

# Organisation strategy and strategic decision making business essay



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The term strategy, according to Hart (1967), is derived from the Greek strategos, which points to the “the art of the general”. The Harvard Business School has introduced the concept of strategy as a normative approach and strategy was defined as a situational art and as a creative act of integrating various complex decisions (Learned et al., 1965). Chandler (1962) conceptualised strategy as a descriptive concept. Strategy, in Chandler’s (1962) perspective, refers to determination of the fundamental long-term organisational goals and objectives, and the adoption of ways of action and the allocation of resources crucial to achieve these goals. Strategy is the key mechanism for drawing a new direction that will have an influence on organisational performance and structure. Organisation’s strategy is a mediating power between the organisation and its external environment: consistent models in courses of organisational decisions to cope with the environmental conditions (Mintzberg, 1979). Moreover, Hofer and Schendel (1978), described strategy as an essential pattern of present and planned resource deployments and interactions of external environmental conditions that indicates how the organisation will carry out its organisational goals. An organisation’s strategy, according to Galbraith and Nathanson (1978), Jemison (1981), and Miles and Snow (1978), determines the degree of fit between its external environmental circumstances and its internal organisational structure and processes. Such fit can be carried out by using a formal planning procedure, which has produced organisation strategy generally being through a consciously integrated organisational plan (Chandler, 1962; Andrews, 1971).

Organisation strategy as a concept has its foundations in organisation theory (e. g. Child, 1972; Aldrich & Pfeffer, 1976) and also in business policy (e. g. Andrews, 1971; Hofer, 1975). Organisation strategy is considered as a set of decisions that direct the organisation in accordance with the environment circumstances, influence the organisational structure and processes, and as a consequence, its organisational performance. Strategy is the output of formal planning; an analytical approach, which establishes long-term organisational goals, a strategic process usually initiated by top management team and undertaken by a set of staff strategists (Chandler, 1962; Ansoff, 1965). Such strategic processes include strategic analysis, strategic choice and strategic implementation sequentially (Andersen, 2000). Strategic analysis is deals with the strategic position of the organisation in terms of its internal and external environment conditions and the expectations and impacts of stakeholders. Strategic choice concerned with identifying and realising stakeholders' expectations, strategic mission and vision, financial organisational capabilities and portfolio management. Finally, strategic implementation indicates to the translation of organisation strategy into organisational actions and activities through internal structure and design, resource planning and the management of strategic change (Andersen, 2000).

### **Strategic decision making:**

Mintzberg, Raisinghani and Theoret (1976) describe a strategic decision as one which is significant, in terms of the actions taken, the committing substantial resources, or the precedents set. these decisions determine the overall direction of the organisation (Quinn, 1980). Likewise, Eisenhardt

(1989) describes strategic decisions as those which include strategic positioning, have great stakes, involve many of the organisation's functions, and can be considered representative of the process by which considerable decisions are made at the organisation. Strategic decisions are those infrequent decisions made by the top managers of an organization about the bigger matters that critically affect organizational health and survival (Hickson, et al., 1986; Eisenhardt and Zbaracki, 1992). Such decisions are novel decisions and have no specific criteria, and no procedure exists for solving the problem confronted by the organisation (Daft, 2008).

Top managers are responsible for the strategic decisions, which can be either formal or informal (Penning, 1985) and these decisions reflect the interaction between an organisation and its external environment (Ginsberg, 1988). Strategic decisions, according to Stahl and Grigsby (1992), deal with matters that are essential for the survival of an organisation rather than matters, which lend themselves to routine strategic-making. Strategic decision-making has given increased attention among various scholars and business experts (Ireland & Miller, 2004). Strategic decision-making has been classified into two broad categories. The first category is Content research, which deals with issues of strategy content such as diversification, portfolio management, mergers and the alignment of organisation strategies with external environmental characteristics (Elbanna, 2006). The second category, however, is process research, which deals with the process by which a strategic decision is made and implemented and the elements, which influence it (Elbanna, 2006). Though most of the researches deal with content problems, equivalent concentration has to be placed on process

research. The two categories of strategic decision-making are not separate but interrelated (Rajagopalan et al., 1997).

