1	-.082	-.001	-.015	-.039	-.025	-.023					
8. Hypothesis 2	-.069	.038	.089	-.035	-.014	.010	<b>.237**</b>				
9. Hypothesis 3	.000	.009	.068	-.068	.012	.025	<b>.166**</b>	<b>.223**</b>			
10. Reverse of H1	-.064	-.031	-.010	-.006	-.025	-.027	<b>.200**</b>	<b>.159**</b>	<b>.170**</b>		
11. Reverse of H2	-.013	.030	-.065	-.010	-.062	-.046	.076	.002	.083	<b>.182**</b>	
12. Reverse of H3	-.030	-.050	.018	-.039	-.054	.010	<b>.183**</b>	<b>.219**</b>	<b>.190**</b>	<b>.102*</b>	.075

\*\* p< 0.01; \* p< 0.05; N=531

Correlations indicated that the questions about the hypothesis have not generated any related answer with popular statistics. Popular statistics and interpretations had only in-group correlations not with each other. So it is safe to say that most of the time respondents gave similar coherent, reliable answers. All the questions have been perceived and treated

independently by the respondents. But the question “organizational acceptance does not affect employees to decide how to behave” perceived separately. It might be another motive caused by a message in perception. Respondents might have decided to tendentiously answer to ensure organizational acceptance rather than to risk it in mind. This tendency might be regional and further investigations are required to generalize. Table 5 showed The descriptive statistics.

**Table5. Descriptives**

	Mean	SD	Variance
1. When aspirations are unsatisfied, people search until they find better, more satisfying options.	3,61	1,009	1,019
-1. When aspirations are unsatisfied, people don't care about the objectives of organization.	2,97	1,388	1,927
2. Organizations influence individuals primarily by managing the information and options, or “decision premises,” that they consider.	3,45	1,180	1,392
-2. Organizations' decision premises consideration does not influence individuals to decide how to act.	2,33	1,328	1,763
3. Individuals find it easier and less taxing to devote limited time and energy to programmed tasks.	3,34	1,216	1,478
-3. Individuals acts rational and result based, they are eager to innovations.	3,39	1,211	1,468

It is another challenge to confirm the idea “when aspirations are unsatisfied, people don't care about the objectives of organization” as derived from Table 5. This answer also should be checked by other studies if it is regional or a general charge. In textile industry of Turkey, employees tended to be less voluntary to “search”.

### Conclusion and Management Implications

Between the first era studies on organizational behavior, the assumptions of March and Simon (1958) still have not loosed the importance and not expired yet. Moving from the mostly used and less supported assumption this study enriched and confirmed for a sample of Istanbul textile industry in 2015. All three assumptions which set up the hypotheses have been confirmed. Additionally supportive items have had been confirmed with slightly modest scores. The three antonyms were: 1- When aspirations are unsatisfied, people don't care about the objectives of organization. 2- Organizations' decision premises consideration does not influence individuals to decide how to act. 3- Individuals acts rational and result based, they are eager to innovations.

There are some management implications of these results. Firstly in Turkish textile industry entrepreneurs are a little bit better of taking risk than the international competitors as the employees are seemingly more committed. Turnover rates are better comparing international competitors. This study expands understanding of job embeddedness.

When things got worse we have learned from childhood on a bad habit to blame others or the thirst for power. Our third fallacy was to blame the bureaucracy perspective starts from a reasonable premise: organizations are created to achieve specific goals. They are most effective when goals and policies are clear (but not excessive), jobs are well defined (but not constricting), control systems are in place (but not oppressive), and employees behave

prudently (but not callously). If organizations always behaved that way, they would presumably work a lot better than most do. In practice, this perspective is better at explaining how organizations should work than why they often do not. Managers who cling to facts and logic become discouraged and frustrated when confronted by intractable irrational forces. Year after year, we witness the introduction of new control systems, hear of new ways to reorganize, and are dazzled by emerging management methods and gurus. Yet old problems persist, seemingly immune to every rational cure we devise. As March and Simon point out, rationality has limits.

The thirst-for-power view highlights enduring, below-the-surface features of organizations. Its dog-eat-dog logic offers a plausible analysis of almost anything that goes wrong. People both seek and despise power but find it a convenient way to explain problems. The tendency to blame what goes wrong on people, the bureaucracy, or the thirst for power is part of our mental wiring. But there's much more to understanding a complex situation than assigning blame. Certain universal peculiarities of organizations make them especially difficult to sort out. One of them is information sharing while others might be job embeddedness and citizenship to raise commitment levels which are worth to work for. Albert Einstein once said that a thing should be made as simple as possible, but no simpler. All the effort to get better group performance than the sum of personal performances a manager should always take things simple but not too much.

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