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| AUTHORS | Sergio Janczak |
| ARTICLE INFO | Sergio Janczak (2005). The Strategic Decision-Making Process in Organizations. <i>Problems and Perspectives in Management</i> , 3(3) |
| RELEASED ON | Tuesday, 30 August 2005 |
| JOURNAL | "Problems and Perspectives in Management" |
| FOUNDER | LLC "Consulting Publishing Company "Business Perspectives" |



NUMBER OF REFERENCES

0



NUMBER OF FIGURES

0



NUMBER OF TABLES

0

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The Strategic Decision-Making Process in Organizations

Sergio Janczak

Abstract

This paper intends to describe the evolution of the strategic decision-making processes in organizations and propose an integrate view to these processes. This paper seeks to make a number of contributions to the literature on strategy development processes. It explores a multidimensional conceptualization of strategy development and inquires specific process characteristics, such as creativity, development of resources and rationality. Further, the paper provides a critical evaluation of the nature of the relationship between decision-making and performance. Finally, the author emphasizes the need for identifying the different levels of analysis, the need for a continuous temporal analysis, the need for evaluating the events with their natural complexity

In summary, the author argues that what is needed in strategy field are "process" models which are more environment-focused. In doing this, the paper highlights promising directions for the development of process models by drawing upon lessons learned in organization-focused strategy process research, taking as an example the development of the "decision-making school" as it moved from a content focus to a process focus.

Key words: Process, Decision-making, Strategic, Strategy models.

It should be noted that the administrative processes are decisional processes: they consist in segregating certain elements in the decisions of members of the organization, and establishing regular organizational procedures to select and determine these elements and to communicate them to the members concerned.

Herbert Simon

Strategy was established as a key influence on business and performance (Chandler, 1962; Ansoff, 1965; Andrews, 1971). These authors also propose that a distinction be made between the "process" of strategic management and the "content" of strategy. Content is concerned with the type of strategic decision, while process focuses on its formulation and implementation (Cyert & March, 1963; Andrews, 1971).

The important process phenomena are generally divergent and vague in space and in time. The decision-making, the strategy formation, the innovation, and the learning are processes that happen continually, implying an increase of complexity. The individual analysis of each process is not enough to explain all reality, but the overall study implies the understanding of a whole network of intertwined processes that is extremely difficult to be modeled.

Pettigrew (1992) perceives that process research and strategy are essentially concerned with choice process (strategic decision-making) and implementation processes (strategic change). Van de Ven (1992), in contrast, argues that strategy process research is diverse and cannot be contained within any single paradigm. In response to these authors, this paper intends to describe the evolution of the strategic decision-making processes in organizations and propose an integrate view to these processes.

Why Organizations?

The needs of large-scale organization have to be satisfied by common people achieving uncommon performance

Peter Drucker

Only organizations based on the redundancy of functions have the flexibility and innovative potential to give the possibility of adaptation to rapid change rate, increasing complexity and environmental uncertainty.

James Thompson

Organizations are associations of persons grouped together around the pursuit of specific goals. Generally, organizations have their own premises, their own capital and their own technologies, all of which are sought in order to protect against environment influences. Organizational analysis claims to explain the existence of organizations. Marx stated that organizations, which create a division of labor, can produce human alienation, dehumanization of work and social disintegration (Marx, 1988). In addition, they can also produce class conflict resulting from the "natural" state of affairs, as postulated by the model of "organic solidarity" (Durkheim). Why, in this case, do organizations exist? Why, despite its supposed negative effects on mankind, does the organizational phenomenon continue to increase all over the world?

Weber (1947) stresses his admiration for the technical superiority and functional indispensability of rational bureaucracy. Crozier (1964), on the other hand, argues that bureaucratic organizations cannot learn from their errors, are inflexible and are unaware of the needs of which they should satisfy. From his point of view, an organization is a complex set of interdependent interlaced games where individuals try to maximize their gains. These power games affect relationships and enable cooperation, reconciling the individual freedom of the participants in the organization with the constraints placed upon them. While these authors talk about organizations in general, they specifically discuss profit or non-profit organizations.

In order to find the roots of the organizational studies and the reasons for the success of business organizations, it is important to consider Barnard (1938). In his book, "The Functions of the Executive", Barnard conceptualizes organizations as "cooperative social systems" that should maintain the subtle balance between the constraints imposed by formal organization and the demands arising out of informal group behavior for the long-term preservation of cooperation. According to Barnard, a formal organization is a "system of consciously coordinated activities of two or more persons". The organization exists to overcome the cognitive and biological limitations of individuals, permitting them to achieve certain ends that would not otherwise be achieved by individual action. All organizations have a purpose, but this purpose does not produce cooperative activity even if the participants accept it.

