

TOPIC- Strategic Decision-Making

The concept of strategy becomes a process of taking decisions when the organisation formulates a strategic plan. While determining the future, strategic decisions develop the identity and character of the organisation. They do this by determining if the organisation will continue in the same business line, or diversify in broader field of activities. They also explore the possibility of the organisation's entry in a new market or its dominant increase in the existing market.

Strategic decisions principally deal more with external than internal business problems and specifically with the selection of the product mix (the full range of products on offer by the organisation).

Strategic decisions are different from operating decisions that are concerned with the activities or current operations. Examples of such activities are, resource allocation monitoring, performance and applying controls, production planning and scheduling inventory management and control.

Strategic decisions, also differ from administrative decisions that deal with structuring the firm's resources in order to create a maximum performance potential. These decisions involve several activities, which are as follows:

- Establishing authority-responsibility relationships,
- Establishing workflow, communication, distribution channels,
- locating facilities as well as acquiring and developing resources,
- Developing sources of raw materials supply, personnel training and development,

- Financing and acquisition of plant and equipment.
- Strategic decisions have the following dimensions:
- **Top management involvement:** Strategic decisions are associated with several fields of organisational operations. This calls for an understanding of major implications and the essential authority that allows allocating resources for the implementation of strategic decisions. Such understanding and authority exist only with the top management, which is dominant in strategic decision-making.
- **Allocation of large amount of resources:** Strategic decisions call for obligation of the organisation to long term activities that aim the operation of substantial resources. These resources in the form of men (personnel), machines (plant), materials (raw materials) and money (capital) have to be attained from organisation surplus.
- **Impact on long-term prosperity of the organisation:** Strategic decisions have a significant impact on the organisation's prospective growth and success. This is due to the organisation's commitment to any strategy chosen before along with its specific product-market features. It is difficult to shift the organisations perspective by adopting a radically different strategy in the short run.
- **Future-Oriented:** Strategic decisions are based on foresight, anticipated by the management. In a fast-changing competitive world, a proactive business approach is adopted to meet the projected changes.

Multi functional or multi business consequences: Strategy formulation may have implications for several functional departments, Strategic Business Units (SBUS) and units of operation in terms of allocation and reallocation of resources and responsibilities. These implications may

result from strategic decisions bearing on product-mix, organisational structure and competitive emphasis.

Consideration of factors in the external environment: The open system which the firm interact with the environment, calls for strategic decisions to be made in the light of how suppliers, creditors, customers, competitors and government are likely to react to environmental changes.

Readiness to make non-self-generative decisions: Often managements do not have any forewarning that strategic decisions are necessary. This is a challenging dimension that involves real time issues or mid-year surprises (unforeseen and uncertain events that occur in the market). The organisation should therefore remain flexible and prepared to make strategic decisions at any point of time H.Igor Ansoff refers it as 'non-self-generative' decisions.