

through the governing body and by respecting the role and responsibilities of elected officials. The manager's role is to submit policy proposals to elected officials, provide them with facts and advice on matters of policy as a basis for making good decisions and setting community goals, and uphold and implement local government policies adopted by elected officials.

When the council and the manager disagree about specific policies, the manager may work hard to convince the council of the wisdom of his or her recommendation, but the manager ultimately is obligated to follow the council's direction. Only in the extreme instance of unethical or illegal acts or acts of gross misconduct would a manager be permitted to disregard the council's decision.

ICMA members have an obligation under the profession's Code of Ethics to serve all members of the governing body equally; act with integrity to build trust with the public, staff, and governing body; be politically neutral with regard to the election or removal of candidates for public office; and respect the roles and responsibilities of the public and elected officials. To that end, it is unethical for a manager to engage in public or private conversations, even if well intentioned, with residents and leaders in the community regarding the performance of the elected officials.

Effective local governments truly do run on a combination of strong political leadership and good management. When either part of this equation is underperforming, the community can certainly suffer. The best approach to charting a better course is to assess what is wrong and develop a strategy for making improvements or changes as needed.

To the extent that the concern is with

Ethics advice is a popular service provided to ICMA members. The ICMA Executive Board members who serve on the Committee on Professional Conduct review the inquiries and advice published in *PM* magazine. ICMA members who have questions about their obligations under the ICMA Code of Ethics are encouraged to call Martha Perego, ICMA's ethics director, at 202/962-3668.

the performance of the governing body, the discussion is most appropriately led by community leaders, residents, and elected officials. Responsibility for deciding whether elected officials are making wise decisions and are competent to serve in their role rests solely with the voters and community at large. There simply is no role for the manager to play in that assessment or to use the position of manager to influence the outcome of the discussion.

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ONLINE EXTRA

PM's Web Site This Month
Features This Exclusive Article

Globalizing Local Economies: Making It Happen Through Local Action

Although the existence of regional partnerships is considered a key factor to successful regional economies, there is less clarity on exactly what these regional partnerships and the resulting knowledge networks look like, and on what role the participants play in them. One of the most accepted views is that innovation increasingly hinges on university-industry government partnerships, the so-called triple helix.

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THEORY OF BOUNDED RATIONALITY

The aim of this article is to explain the concept of bounded rationality introduced by American political scientist Herbert Simon. This article also gives brief explanations about the decision rules that might be used by local government decisionmakers to manage time, complexity, and uncertainty in their environment.

Bounded rationality explains why human beings faced with immense complexity and cognitive limitations deal with their decision-making tasks by constructing simple models of reality and employing heuristics (trial and error). The assumptions and propositions that underlie this theory of decision making are attributed primarily to Simon. One of the theory's most crucial premises is presented in the following excerpt (Simon 1957):

"The capacity of the human mind for formulating and solving complex problems is very small compared to the size of the problems whose solution is required for objectively rational behavior in the real world."

In this statement, Simon presents his fundamental thesis about human decision making by contrasting it with the more classical notion of decision making used in economics. In general, economists assume that decisionmakers are rational in all situations.

In contrast, Simon argues that the ability of humans to gather, comprehend, and retrieve information from memory and make inferences is limited for a number of reasons. First, their environments are exceedingly complex. Second, their mental capabilities are extremely limited in comparison with the demands of a complex environment.

And third, they are constrained by such finite resources as time and money from attempting to fully understand environmental complexities. As a result of these limitations, decisionmakers make their decisions under conditions of extreme uncertainty most the time; and

they make decisions only in an intendedly rational manner.

Using these assumptions, Simon and his colleagues show how humans make decisions despite complexity and uncertainty. Instead of becoming frustrated by these seemingly overwhelming problems, humans develop ways of coping with them. Simon argues that these methods result directly from the decisionmaker's ability to adapt to a complex and uncertain environment.

In its most basic form, a decision is made from a set of premises. These premises can be divided into two types: value premises and factual premises. Although factual premises may contain value elements and vice versa, factual premises generally can be thought of as descriptive statements about the environment and how it functions.

Value premises, in contrast, define the decisionmaker's preferences and desires. Using both types of premises, a decisionmaker infers what courses of action might solve a particular problem and what consequences each of these alternatives produces. In the final step, the decisionmaker chooses one course of action based on inferences from the two sets of premises.

These techniques are used by humans to simplify and facilitate the development of factual premises:

Factorization and specialization. To reduce the complexity of a problem and make it more manageable, a decisionmaker divides the problem into a number of subproblems and then focuses on the subproblems sequentially. When performing a lengthy or complex task, for example, a person will think about what has to be done first, second, and third, and then will attack each subtask separately.

