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**SWP 66/91 PERSPECTIVES OF THE PROCESS OF
STRATEGIC DECISION-MAKING**

**ANDY BAILEY AND PROFESSOR GERRY JOHNSON
Strategic Management Group
Cranfield School of Management
Cranfield Institute of Technology
Cranfield
Bedford MK43 0AL, UNITED KINGDOM**

(Tel: 0234 751122)



Introduction

Organisations regularly face situations which require decisions to be taken, whether at a tactical or strategic level. Those decisions of a strategic nature, which guide an organisation towards a desired future state, whether that is (for example) to gain or maintain a competitive position or secure a turn-round, are of considerable importance to an organisation and are highly complex. Because of the importance of strategic decisions to the functioning, survival and development of an organisation, the process by which they are developed is important, particularly as it attempts to produce strategies which match the organisation with its business environment. In view of the critical nature of strategies the clearer our understanding is of the process by which strategies are developed and strategic decisions are made, the better our position for developing and implementing more effective and efficient processes of strategic decision making.

Strategic decisions are characteristically ill-structured and non-routine and consequently they generally cannot be solved through the application of a standard formula. They are of particular concern to an organisation as they involve a large scale commitment of resources and so have potentially dramatic consequences. They are also complex in nature as they incorporate analysis of the wider competitive environment and of the strengths and weaknesses of the organisation and its specific functional areas (Schwenk, 1988b pp 6). As noted by Hickson, Butler, Gray, Mallory, & Wilson (1986 pp 28) strategic decisions tend to be "relatively unusual, substantial, and all-pervading". These decisions are concerned with: an organisation's long term direction and future; the scope of the organisation's activities, in terms of its operations and markets; matching these activities to the environment in which it operates in order to optimise opportunities and minimise threats; and ensuring that these activities are compatible with the organisation's resource capacity (Johnson and Scholes, 1988 pp 5-8).

Given this complexity and the variation between and within organisations, in terms of the way they make strategic decisions and formulate strategy, it is not surprising that various explanations of the process by which these decisions are made have been advanced. Through a review of the strategic decision making literature, six perspectives or means of explaining the strategic decision making process have been identified. Briefly, these perspectives are:

The planning perspective: The strategies followed by an organisation are the outcome of sequential, planned and deliberate procedures. Organisational goals are set, the

environment and the organisation are assessed, potential options are generated, options are evaluated and the one which presents the optimum return is selected. Precise plans for the implementation of the strategy are then developed and the strategy is implemented in its exact form and in a "surprise free" manner.

The logical incremental perspective: Strategies are formulated in a purposeful and intentional manner. However unlike the planning perspective strategies are re-analysed and modified throughout their development and implementation in accord with the environment. Strategic issues are dealt with sequentially as they arise. This is achieved through a tactical realignment of existing strategies or by developing alternative strategic options. These strategic options, initially developed from existing strategies, are assessed and further developed through a logical managed processes of experimentation and partial implementation. Options are constantly re-assessed throughout this process; those which are successful being incorporated within the organisation's strategy and those that are inappropriate being eliminated.

The political perspective: Here the formulation of strategy is directed by negotiation and bargaining between an organisation's interest groups, both internally and externally, in the pursuit of their own desired outcomes. The influence these groups can exert over the process of strategy formulation increases as their access to power grows; power which is accrued through association to the dominant paradigm of the organisation, or through position, expertise, and control of resources. While all interest groups are not involved in every strategic decision, those which are involved form coalitions to sponsor their desired solution. Through negotiation, bargaining, and mutual adjustment a strategy acceptable to the most powerful interest groups emerges.

The interpretive perspective: strategy is developed in accordance with the collective and shared assumptions of an organisation, or the organisation's dominant paradigm. These commonly held assumptions about the organisation and the environment in which it operates are based on past experience, shared beliefs (both organisation and industry wide), and organisational culture. These assumptions: guide the organisation's goals and objectives; direct the identification of strategic issues and options; modify the search for information, de-emphasising information which is not in accord with the dominant paradigm; and direct the assessment of options, those options in line with the paradigm being advanced in the organisation while those which are not being impeded.

The visionary perspective: The formulation of strategy is directed by a vision of the desired future state of the organisation, which is initially and primarily associated with an

individual or small group. This vision is based both on intuition and a rational understanding of the organisation's strategic problems. It provides the basis and direction for the organisation's strategy. It is disseminated to the organisation's members who "contract in" to the vision, and so authorise its pursuit.

and finally

The ecological perspective: The ability to fully determine the strategies followed by an organisation is not within the organisation's control. The business environment in which the organisation operates impinges upon it, in such a way that strategies are prescribed and free strategic choice is severely restricted. Most organisations, except the very large, are unable to influence their operating environments further than buffering themselves from, or responding too, the environment. Strategic change occurs through a process similar to that of natural selection: variations occur within organisational processes, structures, and systems; those variations which are appropriate to the organisation are selected; and these positive variations are then retained, duplicated, and reproduced while the others are purged.

While cursory examination may suggest little agreement between these perspectives on the process of strategic decision making, a closer examination may suggest that this is not the case. While each advanced perspective and their associated processes do account for the formulation of strategies they are not mutually exclusive. Indeed their interaction is highly probable.

The following presents the various perspectives in greater detail.

The Planning Perspective

Strategies are developed through an intentional process of strategic decision making, which involves a logical, rational, planned approach to the organisation and its environment. The process attempts systematically and objectively to define strategic goals, to analyse environments (both internal and external to the organisation), and to collect and assess information on which strategic decisions can be made. Similarly potential options and strategies are produced and evaluated, the optimum strategy is selected and the techniques for its implementation are determined. Systems for controlling and monitoring the new strategy are developed and evaluated and finally the intended strategy is implemented in its entirety. Hence, planning is a conscious process of making decisions systematically based

on future predictions and expectations, organising the resources required to attain these decisions and assessing their outcomes against expectations and strategic objectives (Drucker, 1959). This process of decision making is devoid of personal emotion or political activity (Etzioni, 1989). Strategies are the direct result of specific decisions produced through well defined practices and procedures in response to specific issues.

The "planning" process is logical and sequential in form:

- 1) Clear and well defined strategic goals and objectives are set by the senior members of an organisation. These goals and objectives reflect an organisation's desires, particularly in terms of shareholder value and profits, and operate as both targets and predictors for an organisation's sales, costs, and profits (Cyert & Marsh, 1963 pp 111). Through a systematic process these goals and objectives "stated in precise, quantitative terms" are pursued towards their realisation (Mintzberg, 1973).
- 2) The organisation, acting in a rational unitary decision making manner [similar to that of an individual (Campbell & Garnett, 1989)] is aware of the environment and is conscious of any changes which present either threats or opportunities in terms of its specific goals and objectives, (Lyles & Thomas, 1988). This awareness is achieved through systematic analysis of the organisation and its environment, in terms of its strategic position, the position of competitors, and organisational strengths, weaknesses, and resource availability.
- 3) Information concerning the strategic issue is collected through this systematic analysis. The information is evaluated and strategic options capable of attaining the goal or resolving the strategic issue are generated.
- 4) These strategic options, or courses of action are assessed. The assessment is based on selection criteria which reflect the strategic goals and objectives to be achieved. It entails an assessment of the consequences of: a) the perceived alternative courses of action, b) the estimated consequences of these alternatives, for example, in terms of risk versus return, and c) the value of these consequences, for example, in relation to general resource implications and strategic goals. Based on these selection criteria those options with low value consequences coupled with high risk are unlikely to be selected, whilst those with high value consequences coupled with low risk have an increased likelihood of selection. It is during this and the above phase, that an active search for new opportunities and solutions to existing problems occurs.

5) A strategic option is selected. The option which is perceived to maximise the value of outcomes, in relation to organisational goals and which is assessed to best fit the selection criterion (Aldrich, 1979 pp 107) is chosen.

6) The requirements for implementing the selected strategic option are considered and appropriate resources are allocated. By considering the resources required for implementation, the systems for monitoring and controlling the new strategy and the programmes and procedures to guide future behaviour, the likelihood that the strategy will be successfully implemented is increased (Mintzberg & Waters, 1985). The strategies developed through this planned, sequential routine should be implemented fully and in a "surprise free" manner.

This planned process of strategic decision making incorporates a periodic and systematic appraisal and review of the organisation's strategies (Pitt & Johnson, 1987 pp 201). This ensures that longer term strategies and goals are compatible and that the strategies an organisation is following remain appropriate for the achievement of specific defined goals.

Through this process strategies are determined and guided by those decision makers in senior management positions and implemented by those below (Mintzberg, 1978). "Top managers identify their goals; generate alternative methods of achieving them, weigh the likelihood that alternative methods will be successful, and then decide on which one to implement" (Chaffee, 1985). Goals are passed from the top downwards within the organisation, in the form of precise plans and programmes developed by these senior managers and elaborated in the form of budgets and schedules, to those implementing the strategy, who act but do not decide (Mintzberg & Waters, 1985). The strategic input of those organisational members not in senior positions is restricted to the provision of information or the implementation of strategy.

Two underlying assumptions of this approach to strategic decision making are that the environment is seen to be "out there" and separable from the organisation (Chaffee, 1985), and that, through systematic and considered analysis, the uncertainty and complexity of the environment and the future can be reduced (Pitt & Johnson, 1987 pp 200). Through this comprehensive formal analysis, a sufficient understanding of the environment can be gained to facilitate influence over it (Mintzberg, 1973). It is this ability to influence or predict the environment which enables strategic decisions to be based on assumptions about the future (Chaffee, 1985). In turn this permits strategies to be planned, managed and implemented.

