



## EXPLORING THE NATURE OF STRATEGIC DECISION - MAKING: FROM RATIONALITY TO ORGANIZATIONAL POLITICS

Dr. Nicos Sykianakis  
Associate Professor  
Department of Accounting  
Technological Education Institute of Piraeus

Email: [niksyk@teipir.gr](mailto:niksyk@teipir.gr)

### ABSTRACT

The aim of the following review of decision-making theories is to explore how decisions are made and implemented within organisations. Miller et al. (1996) developed a useful framework for examining studies in the decision-making area, using rationality and power as basic criteria. These two dimensions are important to the present discussion since rationality is something commented on by all management theorists, while the issue of power is central to the analysis of decision-making as a political process. The study focuses on describing the decision-making process within its historical and contextual framework and pointing out its political nature (Pettigrew 1985b). The following part of the study presents the various decision-making theories starting from the rational model, which is the most common one, and progressing to other views leading to the discussion of the political model of making decisions and moving on to the issue of power.

**KEYWORDS:** Strategy, Decision Making, Organisational Politics, Theory

### 1. INTRODUCTION

A decision is defined “as a specific commitment to action” while a decision process is “a set of actions and dynamic factors that begin with identification of a stimulus for action and ends with the specific commitment to action” (Mintzberg et al. 1976, p. 246). Decision-making, being part of organisational life, is viewed through the various theoretical perspectives that are applied to studying organisations (Burrell & Morgan 1979).

Theories of organisational decision-making can be classified into two major categories: normative theories and behavioural theories. Normative theories of decision-making usually describe what is expected to

happen or what should be happening, in order to meet certain assumed ends, while behavioural theories seek to know how a decision actually happens (Cyert & March 1963). Simon (1960) distinguished programmed from non-programmed decisions. Programmed decisions are seen as repetitive and routine, while non-programmed are characterised as novel, unstructured and sequential (Simon 1960). The latter can also be called strategic decisions. Many researchers have tried to find some common characteristics for the nature of strategic decisions. These decisions have been defined as loose, novel, unstructured and having a long-term impact on the organisation (Mintzberg et al. 1976; Northcott 1992; Butler et al. 1993). As Pennings (1985, p. 6) wrote:

“Strategic decisions are significant because of the magnitude of resources



involved. They are unstructured in that the problems they solve involve multiple courses of action, each one of which is hard to evaluate. They are complex because the solutions are multisided and uncertain in their outcomes. They are collective because each solution often hinges on the decisional inputs of the various interests groups that are involved in the decision-making process, whether it is during the process prior to the choice or during its aftermath. Finally, they are consequential because they impart distinct and relatively enduring commitments that have profound internal and external ramifications. Attached to these decisions are the collective beliefs, interpretations, myths and symbols that help the membership to give meaning to them. The endowment with meaning will further accentuate their collective and consequential character.”

Normative models of decision-making have concentrated mainly on routine operating decisions, where the problem-solving situation is easier to analyse and resolve through the application of quantitative methods. On the contrary, strategic decisions have attracted less attention from management scientists because the application of normative methods failed to depict the broad nature of the decision process and to include the variety of factors that affect it (Mintzberg et al. 1976).

Pettigrew (1985a) classified existing studies on strategic decisions and change by distinguishing them according to the context, process and content of change. There is a context, which represents the organisation’s internal and external environments. The process of strategic choice takes place within this context. The process produces the content of decisions and, in the long run, of change. Both decisions and change are the outcomes of the process. While studies of the decision content are characterised by the application of rational theory and seek to find the optimum outcome, behavioural theories have concentrated on studying the decision process. Most studies in the area of strategic decision-making and strategy development have concentrated on the outcome of the strategic process rather than the process itself. When issues of context are discussed, the analysis is limited to the notion of the competitive

environment of the firm (Pettigrew 1985b). Strategic process studies do not view separately strategy formulation and implementation, instead seeing strategic change as deriving from a stream of decisions (Mintzberg 1978). The current study adopts contextual analysis (Pettigrew 1985b) to the study of strategic decision-making.

## 2. DECISION-MAKING THEORIES

### 2.1. Rationality

The rational economic model has been the mainstream and more popular approach for studying decision-making, emphasising the attainment of goals, efficiency and organisational stability (Buchanan & Huczynski 1997). Rationality is widely accepted as the prevailing assumption characterising action in the modern industrial world. Factors such as the dominance of bureaucracy, management education, and the evolution of management thought and practice lead to the intensification of this trend (Buchanan & Huczynski 1997). Rational decision-making is positioned at the core of the functionalist paradigm (Miller et al. 1996), which is objectivism (Burrell & Morgan 1979). Objectivism was the first attempt to theorise the study of business organisations and management, and characterises the foundations of the classical view of management, which are drawn from the physical sciences. Organisations are treated as machines, whose function can be investigated and analysed for extracting laws of general application. So, individuals are seen simply as parts of that ‘machine’ having a passive and responding role determined by their participation in the organisation (Burrell & Morgan 1979).

