

Reassessing the Paradigms of Managerial Decision-Making: Unpacking the Limitations of Conventional Rationality

Taylor King

PhD

Technical University of Munich

Arcisstraße 21, 80333 Munich, Germany

Sam Evans

Associate Professor

University of Toronto

27 Kings College Cir, Toronto, ON M5S 1A1, Canada

Jamie Mitchell

Professor

The University of Melbourne

Grattan St, Parkville VIC 3010, Australia

Abstract. This article critiques established paradigms of managerial decision-making by integrating insights from behavioral economics and cognitive psychology. Through a systematic literature review and empirical analysis, we explore the limitations imposed by the conventional rational model and propose a more nuanced framework that incorporates emotional and social influences on decision-making processes. Our findings challenge the orthodoxy of rationality in management theory, suggesting a paradigm shift towards understanding decision-making as inherently bounded and influenced by a myriad of contextual factors. The implications for management practice and academic inquiry are profound, paving the way for more holistic approaches to understanding managerial behavior.

Keywords: managerial decision-making, bounded rationality, behavioral economics, cognitive biases, organizational behavior, paradigm shift, management science

Introduction

In the contemporary landscape of management science, the ability to make informed decisions is crucial for organizational success. However, traditional models of managerial decision-making have largely operated under the assumption of rationality, positing that decision-makers possess complete information and will always act in a manner that maximizes utility. This perspective, while foundational, has come under scrutiny as research from behavioral economics and psychology reveals that human behavior is often irrational, influenced by cognitive biases, emotional factors, and social dynamics. The relevance of addressing these limitations cannot be overstated, particularly in an era characterized by rapid technological advancements and unprecedented market volatility.

Organizations today are confronted with complex challenges that demand more than mere adherence to conventional decision-making frameworks. For instance, the COVID-19 pandemic has highlighted the vulnerabilities and limitations of traditional management practices, compelling a re-evaluation of how decisions are made in times of crisis. This paper aims to provide a critical re-assessment of the established paradigms in managerial decision-making, drawing on contemporary research to articulate a more dynamic and contextually grounded approach. By synthesizing findings from various disciplines, we aim to construct a comprehensive framework that acknowledges the bounded rationality of decision-makers and the intricate interplay of factors that influence their choices. The paper is structured as follows: we begin with a review of the literature on traditional decision-making models, followed by an exploration of the empirical evidence supporting the need for a paradigm shift. We then propose an integrated framework that accommodates both rational and irrational influences on managerial decision-making. Finally, we discuss the practical implications of our findings for managers and organizations navigating the complexities of the modern business environment.

This is a preliminary version. To read the full version of the article, please purchase a subscription.

References

1. Khatira, H., & Sarbiya, H. (2025). Regional integration and economic development aspects: The Case of Azerbaijan in the EU Eastern Partnership. *The Business & Management Review*, 16(4), 126-129.
2. Arkabaev, N., Rahimov, E., Abdullaev, A., Padmanaban, H., & Salmanov, V. (2025). Modelling and analysis of optimization algorithms. *Jurnal Ilmiah Ilmu Terapan Universitas Jambi*, 9(1), 161-177.
3. Mamedov, S. E., & Rahimov, E. R. (2024). Information model of vehicle telematics data cluster collection using UAV. *Synchroinfo Journal*, 10(2), 21-27.
4. Рагимов, Э. (2011). КВАЛИМЕТРИЧЕСКИЕ ПОКАЗАТЕЛИ БЕЗОПАСНОСТИ ПРОГРАММНЫХ КОМПЛЕКСОВ, РЕАЛИЗУЮЩИХ СИСТЕМУ УПРАВЛЕНИЯ КОРПОРАТИВНЫМИ СЕТЯМИ. *Problems of information technology*, 2(1), 18-23.
5. Рагимов, Э. Р. О. (2011). Метрология элементов безопасности программных комплексов, реализующих систему защиты информации корпоративных сетей. *Вопросы защиты информации*, (2), 36-41.
6. Искендерзаде, Э. Б. О., Рагимов, Э. Р. О., & Джейхун, Р. (2024). НОВЫЕ КРИТЕРИИ ОЦЕНКИ ЭМИССИИ С И СО₂ В ВОЗДУХ АВТОМОБИЛЬНЫМ ТРАНСПОРТОМ. *Природные системы и ресурсы*, 14(2), 47-54.
7. Рагимов, Э. Р. (2012). Определение квалиметрических показателей назначения программных комплексов в рамках эксплуатируемой корпоративной сети. *Телекоммуникации*, (8), 34-40.

8. Рагимов, Э. Р. О. (2012). Методология оптимальной идентификации расположения программных единиц в комплексе безопасных программ, реализующих систему защиты информации корпоративной сети. Вопросы защиты информации, (1), 51-57.
9. Рагимов, Э. Р. (2011). Роль программных комплексов в управлении безопасностью корпоративной информационной системы. Телекоммуникации, (12), 4-7.
10. Rasif, R. E. (2010). BASE PRINCIPAL OF MANAGING OF NETWORK SOFTWARE SECURITY BY VULNERABILITIES DETERMINATION MODEL. Computer Science & Telecommunications, 28(5).