Strategic decision making viewed in this logical and rational manner is appealing. However, the perspective fails to account for certain important aspects of decision making, particularly: the limitations of analytical rational behaviour; the interactions of management and stakeholders in the definition of organisational goals; and the exercise of free choice. Equally the characteristics of the individual decision maker or their organisation are not regarded as influencing the selection of a course of action (Stein, 1981). The selection, categorisation, and assessment procedures which enable information to be processed are however susceptible to individual influence and therefore not necessarily objective. Individuals operate within the confines of cognitive limitations (Marsh & Simon, 1958 pp 136-9), are unable to handle unlimited amounts of information (Nonaka, 1988; Schwenk, 1988b pp 14-16), and suffer from an inability to systematically assess strategic options and identify the optimal solution (Fahey, 1981). These personal limitations and the cognitive procedures adopted by decision makers to aid and expand their ability to handle information allow subjectivity to enter the process and render it less objective than may be hoped.

Emergence of Strategies

An assumption underlying strategies developed through this planned process is that they will be successfully implemented in their defined and intended form. Given that the planning process attempts to be analytical and objective the limitations, as described above and others such as unexpected shifts in the environment or unforeseen problems in implementation, can operate to restrict the efficiency of the decision making process, with the result that the strategy may not be implemented. Indeed what is "intended" strategy and what is "realised" strategy may not be identical (Mintzberg, 1978 and Mintzberg & Waters, 1985). While a specific and intended strategy may be implemented, equally the implemented strategy may be the result of an unplanned opportunity or an emergent strategy.

Fig 1 about here

Strategies then do not always form in the linear manner described by the planning perspective. They may come about more as an emergent strategy or in response to unplanned opportunity developing as the organisation adapts to cope with changes in the environment rather than from a deliberate and intended act.

Moreover, in reality, the distinction between intended and realised strategies may not be so distinct. While strategies may come about as either intended or emergent, the two may interact. Strategies which start as intended may alter and become more emergent as they are implemented, and equally emergent strategies may become formalised and more deliberate as they enter the accepted wisdom of the organisation and are encapsulated within its longer term strategies.

Here it must be noted that strategies are not necessarily what is espoused by the organisation or its senior figures, they are what the organisation is actually doing (see, for example, Liker, Roitman, & Roskies, 1987). They can be viewed as "patterns in a stream of decisions" (Mintzberg, 1978).

Hence, strategies are not produced solely through intended, logical and planned processes of decision making, but can come about adaptively through the actions of management. These *ad hoc* strategies emerge gradually as actions are altered to cope with, and adapt to, the environment in a never-ending series of small steps. These small continual changes aggregate (Lindblom, 1959), and so reduce the need for large or major shifts in strategy. The process incorporates continual monitoring and assessment of both internal and external organisational conditions. Based on these assessments small scale adjustments are made to maintain the relationship between the organisation and its environment. This process of monitoring, assessing and making appropriate adjustments, in accord with the environment, is a constant and on going activity, changes being made in a continuous rather than sequential manner (Chaffee, 1985). Strategies developed in this *ad hoc* fashion are not necessarily haphazard and non-directed but are simply responses to changes in an unpredictable environment.

While incremental evolutionary change is primarily slow and progressive, more dramatic change may occur if the relationship between the environment and organisation alters more substantially. In stable environments strategies do not need to change, any change required will typically be incremental and enable the organisation to operate in a gradually changing environment. While an organisation is doing well there will be a strong tendency not to alter existing successful strategies (Tushman, Newman, & Romanelli, 1986; Watson, 1969). As an organisation's strategy develops "momentum" any changes which occur will generally develop incrementally in a direction consistent with existing strategy and past experience rather than involving large scale changes in direction (Miller & Friesen, 1980). However as an organisation and its environment increasingly mismatch, incremental refinements of strategy may not keep pace with environmental changes. As a situation develops and becomes more acute, either through large environmental change or strategic

drift (the organisation becoming out of line with the environment), minor or piecemeal change may not easily remedied the situation (Hedberg, Nystrom, & Starbuck, 1976). Here more global strategic change, incorporating significant and simultaneous reversals in strategy (Miller & Friesen, 1980), or the introduction of a new gestalt (the general paradigm and underlying theory which guides the organisation) may be required to realign the organisation and its environment.

Strategy formulation then is not a regular, stable and sequential process. The environment and its changes affect the pattern of strategy formulation. As Mintzberg (1978) has identified, patterns of strategy formulation differ. Periods of strategy formulation range from those typified by "continuity", where strategies remained unchanged, to those of large and dramatic change, which occur infrequently.

Strategic change which occurs in this adaptive manner can be explained by one of three perspectives, the logical incremental perspective, the political perspective and the interpretive perspective or indeed in their combination.

Logical Incrementalism

This mode of strategic decision making, unlike the planning perspective, does not assume that strategic decisions can be aggregated into a single decision matrix which requires a simultaneous and planned process of analysis, solution and implementation in a holistic manner. The formal processes of an organisation are viewed as unable to analyse and plan all possible strategic variables concurrently, (Mazzolini, 1981; Simon, 1976 pp 80-82; Allison, 1971 pp 78-98; Cyert & March, 1963). Instead issues are segregated into their constituent parts and dealt with sequentially as the components require attention.

Strategy emerges logically in incremental steps from a series of "strategic sub-systems" each of which is concerned with a specific type of strategic issue (Eg. acquisitions, major reorganisations). In a standardised and structured manner these strategic sub-systems, based on their powerful underlying logics, identify and produce solutions to "key strategic issues". These strategic options in turn aggregate and emerge as organisational strategy. Strategies tend "to evolve as internal decisions and external events flow together to create a new, widely shared consensus for action among key members of the top management team" (Quinn, 1978). The process is directed and purposeful, incorporating proactive management techniques which integrate and improve the analytical and behavioural aspects

of strategy formulation. The incremental restructuring of strategies occurs in accordance with the environment, as a step by step rational reaction to the environment. An analysis of each situation and aspect of the environment is undertaken prior to the introduction of a phase and the cumulative result is an appropriate shift of the organisation.

This incremental process allows managers to improve the quality of strategic decision making (Quinn, 1980a; 1982). This process broadens the information base available, builds organisational awareness and increases the active search for opportunities and threats not previously defined. It also increases the number of strategic options which are actively considered, systematically involves those with specific knowledge and those who must implement the strategy and resists premature commitment or closure of areas for debate. Further incremental decision making allows managers to: cope with varying lead times; order the needs of the strategic sub-systems (Allison, 1971 pp 92); decrease personal and group resistance; and reduce strategic uncertainty (Mintzberg, 1973) by facilitating active learning between the organisation and its environment. The process although initiated by precipitating events does not allow these to force strategic decisions.

Strategic goals tend to be arrived at incrementally, through an awareness of needs rather than by way of a highly structured analytical process (Quinn, 1977). Due to the limited information available these goals tend to be vague, general and non rigid in form (Quinn, 1980b). Their broad nature provides guidance in strategic direction but does not act to restrict the possible scope of activity (Quinn, 1978). Final organisational commitment to a specific strategy or goal is characteristically delayed so as not to restrict any additional exploration in areas of possible solution or goals.

While clearly defined goals may focus an issue, they may also stifle ideas and indicate to members of the organisation that the process of strategy development is closed to further suggestions or thoughts of alternatives (Quinn, 1980a). They may also solidify positions, eliminate the development of creative strategic options and even crystallise active resistance towards the goal. In contrast, broad organisational and strategic goals can build consensus and enable potential opportunities and threats to be sensed. Equally, this permits the development of various potential strategic options and allows planning and budgetary processes to more clearly define options and solutions to problems over time. By keeping these goals general, cohesion is cultivated by gaining commitment to broad strategic objectives, rather than crystallising fractional resistance to a specific objective (Quinn, 1977). Within this system of broad objectives, specific goals are promoted for tactical purposes, in situations where immediate action is required.

Awareness of the need for strategic change does not tend to emerge from formal systems of planning, scanning, or reporting but is gained through unconstrained, loose and non specific processes (Quinn, 1982). Informal networks, which short circuit the established information and control systems by gaining information directly from organisational members (such as line managers and executives), both raise organisational awareness of potential strategic issues (Quinn, 1977, 1980a) and aid problem diagnosis (Mintzberg, Raisinghani, & Theoret, 1976; Norburn & Grinyer 1973/74). These informal networks, which may be logically and intentionally manipulated by senior management, allow the process of information sensing to be amplified to generate a clearer and broader understanding of an underlying issue. The information from these informal systems, which may concern, for example, organisational position, potential problems, their possible solution and the need for change, is gained through the sensing of signals, such as internal performance measures, customer reaction and localised environmental changes (Norburn & Grinyer, 1973/74). Although these networks increase the flow of information they do not serve as channels of authorisation. This is derived from the formal systems within the organisation (Quinn, 1980a).

In contrast, formal systems may operate as filters, presenting only "appropriate" information to the strategic decision makers (Argyris, 1977). These formal systems, which operate with substantial lag times, may recognise anomalies within the organisation at a stage of crisis too advanced for efficient action and response to be undertaken (Quinn, 1980a).

This process of strategic decision making encourages key players to view strategic issues and analysis potential options dispassionately and without personal commitment to any particular option (Quinn, 1978). Alternative options are assessed through a screening process of continual selection and development (Johnson, 1987). Because the impact of alternative courses of action cannot always be known prior to implementation (Lindblom, 1959), strategic options are assessed through limited exposure to the environment and experimentation. The process operates to eliminate or encourage potential options in accordance with their assessed appropriateness; it does not operate to identify the best or optimal solution (Mintzberg et al 76).

