

# CHAPTER 21

## Strategic Decision-Making

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### LEARNING OBJECTIVES

- *To review the steps involved in the process of strategic planning.*
- *To understand how evolutionary programming influences strategic decision-making.*
- *To gain insights into the diverse ways of performing the strategic decision-making task.*
- *To recognize the role of institutions in the profitability of strategic decisions.*
- *To incorporate a developmental growth element in strategic decision-making.*

### INTRODUCTION

Decision-making is at the heart of management. To make a decision means to make a judgment regarding how to act in a certain situation after having generated alternative courses of action. Napoleon Bonaparte once said, 'Nothing is more difficult, and therefore more precious, than to be able to decide.' Nobel Laureate Herbert Simon (1960) identifies three phases of decision-making: 'finding occasions for making a decision; finding possible courses of action; and choosing among courses of action.' The decision itself is a point of selection and commitment when the decision-maker chooses the preferred purpose, the most reasonable task statement, or the best course of action. The organizational decision is one where the selection is guided by the likelihood of furthering organizational mission.

Organizational decisions can be broadly classified into three categories: strategic, tactical, and operational, according to the time horizon of the decisions. *Strategic decisions* target long-term vision of an organization, and guide the organizational policies from a design and development perspective. Typically these decisions offer a continuing framework to the organizational activities, lasting a few to several years; a series of strategic decisions may, however, be undertaken on an ongoing basis. *Tactical decisions* are the decisions that are required to effectively manage the organizations configured according to strategic-level decisions. The execution time horizon of each tactical decision could range from weeks to months. Finally,