The existence of organizations somewhat depends on their ability to generate sufficient incentives to obtain the contributions of participants. From Barnard's point of view, organizations are natural systems, which are more an end in themselves than they are a means. They are a structure of relations which participants seek to preserve because of the benefits they derive from membership. Barnard's model goes beyond the naïve statement that labor and capital should cooperate and that this cooperation would reduce conflict or increase productivity. In fact, he stresses that, organizations, "by very nature are cooperative systems and cannot fail to be so". In addition, he says that organizations cannot fail to have a natural purpose, which is the main task of the executive to emphasize to the organization's members.

Hommans (1950) says that organizations are modeled on tendencies that exist in all social groups. Thus, organizations provide the setting for a wide variety of basic social processes, such as socialization, communication, ranking the formation of norms, the exercise of power, and goal setting and attainment. In this way, we can perceive in organizations "a rationalization of tendencies that exist in all human groups". This statement suggests that the organization can help improve structures for society in general, because the factors responsible for increased production are

increasingly located not in any particular part of the organization, but in the workings of the organization as a whole.

Simon (1945) attributes importance to the organization because its environment provides much of the force that molds and develops personal qualities and habits. Additionally, it provides the means for exercising authority and influence over others, particularly for those in higher positions. Simon conceives the organization as a complex pattern of communications and other relations within a group of human beings. An organization is, after all, a collection of people, since people collectively perform the activities of the organization. In a group, these human beings are capable of acting intelligently in many new or difficult situations, but they are likely to be less efficient on their own. He stresses that a single isolated individual cannot reach any high degree of rationality. Because of the great number of options and an unlimited amount of information, even an approximation to objective rationality is hard to conceive. When individuals evaluate options, they conduct a limited search for them along familiar and well-worn paths, selecting the first satisfactory option that comes along. This way, they can control the standards for satisfactory solutions, and they decline the situation; only to a limited extent are these standards up to individuals. An organization is a way to improve the quality of whole groups of actions performed by the members. In short, the key to the effectiveness of organizations is overcoming the "bounded rationality" of each member with less cost.

According to Selznick (1957), the organization is a technical instrument for mobilizing human energies and directing them toward set aims. He emphasizes that organizations do not exist without the overlay of values and commitments, which makes them what he calls "institutions". This modification allows the institutions to identify the effective threats and other forces of external support, to protect themselves against these threatening forces, and to change their goals, and explain these changes to the organization members. In this way, he accepts that organizations can revise their goals in order to survive and grow.

Cyert and March (1963) view the organization as a coalition: in a business organization the coalition members include managers, workers, shareholders, customers, lawyers, and regulatory agencies. Despite initial impressions, these kinds of organizations exist to cope with uncertainty; they strive to act rationally in the face of technological and environmental uncertainties. The twofold task of administration is to provide needful coordination with the organization, and to adjust to outside circumstances (Barnard, 1938; Thompson, 1967) According to these authors, coalitions can be highly adaptive to the system as a whole. The composition of the organization is not predetermined; it is negotiated as goals are bargained. The model developed by these authors has a political realism and stresses the learning theory from individual psychology. Contrary to Crozier's writings (1964), their model behaves as an entity, similar to the model of the goal-directed, economizing, and learning individual. These authors also stress a theory of search and a theory of choice, along with identifying five major goals of organizations: production, sales, inventory, market share, and profit. Three factors influence these five dimensions: members of the coalition, the definition of the problems confronting the organization, and the aspiration levels of organizations along the time. Cyert and March state that inherent behavioral factors within the organization partially serve to resolve conflict, so that the organization can continue to exist (Carter, 1971). Besides, organizations seek a negotiated environment, one in which the uncertainty can be reduced.

Not all activities in the organization are learning processes. In comparison with the rational and political models, Cohen and Alli (1972) propose a garbage can model of organizational choice that calls attention to the importance of chance. These authors argue that members of organizations gain knowledge by trial-and-error learning, but without clear understanding of the underlying causes. While it is difficult to explain the success of these "organizational anarchies" in a competitive market, this model has been found in different organizations with decisions being made by a process that transcends technological rationality. There is a paradox in this organizational model, however: the "garbage can model" was developed to criticize universities as an organizational anarchy. Yet, universities are the oldest organizations in the world, next to the Church and the Military.

As previously stated, organizations exist to cope with uncertainty, since they strive to act rationally in the face of technological and environmental uncertainties. The twofold task of ad-

ministration is to provide needful coordination with the organization and to adjust to outside circumstances (Thompson, 1967). Furthermore, organizations are also dynamic systems governed by nonlinear relationships. As Thompson points out, "the complex organization is a set of independent parts, which together make up a whole in that each contributes something and receives something from the whole, which in turn is interdependent with some larger environment". The organizational perennity depends on the reduction of present uncertainty in order to make stable decisions and to be sufficiently flexible to preview future changes. Finally, he argues that the fundamental function of the structure of an organization is to handle, reflect, and absorb the organization's task environment.