This system of limited exposure and assessment is cyclical in nature and encompass feedback loops to previous phases where the problem and solution may be re-defined or re-formulation (Lyles, 1981; Lyles & Thomas, 1988). Similarly further assessment of strategic options may be undertaken or additional alternatives developed. Because of the nature of the process early commitment to options is kept broadly formative, tentative and

subject to review. By means of ongoing analysis and assessment of strategic options and their incremental refinement, options are developed and modified as the environment changes.

Through the exclusion of personal commitment to particular options, existing strategies and their associated belief systems may be incorporated within this process of experimental assessment and if discovered to be inappropriate discarded in a "no lose" situation. In general the process attempts to broaden interest in an issue, to reduce reliance on past strategies, and not to stultify potential options by cultivating the discussion, questioning, and challenging of the issues and options (Quinn, 1982).

Options which are familiar or established within an organisation are perceived to be of lower risk than new and unfamiliar options. Therefore any attempt to introduce strategic options that are perceived to be of higher risk requires that their legitimacy be established. This may be achieved through discussion of the strategic issue within an appropriate forum to improve the level of information upon which a decision will be based. This also increases familiarity with possible new options and encourage their positive evaluation (Quinn, 1980a). Through increased experience of analysis and rejection of strategies and opportunities within specific fields, the expertise of the decision maker increases along with their comfort level and familiarity with possible strategic options. Similarly the perceived level of risk associated with a strategic option may be reduced. Through the limited implementation of an option and its assessment through formal procedures "comfort levels" can be built, allowing a movement towards the pursuit of more riskily perceived strategic options over time (Quinn, 1978).

This procedure of experimentation and familiarisation facilitates the adoption of successful options which are subsequently merged to become patterns of action and the organisation's strategy. Changes in the environment are matched with small scale changes in procedures (Schwenk, 1988b pp 47). These initial responses tend to be tactical realignments of existing strategy and therefore are not met with opposition (Quinn, 1980; 1982). As events unfold strategies become sharper and more focused. The organisation becomes more directed and aggressive in its pursuit of strategies (Quinn, 1980a) in the knowledge that the potential adverse effects for the organisation have diminished, as strategy and environment fit.

By incremental strategic change the strengths of an organisation are retained. "Guiding executives try carefully to maintain the enterprise's ongoing strengths while shifting its total posture incrementally - at the margins - towards new needs" (Quinn, 1980a). The

incremental nature of the change permits experimentation and learning without excessive risk to the organisation. It allows new data to be included in a strategic solution and new situations to influence the shape of the final solution as concrete decisions are restricted to the separate phases of strategy development and final commitment to a specific option is postponed for as long as possible.

The full consequences of the implementation of a new strategy or product cannot be assessed prior to its introduction and only subsequently assessed through interactive analysis. It is therefore beneficial to delay any final decision to allow feedback on options and their respective consequences. These delays facilitate a clearer understanding of the influence of a precipitating event to be gained, the additional investigation of options and their consequences, and more substantial expert critique and managerial input (Quinn, 1980a). Correspondingly they allow more time for the assessment and discussion of potentially threatening issues and permit the evaluation of old as well as new options (Quinn, 1982). This also increases the likelihood of acceptance of new alternative options. Additionally the delays can increase an organisation's technical and market efficiency even allowing for the added cost of parallel efforts and experimentation.

This process of strategic decision making involves a conscious and managed assessment and re-assessment of the organisation, its resources, and environment. Formal planning procedures and techniques are often employed to integrate and assess organisational requirements, threats and opportunities. However while the individual steps and phases of the process are managed proactively, the whole process is not sequentially managed (Quinn, 1980a), nor is the process necessarily orderly, discrete and sequential (Quinn, 1982).

Incremental processes handle emergent issues and monitor long term direction. Future options are constantly re-assessed, altering the organisational mix of resources and skill in reaction to the changes in the environment hence reducing risk and increasing opportunity. As Quinn (1982) points out "successful managers who operate logically and proactively in an incremental mode build the seeds of understanding, identity and commitment into the very processes which create their strategies".

While both the planning and logical incremental perspectives present explanations for strategic decision making, they tend to centre on organisational procedures rather than processes influenced by an individual or group. The following two perspectives address this, looking at the influence of the individual or group on strategy formulation from a political and interpretive stance.

The Political Perspective

Organisational strategies can be seen to emerge through the political processes of bargaining, negotiation and compromise between organisational interest groups each attempting to achieve their own ends (Cyert & March, 1963). These interest groups each have different concerns (Feldman, 1986; Pfeffer & Salancik, 1978 pp 259; Zaleznick, 1970) and are able to exercise different levels of influence (Heller, Drenth, Koopman, & Rus, 1988 pp 206-8). Strategies are finally adopted because they are acceptable to both those influencing the decision making process and those who must implement the strategy, and not solely because they fulfil an objective criteria (Johnson, 1987 pp 29). The organisation's strategies are not directly chosen and are rarely unanimously agreed upon.

The strategies followed by an organisation are susceptible to both internal and external influences (Hickson et al, 1986 pp 14) or the influence of stakeholders ["any group or individual who can affect or is affected by the achievement of the organisation's objectives" (Freeman, 1984 pp 46)]. These stakeholders can include customers and clients, auditors, trade associations, shareholders, supplier firms, government departments and agencies, competitors, and trade unions (Hickson et al, 1986 pp 63; Freeman, 1984 pp 55). The extent to which an organisation will respond to the wishes of a stakeholder is conditional upon the influence they can bring to bear. "Organisations will comply with demands of various stakeholder groups to the extent that they are dependent on these groups" (Schwenk, 1989). This dependency and its associated power, relies both on the organisation's need for a resource, whether financial, material or custom, and the potential difficulty in replacing the present external stakeholder as the source of that resource (Hickson et al, 1986 pp 66). Their use of influence though may not always be direct or intentional, indeed it may be indirect and based on the perceptions managers hold of an interest groups desires.

The influence of external groups is reflected in the internal power structure of the organisation. Those groups inside the organisation which deal with the external environment ("boundary spanners") tend to attain greater levels of influence and power over strategy, (Jemison, 1981). This increased influence is gained through the "boundary spanners" ability to resolve uncertainty and secure scares or critical resources required by the organisation. Similarly internal stakeholder influence relates to their ability to "create critical uncertainties" for the organisation (Schwenk, 1989). This influence though is conditional upon the organisation's dependency on the external group with which they deal. The greater this dependence the greater the influence (Pfeffer & Salancik, 1978 pp 259; Hickson et al, 1986 p 67).

As with boundary spanners, control of critical resources and the ability to resolve, reduce, and manage uncertainty can enhance power and influence (Hickson, Hinings, Lee, Schneck, & Pennings, 1971; Hambrick, 1981). This is particularly true where the availability of information is of critical importance. The information on which strategic decisions are based may be "filtered" to reflect the perceptions and priorities of the interest group providing that information, through their pre-selection of information and their attribution of its level of importance. Through restricting information flow the legitimacy of the demands of certain interest groups is advanced (Pfeffer & Salancik, 1978). Decisions are subsequently taken based on information distorted by the preferences of the information providers. These internal groups additionally may exercise their influence, acquired by access to resources, to manipulate the organisation's resource allocation and so protect or enhance their position by gaining access to more resources (Pfeffer & Salancik, 1974; 1978).

External influence over strategy is not restricted solely to stakeholders but also incorporates the wider environment. This relationship, as with the stakeholders, is a two way process of negotiation; the environment influencing the organisation and the environment being influenced by the organisation, (Dirsmith & Covaleski, 1983). Again, as with the stakeholders, the level of negotiation between organisation and environment is affected by the extent to which the organisation is dependent upon the environment, a factor which may lead to conflict between the two.

Power is not located solely within the levels of senior management. It is distributed throughout the systems and allied sub-organisations which make up the organisation. While power is not centralised, as such, it does reflect the values of the organisation or more precisely the values of the dominant interest groups. However, centralised control systems do exist and operate to alleviate friction between interest groups or organisational sections and to ensure that strategies are generally compatible with the dominant values. The level and type of these controls are influenced by various factors which include: a) the nature of the task, b) measures of performance, c) the information available to the controlling group, d) the degree of resource allocation, and e) the systems of rewards and punishments. But these centralised control systems are rarely used to intervene in the sub-systems and the decision making process (Allison, 1971 pp 168-173).

The goals and objectives which drive the organisation are generally informal, operational, and primarily concerned with the "health" of the organisation and the avoidance and alleviation of organisational disaster and discomfort. They are derived from the bargaining

and negotiations of the interest groups and are directed by the constraints and operating boundaries which emerge through the resolution of conflicts. "The goal system of the organisation is characterized by bargaining among these *interest* groups with each winning some issues and losing others" (Mintzberg, 1973). As issues relating to a goal arise they are dealt with sequentially and within those constraints associated with that goal.

Following Narayanan & Fahey's (1982) model of the political decision making process, the various phases (which are non linear) can be seen:

- 1) Initially individuals become aware of impending strategic issues.
- 2) As the potential impact of a strategic issue upon the organisation increases and its associated deadlines and time scales become more impending, attention is focused on the issues which forces it into a strategic arena for debate and solution. Awareness of an issue then moves from the individual to the organisation. The issue is introduced into the strategic arena through established channels which structure and guide the issue through the political process of negotiation and bargaining (Allison, 1971 pp 169-70). These channels influence how an issue is perceived by the decision makers and to a large extent predetermine who will be involved in the decision making process, their point of entry, and often the unit which will implement the eventual strategy. While the rules which guide and govern the process are set by precedent and organisational culture, the extent to which they are rigidly followed may alter between each decision situation. Just as the rules of the process may alter so may the procedural influence of the channel. The form a decision process follows within a channel feeds back into the structure of that channel and so modifies its future procedural influence.
- 3) As the issue enters the strategic arena, coalitions form to pursue shared objectives associated with the issue. These, or individual interest groups, subsequently sponsor different strategic options for the solution of the issue. The stake an individual or group has in a strategy is determined by the issue at hand in relation to their own interests.
- 4) Confrontation, negotiation, and bargaining between the coalitions occurs as they each attempt to secure the whole or partial use of their preferred solution in resolving the issue. This situation of conflict is inevitably given that the coalitions are bidding for the limited resources of the organisation, (Johnson, 1987 pp 30). The degree of success a coalition has in having their solution adapted in turn advances or impedes the group or individual and their interests.

