IIARD International Journal of Economics and Business Management
E-ISSN 2489-0065 P-ISSN 2695-1878, Vol 8. No. 1 2022 www.iiardjournals.org

Strategic Decision Making: Process and Aid to Better Decision Making in Organizations: A Literature Review Approach

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Abstract
Organizations today survive and are sustainable as a result of the strategic decisions taken by the leadership of such organizations. Their ability and capability to make quality and sustainable decisions depend on the competence of the managers to achieve set goals and objectives. This paper examined the basic strategic decision-making process as an aid to good decisions. Strategic audit helps to list out the areas where the need for better decisions should be encouraged either by adopting or adapting to it for better performance by organization. Thus, since good decisions are said to be rare, the basic strategic process, the modes, the strategic diamond should be encouraged by organization. This paper also introduces us to a well-accepted model of strategic management in which environmental scanning leads to strategy formulation, implementation, evaluation and control. It further shows how the model can be put into action through the strategic decision-making process and the strategic audit.

Key Words: *Strategy, Decision Making, Process, Aid, Organizations***.**

Introduction

The distinguishing characteristics of strategic management are its emphasis on the strategic decision-making process and the decision itself. The structure of an organization becomes more complex as it grows or expands, with more uncertain environments. Decisions become increasingly complicated and difficult to make. In agreement with the strategic choice perspective, a good strategic decision-making framework that can help organizations and managers make useful decisions regardless of their level and function can be achieved. The objectives of an organization are to make a profit, and failure to make good strategic decisions affects the achievement of these objectives. Hence the economic logic of how will we obtain our return? Hambrick and Fredrickson (2001) come into play in ensuring good decisions.
Hambrick and Fredrickson (2001) posit that strategy consists of integrated choices. The questions of where we will be active and how we will get there are dealt with by a company's mission statement, objectives, and corporate strategy. Strategy scholars propose that a good strategy has five elements that provide answers to five questions that are important in strategic decision-making. The questions are: -

i. **Arenas**- where will we be active?
ii. **Value**s- How will we get there?
iii. **Differentiations-** How will we win in the marketplace?

iv. **Staging-** what will be our speed sequence of moves?
v. **Economic logic-** How will we obtain our returns?

The basic model of the strategic management process of environmental scanning that leads to strategy formulation, strategy implementation, evaluation, and control is significant in strategy decisions. Bayo and Hamilton (2021), as well as Bayo and Ebikebena (2021). Most people in business and industry today deal with company tactics and decisions at a level that is not strategic. However, decisions made by every employee in a company or organization ultimately impact the success of the strategy for that company. The collection of thousands of decisions that are all aimed in relatively the same direction can lead an organization to the achievement of a strategic advantage. Now the question is, how do we decide what type of decision is strategic?

What Makes a Decision Strategic?

Unlike many other organizational decisions, strategic decisions deal with the long-term future of an entire organization and have three distinct characteristics.
1. **Rare:** These decisions are unusual and typically have no precedent to follow.
2. Consequential: These are decisions that substantial resources are committed into and demand a great deal of commitment from people at all levels of the organization to achieve the goals.
3. **Directive:** These are decisions that set precedents for lesser decisions and future actions throughout an organization (Wilson, Hickson, Butler, Gray and Mallory 1986), (Weintraub 2007).

Modes to Strategic Decision –Making
Some strategic decisions are made in a flash by one person or group of managers in an organization (often an entrepreneur or a powerful chief executive) who may have a brilliant insight and are quickly able to convince others to adopt his or her idea. Other strategic decisions are developed out of a series of small incremental choices that over time push an organization more in one direction than the other. According to Mintzberg (1973), the three most typical approaches or modes of strategic decision-making are entrepreneurial, adaptive, and planning. Quinn (1980) added logical incrementalism as a fourth mode.

Entrepreneurial mode: - A strategy is made by one important and powerful individual. The focus is on the opportunities in the environment. The problems expected to occur are secondary. Strategy is guided by the founders' own vision of direction and is demonstrated by large and bold decisions to ensure dominant growth of the organization. According to Vogelstein (2003), Amazon.com, founded by Jeff Bezos, is an example of this mode of strategic decision-making. The company reflected Bezos' vision of using the internet to market books and other commodities. This strategy was a clear growth strategy that proved an advantage of the entrepreneurial mode. His unconventional management style makes it difficult to retain the majority of senior executives who appear to be at odds with the strategy.

