

# Strategic Decision Making

## Commitment to Strategic Action

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## Strategic Decision Making

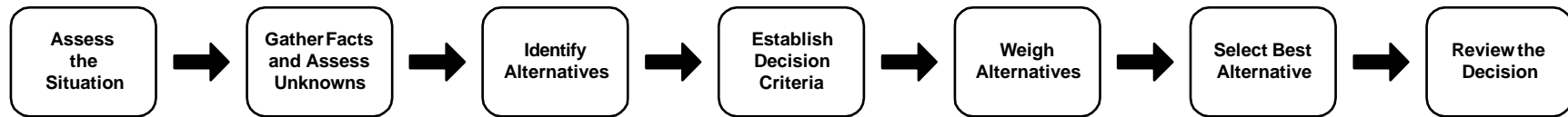
### Introduction & Overview

This document presents findings and conclusions from some recent research regarding the topic of strategic decision making processes and models. Its contents include the following:

1. Basic decision-making models with accompanying commentary, including brief explanations and pros and cons
2. Issues related to strategic decision making, including the following:
  - Definitions
  - Contextual
  - Personality/Style
  - The Effects of Biases
  - The Role of Values
  - The Role of Consensus
  - The Nature of Strategic Decisions
  - Some Conclusions & A Possibility
3. Sources & References
  - Articles
  - Books
  - Internet Links

## Strategic Decision Making

### The Classic Decision Making Process



#### Comments:

The “classic” decision making process is traceable to John Dewey’s formulation of the problem solving process. With minor variation it can be found in many places. It is the archetype of the rational-analytic approach to problem solving and decision-making, the kind that featured prominently in Charles Kepner and Benjamin Tregoe’s book, *The Rational Manager*.

#### Pros:

- Simple, easily understood
- Appeals to the belief in rationality
- Widely known
- Managers are comfortable with it

#### Cons:

- Doesn’t reflect the reality of strategic decision making situations; it assumes causal linkages are knowable and known
- Doesn’t reflect the iterative nature of developing clarity, formulating a viable course of action and developing commitment to that course of action
- Doesn’t reflect the political aspects of strategic decision making; it ignores intuition or “gut” instinct

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### The Military Model

#### Comments:

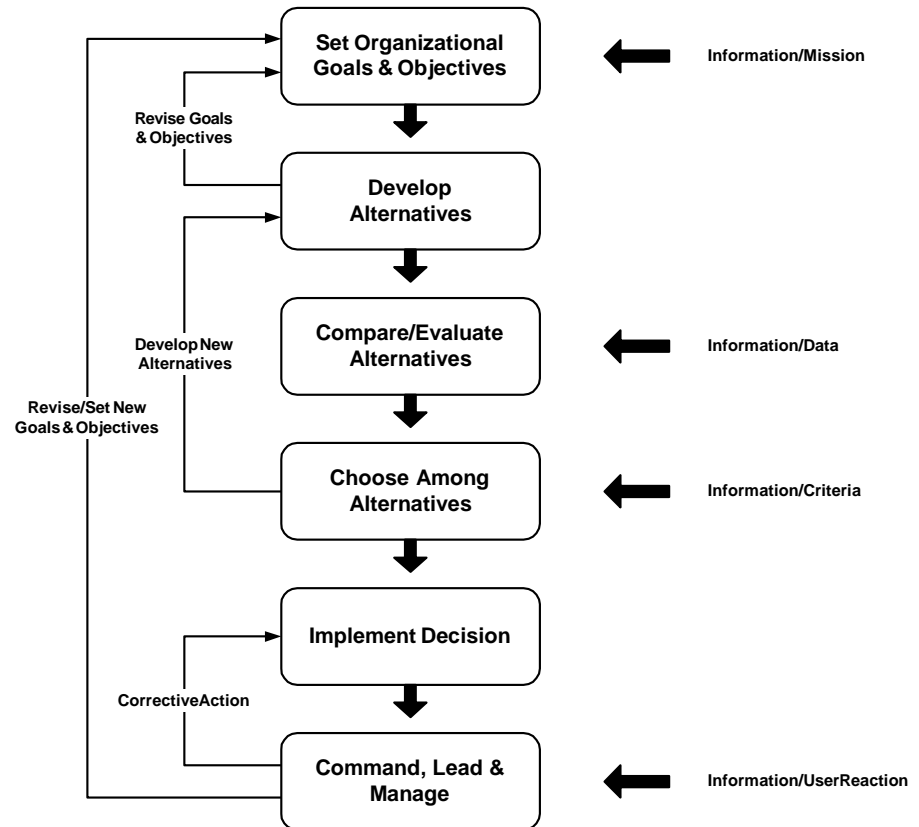
The military model is a variation on the classic model. The model that appears to the right is from the U. S. Army War College.