Williamson (1975) presents a different view of the organization, arguing that organizations exist to lower the cost of transactions. From his perspective, each of the many recurrent transactions in a society can be conducted more efficiently by organizations. The transactions in the market are more expensive than the transactions that happen throughout organizations. On the environmental side, Williamson identifies "uncertainty" as favoring the organizational mode. A greater uncertainty implies more contingencies and complexity and hence increases the cost of market transactions. In this sense, organizations can be viewed as market transactions, and consequently, the survival of the organization is assured.

As stated before, Simon (1945) suggests organizations help men to overcome their bounded rationality. He challenged the validity of the classic label "Homo economicus" by rejecting the notion of unlimited rational optimization in human behavior. Simon views that the basic features of organization structure and function derive from the characteristics of human problem-solving and rational human choice. The organization provides a structured social environment in which "that behavior which is rational from the standpoint of this environment is also rational from the standpoint of group values and group situation" (Simon, 1945).

Furthermore, he declares that a theory of administration should be concerned with decision-making and action. He points out the task of "deciding" pervades the entire administrative organization as much as the task of "doing" – indeed, both are integrally joined. In fact, he stresses that decisions are not made by organizations but by human beings behaving as members of organizations. In summary, thus, the main function of the organization is decision-making (planning, evaluating and implementing).

Why Decision-Making?

The making decisions, as everyone knows from personal experience is a burdensome task.

Chester Barnard

The product of managers are decisions and actions.

Peter Drucker

Decision analysis stands on a foundation of thousands of years of philosophical and practical thought about uncertainty and decision-making. Nowadays, we have a discipline of decision analysis that provides systematic procedures for clarifying a confusing situation by offering the possibility of replacing confusion with clear insight, and arriving at a desired cause of action.

A scientific description of an organization details what decisions individuals make as organizational participants and the influences to which they are subject in making decisions (Simon, 1945). Therefore, organizations have a twofold role; they simplify decisions and they give assistance to participants in their decisions. Simon argues from the premise that, at best, organizational decision-making is characterized by a bounded rationality, and that a close and important link exists between the nature and limitations of human decision and the structure and activity of the organization. The decision-making is simplified within organizations. This is based on the assumption that members, given the constraining influence of a structured decision-making environment, will "satisfice" - settle for acceptable, as opposed to optimal solutions, will attend to problems se-

quentially rather than simultaneously, and will repeat standard solutions. These standards increase or decrease with each successful or failed experience. The organization can control these standards defining the situation, but only a part of these standards is up to individuals. According to Simon, "the organization sets the terms of the expectations and thus can manufacture the ratio of inducements to contributions in its own interest".

Using the same "bounded rationality", Cyert and March (1963), pointed out that in an established organization, scope for decision-making is limited by prior decisions, either explicit or implicit, as well as being limited by moral commitments to individuals and departments, etc. These authors develop a model of the firm that behaves as an entity, similar to the model of the goal-directed, economizing, and learning individual. This decision-making coalition model focuses on cost, as well as on the decisions of the firm. Like Simon (1945), they stress both a theory of search and a theory of choice. Thus, past decisions are an important part of the environment of new decisions.

Cyert and March question whether organizations could engage in the type of rationality presumed in economic theory; they propose an alternative set of behavioral concepts, which accept the ambiguity, multitude and conflict of goals. These authors suggest that decision-making itself is often simplistic, reactive and local. Only after key people in the organization perceive a problem as serious solutions should be proposed. These authors are aware of the significance of power when they note that "any alternative that satisfies constraints and secures suitably powerful support within the organization is likely to be adopted". Despite this recognition, however, the authors ignore role and communication structures and how they are devised and changed. The uncertainty of "audience and environmental negotiation" reflects managers' limited ability to deal with ambiguity and complexity. Uncertainty avoidance manifests itself through sub-optimization, the use of slack resources, reliance on standard procedures, and the trying incrementalism. Negotiating the environment takes the form of political agreements, contracts, and outsourcing.

