Getting into the Act: Who Decides about Corporate Strategy?

Susan Miller

What is a manager? According to many people, a manager is someone who makes decisions. What is a good manager? Someone who makes the right decisions? An obvious equation but the reality underlying this simple-sounding statement is more complex. What is a good decision, and how do you know when you have made one? What factors influence success? These are not trivial questions, especially in relation to the larger, more consequential *strategic* decisions in a firm. When it comes to decisions about what kind of strategy the firm should be following, then the wrong choice can prove costly, sometimes fatal. Who makes the crucial decisions in organizations? Who gets involved in this central and critical activity and who has the most influence when it comes to the big issues?

This article draws on a large-scale research project which is being carried out by a team from Durham, Bradford and Aston universities whose aim is to try to answer some of these questions. The researchers are following up a previous study[1] which looked at the making of 150 strategic decisions in 30 different organizations. The current project follows up 55 of these decisions to see what happened after they were authorized to go ahead – to analyse their implementation and their success. The study is particularly interesting since it is able to trace decisions from their gestation to the current day, in many cases a period of 20 years or so. The work is ongoing, so results are not

Susan Miller

yet finalized but, already interesting findings are emerging.

It is surprising that so little is known about how managers make successful decisions in organizations. Rosemary Stewart's oft-quoted dictum that a manager's job is about "deciding what should be done and then getting other people to do it"[2] confirms the view that decision making is a central managerial activity. Henry Mintzberg's empirical work underlined that it is one of the key overarching roles which all managers undertake[3].

But, of course, not all decisions share the same *gravitas*. Herbert Simon[4] distinguished between two kinds of decision made in organizations. First, there was the *programmed* variety; the kind of decision which was made on a relatively frequent basis and could be taken in a structured way. But there was also the *non-programmed* variety. Non-programmed, or strategic, decisions are more unusual in that they have not been encountered before in quite the same form. They can, therefore, be more difficult to make and, since they are usually about the more significant and consequential areas of a firm's business, deserve special attention.

The kinds of strategic decision studied for this research included the buying of a second brewery by a small local brewer. An apparently fortuitous decision, which enabled the firm to increase its production eightfold, nevertheless led to serious cashflow problems which jeopardized the long-term future of the company. Another decision, taken by a company in the financial services sector, was to diversify into estate agency. This brought only meagre returns during the operation of the estate agency businesses, but a large windfall when they were finally sold a number of years later.

These cases illustrate the difficulties of gauging success. For decisions such as these are dynamic and have long-term consequences. Success changes with the passing of time. Viewed immediately after implementation, the brewery decision would have been claimed an unqualified success, the acquisition of the estate agents less so.

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With the passing of time, the positions are less clear, almost reversed.

Strategic decisions play a crucial role in shaping the future of an organization. They commit long-term resources, set precedents and define the course of future strategies. But they can also shape the careers of those who join in the decision-making games. It has long been acknowledged that these kinds of decision are as much about power and political behaviour as they are about rational and logical choice mechanisms. Who gets involved in decision making, and who is left out, are issues of import for those who want to be part of the real action. One of our cases shows this only too well. A decision about whether a chemical manufacturer could generate its own electric power – on the surface a decision which should rely heavily on objective factual information and calculative judgements – became inextricably bound up with a succession struggle between two senior executives[5]. One was for the scheme, the other against and each marshalled support in his (for it was a "he" in both cases) own favour. Eventually, the production director, who was in favour of electricity generation, got his way and the decision proved successful. He subsequently eased his way into the position of managing director. Securing the decision also secured his future.

So being able to influence strategic matters brings rewards in addition to just being part of the action. As Gerard Egan has urged[6], the "shadow side" of organizational life affects us all and we must learn to manage it, both to understand the organization better and to secure our own place within it.

Indeed, some have argued that the key to understanding organizations is not to study what is being done – the actions being taken and the decisions being discussed – but to try to uncover what is not being done, the actions not being taken and the decisions not being discussed. The non-decisions[7] are more important than the decisions. The argument is that there are certain "rules of the game" which prescribe what is able to be discussed and what actions will be sanctioned. These rules often result from subtle, often covert behaviour, tacit agreements and negotiations which are being played out beneath the surface of everyday life and outside formal meetings and agendas. Those who are involved in these games hold the key to what issues are eventually allowed to surface for decision.