The rational model of making decisions is simple in its conception. It assumes that each single actor acts rationally in pursuing some well-defined goals by using given means. This actor responds to clearly analysed problems and has unlimited access to information. He/she judges the situation and makes the optimal choice among a number of given alternatives, based on calculations he/she makes for determining the consequences of



available options. Choice is based on prior knowledge gained through experience (Buchanan & Huczynski 1997). The unique criterion of making decisions is the maximisation of the decision-maker's utility from any chosen alternative. When there is no certainty over future outcomes, the rational decision-maker will calculate the probability distribution of all the existing options before reaching any decision (Allison 1969).

The parts of the study that follow present the organisation not as a single economic decision-making entity, but as a social system that, from a 'rational' theoretical perspective, fails to make decisions based on pure rationality because of various organisational or environmental complexities. Such complexities (often characterised as "inefficiencies") have been studied within the context of bounded rationality.

## 2.2. Bounded Rationality

The rational decision-making model derives from neo-classical economic assumptions and views decision-making as a sequential process aimed at the maximisation of the company's wealth. Taking as his starting point the view that rational economic decision-making and classical organisational theory are normative, prescriptive and are not based on empirical data, Simon (1955, 1959) was among the first management theorists to challenge the 'rational actor' model as not existing in real life. Simon's (1955) main argument was that rational behaviour is restricted by limitations in human cognition and information processing capabilities, as well as limitations in the availability of information. Based on these remarks, March & Simon (1958) developed the 'bounded-rational' model, which concentrated on the motivational and cognitive aspects of individuals' decision-making.

Among the main assumptions of the rational model of decision-making is that the firm operates in a perfectly competitive market and has a single goal, which is wealth maximisation. The assumptions of this rational economic model have been criticised by both

economists and behavioural scientists. First, the term 'wealth maximisation' found in economic rationality does not have a clear definition and it is not distinguishable whether it refers to the short-run or the long-run. Furthermore, wealth maximisation may exist as a goal among others or may not exist as such at all (Cyert & March 1963). Second, the economic theory of the firm neglects major organisational parameters that apply in the decision process, such as the role of structure, management, and human beings. Third, alternatives are not known so that the 'economic man' can rank them in terms of utility, but should be searched for and discovered sequentially (March & Simon 1958). Finally, there is neither certainty over future outcomes, nor risk measured by probability distributions. In practice the use of scientific forecasting methods for dealing with uncertainty is limited and the use of statistical models is considered to be naive (Simon 1959) since it is impossible to accurately predict future decision outcomes.

Due to these limitations, it is difficult to define what the optimum outcome should be for any organisational decision. The lack of knowledge over future outcomes and the search for alternatives suggest that only goal satisfaction and not maximisation is feasible (March & Simon 1958; Simon 1959). According to Simon (1959), the decision-maker does not take the environment for granted but on the contrary he/she is a learning individual who searches for solutions and processes information. The form of decision-maker that Simon introduced is not a 'rational economic man' but an intentionally rational 'administrative man' (Simon 1960).

March & Simon (1958) introduced to their discussion the concept of organisational conflict, relating that to differences in goals and perceptions due to task and objectives differentiation. Unfortunately, they viewed task differentiation only through the scope of informational dysfunctions and so, the issues of power relations and resource dependency are not considered as basic explanations behind conflicting behaviour (Burrell & Morgan 1979). Introducing the concept of power drives attention in choice situations away from the notion of satisfying to that of fulfilling



personal interests, with the use of organisational resources.

Bounded rationality (Simon 1955; March & Simon 1958) has been the first major challenge to rational decision-making theory, emphasising cognitive and informational limitations in the decision process, and consequently re-orientating human behaviour from 'maximising' to 'satisfying' set goals. Despite all the above contributions, the bounded-rational approach has many flaws as well (Pettigrew 1985b). First, such conclusions about decision-making from an individual point of view are projected without reservation into the organisational domain, failing to take into consideration structural issues surrounding the decision process. Second, Pettigrew points out that decisions are shaped not just from rational or bounded-rational behaviour, but also by actors' own interests, bureaucratic dysfunction and the organisational structure and environmental forces. The concern with bounded rationality is that it remains rational on its own grounds (Pettigrew 1985b). If the technical deficiencies from limited information could be removed, then the process would be merely rational and purposive. The bureaucratic model that follows moves from the individual's aspects of decision-making that characterised bounded rationality, to more organisational dimensions.

### 2.3. Bureaucracies and the Behavioural Theory of the Firm

Bureaucratic organisations are characterised by rational-legal authority and the existence of hierarchy, rules and norms, division of labour and specialisation, standardised activities, and separation of management and ownership (Weber 1968). Bureaucracy is an efficient way to deal with some tasks by formalising decision-making processes. On the other hand the bureaucratic model has dysfunctions as well, related to difficulties in adapting to change or being impersonal. It does not fully address the issue of members' interests and the role of power in making decisions (Butler 1991).

Allison (1969) described the

application of the bureaucratic-organisational model in decision-making. "Organisational behaviour can therefore be understood [...] less as deliberate choices of leaders and more as outputs of large organisational functioning according to standard patterns of behaviour" (Allison 1969, p. 698). The organisation needs to co-ordinate participant individuals in order to perform some tasks and respond to environmental stimuli. Co-ordination is achieved with the use of Standard Operating Procedures (SOPs), which are pre-set rules for dealing with specific situations determining some kind of action expressed into programmes. The application of SOPs is focused basically on standardised and known problems. SOPs change in the long run under the process of organisational learning and through responding to major crisis (Allison 1969). The use of SOPs is a fundamental issue for the behavioural-organisational notion of the firm that recognises the collective nature of the firm but still seeks to see rationality behind its functioning (Allison 1969).