Braybrooke and Lindblom (1970) arrived at a similar view of governmental decision-making, suggesting that administrators make "successive limited comparisons". Usually the search for solutions is typically based on rather simple models of how the environment works. Searching in the immediate neighborhood for existing solutions avoids having to look at all the aspects of a problem in a comprehensive fashion. These authors present utility maximization as a "synoptical" model, which attacks in order to establish the reasonableness of the disjointed-incrementalism model. The strategy of disjointed incrementalism, as outlined by Lindblom, does not attempt a comprehensive evaluation of possible alternative policies. Instead, however, "policy makers and analysis take as their starting point not the whole range of hypothetical possibilities, but only the here and now in which we live, and then move on to consider how alterations might be made at the margin" (Lindblom, 1965). He stresses that, instead, the ambiguity of problems in complex organizations and the great potential for decision failures point directly to the need for decentralized and incremental decision-making. Rationality is obtained from the participation of a multiplicity of decision-makers pursuing their own interests and values in interaction with others.

With roots in the work of Cyert and March, Allison (1971) emphasizes the politics and power approach. He proposes three models that focus on problems of internal organization. Distinction among his models are based on explanations premised upon formal, economic rationality (Model I), bounded rationality (Model II), or the positioning and utilization of political authority within organizations (Model III). The rational actor explanation accords no analytic importance to organizational processes and capacity, since these are assumed to be controlled, or at least, to be controllable variables.

On the other hand, the "organizational processes" model focuses on the limitations of bureaucracy, stressing the intellectual limits applicable to organizational hierarchy (the basic assumption that gives rise to the concept of bounded rationality). Because of the coalitions, the organizational outputs are usually compromised with the parts. With the agreement upon goals, there are constraints that have to be met in order to satisfy minimal standards. However, since it is in everyone's interest that the organization survives, compromise and satisfaction of basic performance are essential criteria. In reducing discretion and minimizing new compromises, organizations develop standard procedures to assure their survival by avoiding radical departures from known decision-


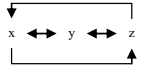
making areas. This approach is similar to the disjointed incrementalism proposal by Lindblom, and will be detailed in the following paragraphs. Thus, the principal insight in Allison's work is related to the different possible views that can be observed if the persons have partial understanding of the facts. However, this partial understanding is beneficial, as the set of different points of view (diversity) can enrich the quality of the decision-making.

Thompson (1967) provides a taxonomy of the kinds of decisions that are important for organizations. He points out that "decision issues always involve two major dimensions: (1) beliefs about cause/effect relationships, and (2) preferences regarding possible outcomes". It is clear that when people agree on the desired results for an organization, the production function and organization design problems can be solved rationally using either formal models or personal judgmental decision strategies. However, when there is little or no agreement on the goals of an organization, the rational model is replaced with anarchic model choice, (e.g., the garbage can model by Cohen and Allli, 1972).

Thompson also identifies three types of interdependencies that may exist as a result of the type of technology used. As shown in Table 1, the first of these is called pooled interdependence, which occurs if each organizational part contributes to the whole and vice-versa. The second type is sequential interdependence, which occurs if Section A can only function after having received input from Section B. Finally, Thompson proposes the possible existence of reciprocal interdependence, where the departments feed each other back and forth. Thompson argues that these three types of interdependencies will lead to different types of coordination and decision problems. Technologies that are characterized by pooled interdependence may be best coordinated by standardization. Sequential dependence requires decentralization and extensive planning, and reciprocal interdependence may require mutual adjustment and lower level joint decision-making, as in matrix organizations.

Table 1

Management and design requirements

| Technology type | Dominant Form of Task Interdependence | Demands Placed on Decision Making and Communications | Extent of Organizational Complexity | Type of coordination Required | Organizational Example |
|-----------------|---|--|-------------------------------------|------------------------------------|------------------------|
| Mediation | Pooled  | Low | Low | Standardization and Categorization | Commercial Bank |
| Long-linked | Sequential $x \rightarrow y \rightarrow z$ | Medium | Medium | Plan | Assembly Line |
| Intensive | Reciprocal  | High | High | Mutual Adjustment | General Hospital |

This analysis implies a rejection of the "unity" model of organization, which informs the work of the classical theorists with its centralized control structure and the traditional unlimited rational decision-making of the top management. In Thompson's model, organizational decision-making becomes much less a matter of unquestioned command or rational appraisal and much more a process of political bargaining and negotiation in which the exercise of power plays a key role. Thompson provides theoretical credence for this suggestion when he observes that the potential for conflict in a decision process increases with the interdependence and variety of groups incorporated.

To focus exclusively on the results of decision-making is also to risk overlooking one of the more obvious aspects of decisions in organizations: that there are links between problem solving and problem finding. As one problem is solved, another will immediately present itself, and once this

new problem is solved, then more problems will arise, creating an endless cycle of problems and solutions. Thus, problem solving is not made once and for all; it is made, re-made, and re-made endlessly. Decision-making is a process of successive approximations to some desired objective in which what is desired itself continues to change under reconsideration (Lindblom, 1959).

Why Strategic?

C'est par la combinaison, parfois rustique, parfois savante, des mécanismes de gestion que l'on révèle ou qu'on donne vie à la stratégie.