5) The process of negotiation and mutual adjustments permits a commonly acceptable strategy to emerge (Mintzberg & Waters, 1985). Compromise and consensus, based on learning from the environment and each other, allows the interest groups to eventually produce a strategic decision which is acceptable to the dominant interest groups.

As earlier stated the information on which the decisions are based is often selective and reflects the interests of those providing that information. This, coupled with the relative haste of the political decision making process, allows mis-perception to occur through lack of information or time to assimilate that information. These mis-perceptions and the speed of the process produce a situation in which individuals of different interest groups can compromise around hazy facts and options.

6) The strategy is subsequently translated into plans and action for implementation. The unit to implement the strategy is often predetermined by the channel through which the strategic decision has been made, though this unit may be decided as part of the decision process. Even at this stage the strategy is subject to influence and alteration particularly from the interest group responsible for implementation. Further, the mis-communication or misinterpretation of the determined strategy may lead to the implementation of an emergent strategy rather than that which was intended. The perceptions and interests of an individual or group implementing the strategy influencing the form of this emergent strategy.

The influence and power a stakeholder or group can exert over the decision making process relate to various contingencies though inevitably it is based on the organisation's need to acquire resources to secure its survival (Pfeffer & Salancik, 1978). This influence and power can be gained and legitimated in various ways: a) by virtue of a position within the organisation and the control of systems this allows, b) the culture of the organisation, c) the power of expertise, d) the delegation and use of power derived from the organisation's political systems, e) the control of information used to define problems, identify options, and assess consequences, and f) the control of resources, particularly those required to implement a strategy. While a stakeholder may derive a certain level of influence from these contingencies its actuality is moderated by various factors. These include their bargaining advantage, bargaining skills, willingness to exert their power and equally their perceived willingness to exert this power by others involved in the process (Allison, 1971 pp 168-69).

The influence of a stakeholder, whether individual or group, is not constant across channels or from decision to decision (Hinings, Hickson, Pennings & Schneck, 1974). Their bargaining advantage, and both perceived and actual willingness to exert power, correspondingly alter between decisions and across channels. The channels and decision situations determine both stakeholder influence and the dynamics of influence, in terms of any increase or decrease in influence level throughout the process. For example, the influence of top level decision makers decreases as a strategy enters the implementation stage, while the influence of lower level managers increases.

Changes in the environment or in the organisation's structure may affect the contingencies on which a group's power rests (Hinings et al, 1974) and so consequently the configuration of both internal and external power and influence may alter. Similarly new strategies, products or processes which prove successful will attain greater proportions of the organisation's resources ensuring a shift in the power structure of the organisation (Quinn, 1978); a shift which will subsequently result in an alteration in organisational position and culture to reflect the new power base.

The strategies followed by the organisation develop as the compromise between the conflicting demands of different interest groups each attempting to pursue different aims and seek to exercise control over a finite set of resources (Johnson, 1987 pp 30). To gain influence over the decision making process and to attempt to attain a desired outcome, power and authority are exercised. In turbulent times, when an organisation faces uncertainty, the orientation of interest groups may change and become less predictable and hence the process of decision making becomes more susceptible to influence (Spekman, 1979). As the power of established interest groups fall and re-alignments occur, a more fruitful opportunity for negotiation and bargaining is created.

The Interpretive Perspective

The strategies an organisation follows can be seen as more attributable to culture and cognition than to any objective planned response to the environment. Organisational culture sets the norms and expectations of the organisation and guides action, while cognition enables individuals to internalise this culture and its constituent parts, enabling them to interpret and operate within the organisation and business environment. These two components are distinct yet highly associated. Indeed this may be viewed as a symbiotic relationship.

The strategies pursued are a reflection of the culture and collective shared assumptions of the organisation. These assumptions and the "taken for granted" are usually referred to as "schema" at the individual level. Correspondingly, at the group or collective level they are termed "myths" (Hedberg & Jonsson, 1977), "paradigms" (Sheldon, 1980; Pfeffer, 1981a; Dighton, 1980) and "interpretive schemes" (Bartunek, 1984). They act as a guide for action, both at the individual and organisational level. Strategies then are based on a shared interpretation of the world developed experientially and through social contracts and liaisons.

Culture is by its very nature highly influential in how events are perceived and which behaviours are instigated. The idea of culture has been advanced through two schools of thought: that which views culture as the "taken for granted" and that which sees culture as the artifacts and routines of an organisation. In this discussion culture is assumed to encompass both schools; the values, ideology and beliefs of an organisation and the symbols, rituals and routines it possesses. Through a process of socialisation, involving the use of rituals, stories, images and myths, culture is conveyed within the organisation and between its members (Wilkins, 1983; Martin & Powers, 1983). This relationship is somewhat cyclical, with the culture being supported and shaped by the commonly held assumptions, beliefs and values of the organisation which in turn the culture helps to establish. It is the symbols and symbolism associated with the culture which describes the organisation to its members, operates to control aspects of the organisation, and also maintains its established system by securing coherence to these (Dandridge, Mitroff, & Joyce, 1980).

Organisations faced with the same "objective" environment may react and behave differently, though in accord with their respective cultures. The subsequent response may result in the pursuit of significantly different strategies across organisations. These potential differences in strategy result from a premise that organisations view the "objective" environment differently. The perception and view of the organisation and the environment in which it operates is socially constructed (Berger & Luckmann, 1966). It is developed through association and experience and intrinsically linked to the perceiver. Therefore the values and assumptions of the organisation will directly affect how a situation is perceived and similarly will influence the strategy followed. By interaction and communication this view of the world is confirmed, modified or indeed replaced in accord with the shared social assumptions of the organisation. Through the use of symbols and stories the organisational paradigm (the shared view of the world) is presented to those from both "inside" and "outside" the organisation to allow them some understanding of its common perception of the world and so enables appropriate behaviour. Strategies then develop in

accord and within the confines of an organisation's dominant paradigm; developed through common belief and experience.

Because of this influence of culture on strategy formulation attempts are made primarily by senior management, to control and manage the symbols and ritual which create meaning within the organisation. This is particularly important as strategy development is an organisation wide process (Van Cauwenbergh & Cool, 1982) and is not located solely with senior management. Although influenced by culture themselves, the position of these managers enables them to manage, to some degree, the symbols and rituals which shape organisational attitudes, expectations, and perceptions, and which in turn influence behaviour and strategy followed.

The process of altering an organisation's culture or its ideology - which are resistant to change (Janis, 1985) - is likely to be resisted if perceived to be excessive. Because the paradigm is shared within the organisation and accepted by individuals as their own, situations which necessitate exploration outside the dominant paradigm for strategies to cope with environmental changes are often traumatic and resisted. Equally existing power groups may restrict the organisation's system to support the established paradigm and reduce possible erosion, which change or external pressures may threaten.

In this perspective strategies are the product, not of precise planned approaches to the environment, but of attitudes, values, ideas and perceptions common among the members and stakeholders of an organisation. These shared assumptions and beliefs which constitute an organisation's "taken for granted", manifest as learned responses to problems in the external environment (Schein, 1985 pp 6). They emerge primarily as the programmed output of an organisation's strategic decision making process. They are the organisation's "natural" reaction to a situation and are established through organisational routines, heavily influenced by the organisation's paradigm and systems. These routines or standard operating procedures (SOP) are employed to fulfil standard strategic tasks, such as monitoring the environment, identifying problems, producing information, and generating solutions.

These standard operating procedures, which incorporate organisational programmes, repertoires, and routines developed to deal with specific situations, are available for enactment as appropriate situations arise. They are retained and based within the organisation culture (the way we do things around here). Where problems are familiar, routines or precedents may be activated to solve the problem (Cray, Mallory, Butler, Hickson, & Wilson, 1991). As a situation emerges an appropriate SOP is activated to deal

with it; where events are re-occurring and very similar, the SOP is likely to be successful. However, while the SOPs may be appropriate for specific situations, there is a danger that they may become routinised within an organisation's repertoire of activities and so become the natural response to a generic situation, possibly resulting in a formalised and sluggish response to new situations. Here the possibility of inappropriate responses or missed opportunity is a distinct prospect.

The culture and dominant paradigm of an organisation can only direct strategy through the individuals who take decisions and implement the strategy. This is achieved by providing a framework through which the world can be interpreted (Schwenk, 1988b, pp 17) and decisions made in line with the paradigm. Such frameworks are usually comprised of shared assumptions in the organisation which manifest, as "a dominant shared logic" (Prahalad & Bettis, 1986) and enable decisions to be made in a perceived rational and logical manner, even in the face of uncertainty. These shared assumptions often take the form of assumed trends in the environment and of organisational resources (Schwenk, 1989) or reflect the desires of the stakeholders (Mason & Mitroff, 1981 pp 95). The cognitive and perceptual processes operating within an organisation orientate the definition and solution of a strategic problem internally so that the response is based within the domain of the organisation (Pfeffer & Salancik, 1978 pp 260) and the history of its members (Nutt, 1984).