Bureaucratic dysfunctions are characterised by the displacement of formal goals, occurring when rules and norms are not seen as means serving wider goals but as ends in themselves. Merton (1968) referred to that as "ritualism". Furthermore, the division of labour and task specialisation could distract attention towards operational sub-goals and side interests associated with them. The study of bureaucratic dysfunctions has tried to explain disequilibrium and change, while moving from functional unitary interpretations. Unfortunately it does not fully address the issues of power and conflict (Burrell & Morgan 1979).

The behavioural theory of the firm implies that the subject of interest is an adaptively rational system rather than an 'omnisciently rational system' (Cyert & March 1963, p. 99), since it learns from its experience while trying to deal with environmental uncertainty, coalition maintenance, and information processing. The theory assumes the existence of multiple, conflicting and changing goals, and the selection of the first adequate solution after examining alternatives, while using SOPs for dealing with uncertainty. The firm is recognised as a coalition of



interests deriving from the existence of differentiated sub-goals, due to the structuring of the organisation in divisions. Conflicting goals are counted among the dysfunctions ascribed to the bureaucratic model. Cyert & March (1963) first acknowledged the political nature of choice making, but the political process was not given a clear description and lacks empirical evidence (Pettigrew 1973). The fact that they discussed the choice of a satisfactory solution without referring to the determinants of satisfaction, effectively sets aside the roles of power and interests in the decision process (Pettigrew 1985b). Their point of seeing survival as the organisation's ultimate aim justifies the criticism of applying biological analogies for interpreting organisational phenomena (Burrell & Morgan 1979). A similar conception of organisations arises in contingency theory, discussed next.

#### 2.4. Contingency Theory

Recognising inadequacies in the bureaucratic model, Lawrence and Lorsch (1967) suggested a more flexible and open model that would take into consideration environmental factors and changes, as well as the needs of the organisation's members. The contingency model tried to overcome the mechanical view of organisations for a more organismic one, although it still maintained biological analogies such as the need for survival, which derived from the open systems theory (Burrell & Morgan 1979). According to the contingency approach, the enterprise and its subsystems are in a continuous process of interaction and adaptation with their environment:

“Its principal thesis is that different organisational principles are appropriate under different environmental circumstances, and within different parts of the organisation. Effective operation of enterprises is seen as dependent upon there being a suitable match between its internal organisation (including structures, styles of leadership and decision-making), and the nature of the demands placed upon it by tasks, size environment and members' wants” (Hopper & Powell 1985, p.439).

Lawrence and Lorsch (1967) had in mind the efficient operation of enterprises and for that reason the contingency approach is considered predominately functional and, despite the references to organisational politics, the issue of power remains unexplored (Burrell & Morgan 1979). In the same approach, Thompson & Tuden (1959) studied the impact of uncertainty on the way that decisions are made. Decisions were characterised by the degree of uncertainty over organisational ends or means. The ‘ends’ represent the organisation's goals while the ‘means’ assist the goals' attainment. By combining a high or low degree of uncertainty with ends or means, the following four types of decisions appear: computational (rational), judgmental (bounded rational), bargaining (political) and inspirational.

A more recent application of contingency theory in decision-making has been the Bradford Studies (Hickson et al. 1986; Cray et al. 1991) whose aim was not necessarily to describe the decision process but to explain which factors affect that process. Two major such factors were recognised: problem complexity and politicality. “Problem complexity reflects the technical and informational aspects of the decision topic. The decision is viewed as a problem to be solved through the collection and analysis of data and the subsequent evaluation of alternatives courses of action” (Cray et al. 1991, p. 231). This factor refers to the means dimensions while politicality refers to the ends dimension in the Thompson & Tuden model (1959). The ‘Bradford Studies’ expressed complexity and politicality through several variables that, with the use of cluster analysis, classified decisions into three categories: sporadic, fluid and constricted. Sporadic are the decisions that appeared to be more uncertain, with many interruptions and which are characterised as political due to the involvement of many staff members. Fluid decisions are still novel but with less diverse involvement and thus less bargaining or continuity problems. Finally, constricted decisions are more familiar, structured and straightforward in their nature (Cray et al. 1991).

Despite providing explanations of the



decision process, the Bradford studies (Hickson et al. 1986; Cray et al. 1991) have some limitations. First, the issue of problem complexity is seen as a problem of bounded rationality, though bounded rationality has been criticised for neglecting the existence of conflicting interests and structural differences behind problems in the processing of information (Pettigrew 1985b). By rationalising the technical problems, the Bradford studies failed to see the depth of political behaviour in organisations. Their theoretical background, contingency theory, “tends to portray management in a technical role, matching organisational design to the dictates of contingent factors. [...] As in the case of systems theory, factors such as technology may be part of strategies of control” (Hopper & Powell, 1985, p.441). Structures, controls, information channels and processing are not value free constructs, but represent existing power relationships in the organisation. For that reason it is inappropriate to see the two factors, complexity and politicality as independent. On the contrary, complexity fits into the political nature of decision-making. Second, the ability of the ‘Bradford Studies’ to explain the decision process has been challenged in methodological terms. Pettigrew (1990) judged their study as episodic, failing to go deep into the context, history and process making a decision. Even Butler et al. (1991), who was based on the Bradford studies, criticised them on using a single respondent per company, something that undermines any clear understanding of the political nature of decision processes because it does not allow other views to appear. Third, the role of politics and power is downplayed in the ‘Bradford Studies’ view of business organisations since the sectional interests that are the basis of power are largely attributed to managers’ ‘idiosyncrasies’ (Cray et al., p. 231) rather than to structural reasons (Hardy & Clegg 1996).