Chester Barnard

It is no trick to formulate a strategy, the problem is to make it work.

Peter Drucker

Strategic decision-making, strategic planning or simply strategy – these are all created as equivalent terms for a generic organizational phenomenon. The term strategy, which derives from the Greek word Strategos, means "the art of the general". The Oxford English Dictionary defines strategy as the "art of war" and "the art of so moving and disposing troops as to impose upon the enemy, the place and time and conditions for the fighting preferred by oneself". At the core of strategy is a framework of fundamental alternatives. If we can identify the dimensions of this framework, we can describe the foundation of a strategy. These dimensions are unique to each business and constitute a simple, understandable, powerful, and effective way to define an organization's strategic profile.

Several authors have proposed definitions of organizational strategy, but those provided by Andrews (1971), and Chandler (1962) are among the most frequently cited. Andrews conceptualizes corporate strategy as "the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business". The company is to pursue the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities. (Where does your quotation end? Here, or after the sentence ending "range of business"?)

Chandler (1962) defines strategy as the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action with the allocation of resources necessary for carrying out these goals. Using Chandler and Andrews' definitions, an organization's strategy typically is thought of as an all-encompassing grand "plan", with intentions of alignment between the organizational external environment and the organizational internal processes and structure (Miles and Snow, 1978).

For the scope of this paper, strategic decisions are those fundamental decisions that shape the cause of an organization, in other words, the decisions which are "important, in terms of actions taken, the resources committed, or the precedents set" (Mintzberg et Alli, 1976). They are the infrequent decisions made by the top leaders of an organization that can affect its performance or even its survival. However, this strategic role can only be clearly perceived once the decision has been made.

Selznick (1957) differentiates the strategic decision (critical) from the routine decision. Critical decisions are the responsibility of the leader, and fall into four categories (tasks). The first task involves the definition of the institutional mission and role. The second task is to make and shape "character defining", the institutional embodiment of purpose, which involves building the policy into the structure or deciding upon the means to achieve the ends desired. The third task is to defend the institutional integrity, and the final task is the ordering of the international conflict. Selznick indicates that the institutional leader is primarily an expert in the promotion and protection of values, and perceives that leadership declines in importance as formal structure increases.

Because critical decisions are not made every moment, the leadership can be dispensable. Selznick points out that the function of the leader is to arrive at policy-making rather than at policy-serving decisions, that is, decisions that can affect the survival of the organization. He stresses that critical decisions involve chosen key values and create a social structure that embodies such values. However, these decisions are not only the work of the general manager. Selznick argues that throughout the process of co-optation, external elements can be incorporated into the decision-making structures of the organization. In addition, the institutional leader welds the members of the organization into a "committed polity", with a high sense of identity, purpose and commitment.

Drucker (1954) emphasizes that strategic decisions are multidimensional decisions, which will have an impact on the future of the enterprise. From this perspective, the great difficulty lies in finding the right question, not the right answer. The basic role of top managers is seen as shaping organizational objectives and strategy, with strategy intervening to define organizations' relations with their resource environments. Thus, strategy and strategic decisions act as an important determinant of organizations' performance outcomes.

Ansoff (1965) made a similar distinction with regard to business decisions. He describes strategic decisions as those that are concerned with external rather than internal issues. Examples of these types of decisions would involve determining what business the firm is in or what business the firm wishes to be in, as well as defining its long term goals and objectives. In contrast to strategic decisions, operational decisions are internally focused and absorb much of the organization's time and effort, as they are the decisions made with regard to the organization's daily functioning. Examples of these types of decisions would be resource allocation, scheduling, monitoring performance and marketing.

Ackoff (1970) defines planning as anticipatory decision-making, which is comprised of two planning components – strategic and tactical. Strategic planning decisions are those which are broad in scope, have long term effects, formulate organizational goals, and are difficult to reverse. Tactical planning decisions are concerned with selecting the most efficient means of pursuing the goals set out in the strategic plan. Ackoff stresses that both are needed to maximize the organization's progress, and that planning at the corporate level is generally more strategic than it is at any other level in the hierarchy. Cyert and March (1963) stress that an organization's slack period occurs when the level of incentives – such as income and prestige – exceeds the amount required to obtain members' contributions; this slack period is not intentional. In addition, these authors claim that the internal conflict among the members of the coalitions and the decision-making of allocations of these strategic resources influence the goals of the organizations. However, Ansoff (1965) notes the empirical evidence presented by Cyert and March deal primarily with operating decisions. Furthermore, they also ignore role and communication structures, and how these are devised and changed.