#### Pros:

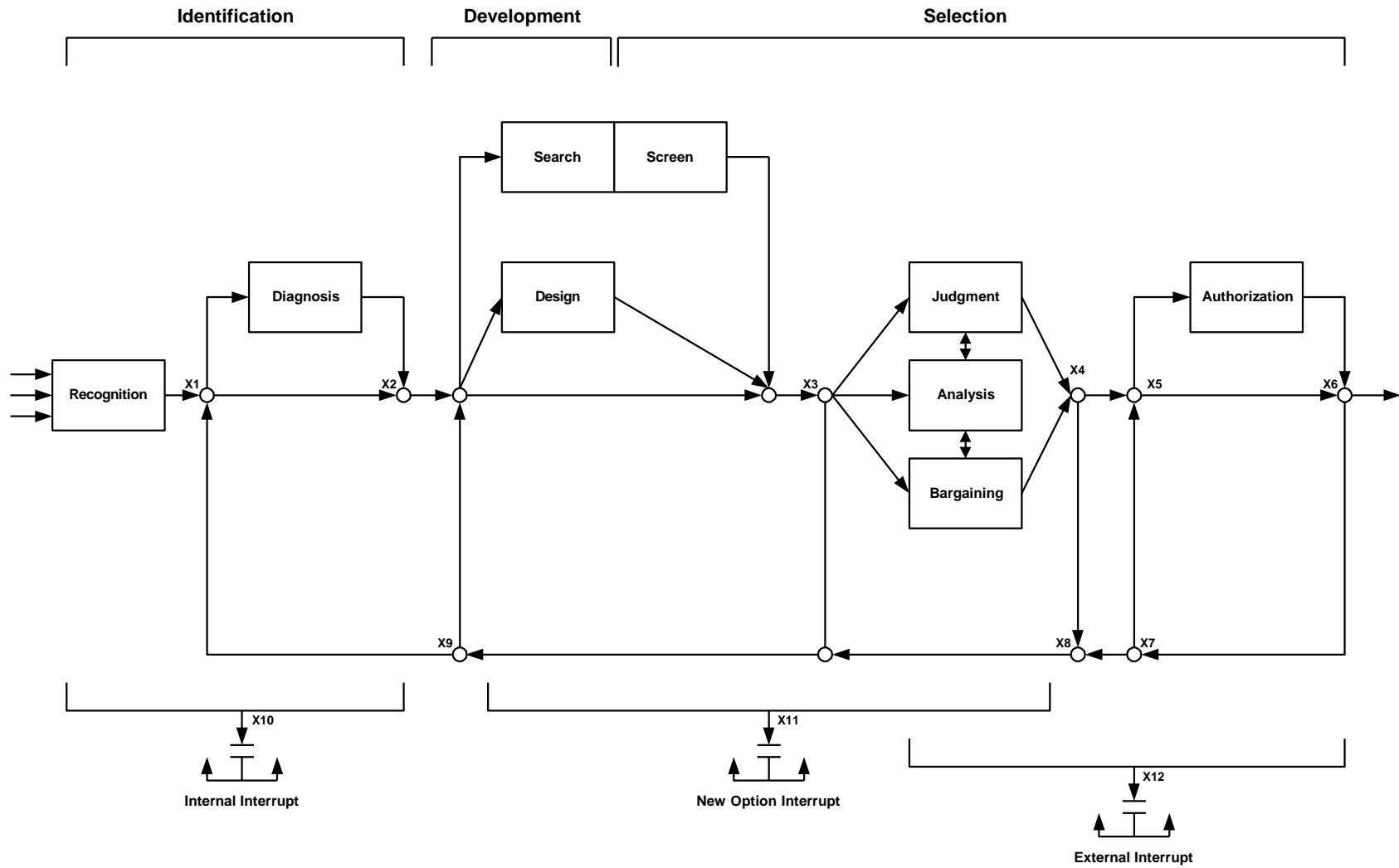
- hints at the iterative nature of decision making by way of feedback loops
- positions organizational goals and objectives as a major factor in decision making
- points to the importance of execution or following through to make the decision happen

