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STRATEGIC CHOICE AND ART DECISIONS MANAGEMENT

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Abstract: Even when we recognize the importance of decisions, we are still liable to overlook another fundamental point. Business decisions, good or bad, do not materialize out of thin air. Before someone, whether an individual or a group, makes a decision, an enormous amount of activity has occurred, which has, in effect, dictated what that decision will be.

1. DECISION MANAGEMENT

People at all levels of a company make decisions every day that affect the firm's success. And who are the peoples who have more impact than anybody else on everything that happens in any company? The managers. Thus, to the extent that employees tend to make decisions that advance or harm the company's interests, much of the credit or blame must fall squarely on the shoulders of the managers. Day in and day out, managers take actions, wittingly and unwittingly, that determine how and how well the people around them decide. Collectively, these actions constitute decision management.

Decisions are the last link in a long chain of actions, from identifying a need to decide in the first place, to marshalling the resources for deciding, to assessing alternatives, to anticipating implementation issues. In general, decisions are only as good as the processes that produce them. It follows that, if we want to have good decisions, we need to do a good job of managing those activities that go into making them. [3]

Managers universally recognize their responsibility to make good decisions. But relatively few understand that to be a manager is necessarily also to be a decision manager. It is harder to recognize that the chances of making such a decision would have been dramatically improved if better decision managers had been on the scene.

This is not to say that decision management is only about preventing blunders. A company that avoids big mistakes may well survive yet still be eclipsed by more imaginative competitors. Good decision management can not only reduce the odds of disaster but also increase the chances of spectacularly effective decisions.

Like all management, decision management is an art, but one that can be informed by a knowledge of scientific principles and a body of both research and practical experience.

All managers are decision managers. That is, intentionally or not, they take actions that affect how and how well the people in their companies make decisions. From this perspective, decision management is a core managerial responsibility, but one too few managers recognize as such.

The portfolio of decision management activities includes influencing specific decisions, supervising decision routines, shaping decision practices, and providing decision resources. [5] There are several reasons why decision management is often inadequate: managers do not recognize that they are responsible for managing their companies' decisions; they possess only a vague appreciation for the true character of decision problems and decision processes; there are significant gaps in their understanding of how people decide naturally; and they have only limited awareness of useful decision principles. In effect, this study mounts a concentrated attack on each of these drivers of poor decision management. The cornerstone of that attack is a characterization of decision processes as ways that deciders seek to resolve each of cardinal issues that arise in virtually all decision problems.

2. STRATEGIC CHOICE

The strategic choice (the strategic option) is the decisional act of firm management which has as object the option for that or for those generic and alternative strategies which represent the best way of realizing the firm objectives. [4]

Being a decision, the strategic choice needs an adequate informational support.

The strategic choice is determined by four categories of factors: [6]

The managerial perception in what concerns the external dependence of firm and of its business The bigger is the firm's dependence of owners, producers, clients, creditors, public institutions etc the more limited is the range of strategic choice and its optional act is less flexible.

The dependence of firm to its action environment can be measured rigorously with the help of some relevant parameters. This dependence expressed quantitatively is joined by a qualitative, subjective one, which gives an expression to the perception of decision factors concerning the environment impact over the firm business. The firms which have almost closely competitive forces can be leaded by managers who perceive them differently, sometimes, even exactly contrary, in what concerns their strategic force and their competitive position in the environment: the managers of a firm can appreciate it as being weak competitively, the others as being strong, depending on the respective perception the strategic choice is made for a strategic type or another.

The attitude in what concerns the assuming of risk This attitude varies in wide limits, at one extreme being the managers who avoid as much as possible taking decisions which rest with certain risks, and at the other extreme those who assume happily even exaggerated risks. The assuming of risk by managers should be put in connection with their perception in what concerns their own firm, in the way that those who have a strong dislike for assuming the risk see, probably, their firm as being a weak one and, consequently, they prefer the defensive strategies which rest with smaller risks.

The managers who have to effectuate strategic choices want naturally to know the nature and dimension of the risk they assume when they choose a certain strategy. Virtually any occasion is based on the interaction of a more limited number of critical variables, a part of these presenting certain incertitude and maybe a big probability. Thus the decision of launching a new product on the market depends on a series of critical variables, on the nature of launching expenses, on the total market of product, on the market quote held by the firm etc., some variables presenting, evidently, certain incertitude.

An important factor which shapes the attitude to risk of managers is the situation of industries in whose profile the firm business are written down. The more volatile an industry is, meaning a bigger growth rate, the more imperative is the assuming of risk as it is a condition for survival in the respective industry. Consequently, at the firm level, its management should assure the portfolio balance from the risk point of view which is rested with the specific business of different industries.