In conclusion, the literature on strategic decisions reveals several basic points. The main point is that these decisions directly affect the nature and the success of the firm. Other key points are that they include choices about new products or markets (Ackoff, 1970), as well as decisions about organization design and the adoption of new technologies. Such decisions are typically novel, and occupy the thinking of senior management. However, they can be greatly influenced by people lower down in the organization (Bower, 1970).

Bower's conclusions are aligned with the study of Crozier (1964). Crozier discusses the relative power and the bases of power of four groups within the monopoly: production workers, maintenance workers, lower supervisors, and the management team. Although the power of the management team is severely limited by the rationalization of the work process, the maintenance workers have a good deal of power in such a system because machine breakdown is "the last source of uncertainty remaining in a completely routinized organizational system". The relationship among the participants demonstrates how a person with technically the lowest power could, in part, control the initiation of action by others.

Several authors ignore the fact that strategic decision-making in an organization has a political dimension. Political behavior implies the existence of dominant coalitions whose power structure is superimposed upon the formal structure of relations. In some ways, the political dimension is lacking in the analyses of the organizational decision-making by Simon, 1945 and

Cyert and March, 1963. These authors neglect to acknowledge that strategic decisions are not made through processes affected by properties of the units on which that the decision is to be made. The leader does not have the total freedom to choose, as sometimes he is influenced by the norms, the culture, or uncertainties. This perspective also helps to explain the importance of increasing political coalitions in most types of organizations. The majority of contemporary organizations exhibit power and decision making structures that include a substantial number of individuals, rather than a hierarchy whose power and decision-making are centralized in one person. Thompson, (1967) reinforces these arguments showing that the number of positions of power within the organizations, and hence the size of the dominant coalition, are affected by the interaction of the organization's technology and its task environment. The power conflicts in the organization thus arise over perceptions of "the reality of interdependence".

Why Process?

In the case organizations, however,
all ends of action are arrived at by social
processes.

Chester Barnard

It is impossible to comprehend the difficulties encountered in formulating and implementing strategy if one ignores the fact that the concept of strategy and the process of making it a reality are inseparable in any organizational setting. Although a great deal of scholarly attention has been devoted to the methods of allocation resources rationally from the economic point of view, it is equally important to understanding that decisions are the product of organizational and political processes.

In fact, strategy process research as applied to corporate settings has a long history dating back at least to Barnard (1938) and Simon (1945). Barnard sees the organization as a dynamic cooperative system, a process of continual readjustment to the physical, biological and social environment as a whole. The notion of decision as a formal, conscious, deliberate and logic formal process is the core of his thesis. Similarly, Simon conceives the administrative process as a decisional process, stressing that processes of decision and the processes of action are the main concerns of the theory of administration.

Cyert and March (1963) describe how decisions are actually made, rather than how they should be made. The authors indicate that if one considers the cognitive limits of human beings, together with uncertainty and lack of agreement over goals, then the processes are quite different from those previously described by managers and researchers. These authors reinforce the idea that resource allocation is not a simple choice, but an organizational process. In addition, the specific important decision, made at a specific point in time, does not exist without a set of support decisions developed at a particular time and in a particular context. Rather, the decision-making process is long, is spread over a considerable period of time, and involves many people in different levels of the hierarchy. Cyert and March's work prompts others to view resource allocation and slack allocation (the surplus of previous investments) as not a single choice, but as organizational processes as well. Thus, their conception of decision-making is a political process that balances various power vectors. Other authors who take a similar approach include Chandler (1962), Ansoff (1965), Ackoff (1970) and Andrews (1971). These four studies are among the first to formally propose the distinction between the process of strategic decision and the content of strategic decision.

Content studies on strategic decision-making focus on the subject of the strategic decision itself and on the relationship between specific decisions and performance outcomes. In contrast, the strategic decision-making as a process focuses on the actions that lead to and support strategy. It is a set of actions and dynamic factors that begins with the identification of a stimulus for action and ends with the specific commitment to action (Mintzberg, 1976). The strategic decision-making process is concerned with how effectively the decisions are linked with the firm, and also how effectively they are validated and implemented. Thus history, political clusters and the individual limitations of the organizational actors are important to the performance of the decisions. In addition, the behavioral interactions of the individuals, groups and organizational units are as important

as the interface between the firm and its environment. Therefore, the emphasis should be on the ongoing system with a past, a present and a future. It should consider the involvement of all actors in such demanding – and support – generation processes with the decision-making processes of the organization that constitutes the political dimension. It should also consider the cognitive processes of individuals who understand the external environment and internal capabilities of the firm. After considering these approaches to the strategic decision-making process, it is clear that an understanding of them cannot be contained in a simple paradigm. They are multidimensional; they contain process initiation, goal, means/ends, choice, and comprehensive characteristics.