#### Cons:

- suffers from the same shortcomings as the classic model; basically, it's not a good fit with fluid, ambiguous situations where clarity must emerge and the ability to spot patterns is more critical than the ability to simply process and analyze data



### Mintzberg's General Model of the Strategic Decision Process



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### Comments:

Probably the most frequently cited model of the decision-making process is one proposed by well-known professor Henry Mintzberg and his colleagues. They studied 25 instances of strategic decisions and the accompanying processes. From their work came the model on the preceding page.

### Pros:

- Defines decision as a commitment to a course of action instead of simply a choice from among alternatives
- Draws attention to many key aspects of strategic decision-making
- Three phases: identification, development, selection
- Seven routines: recognition, diagnosis, search, design, screen, evaluation-choice, authorization
- Highlights the dynamics of the decision-making process: interrupts, timing delays and speed-ups, feedback delays, comprehension cycles, failure recycles
- Highlights the importance of decision control, decision communication and political supporting routines: planning, switching, exploration, investigation, dissemination, bargaining, persuasion, co-optation
- The research on which it is based suggests seven useful patterns of strategic decisions: simple impasse, political design, basic search, modified search, basic design, blocked design, dynamic design

### Cons:

- Visually quite complicated, hence not easily grasped
- Provides little in the way of procedural guidance

Although not exactly a pro or a con, one of the more important contributions Mintzberg and his colleagues made was to emphasize that most decision-making models and research tend to focus on decisions as choices made from alternatives which, as they termed it, was “window dressing.” Their notion of the critical element in decision-making and the one they flagged as least understood and researched was diagnosis. Current research into managerial decision making suggests that diagnosis is still a largely neglected and poorly understood aspect of the decision-making process.

## The Cynefin Framework

**Comments:**

A recent and innovative strategic decision process model carries the Welsh name *Cynefin*. Developed by Cynthia Kurtz and David Snowden of IBM’s Global Services division, it is gaining currency in European circles.

The Cynefin framework suggests four basic approaches to strategic decision-making based on the characteristics of the situation at hand (see the diagram to the right):