The manner in which these frameworks are acquired and utilized has generated considerable interest amongst researchers. Indeed, socialisation, interaction between individuals, joint decision making and experience all contribute towards the building up of concepts and knowledge concerning the organisation's practices and the business environment in general. Because individuals are limited in the amount of information they can process at any one time, they employ selective procedures (Hogarth, 1980) and code their world and interpret it using cognitive models. These procedures give rise to the formulation of mental representations of the world or schema (Bartlett, 1932) and constructs (Kelly, 1955). Here schema are defined as a symbolic representation of knowledge and experience (for example, facts, skills, processes and social/personal experience) in memory. They broadly represent the attributes and relationships between aspects of the environment and associated beliefs and assumptions about it. These schemas become compiled into frames of reference that are utilised for guiding decisions and behaviour. These frames of reference or mental maps have been known as "cognitive maps" (Tolman, 1948), "frames" (Minsky, 1975), and "scripts" (Schank & Abelson, 1977). They are developed by individuals in order to simplify their dealings with the complexity of situations (Simon, 1976 pp 96-97 and also see Ch. 5). They are based on

previous experiences, the dominant paradigm, and shared beliefs and assumptions. With increasing experience, new schemas are formed and added to deal with novel situations. Hence, the reality of an organisation need not necessarily be an objective externally perceived reality but rather, a subjective and socially constructed belief system acquired through association and experience; the symbols and stories of the organisation allowing those "outside" to gain some understanding of its reality. Reality is both interpreted and established through the schema and frames of reference, which define beliefs, perceptions, and ways of operating (Shrivastava & Mitroff, 1983).

The shared organisational assumptions, made about the environment and beliefs about cause and effect, form the basis of the schema and frames of reference used to interpret the world (Schwenk, 1988b, pp 17). These schema provided by the culture of the organisation and developed through personal experience, enable an individual to interpret the world and behave in a manner which is "in fit" with the expectations of the organisation. They are so influential that they provide a ready-made interpretation of new situations (Weick, 1979 pp 38). The schemas then enable organisational stakeholders, both internally and externally, to interpret the organisation and environment in which it operates (Chaffee, 1985).

The meaning they provide allows a shared interpretation of reality and guides strategy, while social interaction establishes the ground for operation. They provide an interpretation of the organisation, it's perceived relationship with the environment, the direction for information searches and a screening mechanism for information or an individual's ideas. These schema facilitate decision making, the diagnosis of issues and the formulation of problems (Schwenk, 1989). Based on these, stakeholders can operate in ways which are perceived to be beneficial and favourable to the organisation. They provide a guide to appropriate behaviour to situations (Gioia & Poole, 1984) and remove reliance upon pure stimulus response actions. The usefulness of the schema increases as situations become more ambiguous and the efficiency of formal processes decreases (Beyer, 1981). However personal motivation and biases may colour these process and result in differing views of the nature and characteristics of a situation (Lyles & Thomas, 1988).

When new situations arise they are interpreted based on both what has occurred in previous similar situations and on what the dominant paradigm would indicate is appropriate; new situations are not perceived to be unique (Schon, 1983 pp 138). The information gained from each new situation is subsequently used to confirm the original schema, if this new information fits the schema's general characteristics. However, if the information is not in accordance with current beliefs, the schema may be altered in an appropriate manner, or the information may be treated as an extraneous event and ignored. In this way frames are

self rationalising and supporting through the selection of information used by the decision makers (Kiesler & Spoull, 1982) and the attribution of importance to information based on the paradigm. Information which is not in accord with the dominant paradigm tend to be ignored, de-emphasised or attributed to non valued groups.

When strategic problems emerge which are outside the immediate frame of reference and the organisation's SOPs, cognitive processes such as analogy or metaphor are used to simplify, communicate or understand the new situation (Schwenk, 1988b, pp 23-25). As a situation emerges it is related to previously experienced and similar situations, allowing previously developed schema to be applied to this new situation (Schwenk, 1988a). Here existing schema are applied to new problems, transferring the schema from one domain to another. This is accomplished through the interpretation of cues for a new situation and through assessing these against past similar situations and their schema, therefore the development of a totally new schema is not required (Schwenk, 1989). The understanding of the situation and its response is based on past experience. At the organisational level, situational analogies are useful in the creation of a common shared image and maybe drawn from other firms in the same industry; they are not restricted purely to within organisations (Huff, 1982). Similarly shared beliefs and assumptions are not restricted to the individual or single organisation level but are argued to exist on an industry wide basis (Spender, 1989 pp 6; Grinyer & Spender, 1979; Huff, 1982), in the form of commonly accepted "recipes".

Those strategic issues which are not solvable using these processes may require a new schema to be developed, through the application of heuristics and biases. These heuristics or "rules of thumb" and biases enable complex problems and situations to be simplified by providing cognitive short cuts. Heuristics in the form of perceived probability of the consequences of action are determined by various factors, such as ease of recall, the results of the most recent experience, and the eventfulness of the last occurrence (Schwenk, 1988a; Barnes, 1984). While biases emerge through the inappropriate estimation by individuals of their control over an issue or event (Schwenk, 1984; 1986) and the subsequent mis-estimation of the likelihood of success (Langer & Roth, 1975). Beliefs are created and supported by the selectivity of information gathering which emphasises information in support of the hypothesis while de-emphasising or ignoring that which is not (Langer, 1983 pp 24). The information search typically reinforces and supports the heuristics and biases. However, while heuristics may form efficient information processing short cuts they may also lead to erroneous decisions (Tversky & Kahneman, 1974), precisely because of their nature of simplification.

When faced with mounting alternative and disproving information about the effectiveness of a strategy, generated through formal monitoring systems, such as down turn in profits, new strategies are developed. Initially these are based on, and in line with, the paradigm, though the changes to strategy may inevitably alter the paradigm (Johnson, 1987). If these small scale alterations of strategy are not successful an inevitable paradigm shift may be required. A change which may be emotionally fraught and stressful (Lewin, 1952) given that the paradigm has been accepted for years. The resultant strategic change should produce major realignments both in terms of the organisation and the individual. The frames and schema used to interpret the world will consequently be reorientated, while the assumptions underlying the former schema may be rejected or reduced in importance. These changes in strategy inevitably involve changes to organisational symbols, including visual representations, rituals, and myths which legitimate and support the frame of reference. Acceptance of this new paradigm is enhanced through persuasion and symbolic manipulation rather than by coercion (Pfeffer, 1981a, 1981b).

Strategies are consistent with the culture of an organisation and its dominant paradigm, they involve improvements to existing systems and strategies or the implementation of others congruent with the culture and paradigm. The process in this state is typified by adjustments rather than by major change. Schema and frames of reference, though helpful in the interpretation of the environment and generation of solutions, are problematic in that the frame they impose may not be appropriate for the situation they are being used to interpret and may result in the adoption of an inappropriate solution and strategy. This may result in strategic drift and an eventual need for radical re-alignment. These situations of innovative strategic change which involve movement outside the dominant paradigm and are heralded by precipitating events or crisis require discontinuous, radical and dramatic strategic change. This level of change is usually accompanied by a distinct shift in paradigm with the new strategy being based within the new dominant paradigm.

The Visionary Perspective

The strategy an organisation follows can also be seen as emerging from the vision of its leader or a past leader. This vision, which represents the desired future state of the organisation (Jaques & Clement, 1991 pp 102-3; Rowe, Dickel, Mason, & Snyder, 1989 pp 57-58), directs the organisation's strategy and the process by which its strategic decisions are made. There are many examples of visionary leaders who have turned organisations around, leading them from situations of crisis into periods of dramatic

growth. However this form of strategic leadership is not restricted to merely dramatic turn-round situations. The prospect that an organisation's strategy may be directed by a vision has gained increasing support and interest, particularly as a means of managing progressively more complex organisations (Westley & Mintzberg 1989).

Generally, three components can be identified in the development of this visionary control of strategy (see for example Kotter, 1990 pp 5). These are: the determination of the organisation's direction through the development of a vision which represents the desired future state of organisation, product, or process; the alignment of the organisation's members behind the vision through its articulation and communication to those organisational members who must support it (Rowe et al, 1989 pp 57-58; Bennis & Nanus, 1985; Gluck, 1984); and the empowerment and authorisation for its pursuit through the motivation and inspiration of the organisation's members, who in accepting the vision authorises its pursuit and facilitate the vision's enactment (Conger & Kanungo, 1987). However, the sequential and chronological appearance of these stages is not generally seen to be the case in reality (Westley & Mintzberg, 1988).

The vision which is persistent and consistent (Bryd, 1987) is often based on radical ideas. It may challenge the accepted norms of the organisation, contradict its established principles and paradigm (Trice & Beyer, 1986; Rowe et al, 1989 pp 57-58), and go beyond familiar organisational experience and knowledge (Trice & Beyer, 1986). By addressing, and responding too, organisational problems and crisis in a non standard manner a vision may gain the broad consensus and support which is required if its enactment is to be achieved.

A vision may typically be perceived to be developed entirely through inspiration and intuition, however it is equally probable that it is developed from experience or through an interaction of the two. In either case, whether for inspiration to prove meaningful and effective or experience is to be fruitful, a sufficient level of familiarity and knowledge of the organisations strategic issues is necessary. This knowledge and familiarity is developed through exposure to, and experience of, these important strategic issues, whether process, product or structure. It is this experience, exposure, and familiarity which enables innovation to be made, through the adding of new to the well understood and certainty of the old. A process which involves the integration of both conscious and unconscious mechanisms. Visionary perception would appear to develop "as much through practice and gut-level feel for the business, product, market, and technology, as through conscious cognition" (Westley & Mintzberg, 1989). While experience is important for inspiration and the development of a vision it need not be gained within the industry to which the

vision is to be applied, indeed diverse career paths incorporating experience in other cultures (Schein, 1985; Norburn, 1986) have been seen to be useful.

The originator of a vision may attain visionary status within an organisation, however the attainment of this position is not reliant on the generation of the original vision or its underlying idea. Indeed this position may be achieved by virtue of activity in any of the three phases, vision, communication, and empowerment or across more than one.