Van de Ven (1992), stresses that there are at least three meanings of process often used: (1) a logic that explains a causal relationship between independent and dependent variables, (2) a category of concepts or variables that refers to actions of individuals or organizations, and (3) a sequence of events that describes how things change over time. Consequently, four theories of change are developed: the "circle of life", the "teleological" that supports the majority of normative models in strategy, the "evolutionary" theories that are represented by the ecological models, and the "dialectical" theories that are based on the conflict among the actors and entities. However, Van de Ven's taxonomy has limited importance to the study of processes since it is based on the goal of the decision-making process rather than on the process itself.

Barnard (1938) notes that the acts of organizations consist of acts by persons dominated by organizational, not personal, ends. In contrast, he emphasizes that these organizational ends, to a relatively high degree, involve logical processes, not as rationalizations after decisions, but as processes of decision. This organizational choice is determined by an entire executive organization that formulates ideas, breaks them into details, and decides on the innumerable simultaneous and progressive actions that are the stream of syntheses constituting purpose or action. In order to solve this conflict process, Selznick (1957) proposes an alternative normative model. He points out that with the model's concept of the process of institutionalization, it is necessary to structure the interaction between the organization and the environment. The committed polity means that are developed from the "institutional embodiment of purpose" assure the character process of the decision-making.

The work of Chandler (1962) is an exemplary study on the strategic decision-making process in the work on strategy, organizational structure and management systems. In a longitudinal description of an industrial case, he makes general points about organizational change, and about the relationship between strategy and structure. Essentially, Chandler seeks to show that as strategies evolve, so do structural forms, with the latter developing as each previous type proves inadequate for the competitive strategy of the enterprise. Hence, market diversification prompts a diversification of operation control through the creation of separate and semi-autonomous divisions. The relationship is not nonlinear; managers have choices in the selection of structural forms, but they must be aware that differences in structures also affect the element of "process" in decision-making.

His thesis is that "structure follows strategy" and that, while there may be no single best way to organize, the method chosen depends upon the strategies the organization chooses to pursue. These strategies, in turn, are contingent upon other factors, especially those pertaining to the organization's environment. Chandler concluded that firms pursuing different markets with diverse products tend to be more decentralized, more multinational, and more decision-making discretion occurred among experts lower in the hierarchy than did in single product individual firms. Ansoff (1965) defines management as the active process of determining and guiding the course of a firm toward its objective. He differentiates the activities of formulation and implementation of strategy, but emphasizes that the feedback of the strategy implemented is a key action of the strategic process. Ackoff (1970) is more clear than Ansoff when he defines planning as an "anticipatory decision making process that involves making and evaluating each of a set of interrelated decisions". His emphasis is that "no plan is ever final" because the dynamic process cannot be evaluated before the implementation and its impact on input variables.

Andrews stresses that strategy formulation is itself a process of organization, rather than the masterly conception of a single mind, that must finally become clear. Therefore, the strategy is often unfinished. In this way, the role of management is to coordinate the process of choices that happen in organizations. These activities are spread through the hierarchical levels in the complex

organizations, whose context should be coordinated by top-management. Strategy formation involves many people at different echelons of various departments, and demands a considerable period of time as well. Bower (1970) analyzes this process by distinguishing three sequential activities that take place at three different levels of the organization. These three conceptually distinct managerial activities are definition, impetus and determination of context. The definition activity involves the host organization's selection and determination of the project's objectives. The impetus activity corresponds to the process of legitimating and researching the project, and the determination of context is the set of organizational forces that influence the processes of definition and impetus. Although each activity requires participation from all levels of managers, each one has a principal actor: definition-bottom management, impetus-middle management, and determination of context-top management. This schema is represented in Table 2.

Table 2

The resource allocation process

| Phase/ Process | Definition | | Impetus | | Determination Of Context | |
|----------------|--|--------------------------|-----------------------|-------------------|--|----------------|
| Corporate | Aggregate, Financial Company-Environment | | Yes Or No | | Design Of Corporate Context | |
| Integrating | Financial Aggregate | ↑ ↑ | The Company Wants | ↑ ↑ | Corporate Needs | ↑ ↑ |
| | ↓ ↓ | Product Market Strategic | ↓ ↓ | The Business Want | ↓ ↓ | Sub Unit Needs |
| Initiating | Strategic Product Market | | I've Got A Great Idea | | Product/Market Not Served By Structure | |

Bower's study provides a useful framework from which meaningful recommendations regarding resource allocation decisions account for the complexities of strategy and structure. While he accords with Chandler's "structure follows strategy", he disagrees with the view of Cyert and March (1963), that is, that the structure defines the behavior of the individuals and the individual choices, which should be in agreement with the organizational goals. The structural context, therefore, determines how strategy is defined (definition), accepted (impetus) and planned.