In general, Butler et al. (1991) see politics as something negative and not as the main force that drives change and choice in organisations. This negative and narrow view of power gets more obvious when organisational politics in decision-making are treated as Machiavellian (Butler 1990; Buchanan & Huczynski 1997). Butler (1991)

prescribes to the contingency view of organisations and thus, though he recognises the role of conflict, he also recognises the demand for common goals for the sake of survival. It is implied that behind contingency theory lies a hidden determinism (Burrell & Morgan 1979; Hopper & Powell 1985). The analysis above has pointed out that the theoretical assumptions of the contingency approach and their methodological implications are limited in their usefulness as a framework for comprehensively describing the decision-making process. The next approach considered moves from the study of individual decisions to that of strategy making consisting of a sequence of decision episodes.

### 2.5. The Incremental View of Strategic Decision-Making

The literature on strategic decision-making has failed to reach a common definition of what strategy is. It is acknowledged that the concept of strategy first appeared in the domain of the military, but it is also now used in organisations as well as in other areas distinct from the domain of warfare (Pennings 1985). Pennings (1985) distinguishes three major conceptions of strategic planning. The first conception is ‘explicit strategy’, where strategy formulation is a formal process, expressed in plans and analysed into mission statements and clear objectives. The ‘implicit’ view of strategy ex post recognises that consistent patterns of action are effected within the organisation, even without the existence of a formal plan. Also, the implicit view exists in cases where explicit announcements have been made about the strategy to be followed, but retrospectively other decisions were made. Finally, the third conception views strategy as actors’ subjective interpretations of organisational reality that seek to give meaning to their past actions. “The strategy or the specific activities attached to it -strategic planning, budgeting, meetings-become increasingly ideational or even transformed into myths, ceremonies, and ritual. The strategy, as external posture, as organisational identity or mission, becomes a social construction of reality” (Pennings 1985, p. 3).



Various conceptions of strategy formulation coincide with the diverse views on organisations and decision-making (Pennings 1985). The explicit view on strategy, focusing mainly on the decision outcome, has grown in the business literature and is close to the unitary and rational views of organisations. On the contrary, researchers from the public policy and administration domain have been more interested in the process of making strategic decisions, as seen in the other two views of strategy. The latter approach shaped trends in the business organisation literature of the 1970s (Pettigrew 1977; Mintzberg, 1978; Quinn 1978). Pennings (1985) concludes that the trend in the strategic decision literature is moving from the mainstream explicit view to the implicit and to the sense making views of strategy. About the making of strategy Mintzberg (1978, p. 934) mentions:

“The planning mode, comprising the largest body of published materials and in the tradition of both management science and bureaucratic theory, depicts the process as a highly ordered, neatly integrated one, with strategies explicated on schedule by a purposeful organisation. In sharp contrast, the adaptive mode [...] depicts the process as one in which many decision-makers with conflicting goals bargain among themselves to produce a stream of incremental, disjointed decisions. And in some of the literature of classical economics and contemporary management, the process is described in the entrepreneurial mode, where a powerful leader takes bold, risky decisions toward his vision of the organisation’s future.”

Among the first descriptive decision-making studies were those from the area of public administration (Lindblom 1959; Braybrooke & Lindblom 1963). Seminal work in the area presented the decision process as incremental, taking place in small, distinctive steps rather than one large one. The basic idea behind incrementalism is that when the organisation faces a novel problem, it progresses to the decision by dividing the task in sub-decisions (increments) that are more easily dealt with from past experience. The decision-maker is ‘muddling through’ (Lindblom 1959) because he has limited capacities in terms of time and money, sources of information, intellectual and processing

capabilities. The advantages of the incremental approach are that uncertainty is managed more efficiently and change is more easily accepted (Lindblom 1959).

The incremental approach was soon transferred to business organisational studies by researchers such as Bower (1972), Mintzberg (1978) and Quinn (1978). It is questioned whether ‘a decision’, seen as a deliberate action, could bring about organisational change. Quinn’s (1978) work on the logical incrementalism in particular has been significantly influenced by the public policy studies discussed above. He progressed theorising about the incremental approach. Managers are viewed as participating in a both analytical and political process, which evolves gradually and steadily towards a certain purpose (Quinn 1978).

Quinn (1978) suggested that “strategies emerge in a continuous incremental and thereby additive fashion” (Pettigrew 1985b, p. 22). Tomkins (1991) noticed that other researchers such as Mintzberg and Pettigrew adopt the incremental view, but in an uneven way, where periods of radical change follow periods of relatively continuous stability. Pettigrew (1985b) recognised the importance of Quinn’s (1978) work for giving further insights in the study of strategy making, but criticised the logical incrementalism theory for being affiliated with the notion of bounded-rationality, since this theory remains purposive in its basis. Furthermore, the logical incremental approach apart from being descriptive has a prescriptive character as well, since it suggests to managers how to manage the process of change.