The strategic decision-making processes have been at the centre of strategic research for over three decades. Many scholars have defined the strategic decision-making as a sequence of steps (e. g. Mintzberg, Raisinghani and Theoret, 1976; Fredrickson, 1984; Hart, 1992), a number of various characteristics/dimensions (e. g. Stein, 1980; Hickson, et al., 1986; Miller, 1987; Bourgeois & Eisenhardt 1988; Hart, 1992; Dean & Sharfman, 1996; Wally and Baum, 1997; Papadakis, Lioukas, and Chambers, 1998) and the influences of these characteristics on organisational outputs (e. g. Dean and Sharfman, 1996; Goll and Rasheed, 1997; Papadakis, 1998; Hough and White, 2003). Among these characteristics/dimensions are comprehensiveness/rationality, politicisation, centralisation and formalisation (Lyles and Mitroff, 1980; Stein, 1980; Rajagopalan, Rasheed and Datta, 1993; Dean & Sharfman, 1996; Sharfman and Dean 1998). The aforementioned strategic decisions characteristics or dimensions are described below:

Comprehensiveness/rationality dimension: This dimension has been described as the degree to which an organisation is comprehensive in making and integrating strategic decisions (Fredrickson). A rational strategic decision follows a strictly specific sequential process comprising the following phases: a clear realisation of the nature of the problem; the goals and objectives to be carried out by solving the problem; an exhaustive or inclusive search for alternative approaches of action to deal with the problem; an objective assessment of the alternative courses available; implementation of the chosen approach of action to increase the advantages

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to the organisation; and finally, monitoring of the consequences of the decision with respect to the initial goals and objectives. (Vecchio et al. 1992; Heracleous, 1994). Rationality dimension has been explored under the light of the following various dimensions: degree of enquiry (Lyles, 1987), scrutiny (Cray et. al., 1988), and complexity of methodology (Langley, 1990).

Political/Problem-Solving dissension: It is argued that people in the organisation have various interests resulting from personal, functional, hierarchical, and professional factors (Hickson et al. 1986). In the political pattern organisations are seen as alliances of individuals, some of these alliances formally organised into sub-units, with both the individual and group goals and objectives varying and increasing over time (Cyert & March 1963). The political dimension has been explored by (Pfeffer and Salancik, 1974; Hickson et al., 1986; Lyles, 1987), as bargaining/negotiation (Hickson et al., 1986; Cray et al., 1988), individual versus group dynamics (Stein, 1980), power (Narayanan & Fahey, 1982), and consensus/dissension (Lyles, 1987). The characteristics of the political model of decision-making are that it: Does not regard all alternative approaches but rather those which vary from existing policies; takes into account only a small number of alternative courses and for these only a restricted number of outcomes; continuously redefines the problem, with countless improvement in order to make the decision more convenient to solve the problem; has no one decision or perfect choice but instead a series of actions to solve the problem by individual analysis and assessment; and considers short-term rather than long-term problems (Harrison1999).

Centralisation: This dimension is defined by the concentration of authority and power in an organisation (Jung & Avolio, 1999). The centrality of the decision is most often measured by the level at which certain decisions are authorized (Blau and Schoenherr, 1971). Scholars point to the benefits of centralized strategic management. For example, employees value strong strategic decision maker (Adler & Borys, 1996). Organisation performance improves when decision makers clearly define business strategy and determine power and communication hierarchies (Locke and Latham, 1990; Jung and Avolio, 1999; Kirkman and Rosen, 1999). Several studies show that corporate boards consider that centralized strategic management by expert top management teams produces higher organisation performance than decentralization strategic management (Phan, 2000). Certainly the process of strategic decision-making will look considerably different if the output can be authorized by a divisional manager than if it must be authorized by the board of directors or leaderships in a separate controlling company (Cray et al., 1988)

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