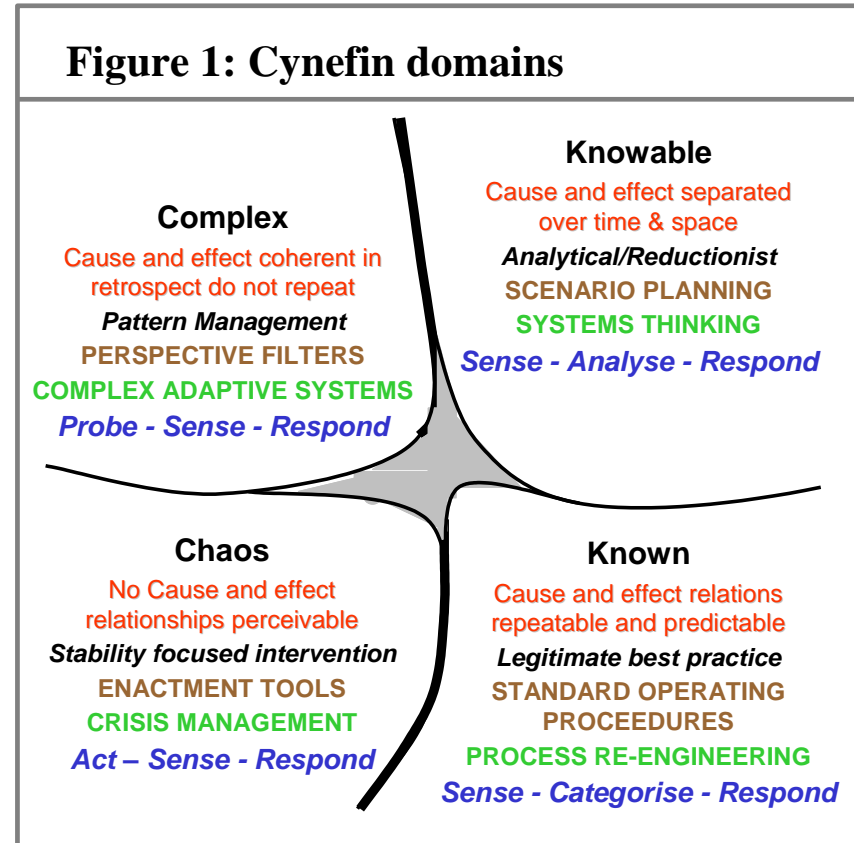
1. *Complex*: probe to clarify patterns; sense the patterns; respond by stabilizing desired patterns (manage the out there)
2. *Knowable*: sense incoming data; analyze that data; respond in accordance with expert advice or based on the analysis (respond to the out there)
3. *Chaos*: act quickly and decisively; sense reactions to that action; respond further as appropriate (feel your way along)
4. *Known*: sense incoming data; categorize it in accordance with known schema; respond with predetermined practices

**Pros:**

- It’s a good fit with the kinds of situations strategic decision makers face
- It reflects current management and organizational theory, thinking and practice
- It challenges some basic assumptions: the world is ordered and known or knowable, people are always and completely rational, and actions always point to underlying intent and never reflect happenstance.

**Cons:**

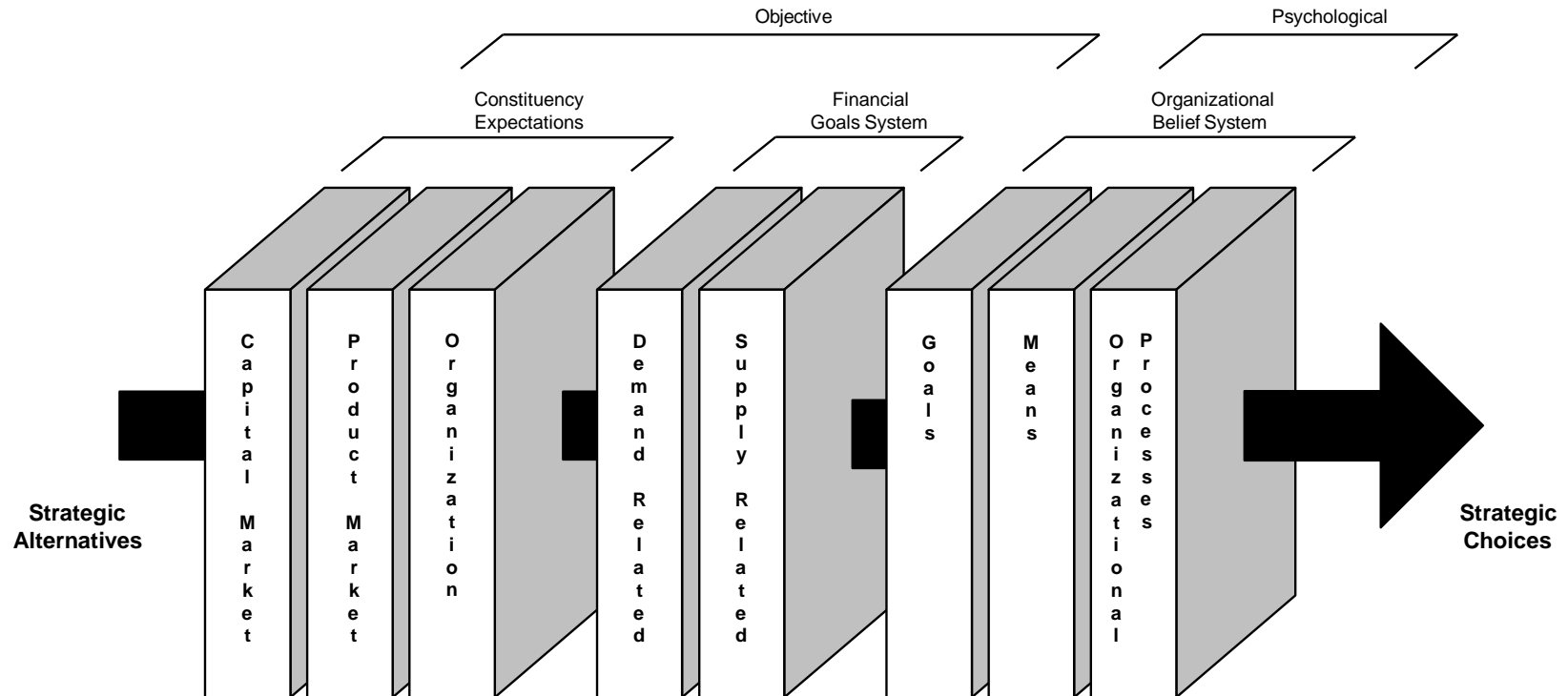
- It is quite new and was originally developed for use in knowledge management initiatives
- It is not yet thoroughly tested in strategic decision-making settings although considerable progress is being made