Visionary status may be acquired through: the generation of an idea and vision; the ability to effectively synthesise existing visions or catalyse others into producing visions; the competent and proficient communication of a vision within the organisation; or the organisation's history may ensure that a specific individual or senior position bestows strategic leadership status. The process of developing visionary status then is not standard, however it inevitably places enormous control and power in the hands of the visionary who gains the "capacity to translate intention into reality and sustain it" (Bennis & Nanus, 1985 pp 17).

For an idea or vision - however appropriate to the organisation - to become its strategy it must be effectively articulated and communicated. This process of communication is as important as the vision itself (Rowe et al, 1989 pp 58). Presentation must place the vision firmly within the paradigm of the organisation, though not at the same time allowing the paradigm to restrict the vision. Its nature must appear to remove or alleviate a source of discontentment and fulfil the desires of an organisation in a planned and achievable way (Conger & Kanungo, 1987). Acceptance of the vision is aided by presenting the vision to the organisation's members as their own (Johnson, 1989). Belief in the vision increases in situations where it is perceived to solve an organisational problem or fulfil an organisation's aspirations, though this may wane if it is perceived to be excessively radical in its realised form.

The language and symbolism employed in communication are critical to the process of acceptance. The application of the linguistic tools of metaphors, rhetoric, and imagery, amongst others, can encourage acceptance and pursuit of the vision (Garfield, 1985 pp 83) and enable petition for adoption through both logical or emotional appeal (Pfeffer, 1981b). Similarly non verbal communication such as symbolism can elaborate communication and amplify the appeal of the vision. Acceptance of the vision and the subsequent change and learning this involves can be encouraged through the actions, gestures and timing of the leader acting as a role model (Bennis & Nanus, 1985 pp 204-5). Equally, the rituals of the organisation can be employed to encourage visionary change (Trice & Beyer, 1985). This evocative and emotional process of communication attempts to inspire people and can both

strengthen the link between a vision and its enactment and also an organisation's members and the visionary.

This process of transforming a vision into strategy is not uni-directional but is two way. For a vision to become strategy it must be shared and receive assistance in its development. It is the recipients of a vision who provide the authority for its realisation; a visionary alone can not turn a vision into strategy, the members of an organisation are required to assist. The authorisation for the vision's pursuit comes from its acceptance by the organisation's members (Trice & Beyer, 1986). In accepting the vision the organisation responds by concentrating resources for its pursuit. In a similar way authority is attributed to the visionary through a belief both in the vision and their ability to secure its realisation, rather than through any democratic process.

The acceptance of the vision may be enhanced through the positive encouragement of individuals empowered to pursue the vision. By providing emotional support and persuasion, presenting a successful role models, facilitating the mastery of the new situation and the development of responsibility, acceptance of the vision may increase (Bandura, 1977; Kotter, 1991 pp 67). In effect the process is aimed to develop an individual's sense of their own effectiveness and facilitate internalisation of the vision (Conger, 1989). In these situations some form of "cognitive re-definition" is likely to be involved and the provision of a cognitive "safely net" may enable and ease the internalisation of change and its associated vision.

Along with the importance of the vision, its communication, and its empowerment, is the influential effect of the visionaries personal characteristics and particularly those concerned with leadership. In this area there is a growing recognition that leadership is a multifaceted entity (Johnson, 1990) and that all visionaries are not of the same mould or proponents of the same style of leadership. However, certain characteristics and styles have been identified as being particularly influential in visionary leadership. In general visionaries are perceived to be trusted and concerned about the needs of their organisation and its members rather than their own self interest (Walster, Aronson & Abrahams, 1966); a concern which is not merely espoused but which is demonstrated through actions, which are often perceived to be potentially costly to the leader in pursuit of benefits for the wider good (Conger & Kanungo, 1987). These visionaries tend to be: in touch with the feelings of the organisation's members and their needs (Byrd, 1987); capable of unfreezing what is regarded as established and traditional within the organisation without excessive consideration of any personal discomfort which may result (Schein, 1985); and able to create a common vision within the organisation which relates to the organisation's shared

values and beliefs and which can be translated into every day behaviours to encourage its acceptance (Berlew, 1974; Byrds, 1987). Similarly other capacities have been associated with these leaders. Both Garfield (1986; pp 31-48) and Byrds (1987) identify three general capacities or attributes: a visionary aptitude; an ability to identify potential organisational opportunities and threats; and an ability to both build a team to compensate for their own shortcomings and work within it. Additionally, Garfield (1986) further identifies a self confidence which enables learning from past mistakes and mental agility and concentration. Byrd (1987) also states that visionaries are capable of adapting to change without the lose of momentum and are able to empower others and be empowered by them.

Although leadership charisma is produced in part by these characteristics and others, its realisation is dependent upon the dynamics and interplay of the relationship between a leader and an organisation's members. A relationship which is affected by the perceptions an organisation's members hold of the leader. Here several factors associated with the organisation's perceptions of the leader influence this relationship, for example, a leader's perceived: credibility; belief in a vision; ability to attain the vision; and integrity and genuineness. Likewise, the innovative solution of problems, which go beyond the restrictions associated with a particular strategic arena to result in a desired change; the ability to assess realistically the environment in terms of resources and constraints in bringing about appropriate change; and the persuasive techniques employed by a leader in articulating a vision to organisation's members are all affected by, and influence, the perceptions of a leader.

It is clear then that the factors which go to produce the visionary are not standard and indeed this status can be achieved though varying combinations. While visionary status is seen to develop from charismatic authority based on the interrelationship between the leader and the organisation's members, it is also seen to emanate from two other sources: traditional authority and legal-rational authority (Trice & Beyer, 1986). Charismatic authority, as described above, derives authority from the charismatic nature of the leader and the organisational members belief in the leader and particularly their exceptional qualities. However it is not a prerequisite that the visionary need possess these qualities to ensure this status. The structure of the organisation may be such that it endows individuals with the qualities required to empower position and attain authority (Kanter, 1968). The empowerment and development of a leader maybe situation specific (Goodstein & Boeker, 1991) and have more to do with the context and structure of the organisation than particular personal qualities of the individual (Kotter, 1991 pp 129-138). In this situation the leader represents the collective values of the organisation rather than being the source of these

values. Their charisma is bound up with, and possessed by, the organisation and its symbols, it is not particularly associated with their individual characteristics.

Although visionary authority and power can be attained by virtue of charisma or through radical organisational change, it is unstable and may reduce with the passage of time or changes in situational context. However authority can be retained through the emergence of a new crisis situation or through the routinisation of the vision or visionary position within the organisation. As noted by Trice & Beyer (1986) ". . . unless charismatic authority is either embodied in traditional authority or becomes routinised within the framework of rational-legal authority, it is destined to disappear as a briefly influential historical oddity". Similarly, the retention of a strategic vision beyond the visionary or its situation of emergence, requires that it be routinised or institutionalised. Through routinisation the vision becomes a component of the organisation's culture and systems, which enables it to survive past the visionary or indeed the visionary's successors.

It is the routinisation of a visionary or a vision within the culture of the organisation which ensures the associated authority will not diminish. As with failure on the part of the visionary or the vision, participation in and association with the mundane aspects of corporate life will hamper the processes of routinisation and compromise belief in the vision (Berlew, 1974). Without the routinisation of the vision and charisma within the organisation's culture and symbols, its longevity, transference and diffusion throughout the organisation are not ensured and the vision and charisma will fade over time (Trice & Beyer, 1986). However even without routinisation charisma is a substantial and potent force for the achievement of change. (Trice & Beyer, 1986).

No matter how innovative a vision, genuine and articulate a leader, a vision's realisation as strategy is limited by the appropriateness of the leader, the audience, and the context. The qualities and characteristics required in a leader are determined to a large extent by the context in which they are to operate which in turn must bear some relevant relationship to the characteristics, activities, and goals of the organisation and its members. The interaction of these variables though is in constant flux and motion (Bass, 1981, pp 65-67). A crisis situation is not guaranteed to produce a visionary, nor is an individual possessed of all the appropriate components, or an organisation structured to endow the required characteristics. It is the interrelationship of the context, the individual (both characteristic's and experience) and the audience which creates a visionary and a strategic vision capable of enactment and development into strategy.

The Ecological Perspective

The ecological model of strategic decision making posits that organisations have little or no control over the choice of strategies they follow. Factors in the environment impinge on the organisation in such a way as to select and encourage the adoption of organisational structures and activities which best fit that environment (Hannan & Freeman, 1974; Aldrich 1971; 1979). Although this perspective has also been termed "evolutionary", it is not evolutionary in the full biological sense, with a distinct progression towards better, more complex structures through process advancements. It is however evolutionary in that organisations move, through modification to their systems, towards a closer fit with the environment. In short, those organisations with structures and factors which appropriately "fit" their specific environment will function more effectively than those without. The prevalent organisational form within an environment will be that which optimally adapts to the constraints of that environment, consequently the form taken by organisations operating within the same environmental constraints will be highly similar, (Hannan & Freeman, 1982).

Similarly, this perspective has been termed the "natural selection model" though again this does not conform to natural selection in its purest form - that of survival or extinction. The process of natural selection in this context applies to organisational modification and not solely organisational survival and extinction (Aldrich & Pfeffer, 1976; Hannan & Freeman, 1974; 1982). The total extinction of large organisations occurs very infrequently, particularly as these organisations tend to operate within niches and rarely fail totally. Additionally intervention in the market, such as governmental legislation, acts to limit the effect of the environment: organisations then are able to survive and prosper through partial and separate modification of their structure and not through complete organisational fit.