Likewise, Congress, as an example of group behavior, divides its activities into separate committees and subcommittees. Thus, committee members can give each bill more specialized attention (March and Simon 1958).

Past experience: Perception. An intendedly rational decisionmaker relies on experience and previously established premises to observe the environ-

ment and guide behavior. One way these factors are manifested in decision making is through perception, which accounts for the difference between a decisionmaker's internal representation of the environment and the objective description of the environment (Newell and Simon 1972). The source of differences in perceptions among decisionmakers is each person's unique experiences.

The accumulation of different past experiences by each decisionmaker leads to the formation of factual and value premises that are different for each person. In the process of perception, a person's unique set of premises acts as a filter for observation. When making decisions, a person then relies on perceptions to give observations meaning. As a result, observations are more quickly interpreted and more likely to make sense.

A person in a new job, for example, will not function as efficiently as one who has been employed in the same capacity for a long time. The factual and value premises of the new person, which help define problems and recognize needs, will not be as well oriented toward this occupation as the premises of the employee with the longer tenure (March and Simon 1958).

Past experience: Performance program or rule of thumb. According to Simon, a performance program is an automatic response or an organized set of programmed responses to a familiar environmental stimulus. Rather than treating each problem or situation as unique by reexamining all alternatives and making the separate inferences from premises, intendedly rational decisionmakers simply react to a frequently encountered stimulus in a programmed manner.

In addition to reducing decision time, use of performance programs greatly simplifies the decision process. As might be expected, these programs are especially prevalent in a routine environment (March and Simon 1958).

One example of a performance program is the set of standard operating procedures used by most organizations to handle frequently encountered situations (Cyert and March 1963). In the

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extreme, performance programs can be a highly complex set of responses to stimuli.

A performance program, for instance, could be a specific strategy or approach to solving math problems or writing a paper. Of course, this example assumes that the person solving the math problem or writing a paper has had enough experience with these tasks to have developed such a performance program (Newell and Simon 1972).

Directly reducing decision calculations: Limiting consideration of alternative and “satisficing.” To reduce decision calculations, a decisionmaker will limit the number of alternative actions that are considered by examining only the first few alternatives that come to mind. Another means of reducing decision calculations is to devise rules for quickly excluding many of the alternatives that could be considered (March and Simon 1958).

In choosing a method of implementing a policy, for example, a public administrator may decide that only those alternatives that benefit a certain group of people are acceptable.

In addition to limiting alternatives in some fashion, a decisionmaker will choose an alternative that “satisfices” rather than select the optimum alternative to solve a problem or fulfill a need. In other words, the decisionmaker will choose an action alternative that is only satisfactory or sufficient rather than the best alternative according to the relevant criteria.

Use of cues and selective attention to the environment. Because the environment contains more information and stimuli than anyone can possibly attend to at the same time, a decisionmaker focuses only on what is salient, familiar, or thought to be relevant to the problem (Cyert and March 1963).

In many instances, selective attention involves using bits of information that act as surrogates for objective information and therefore only approximate the actual information desired. Rather than evaluating the specific merits of each election candidate, for instance, voters will make their choices on the basis of

simple cues such as a candidate’s method of dress or political party affiliation.

ADAPT TO THE ENVIRONMENT

Intended rational decisionmakers avoid uncertainty and minimize the need for information by avoiding trying to correctly anticipate the future, to research the past, or to determine the present state of affairs. They use simple decision rules (heuristics) and short-run feedback techniques that reduce the time and intellectual demand of making choices in a complex and uncertain environment.

Decision rules are temporally stable and are altered only in the long run when the old rules no longer produce the desired or expected results. When the decision rules and techniques change to accommodate the demands of the environment, the decisionmaker is said to have learned from or adapted to the environment (March and Simon 1958).

Without adapting to the complex and uncertain environment in some fashion, decision making would be unmanageable if not impossible.

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ICMA

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UPCOMING EVENTS:

June 1-3 CAMA (Canadian Association of Municipal Administrators) Conference, Whistler, British Columbia, Canada

June 4 ICMA University
Audioconference: *Applying the Work of Daniel Pink: How Montgomery Ohio is Changing Its Culture*

June 4-5 *Designing and Implementing Viable Development Programs*—ICMA University Workshop

July 1 Deadline for Credentialed Manager Applications

August 15 *ELDP Class of Fall 2011*—Deadline for Applications

September 13-16 *ICMA’s 2009 Annual Conference*, Montréal, Québec, Canada

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