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Although not technically a model of the strategic decision making process, a model developed by Gordon Donaldson and Jay Lorsch in their book, *Decision Making at the Top*, depicts some important constraints on strategic decision-making. It is included here as a convenient way of drawing attention to issues that might warrant consideration when making strategic decisions.

### The Donaldson-Lorsch Model of Decision-Making Constraints





## Strategic Decision Making

### Issues in Strategic Decision-Making

In the course of conducting the research into strategic decision-making, numerous issues worthy of mention were identified. These include the following:

- Definitions
- Contextual
- Biases
- Personality/Style
- The Role of Values
- The Role of Consensus
- The Nature of Strategic Decisions

#### Definitions

It is almost universally accepted that to decide is to choose from among alternatives. Yet, there is considerable research indicating that many decisions are made without considering more than a single course of action. This research also shows that it is often the case that any consideration given some alternatives is basically lip service. Consequently, although there are indeed many decision-making situations in which multiple possibilities are seriously considered, “choosing” seems an inadequate definition of decision. In all cases, regardless of the number of alternatives considered, a decision does represent a commitment to a particular course of action. We will proceed on that basis; namely, *a decision represents a commitment to a particular course of action.*

#### Contextual Issues

Numerous writers and researchers point to the fluid, ambiguous and uncertain nature of today’s business environment and, as a consequence, cast doubt upon the utility of a strategic decision-making process that does not take such factors into account. As the authors of the Cynefin framework phrase it, “The issue in decision making is knowing when to run like hell and when to stand still.” Complexity is another important contextual issue in today’s business environment. Further, fluidity implies more than just change; it also implies instability, unpredictability. Whatever model or methods strategic decision-makers employ, they had better ensure these models and methods address and accommodate these important contextual issues. It seems safe to say at the very least that yesteryear’s simple, neat, orderly, rational model won’t work well in very many situations today.

#### Personality/Style

The personality and style of the decision makers are important factors to consider. Some people have a penchant and preference for data. Some prefer to go with their gut and some are remarkably successful. Some are controlling and demanding and hoard information and husband decisions unto themselves. Others are inclusive and rely on and involve others. In some cases, conflict is productively managed and in others it is suppressed – often to the detriment of the organization and the decision. These and many other personality and style issues must be factored into forming and operating any strategic decision-making process if it is to succeed and not run aground or founder on the rocks and shoals of personality/style issues.

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### The Effects of Biases

An important issue of concern is the introduction of biases by the people who participate in the process. Three kinds of bias are regularly noted in the research.