Mintzberg (1978) stressed the need for empirical research since much of the strategy literature remained theoretical. He introduced the idea of strategy formulation not as planned process but as a constructed ‘pattern in a stream of decisions’ and has shown the emerging nature of strategy. Mintzberg studied strategic decisions and clearly distinguished intended from realised strategy. The intended strategy is a plan that is expressed explicitly, has a purpose and is issued before any decision. On the other hand, the realised strategy is not necessarily planned



deliberately but often emerges as an interplay among environmental shifts, bureaucratic stabilising re-actions and leaderships' mediation to balance both trends (Mintzberg 1978). By adopting the adaptive mode of strategy instead of the planned one the dichotomy between formulation and implementation becomes obsolete. "Strategy formation then becomes a learning process, whereby so-called implementation feeds back to formulation and intentions get modified en-route, resulting in an emergent strategy" (Mintzberg 1978, p. 946).

What is missing from Mintzberg's analysis is the role of power and politics in the actions of bureaucracy and leadership. Especially, leadership's mediating intervention implies that its role is functional and aimed at equilibrium, disregarding the issue of shaping change in order to fit interests and dominating authority through the management of perceptions (Hardy & Clegg 1996). Hardy (1996) argues that the role of power in strategic decision-making is not widely recognised in the normative management literature. She stresses the importance of executives using power under all of its three dimensions when managing strategic change. The discussion that follows tries to overcome the deficiencies of logical incrementalism by adding to the study of decisions a strong theoretical framework, that of power and politics.

## 2.6. Decision-Making as a Political Process

Allison (1969) was among the first writers to reflect on the politics of decision-making processes while studying the American reaction to the Cuban missiles' crisis. He presented three models of decision-making two of which, rational and organisational, have already been presented earlier in this thesis. Bureaucratic politics, as Allison calls the third model, views not a single actor or an organisation seeking the optimal strategic decisions, but multiple actors with multiple sub-goals trying to reach a desired outcome through bargaining. The existence of sub-goals is much due to the structural differentiation, where an actor sees more clearly the tasks

assigned to his position rather than the broad goal. Positions, performance and political skills determine the ability of an actor to influence outcomes. Every actor pursues some interests that could be national, political or personal and, through power play, aims to promote these interests to outcomes. Varying sub-goals and perceptions about future outcomes cause conflict and inaugurate politics as the mechanism of choice (Allison 1969). The power play is not random, but is influenced somehow from structural determinants and takes place in specific action-channels (Alison 1969).

The way that organisations are structured (i.e. in sub-groups) makes inevitable the creation of sectional interests and differentiates the understanding of company goals. The division of labour creates conflicting goals between the sub-units comprising the organisation (Pfeffer 1981). Decision-making is viewed as a power game between competing interest groups over the control of organisational resources (Pfeffer & Salancik 1974). Power relations are generated and power is accumulated to the divisions that have control of the most scarce and needed organisational resources (Pfeffer & Salancik 1974) or to those who cope most successfully with uncertainty (Hinings et al. 1974). Political games include manipulating information, bargaining and compromise that may lead to outcomes non-optimal for everybody and often different from what a hypothetical rational choice might be (Miller et al. 1996).

Until now the major theories of decision-making in organisations were presented. It should be mentioned that the decision-making process does not take place in a black box but should be viewed within the context of the wider organisational and societal environment. The section that follows positions the process of making strategic under that perspective.

## 3. STRATEGIC DECISIONS AND THE MAKING OF STRATEGY

### 3.1. The Contextual, Historical and Processual Nature of Strategic Decisions



Mintzberg and Waters (1990) presented strategy as emerging than planned, and challenged the ability of a process to generate strategic decisions. They remark that, while trying to study strategy, they found it impossible to trace decisions made. They noted that a focus on expressed decisions is misleading and that attention should be re-directed towards realised actions. Furthermore, they noticed persistent behaviour (strategy) without any traceable, clear and formal decision process. They concluded that the concept of 'decisions' could be confusing since 'decisions' may have been created after any strategy implementation, as ways of explaining past actions (sense making) and securing compliance with this specific way of acting for the future (Mintzberg & Waters 1990). Butler (1990) criticised the new theoretical developments presented by Mintzberg and Waters (1990) on the grounds that well-known difficulties of studying decision-making could be faced within the existing theoretical context, rather than by denying the role of decision process. Butler stresses the importance of distinguishing the study of decision-making from that of strategy formulation, in order to avoid such confusions.

Pettigrew (1990) believes that ways of conceiving and expressing the reality surrounding decision-making activity are not neutral, but are directly influenced by the context within which decisions take place. He criticised most similar research studies (e.g. Mintzberg & Waters 1990; Butler 1990) as episodic and lacking historical, contextual and processual analysis. Almost every study of decision-making processes treats decisions as distinct episodes, irrelevant to the organisation's prehistory and independent from the wider organisational context within which the process unfolds (Pettigrew 1985a). Pettigrew argues that decision-making should not be studied cut from the context in which it operates, but as a continuous process taking place within a framework formed by the organisation and the external environment. For that reason historical data and societal variables have to be considered. "Intra-organisational processes are not only studied comparatively through time but also with a frame of reference which recognises the enabling and constraining circumstances of

changing business, political and economic contexts" (Pettigrew 1985b, p. 27).