The knowledge of the firm's past strategies This determinant factor of the strategic choice manifests its action through the strategies previously followed by the firm which constitute the first point of the choice, meaning that some options should be eliminated from the beginning. In other words, the past strategic choices influence the up-to-date ones.

The intensity of connections between the up-to-date strategic choice and the past ones varies depending on the point where the products/services are found, to which the strategies refer, on the curve of their life cycle: in the beginning stages, the connections are, obviously, more weak than the final ones.

The relationships of force and structure of the firm The force relations within any firm are a pregnant reality of its functioning mechanisms, which is translated by the fact that the strategic alternative for which the high management opts is assimilated by the majority of the others managers. At the same time, in many other firms, there are organizational micro-groups who develop and sustain different strategic alternatives, sometimes exactly the contrary.

In the cases in which the time pressure is special, the way of effectuating a strategic choice is, many times, that of an individual judgement and the more centered is the responsibility in taking the decisions, the lower is the quantitative information availability for analysis. Still, the reason is affected by the factors previously mentioned.

2. DRIVERS OF POOR STRATEGIC DECISION

The four categories of activity in the decision management portfolio give an overview of the ways in which you can influence your company's decisions for the better. Becoming conscious of this portfolio of opportunities is a first step toward becoming a better decision manager. A second step is to be aware of the hazards that often impede good decision management so that you can steer clear of them. [5]

Research and experience have shown that when managers fall short as decision managers, it is typically because of a small number of specific things that they do or fail to do. So let describe four key drivers of decision management difficulties.

Driver 1: Failure to Recognize Responsibility

Many managers are oblivious to the impact that their actions (and sometimes inactions) have on the people around them, including all four of the classes of decision management actions just discussed. In effect, these managers fail to recognize that decision management is one of their responsibilities or, alternatively, opportunities to provide invaluable service for their companies (and their careers). Little wonder, then, that they do an inadequate job of fulfilling those duties; they are not even trying to fulfill them. By simply becoming aware of decision management as a core managerial responsibility, they will be ahead of the game.

Driver 2: Vague Appreciation for Decision Problems and Processes

At a superficial level, everyone understands what hitting a golf ball entails ("You just swing that stick, right?"). At a similar level of superficiality, everybody knows what decision problems are and what solving them entails. Unfortunately, superficial understanding typically is insufficient for guiding intelligent and effective efforts to either strike golf balls or manage decisions. Also unfortunately, all too often, managers have no more than a vague grasp of the true nature of decision problems and processes. Throughout this study, it will be thoroughly immersed in careful analyses of what decision problems entail and what is required to solve them.

Driver 3: Ignorance of Natural Decision Making

When a mechanic sets out to repair your car, it obviously helps if he understands how and why cars like yours work generally, or not. And it really helps if he understands why your particular car is acting up. By the same token, a decision manager is handicapped if he does not understand how and why people in general tend to decide the way they do naturally. He is at a marked disadvantage if he is clueless about what is peculiar about how the people in his own company decide.

From the perspective used in this study, an understanding of how people decide reduces to an understanding of how they address each of the cardinal decision like ways of conceptualizing the chain of activities that lead to an ultimate decision. Throughout the study, it will becomes acquainted with essential findings from the scientific literature about how people generally tend to deal with these issues and how you can get a fix on the ways the particular people in corner of the company tend to handle them.

Driver 4: Limited Awareness of Useful Principles

Unlike, say, accounting, finance, logistics, or some marketing functions, expertise in decision management does not rest on mastering a prescribed set of procedures or routines. Instead, it demands creative and adaptive improvisation in situations that exhibit the messy but fascinating variety and fluidity of everyday life.

This does not mean, however, that anything goes or that becoming an expert decision manager is an unteachable matter of chance. Another analogy is apt. Actually, though, theatrical improvisers learn and imaginatively apply principles that have proved their worth over many years. In a similar way, imaginative decision managers can make use of principles developed from both research and practical experience.