1. *Causal Attribution.* In essence, this boils down to taking the credit for good results and finding something or someone to blame for bad results. This tends to distort information and hampers adjustments to unfolding circumstances.
2. *Escalating Commitment.* This refers to the tendency to channel increasing amounts of resources into patently untenable courses of action. Pouring good money after bad or down a hole occurs more often than some decision makers care to admit.
3. *Distorted Recollections.* “If memory serves...” is a frequently heard prelude. Unfortunately, often it doesn’t. Not only are memories sometimes selective, they can also be distorted – and whether intentionally or unintentionally makes little difference. But, because paper trails are few and far between in most strategic decisions, memory must do and decision makers must guard against distorted recollections.

There are ways to guard against these biases and strategic decision makers are well served by making use of them.

### The Role of Values

Closely related to personality/style is the role of values. In this case, we refer to the values of the organization; in particular, those espoused by its leaders and those reflected in its actions. Both sets of values will shape the issues that are defined for consideration in any strategic decision-making process. They will also be reflected in the formulation of alternatives and the process by which these are considered and a final course of action settled on. It is worthwhile, then, in devising a strategic decision-making system or process, to pay close attention to the organization's espoused and enacted values.

### The Role of Consensus

Almost every writer and research pointed to the important role played by consensus in the strategic decision-making process. Why? Because consensus is the best evidence of widespread commitment to the decision and without that commitment the decision has little chance of being effectively carried out. Moreover, the sometimes taxing process of working toward commitment yields not just commitment but better decisions. On this, all were agreed. It is important to note that striving toward consensus means neither a requirement for unanimity nor an abdication of authority. The decision maker still makes the call and “Whose call is it?” is a phrase that will continue being heard. But strategic decisions are such that rarely can a single individual operating in an autocratic mode know all or find out all that needs to be known for every decision of a strategic nature confronting the organization. Consensus, then, will play a key role in many if not most strategic decisions in many if not most organizations.

### The Nature of Strategic Decisions

As was alluded to earlier, strategic decisions are often marked by fluidity, ambiguity, uncertainty and complexity. These, however, are mainly contextual issues, the circumstances giving rise to them and the conditions under which they are made. Strategic decisions themselves have some defining characteristics. Chief among them are the following:

- *Direction.* Strategic decisions alter or confirm the organization's direction.
- *Finance.* Strategic decisions typically have significant financial implications; in some cases, it is a matter of “betting the company.”

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- *People*. Strategic decisions often have profound implications for people in key organizational roles and can affect their morale, motivation and commitment to the company.
- *Risk*. Finally, strategic decisions are typically marked by considerable risk. Not only is it a high-stakes game but the outcomes are far from certain.

Characteristics that strategic decisions share with other managerial decisions include novelty, complexity, discontinuous, recursive or iterative and extended time requirements.