Pettigrew (1985a) is among the few researchers who have tried to view choice and change through a theoretical framework of culture and politics. The meaning of culture is that organisational decision-making takes place within a certain environment and in a given period of time and not in a 'black box'. Pettigrew's aim was to find the influence of various socio-economic conditions in a specific decision process over time, and thus go beyond contingency theory, which mechanically tries to relate specific environmental factors to organisational outcomes or structural characteristics. An important difference between Pettigrew's first (1973) and second (1985b) main research works is that in the latter he does not simply substitute rational theory with a political one. Pettigrew (1985b) denounces the application of a single theory and proposes a multilevel analysis for explaining strategic decisions and change. For instance, the existence of power relations between organisational actors based on their personal or group interests does not exclude the quest for efficiency as a sustained goal. Behind political behaviour lies some degree of rationality.

Apart from the purely rational perspective and the administrative (bounded-rational) perspective, there is a notion of rationality in the political perspective of decision-making (Jones 1992). Rationality here refers to the way in which each interest group conceives their surrounding context, faces uncertainty and responds to a perceived problem (Dermer & Lucas 1986). Within the political perspective, rationality has not a neutral but an ideological intense meaning, since there are many views of what rational behaviour is, based on various interpretations of reality. Accounting information is used politically (ammunition, legitimisation), to present a certain interpretation of reality as truth, usually the most powerful interpretation. The role of accounting may therefore lie not on making rational decisions, but in helping politically made choices to be accepted. This does not imply that these decisions are irrational; on the contrary, behind politically made decisions lies rational action from an



interest group that is purposefully pursuing the solution best suited to its own aims. The way strategic decisions are made under a framework of culture and politics is discussed next.

### 3.2. Decision-Making and Strategy Formulation as a Political Process

Pettigrew (1977) presented strategy formulation as a continuous process by which organisational members give meaning to their reality, evaluate perceived changes in the external environment and act upon arising conditions. By viewing strategy as an intentional and planned activity comprised of series of decisions, organisational members seek to give meaning to their actions. Normative theory distinguishes between two phases in the strategy process: formulation and implementation. The existence of two separate and consequent phases assists people in understanding both the process and the present strategy as the outcome of deliberate planning. In reality, comprehension and knowledge of the strategy process depends upon the empirical study of a stream of decisions that form a consistent pattern of action (Mintzberg 1978).

In studying strategy the contextual mode of analysis could be applied. "Strategy may be understood as a flow of events, values and actions running through a context" (Pettigrew 1977, p. 79). Furthermore, Pettigrew's ideas on how strategy evolves are close to Quinn's (1978) model of logical incrementalism. He considers that past strategies and experience always form the basis for new strategies. The context, either environmental or intra-organisational, determines the need for changes in strategy and influences its formulation process. Specifically, the process is influenced by organisational, cultural, task, leadership and internal political factors (Pettigrew 1977, p. 79). It is suggested that the implementation of a strategy reforms the context, creating a new platform for future strategy formulation. The theoretical distinction between strategy formulation and implementation implicitly remains (Pettigrew 1977), even though in later

writings Pettigrew (1985b, 1990) adopts Mintzberg's (1978) view of a simultaneous and continuous interplay of these two stages. Also, Pettigrew (1977) suggests that the context is altered with every change in strategy, while in reality change occurs after several strategic decisions in a row or at least after a major strategic change due to environmental factors (Pettigrew 1985b, 1987).

The main idea behind Pettigrew's research (1985b) is the view of the organisation as an open political system. The role of politics applies as a theoretical framework for viewing decision-making. Choice or change is not programmable, it is "a consequence not just of rational problem-solving processes, or of the weight of technical evidence and analysis" (Pettigrew 1985b, p. 27). Therefore, decisions and change are due less to the action and the personality of a leader or top decision-maker, as less normative models would suggest (Pettigrew 1987). Change is the outcome of a dynamic process, where power holders struggle for status and their perceived interests, and form a new net of relations. As already mentioned, the organisation is comprised of various interest groups, which "are likely to have different goals, time orientations, values, and problem solving styles. In short, they may have different rationalities, which provide the motive forces for their actions and reactions, along with the language and styles of behaviour to express those actions" (Pettigrew 1985a, p. 281). Conflict arises from the existence of different and opposing rationalities. In carrying out a contextual analysis, it has to be kept in mind that those rationalities are not stable but change through time, being influenced by intra-organisational and societal forces (Pettigrew 1985a).

Organisational conflict is more intense during periods of change because then resource allocation systems are more likely to change, or new resources may be created, with well-known effects on members' status and power basis. Usually, a changing situation inside or outside the firm produces stimuli and dilemmas about how individual and collective actors will respond to that situation. By recognising a situation that needs to be altered,



participants put their own demands on the strategy generation process regarding how change should take place. The choice of demands to be processed, as well as the choice of action to be followed, characterises the political nature of strategic decision-making (Pettigrew 1977). The political character of the process is completed with the necessary mobilisation of power in support of the demands posed through the process.