Adaptive Mode: This strategy can also be referred to as "muddling through"; this decision-making mode is characterized by reactive solutions to existing problems rather than a proactive search for new opportunities. A lot of bargaining as it relates to the priorities of the organization's objectives and the strategy is fragmented and developed to move the organization forward incrementally. This mode is typical of most government agencies, universities, hospitals, and large organizations. Stein (2012).

Planning Mode: This mode involves the systematic gathering of information for situational analysis, the generation of alternative feasible strategies, and the rational selection of the most appropriate strategy. Decision-making in the planning mode includes both the proactive search for new opportunities and the reactive resolution of existing problems.An example of this planning mode is the case of IBM computers and its chief executive officer (Gerstner, 2002), "Who says an elephant can't dance?

Logical Incrementalism: This fourth mode is the synthesis of planning, adaptive, and entrepreneurial modes. In this mode, the top management has a clear idea of the organization's mission and objectives, but in its development of strategies, it chooses to use "an interactive process in which the organization probes the future, experiments and learns from a series of partial incremental commitments rather than through global formulations of total strategies" (Quinn 1980).
Although the mission and objectives are set, the strategy is allowed to emerge out of debates, discussion, and experimentation. It is an approach that appears to be useful when the environment is changing rapidly and when it is important to build consensus and develop needed resources before committing an entire organization to a specific strategy. Grant (2003) sees strategic planning in an industry as a "planned emergence". Corporate headquarters established the mission and objectives but allowed the business units to propose strategies to achieve them.

The Process and Aid to Better Decisions

Good arguments are made or can be made using either the entrepreneurial or adaptive modes or the logical incrementalism in certain situation (Gavetti and Rivkin 2008). In most situation the planning mode, which include the basic elements of the strategic management process is a more rational and thus better way of making strategic decisions. According to Brews and Hunt (1999), Gold and Rasheed (1997), Priem, Rasheed, and Kurtotic (1995), Dean and Sharfman (1996), the planning mode is not only more analytical, it is also less political than other modes, but it is also more appropriate for dealing with complex changing environments.

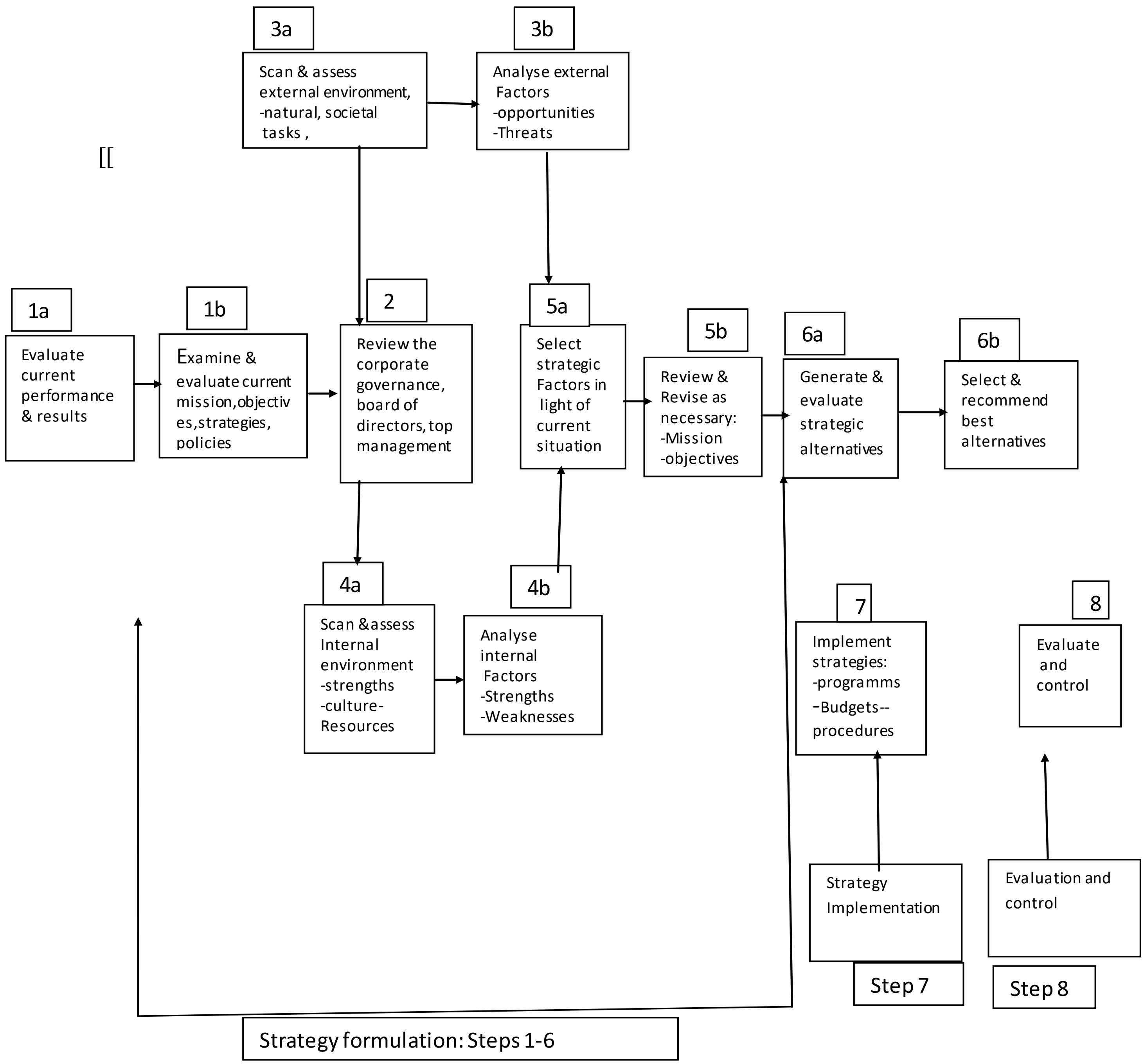
Strategic decision-making process
The following proposed steps aid to improve the making of strategic decisions in any organization.