## Some Conclusions & A Proposed Model

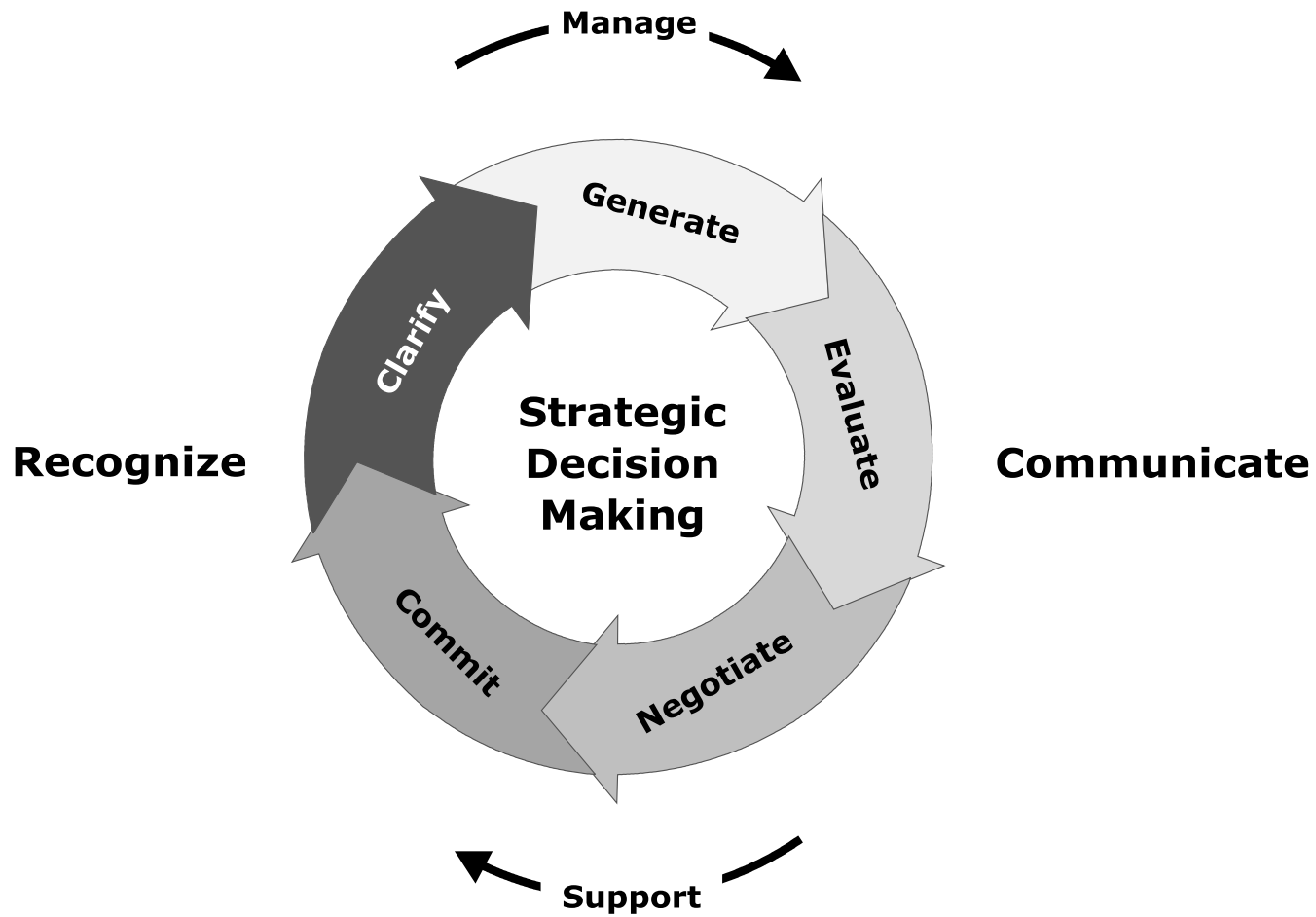
As this examination of strategic decision-making processes, models and research was conducted, several conclusions were formed. In brief, they are these:

- The strategic decision making (SDM) process is recursive or iterative; it keeps looping around instead of simply unfolding in a linear fashion...
- A decision isn't necessarily a choice from among alternatives but it is always a commitment to a particular course of action...
- The trigger event or initiating factor might be almost anything – an opportunity, a problem, a crisis, a set of choices presented by someone anxious to have a decision, a request for alternatives from someone who feels the need to do something, etc, etc. So, the most likely identifiable starting point for any SDM process model is when someone recognizes that they're caught up in the making of a strategic decision...
- Strategic decisions are marked by ambiguity and uncertainty; clarification is almost certain to prove a requirement...
- The process has to accommodate the generating of possible courses of action, whether one or many, whether custom, ready-made or adaptive...
- Somewhere, someone has to engage in evaluation; a judgment has to be reached that *this* is what we're going to do...
- The making of strategic decisions is (or can be) a hotly and intently political activity; it's not all neat and rational, man-as-economic-actor stuff; there's bargaining, persuading and co-opting to consider...
- Before you can say you're safely out of the decision making process there has to be some kind of commitment to the decision that is obviously the favored course of action; whether this is reached via bargaining or consensus or numerous rounds of critique and dozens of devil's advocates is immaterial: without commitment the decision is fatally flawed...
- Like any other process, the SDM process must be managed and supported...

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- And, finally, the decision – the commitment to a particular course of action – must be communicated; clearly, coherently and convincingly...

With the preceding factors in mind, the diagram below was created as a first attempt to define a strategic decision-making process that is a good fit with the circumstances confronting today's strategic decision makers.



## Strategic Decision Making

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Numerous sources and references were utilized in the conduct of this examination of the strategic decision-making process. These are listed below.

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