Apart from demand generation and power mobilisation, a third characteristic of political behaviour affects which demands will be forwarded or rejected in the process, based on the construction of meaning and collective consciousness in the organisation (Pettigrew 1977). The creation of meaning is related to the legitimisation of one's political and cultural objectives with the application of rational and analytical terms (Pettigrew 1977, 1985a). Organisational actors wishing to advance their demands should present them in a 'legitimate' way. Pettigrew (1985a) views structures, cultures and strategies not as value-free constructs, but as existing to serve the dominant coalition's interests in the organisation. Corporate ideology and culture provide stability since they represent a collective and established way of interpreting reality "for a given group at a given time" (Pettigrew 1985a, p. 283). Also, dominant organisational culture acts as a legitimisation mechanism for a system, filtering and evaluating signals from inside and outside the organisation to suggest which demands should be acceptable and which not in the firm's decision process (Pettigrew 1987).

Affecting the way people perceive their reality and give meaning to their actions is a powerful aspect of the strategic decision process. The construction and preservation of meaning is achieved with the use of symbols, language, beliefs, myths and the establishment of values. Language, like management accounting, carries not only information but meaning as well (Pettigrew 1977). "Culture can shape and not merely reflect organisational power relationships" (Pettigrew 1987, p. 658). Carriers of meaning are useful to the dominant group since they provide a power basis for legitimising their demands while delegitimising others' conflicting demands

during the decision process. Information plays a particularly important symbolic role in organisations, providing assurance that decisions are rational and efficient (Feldman & March 1981). Organisational members may ask for more information, even though they cannot always process it. More information offers legitimacy to decisions made, by conferring to the process a notion of intelligent and scientific choice, which characterise modernity (Feldman & March 1981).

#### 4. CONCLUSION

This paper seeks to give further insights into the strategic decision practice. Pettigrew (1985a) insisted that any decision process should not be studied as distinct episodes, but should be viewed within a framework formed by the external environment and the organisation. The context (environmental and organisational) has a direct impact on the decision-making process. For this reason, the study of decision-making has to take into consideration the political and economic situation, societal values, and the changing business environment and how the company's history evolved under these conditions. Most studies treat decision-making as episodic, focusing mainly on the outcome of the decision process, and limit their view of context only to the competitive environment (Pettigrew 1985b). The point made in this study is that the context not only stimulates any strategic decision-making process, but also influences how the process will be conducted. The context creates the need for change, but several organisational characteristics such as corporate culture, power relations and the role of leadership determine how the process of choice and change will be performed.

The basic point purported here is that power and organisational politics impact on the way decision outcomes are produced. Conflict and political behaviour emerge during changing conditions and innovative decision tasks. Sectarian demands are generated during those decision processes and power is mobilized through the control of resources in support of those demands (first dimension of power). Additionally, the dominant group of



participants in the decision process tries to bring about its favourite decision outcomes, by subtly forwarding their preferences and affecting other participants' perceptions (Lukes 1974). What this study adds to the above mentioned conception of power is that it introduces a fourth dimension of power that may affect the decision process in an imperceptible way, (Hardy 1996), which,

unlike the other three dimensions, it cannot be managed by the organisational participants in order to shape the decision in a preferred way while impeding others. The power of the system refers to norms, rules and societal values that are taken for granted and which favour certain decision outcomes while impede others.

### REFERENCES

1. Allison, G. T. (1969), "Conceptual models and the Cuban missile crisis", *The American Political Science Review*, Vol. 63, No. 3, September, pp. 689-718.
2. Bower, J.L. (1972), *Managing the Resource Allocation Process*, Homewood Illinois, Irwin.
3. Braybrooke, D. & Lindblom, C. (1963), *A Strategy of Decision*, Glencoe, Free Press.
4. Buchanan, D. & Huczynski, A. (1997), *Organisational Behaviour* (3<sup>rd</sup> edition), London, Prentice Hall.
5. Burrell, G. and Morgan, G. (1979), *Sociological Paradigms and Organisational Analysis*, London, Heinemann.
6. Butler, R. (1991), *Designing organizations: a decision-making perspective*, London, Routledge.
7. Butler, R. J. (1990), "Studying Deciding: An Exchange of Views between Mintzberg and Waters, Pettigrew, and Butler", *Organisation Studies*, 11(1), pp.2-16.
8. Butler, R. J., Davies, L., Pike, R. & Sharp, J. (1993), *Strategic Investment Decisions: Theory, Practice and Process*, London, Routledge.
9. Butler, R. J., Davies, L., Pike, R. & Sharp, J. (1991), "Strategic Investment Decision-Making: Complexities, Politics and Processes", *Journal of Management Studies*, 28, 24, pp. 395-415.
10. Cray, D., Mallory, G. R., Butler, R. J., Hickson, D. J. & Wilson, D. C. (1991), "Explaining Decision Processes", *Journal of Management Studies*, 28, 3, pp. 227-251.
11. Cyert, R.M. & March, J.G. (1963), *A Behavioural Theory of the Firm*, Engelwood Clifs, NJ, Prentice-Hall.
12. Dermer, J. & Lucas, R.G. (1986), "The illusion of managerial control", *Accounting, Organisations and Society*, Vol. 11, No. 6, pp. 471-482.
13. Feldman, M.S. & March, J.G. (1981) "Information in Organisations as Signal and Symbol", *Administrative Science Quarterly*, 26, pp. 171-186.
14. Hardy, C. (1996) "Understanding Power: Bringing about Strategic Change" in *British Journal of Management*, Vol.7, Special Issue, pp. S3-S16, British Academy of Management.
15. Hardy, C. & Clegg, S.R. (1996), "Some Dare Call it Power" in Clegg, S.R., Hardy, C. and Nord, W.R. (eds.) *Handbook of Organisational Studies*, London, Sage Publications.
16. Hickson, D. J., Butler, R. J., Cray, D., Mallory, G. R. & Wilson, D. C.