2. IMPROVING STRATEGIC DECISION
2.1. THE DECISION MANAGEMENT PORTFOLIO

Decision management encompasses all the things that every manager does, consciously or otherwise, that damage or improve the quality of the company's decisions, and thereby the company's welfare. Clearly, managers have countless ways to affect the decision making of the people within their circles of influence. Fortunately, decision management activities can be sorted usefully into four categories, as shown in figure nr. 1. It can view these categories as company's portfolio of decision management responsibilities or, even better, as company's portfolio of opportunities to help make decision making a pillar of strength for this company. The upcoming sections discuss each opportunity in turn. [5]

THE DECISION MANAGEMENT PORTFOLIO

Influencing Specific Decisions
Deciding personally
Participating in decision groups
Affecting others' decision deliberations
Supervising Decision Routines
Shaping Decision Practices
Providing Decision Resources

Figure nr. 1. The portfolio of decision management responsibilities or opportunities influencing specific decisions

Decision managers influence some specific company decisions relatively directly. This happens in three ways.

First, like every employee, managers make some company decisions personally. Managers' decisions are special in that the higher the rank of the manager the more consequential the decisions become.

Second, managers typically are members of many different groups that have extraordinary decision authority. So, for example, an accounting manager might be part of a cross-functional team planning a new product as well as a member of the finance division's standing compensation committee. Although the individual managers do not have the power to make decisions outside their own spheres on their own, they share in the group decisions.

The third way that managers influence specific decisions is deceptively powerful by having effects on other people's deliberations. Bring to mind virtually any serious decision problem that was charged to some group of people in your company, say, a CEO search committee. Though the group made the ultimate decision collectively, some people in the group exerted more influence on the decision than others. Suppose, for instance, that you were chairing the group. Then, in subtle and perhaps not-so-subtle ways, you had a heavy hand in shaping the process that produced the final decision, for example, by hiring and supervising support staff, scheduling and drafting the agenda of each meeting, and directing the flow of discussion, such as cutting off long-winded discussants and soliciting the thoughts of reticent ones. Of course, the other members of a decision group can also influence the process, and hence the outcome, in any number of ways. For example, any member who wishes to do so can help direct the flow of discussion, suggest alternatives, or offer decision, relevant information and all activities that have a direct bearing on others' deliberations and consequently on the quality of the group's decision. [1]

2.2. SUPERVISING DECISION ROUTINES

Every company has routines, even if only informal ones, for making decisions of various kinds, particularly recurrent decisions. Sometimes these routines are executed at the personal level, at other times collaboratively. For example, every bookstore chain has rules that its store managers must follow when they hire clerks. And most chains probably have developed customs it not written procedures for deciding which new books they will carry, procedures that rest on the opinions of several individuals. As a manager, someone is involved in designing and assuring the smooth functioning of routines like these all the time. It must also determine when those rules need to be revised and must then see that the improvements are actually put in place. This, too, is decision management.

Like all aspects of company culture, decision customs often differ sharply from, one company to the next. Clashes in customs like these are a key reason that mergers and acquisitions seem to fail at least as often as they succeed. For instance, some analysts have argued that such clashes were a major contributor to the rough going experienced in DaimlerChrysler's efforts to create a successful integrated business from the previously independent Daimler Benz and Chrysler companies. They have noted that the German decision style prevalent at Daimler Benz (a highly formal one) clashed sharply with the style at Chrysler (which was more flexible and freewheeling). Cases like this give us a further reason to pay close attention not only to what decisions get made, but also the routines that produce those decisions.

2.3. SHAPING DECISION PRACTICES

We affect and are affected by almost everybody around us. Thus, as a result of their interactions with as, the people who come into contact with as do things differently than they did before. As a manager, however, some people are in an unusually strong position to influence other people's behavior, including how they make decisions.

Some of that influence is transitory, as when it rewards behavior with incentives. The influence of incentives tends to fade once it stops consistently rewarding a particular behavior. Other influences are longer lasting, resulting in new customs that largely sustain themselves. People acquire many enduring customs and habits by observing and imitating those around them, especially those (like managers) who serve as models for them. As most parents discover, often to their sorrow, the example we set without realizing it is often more powerful than our deliberate attempts to instruct others, no matter how often anyone says, "Do as I say," the result is that others "Do as I do". As a manager, then, it shapes decision practices, for good or ill, by the way it goes about making decisions. And to the extent that managers influence the way decisions are generally made, managers have a hand in shaping a culture of decision making that works to either the advantage or the disadvantage of the company. [2]

2.4. PROVIDING DECISION RESOURCES

The decision procedures people use are one constraint on the quality of the decisions they make. Another key constraint is the resources people have available when making their decisions. These resources include the personnel at their disposal as well as the tools they can apply to decision problems, for instance, their computers and software. Another, and critical, resource is time.

One of standard responsibilities as a manager is allocating resources. That applies to role as a decision manager as well. Good decision management in this respect means exercising the sensitivity and skill required to ensure that people have the resources they need to make effective decisions while at the same time avoiding wasting resources that could be used better elsewhere.

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