Based on this view, organisations are seen to be severely limited in their ability to make strategic decisions outside those which are common to all organisations within their industrial sector or market. Freedom of choice exists but only within limited bounds determined by the environment. "Various external constraints have been identified as sharply limiting the role that participants play in selecting an organisation's structures and activities" (Aldrich, 1979 pp 136). The level of freedom in strategic choice which is suggested by other perspectives is not endorsed.

As the ability to influence strategic direction is limited within the wider environment, due to environmental constraints, organisations attempt to attain some degree of control by operating within niches, which are able to support the organisation's form (Aldrich, 1979).

Effectively a niche is the convergence of resources, demands and constraints which both enables and restricts the operation of a population of organisations (Zammuto, 1988). These environmental attributes are dynamic and susceptible to manipulation and change as an organisation adapts to environmental constraints (Aldrich & Mueller 1982). They are not "out there" but develop with the organisation or its population of organisations (McKelvey & Aldrich, 1983). Organisations enter a niche through a choice between feasible options, for example, to be specialists or generalists; discount or quality; but they are unable to assess the potential viability of the niche prior to entry; success or failure can only be known after the fact. Once within the niche organisations are only able to operate with the resources made available to them.

Although environmental constraints may motivate organisations to select a niche or competitive environment for entry, the same conditions which encourage the process may also prove to constrain it (Goodstein & Boeker, 1991). Barriers to entry operate to restrict access to environments, particularly those already serviced by other organisations. Caves (1972) identifies three such barriers to entry. The unit production costs for an organisation remain higher than their competitors until they secure a substantial market share, at which point they are able to overcome the barrier of economies of scale. The cost of achieving these economies of scale are significantly large to present cost barriers to entry and so exclude the majority of possible new entrants to a market. Similarly, product differentiation barriers ensure that new entrants must allocate larger proportions of product, or organisational expenditure, to the development of organisation or brand awareness than established organisations who are highly visible and their brands highly distinguishable. These and other barriers and constraints restrict organisational choice in terms of operating environments and the possibility of entering new environments. They also account for the slow rates of change within certain industries. The higher the barriers to entry within an industrial sector, the less change is required and therefore the less change will occur. Indeed the act of selecting an operating environment may in fact only be a post-rationalised reflection of the planning and rationality exercised when involuntarily entering a niche market (Starbuck, 1976).

While strategic choice may be restricted, change does occur. Aldrich (1979) indicates that the process of strategic change in an organisation follows three phases. Changes initially occur within an organisation through variations in its processes, structures, and systems. Selection criteria, determined by the environment, subsequently operate to select those variations which are appropriate and beneficial to the organisation, in terms of its goals, activities, boundaries and form. Retention mechanisms operate to retain duplicated and reproduced variations which are positively selected and purge those which are not. This

process of variation, selection, and retention results in long term organisational transformations rather than short term changes, which develop in responses to local conditions (Aldrich, 1979).

The source of variations which provides the raw materials for selection may be either random or planned; successful variations are those which match changes in the environment to produce advantage. Because decision makers operate under constraint, such as cognitive limitations, biases, poor communications, and social pressures and influence, their ability to generate appropriate adaptive variation may be restricted (Aldrich, 1979). While the process of organisational innovation and variation may occur as a rational intentional response to the environment through deliberate innovation or alteration of behaviours, they may equally occur unintentionally. Variations may develop as an imperfect imitation of a successful structure, system or process or through seemingly inappropriate changes to these. Similarly they may emerge through conflict over control of resources; ambiguity of organisational reality; accident; errors; tactical moves; and luck (Aldrich & Mueller, 1982). Strategic change relies on the occurrence of variations, the source and underlying reasons for which are not considered to be important.

Variations which occur are not solely restricted to within organisations but also occur between them (Aldrich & Mueller, 1982). These inter-organisational variations tend to relate to the form and structure an organisation takes though they may also relate to the processes and systems operating within them. These variations occur through the creation of new organisations, structures, and processes; the transfer of an organisation to a new owner or sponsor; or the introduction of the organisation into a new operating environment. Within differentiated organisations variations are often produced through internal transformation, for example turnover of leaders or the rotation of managerial personnel. But from whatever form variations emerge, their result is to increase the chance of survival for an organisation or an organisational form.

As organisations grow and increase in complexity their potential for variation and therefore change increases. The variations, whether produced through intent or through clumsy and non refined processes, may prove inefficient in the short term though result in the generation of appropriate variations for the organisation in the longer term. It is these variations which produce the potentially advantageous or dangerous innovations for the organisation (Hirschman, 1970). The organisational advantage produced by variations tend to be eroded over time as knowledge of the variation or innovation diffuses to the competition. The time scale for this diffusion is reduced in those industries which share

similar organisational processes and structures, and where effective and efficient communication occurs.

From the variations which emerge those which are more adept at obtaining resources, either from the organisation or the environment, and which contribute to the organisation's or sub unit's survival are retained. Those organisations with variations which are advantageous in the acquisition of resources, as compared to the competitors, have an increased chance of survival (Aldrich & Mueller, 1982), as they more efficiently achieve their goals within the constraints of the environment. Variations which positively fit the environmental constraint are selected and retained, while those which do not, fail and die or are altered to match the environment (Aldrich, 1979). Selection processes such as control systems, operational norms and culture operate within the organisation to select out non appropriate variations. However, over zealous control systems may operate to select out those variations which are in fact beneficial along with those which are not, for example, successful spin offs rejected by the parent organisation (Aldrich, 1979).

Aldrich (1979) identified three general areas in which selection operates:

Selective diffusion: Information flows between organisations about variations and changes in structure and activity, the successful innovations or variations are subsequently imitated. Organisations are not passive participants within this process, but actively attempt to keep abreast of developments and innovations occurring in other organisations. This process of interchange, copying and borrowing occurs most efficiently where highly similar organisations operate within the commonly shared constraints of a resource pool where the appropriateness of variation increases (McKelvey & Aldrich, 1983). Choice does exist in this process, to the extent that a decision is taken to "borrow" a variation or not. Where a variation or specific organisational competency is required but is not possessed by an organisation and its development is potentially inefficient, an organisation may acquire it through a process of interchange, for example searches or personnel transfers (McKelvey & Aldrich, 1983). The process of interchange is not totally free flowing and restrictions operate; particularly as there is a tendency to be wary of "the new", whether ideas, people, or knowledge, which is not from within the organisation.

Selective retention of successful activities: Organisations retain those activities and forms which are successful. To achieve this successful variations are passed to the organisation's members and across organisational generations through culture, symbols, socialisation, administration and training.

Internal selection: In an effort to retain stability and consistency organisations attempt to encourage those behaviours which are regarded as appropriate and successful while discouraging those which are not. Reinforcement, social pressure and control systems are brought to bear to realise these desired ends. This process of selection is more able, than the others, to operate in ways unrestricted by the environment especially where the organisation is insulated from environmental pressures. However this operation may result in the retention of inappropriate and redundant variations due to organisational culture and the lag time before the impact of an inappropriate retention becomes evident.

Organisations operating in an environment compete for its resources, the most effective organisations acquiring a large proportion of these (Aldrich, 1979). Organisations though try to reduce their dependency on the general environment through adaptation and the development of a niche. However, those organisations which do develop niches and are highly adapted to a particular environment "may be adversely affected by any significant changes in the environment" (Aldrich & Mueller 1982). Large organisations which are not overly adapted or specialised, are less susceptible to environmental pressures than smaller highly adapted, more specialised organisations. However, these larger more complex organisations may be less able to adapt quickly and so tend to concentrate in stable environments, while smaller less complex organisations may tend to operate within unstable highly dispersed environments (Aldrich, 1979).

Variations in form, structure and activity which have been selected as beneficial to an organisation will be retained both within that organisation and across the organisational population (McKelvey & Aldrich, 1983). These beneficial variations are retained through various processes such as: diffusion; external pressure, for example, government legislation or the interests of powerful sponsors; an organisation's bureaucracy via information collection and administration; shared beliefs and culture; recruitment and socialisation; continuity of leadership and the selection of the succession (Aldrich, 1979). Organisational constraints then operate to restrict deviation from these successful forms and also act against the loss of successful variations by imposing standardisation and control systems to protect the organisation from undue procedures and the mutation of beneficial variations.

Because strategy emerges through environmental selection, as opposed to direct strategic choice, the greater the heterogeneity of variations the greater the richness for selection and the closer the subsequent organisation-environment fit.

The ability of organisations to modify and influence their environments is restricted to the very large. The smaller organisations which make up the majority in most industries are relatively unable to influence their environments. However these organisations may attempt to react to and manage the external environment through "collective response" (Aldrich, 1979) in such forms as trade associations or chambers of commerce, because individually they are relatively powerless to affect the strategy environment selection process (Aldrich & Pfeffer, 1976). Equally, the ability to influence and resist environmental pressures also varies between industry (Hirsch; 1975). Although certain organisations may be able to influence their environment the attempts organisations make to do this are often restricted to buffering themselves from environmental pressures, rather than actually changing external conditions.

Discussion

It is evident from the above descriptions that each of the six perspectives can describe or explain some aspects of the process of strategic decision making within organisations. However, the very complexity of the decisions making process makes it unlikely that one perspective would adequately describe the process operating in all organisations, in every situation, and at any point in time. Furthermore the processes these perspectives describe are not mutually exclusive. One perspective and its associated characteristics is not correct and another wrong. The perspectives are in effect descriptive as opposed to prescriptive. Because organisations continually face changing problems it would seem probable that the processes activated to solve these would similarly alter.