1. **Evaluate current performance results:** - In terms of
   (a) returns on investment, profitability.
   (b) the current mission, objectives, strategies and policies.
2. **Review corporate governance**: That is, the performance of the organization's board of directors and top management.
3. **Scan and assess the external environment: -** To determine the strategic factors that pose or many pose any opportunities and threats.
4. **Scan and assess the internal corporate environment: -** To determine the strategic factors that are the strengths-Core competencies and weaknesses of the organization.
5. **Analysis strategic factors:**

(a) To point out the problem areas
(b) Review and revise the corporate mission and objectives as necessary.

6. **Generate, evaluate and select the best alternative strategy:** Do this in line with the analysis conducted in step 5
7. **Implement selected strategies:** - Through the programs, budgets and procedures.
8. **Evaluate implemented strategies**-Through the feedback system, and the control of activities to ensure their minimum deviation from plans.

FIG 1: **Strategic decision- making process**



Source: ***T.L Wheelen and J.D Hunger. "Strategic decision- making process"***

The Strategic Audit

One of the best and most efficient ways of putting and ensuring the strategic decision-making process into action is through the technique of strategic audit. A strategic audit provides a checklist of questions by area or issue that enables a systematic analysis to be conducted of

various corporate functions and activities. This includes the primary headings in Figure 1 above. Beginning with the evaluation of the current performance, environmental scanning, strategy formulation, strategy implementation, evaluation and control.
A strategic audit is a type of management audit and it is extremely useful as a diagnostic tool to point out corporate-wide problem areas facing the organization and to highlight organizational strengths and weaknesses (Donaldson, 1995; Wheelen & Hunger, 1987). A strategic audit can help determine why a certain area is creating problems for an organization and help generate solutions to the problem. A strategic audit is not an all-inclusive list, but it represents many of the critical and rational questions needed for a detailed strategic analysis of any business organization. However, some of the questions or areas might be inappropriate for a particular organization, while in other cases, the questions may be insufficient for a complete analysis. Thus, each question in an area of strategic audit can be broken down into a series of sub-questions. Therefore, analysts can develop these sub-questions when needed for a complete and detailed analysis of the organization.

Conclusion

This paper introduces us to a well-accepted model of strategic management in which environmental scanning leads to strategy formulation, implementation, and evaluation and control. It also demonstrates how the model can be implemented through the strategic decision-making process and strategic audit. As stated and pointed out in the work of Hambrick and Frederickson, strategy consists of an integrated set of choices.

Hence, in appreciating the rational importance of strategic decision making, organizations planning to take corporate decisions for the achievement of good results and remain sustainable must adapt or adopt the strategic management process and the strategic decision model and audit to aid better decision making in the organization.

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