With regard to our research, we are studying the decisions which have risen to the top of the agenda (or have been allowed to surface), and have been actioned.

Who makes these kinds of decision? They are mostly the province of chief executives and senior managers. They are not the only ones involved, for there are usually many others who participate – collecting information, analysing data, preparing financial projections, compiling reports; but usually strategic decisions are authorized, or sanctioned, by top management. And here is a point of interest. In the original study, all the senior managers were male. In 30 firms, with 30 chief executives and senior managers, not one was female. But then this first study was carried out ten or so years ago; what is the likelihood of a change now? Very slim, is the answer. In our current study, returning to 14 of the original 30 organizations, there are still no women in the top hot seat.

"Women who have made it to the top are notable for their rarity"

We should not be surprised perhaps; our data simply reflect the national picture. Although some women have made it to the top, and are notable because of their rarity, the situation is still one where most organizations are managed by male managers. Of around three million managers in the UK, about one-fifth are women[8], but only 4 per cent of middle and senior managers are women and under 1 per cent of chief executives[9]. In 1989, a study found that of the top 200 British industrial firms, only 21 had women on the board and only six had women executive directors[10].

The upshot of this is, for the most part, that women are not involved in taking strategic decisions. They are not involved in choices about which strategies to pursue, about which major products/markets to drop or promote, about the long-term future direction of an organization. They may be in evidence elsewhere, providing inputs to decision making, or implementing what has been decided, but they are not in a position to authorize or reject. In this sense, they do not shape the organization and its path ahead.

But what if, as suggested above, power also resides outside the formal decision-making bodies, does this allow others entrée? Perhaps, but even here evidence suggests that women face exclusion (or exclude themselves because of family ties or other pressures) from the important internal networks, the after-work social activities and so on. And this is important because managers often rely on these informal mechanisms to provide them with information and knowledge. They often prefer "soft data", gossip and face-to-face contact rather than formal reports and meetings. So, by making less use of these channels, women are distanced both from formal decision making and informal influencing.

To take this a step further, our work has begun to look at factors which influence the success of these decisions. One factor we have identified which appears to help is planning or foresight. We have called it "prevoyance", using a term coined by the early writer on management, Henri Fayol[11]. Obviously not everything can be planned in advance – by their nature strategic decisions are about the future which is inherently unpredictable – but nonetheless decisions which have been thought through carefully and their implementation mapped out (with enough flexibility to allow for changes in circumstances) seem to stand a better chance of being successful. A reassuringly obvious point perhaps, and one which modifies the prevailing wisdom that any kind of planning is a pointless exercise in such a chaotic world.

But our findings show that, by and large, managers do not plan. Even though, with hindsight, they acknowledge that more forethought might have helped, they still do not do it. A recent consultancy study provided an emphatic confirmation of our findings[12].

So managers rely on hunches about the future, inspiration, intuition and judgement – formed, in part, from information gleaned from these informal networks and contacts. There are those who will claim that some of these attributes, such as good intuition, are to be particularly found in women – in which case their exclusion means that organizations are denied their expertise. But other studies suggest that there are really more similarities than differences between men and women managers. In that case, women's skills are every bit as valuable.

Either way it is the case that a large section of the workforce remains outside of these decision-making processes and, thus, excluded from directly influencing the strategic direction of companies. What we therefore need to ask is whether, in the long term, this is really what we want for our women managers, and whether it is good for business.

Perhaps there is hope for the future in that, in terms of sheer numbers, there will be more women than ever in the workforce. As Davidson and Cooper say in their book, *Shattering the Glass Ceiling*[13]:

> Economically, organizations can no long afford *not* to utilize the talents of their female workforce to the full, because, like it or not, the female workforce will undoubtedly increase and many women now aspire to leadership and managerial positions (p. 19).

Perhaps future studies of strategic decision making will be able to report on a more even balance of those at the top of organizations. What difference will that make to success we wonder?

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