With the exception of the ecological perspective two general views of strategy formulation are cumulatively advanced. Firstly, strategy formulation is viewed as a "logical" process, which can be managed pro-actively in an attempt to understand the complexity of the environment, to establish patterns of causality and to generate strategy which matches an organisation's resources with the environment. Secondly, strategy formulation results from the political, cognitive, and cultural facets of management and leadership. The two views and their underlying perspectives however are not necessarily unrelated or contrary. The interrelationship is such that the pro-active management and "logical" approaches may in fact result in the development of "emergent" strategy as opposed to "intended" strategy. Adaptive change may result from a conscious employment of procedures associated with the planning and "rational" process, as well as influence from the political and social aspect of the organisation (Quinn, 1980; Pondy, 1983).

The anomaly within these perspectives is the ecological perspective. Although problematic the perspective is useful. It represents the broader influence of the environment upon the organisation, in interpreting strategic decision making. It demonstrates the constraints which operate to restrict organisations to niche operations, and the subsequent restrictions on their choice outside what is possible within that niche. The restrictions on choice may be overstated since the opportunity to exercise strategic choice does occur. However, the ability to choose may ultimately be restricted by such things as barriers of cost, location, product life cycle and organisational size.

Viewed in a more integrated fashion strategies may be seen to developed through adaptive change which incorporates elements from all the perspectives. Awareness of strategic issues may tend to manifest at the individual level through the sensing of indicators (Johnson, 1987 pp 25; Lyles, 1981). This initial awareness is confirmed and expanded through periods of incubation (Lyles, 1981, Mintzberg, 1973 pp 21; Johnson, 1988) and further "sensing" of organisational signals, for example internal performance measures, customer reaction and environmental changes (Norburn & Grinyer, 1973/74). As Lyles and Thomas (1988) point out individuals interpret environmental stimuli or organisational signals differently. This interpretation relates to the experience and expectations of the individual, their perceived interests and preferences, and their association to the organisational culture. The result of these differences mean that the definition of a strategic problem and its possible solutions also differ. The analysis of the environment and the organisation which the planning process and its incumbent procedures enable can contribute to this understanding and sensing. The process can define and make explicit the strategic issues, opportunities, threats and constraints which face the organisation. However, this is inevitably problematic and requires to be undertaken with awareness of the social and cognitive limitations of the organisation and its members and of the influence of stakeholder groups. It is hoped that the information generated in this way is less susceptible to excessive filtering which attempts to ensure it is in fit with the paradigm or with the interests of certain groups.

Throughout this period of "sensing", potential strategic responses to issues are generated. Initially, managers either search for ready-made or previously successful solutions, or they develop a response through the tactical realignment of existing strategies. Where this is not possible, solutions will be developed by incremental adaption of existing strategies previously used in similar or familiar situations. Where required new alternatives may be developed directed by an interaction of social, political, and cultural factors. Sensing continues until a "triggering point" is reached, often at which point the formal monitoring systems indicate a potential problem, (Lyles, 1981). The solutions are then presented to

the organisation and maybe implemented on a low commitment, trial basis. This process is iterative in nature, the selection and development of solutions occurring concurrently and continually (Johnson, 1987). Options are assessed through limited exposure to the environment. Those options assessed to be inappropriate, based on both perceived and analytical criteria, are eliminated the other options are developed further, the successful options, which fit the organisation's vision, being incorporated within the organisation's strategies. Successful options are not selected as the "best" or most appropriate but are those which remain after the inappropriate ones have been eliminated.

The shared beliefs and assumptions of an organisation produce a consensus and homogeneity of opinion and facilitates the development of organisational strategy in line with the past and the dominant paradigm. Reaction to changes in the environment is adaptive in nature and commonly agreed upon, political negotiation resolving any conflicting demands and interests in the process. However organisations also require some degree of heterogeneity or at least the facility to transgress the bounds of the organisational norms in search of opportunities and solutions. These two aspects though contradictory in the terms of control and autonomy, enable organisations to react to unexpected alterations and enact appropriate strategic change, reducing the potential for strategic drift. Without the integration of control and autonomy, organisations may well be able to incrementally alter as the environment changes, however the restrictions of the culture, cognitive models and political process, may render them unable to enact and develop strategic change outside their shared and dominant belief systems. This may result in strategic drift and require a large and dramatic realignment incorporating the alteration, amendment or even rejection of the dominant belief system. A major shift which may be facilitated by the development of a new organisational vision or through a "controlled challenge to the paradigm" (Johnson, 1987 pp 282), to enable the organisation to adaptively realign or allow more substantially realignment outside the organisational paradigm if required.

The strengths of each perspective and their underlying processes in explanation of the strategic decision making process, comes through their combination and not in their sole and isolated use. As environments and environmental conditions alter the use of these processes change, their level of importance and utility increasing and decreasing with respect to these changes. The perspectives explain much of an organisation's strategic decision making through their diverse combination. Research by Johnson (1987) has already indicated that different processes of strategic decision making can occur concurrently within the same organisation. So while each perspective in isolation may not explain all decision situations their combination may do so more reliably. It is therefore suggested that a clearer understanding of the process of strategic decision making and its

complexity may be facilitated by using these perspectives simultaneously in a multiple perspective approach to the explanation of the process of strategic decision making.

Analysis of strategic decision making using this multiple perspective approach should permit differences and similarities to be identified in the processes of strategic decision making operating within an organisation, between organisations and indeed across industrial sectors. Similarly, it should enable the premise to be tested that these processes do not operate in isolation but are in fact interrelated and appear within organisational decision making in the form of patterns of processes. Patterns which may differ between situations and organisations due to the affects of time, context and situation. Equally, it is desirable to examine whether particular strategic issues are dealt with in similar or dissimilar manners across organisations or industries, whether managers within the same organisation agree or disagree on the patterns of processes at work within their organisation and whether this perception differs across managerial groups.

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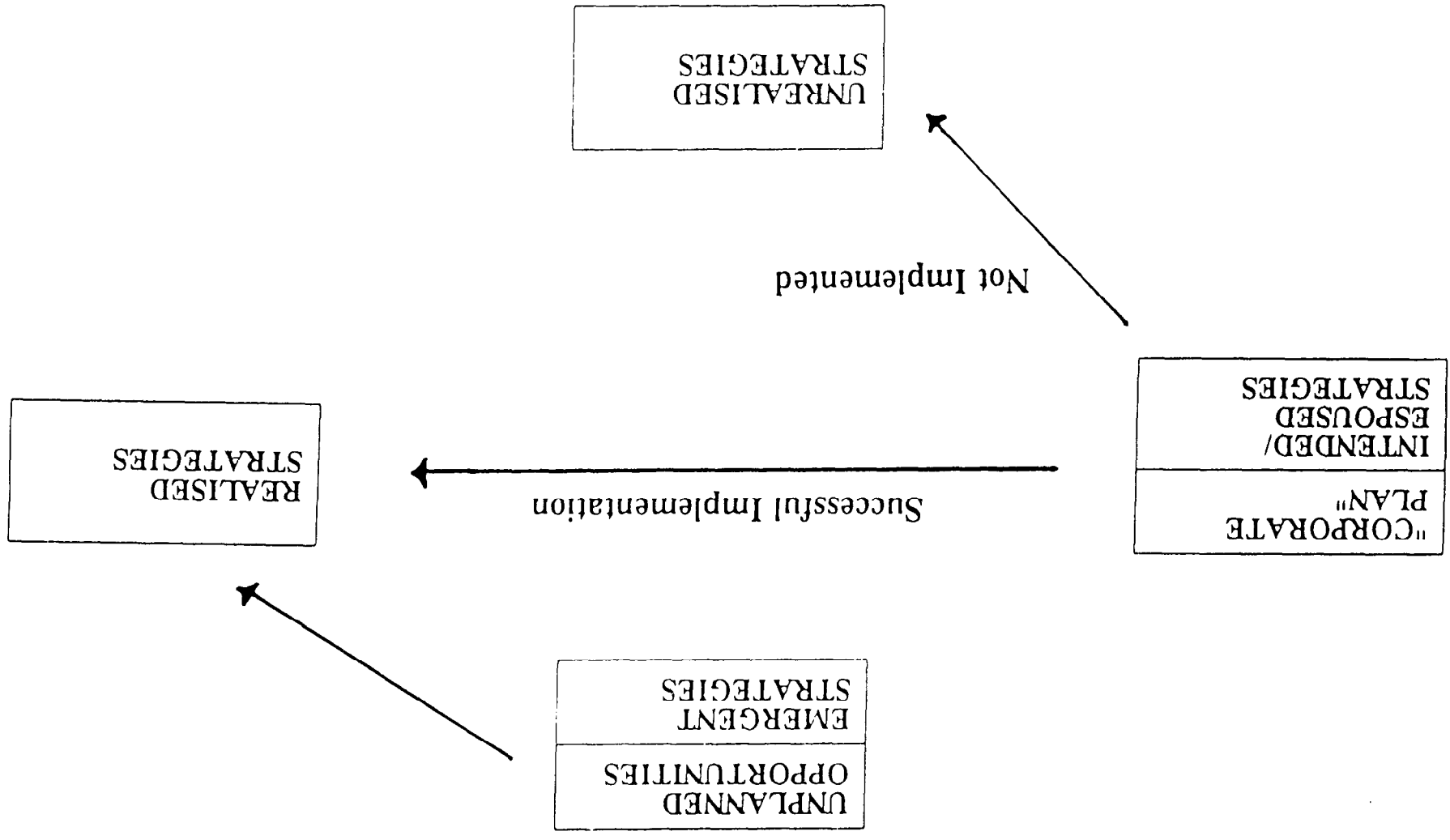
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STRATEGY IN PRACTICE



UNREALISED STRATEGIES

Not Implemented

"CORPORATE PLAN"
INTENDED/
ESPOUSED
STRATEGIES

Successful Implementation

REALISED STRATEGIES

UNPLANNED OPPORTUNITIES
EMERGENT STRATEGIES