Conclusion

There are more things in heaven and earth, Horatio, than are dreamt of in your philosophy.

William Shakespeare

Not all structures of organizations and strategy position the decision processes at the center. For example, Williamson makes opportunism a central concept in his model involving a transactions-cost approach, in which people seek contractual positions by climbing the hierarchical ladder. His model lists "bounded rationality", "opportunism", "uncertainty, and "small numbers" as favoring the organizational mode. Cost is emphasized rather than benefits, and the cognitive dimensions are forgotten. Furthermore, the transaction is the unit of analysis rather than culture, structure, relationships, or decision processes. Williamson's research parallels that by industrial economists following the paradigm of institutional economics. This paradigm has focused on enduring patterns of industry structure, such as concentration, size distribution of firms, and height of entry barriers in relation to prevailing types of organizational conduct. Conduct, however, is manifested in decisions such as pricing, innovation, vertical integration, and advertising.

In summary, it is impossible to ignore the decision-making approach. An understanding of the decision-making process depends on the ability of the actors to perceive these multiple di-

mensions and their interconnections. Thus, in complex organizational decisions it is often difficult to determine which option is best, or to judge whether a particular outcome is primarily due to skill or chance. According to Ackoff (1970) the most important aspect is the process of planning, a process focused on timing, sequence and dynamics. Allison (1970) proposes a typology for strategic decisions, which explains government decisions such as those made during the Cuban Missile Crisis. Allison provides a good illustration of alternative views to rational choice as the basis for strategic action. The simplest model (I), the "rational actor model", assumes that organizations behave as rational individuals, as well as explaining organizations' actions on the basis of assumed goals. In contrast, model II supplies the essential elements to the understanding of the process that each actor supports his privileged solution. It is the organization process that generates the output, but is not the result of deliberate choice. In addition, organizational adaptation produces changes in structures and routines and subsequently impacts on decisions.

While each of Allison's models is partially correct, each is also incomplete. The Model I perspective, for example, makes it difficult to adequately consider solutions from the other models. Furthermore, all of Allison's models are lacking both a psychological perspective and a historical perspective.

The result of this multidimensional perspective is a complex matrix that transcends the present abilities of researchers and managers to explain all events, actions and options. The praxis has shown that the "disjoint incrementalism" is the best way to understand and learn with organizational experience. Incrementalism is a method for solving problems that presumably enables organizations and their members to reduce the enormous burden of calculations. Its clearest single characterization of strategy speaks of its being, "incremental, explanatory, serial, and market by adjustment of ends to means". Disjointed incrementalism also adapts to the fact that public policy problems are often "highly fluid", and that ends are adjusted to means, rather than vice versa, as most conventional views of problem solving hold.

Braybrooke and Lindblom (1963) show that a synoptic model cannot solve the complexity of strategic decision-making process in organizations. They explain that "*in the synoptic ideal the integration of parts remains an intellectual task for the analyst, and whatever closure is accomplished is attributable to, and therefore limited by, his capacities to understand the relationship of the parts is not entirely – sometimes not at all – an intellectual accomplishment but a result of a set of specialized social or political processes*".

The synoptic approach to policy making fails to adapt to: (a) man's limited problem-solving capacities; (b) the inadequacy of information; (c) the costliness of analysis; (d) failures in constructing a satisfactory evaluative method (whether a rational deductive system, a social welfare function, or some other); (e) the closeness of observed relationships between facts and values in policy making; (f) the openness of the systems of variables with which it contends; (g) the analyst's need for strategic sequences of analytical moves; and (h) the diverse forms in which policy problems actually arise (Lindblom, 1965). Disjointed incrementalism takes note of these failures on the part of synoptic strategies and provides an alternative.

Although Weick (1984) argues that a series of small, incremental wins can move in the same general direction (toward a goal) or can move away from some deplorable condition, organizations have the ability to learn and improve themselves. In reality there is no best solution, but future strategy research should explore the contexts, content, and process of change together with their interconnections through time. The emphasis should be on the organization as an ongoing system with past, a present, and a future. This view implies that sound theory must take into account the history and the future of a system and relate them to the present. Although in the future we may develop better methods to overcome the "bounded rationality", the "political interest", the organizational limits, and the psychological idiosyncrasies, the temporal dynamics will continue.

In summary, there are five key points to emphasize in analyzing strategic decision-making process. First of all, one should identify the different levels of analysis (inside organization, inside industry and inter-market relations). Second, one must elaborate on a continuous temporal analysis and link these events. Third, it is important to evaluate the events with their natural complexity. Fourth, theories should be developed that try to repeat the phenomena, in order to

learn with these incremental variations. Finally we must have the humility to know that any model is only representative of the phenomenon, and not the reality.

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