- (1986), *Top Decisions: Strategic Decision-Making in Organisations*, Oxford, Basil Blackwell.
17. Hinings, C.R., Hickson, D.J., Pennings, J.M. & Schneck, R.E. (1974), "Structural Conditions of Intra-organisational Power", *Administrative Science Quarterly*, 19, pp. 22-24.
  18. Hopper, T. & Powell, A. (1985), "Making Sense of Research into Organisational and Social Aspects of Management Accounting: A Review of its Underlying Assumptions", *Journal of Management Studies*, pp. 429-465.
  19. Jones, T. C. (1992), "Understanding Management Accountants: The Rationality of Social Actions", *Critical Perspectives on Accounting*, Vol. 3, pp. 225-257.
  20. Lawrence, P.R. & Lorsch, J.W. (1967) *Organization and Environment*, Cambridge, Mass., Harvard Graduate School of Business Administration.
  21. Lindblom, C. E. (1959), "The Science of 'muddling through'", *Public Administrative Review*, 19(2), pp. 79-88.
  22. Lukes, S. (1974), *Power: A Radical View*, London, Macmillan.
  23. March, J. G. & Simon, H. A. (1958), *Organisations*, New York, Wiley.
  24. Merton, R.K. (1968), *Social Theory and Social Structure*, New York, Free Press.
  25. Miller, S.J., Hickson, D.J., & Wilson, D.C. (1996), "Decision-Making in Organisations" in Clegg, S.R., Hardy, C. & Nord, W.R. (eds.) *Handbook of Organisational Studies*, London, Sage Publications.
  26. Mintzberg, H. (1978), "Patterns in Strategy Formation", *Management Science*, Vol. 24, No. 9, pp. 934-948.
  27. Mintzberg, H. & Waters, J. A. (1990), "Studying Deciding: An Exchange of Views between Mintzberg and Waters, Pettigrew and Butler", *Organisation Studies*, 11 (1), pp.2-16.
  28. Mintzberg, H., Raisinghani, D., & Theoret, A. (1976), "The structure of 'unstructured' decision process", *Administrative Science Quarterly*, 21, pp. 246-275.
  29. Northcott, D. (1992), *Capital Investment Decision-Making*, London, Academic Press.
  30. Pennings, J.M. (1985), "Introduction: On the Nature and Theory of Strategic Decisions", in Pennings, J.M. (ed.) & Associates (1985) *Organisational Strategy and Change*, San Francisco, Jossey-Bass Ltd.
  31. Pettigrew, A. M. (1990), "Studying Deciding: An Exchange of Views Between Mintzberg and Waters, Pettigrew and Butler", *Organisation Studies*, 11, 1, pp. 2-16.
  32. Pettigrew, A. M. (1987), "Context and Action in the Transformation of the Firm" in *Journal of Management Studies*, 24 (6), pp. 649-699.
  33. Pettigrew, A. M. (1985a), "Examining Change in the Long Term Context of Culture and Politics" in J.M. Pennings (ed.), *Organisational Strategy and Change*, San Francisco, Jossey-Bass.
  34. Pettigrew, A. M. (1985b), *The Awakening Giant: Continuity and Change in Imperial Chemical Industries*, Oxford, Basil Blackwell.
  35. Pettigrew, A. M. (1977), "Strategy Formulation as a Political Process" in *International Studies of Management and Organisation*, 7 (2), pp. 78-87.



- 
36. Pettigrew, A. M. (1973), *The Politics of Organisational Decision-Making*, London, Tavistock Publications.
37. Pfeffer, J. (1981), *Power in Organisations*, Boston, Pitman.
38. Pfeffer, J. & Salancik, G. (1974), "Strategy Formulation as a Political Process", *Administrative Science Quarterly*, 19, pp.135-151.
39. Quinn, J.B. (1978), "Strategic Change: Logical Incrementalism", *Sloan Management Review*, Fall, pp. 7-21.
40. Simon, H. A. (1960), *The new science of management decision*, New York, Harper.
41. Simon, H. A. (1959), "Theories of Decision Making in Economics and Behavioural Science", *American Economical Review*, Vol. 49, No. 3, pp. 253-283.
42. Simon, H. A. (1955), "A behavioural model of rational choice", *Quarterly Journal of Economics*, Vol. 69, pp. 99-118.
43. Tomkins, C. (1991), *Corporate Resource Allocation: Financial, Strategic and Organisational Perspectives*, Oxford, Basil Blackwells.
44. Weber, M. (1968), *Economy and Society: An Outline of Interpretive Sociology*, G. Roth & G. Wittick (eds.), Berkeley, Los Angeles, and London, University of California Press.