Strategic Decision Making
Process Research:
Are Entrepreneur and Owner Managed Firms Different?

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Abstract: The research into SME’s is often presented as quite distinct from strategy or general management research. This paper examines the literature on Strategic Decision Making (SDM) process, drawing in some findings from the SME sector which show some key similarities. The paper makes proposals for research into SDM processes in SME’s, which would clarify both the general management theory and theory relating to SME’s.

DEFINITIONS OF STRATEGIC DECISIONS

Mintzberg, Raisinghani and Theoret (1976) define a strategic decision as one which is “important, in terms of the actions taken, the resources committed, or the precedents set”(p.246). Quinn (1980) suggests that these decisions determine the overall direction of the firm. In line with this, Eisenhardt (1989) defines strategic decisions as those which “(1) involve strategic positioning, (2) have high stakes, (3) involve many of the firm’s functions, and (4) [can] be considered representative of the process by which major decisions are made at the firm”(p.546). Eisenhardt & Zbaracki (1992) add that strategic decisions are “those infrequent decisions made by the top leaders of an organization that critically affect organizational health and survival” (p.17). Other authors note in addition that decisions which are strategic in one industry may not be so in another (Hickson, Butler, Cray, Mallory & Wilson 1986). However, Dean and Sharfman (1996) note that in their research, managers had no trouble in identifying strategic decisions.

By implication, strategic decisions are complex, and involve a high degree of uncertainty. They may be focused in innovation or entrepreneurship, or
in some other area of activity. Their occurrence and type may be contingent on a wide variety of factors, including the external and the internal environments of the organisations in which they are made.

CHARACTERISTICS OF GOOD STRATEGIC DECISION MAKING

The characteristics of good decision making processes have been widely considered. Comprehensiveness of decision process is widely identified as a central feature of good decision making, and is associated with rationality of management (Fredrickson and Mitchell 1984). Comprehensiveness refers to the extent to which a thorough search for options has been undertaken, and those options reviewed for their relative merit before one is chosen.

Significant and positive links between comprehensiveness of strategic decision process and performance is established in meta-analyses of the planning – performance literature by Miller & Cardinal (1994) and Schwenk and Schrader (1993). These analyses, however, compare many different studies, which are based on differing constructs, methodological approaches, and firms and environments. They note considerable variance between studies in the size of the effects, and suggest that factors in the business environment may be responsible for these.

Exhibit One summarises the characteristics of good decision processes identified in the literature, and outlines results from empirical studies. It indicates the level of debate and uncertainty regarding when comprehensiveness might be appropriate or inappropriate.

The literature indicates a dichotomy between short term (comprehensive) and long term (extensive) decision horizons. Recent writing in the strategy arena may contribute to a deeper understanding of this problem (for instance Levy 1994, Stacey 1995). Stacey (1995) proposes that the science of complexity may offer greater insight into the mechanisms through which strategies emerge than more traditional views. Complexity theory suggests that organisations are systems which operate with complex negative and positive feedback loops. Long term outcomes are difficult to predict, as they are the result of the entire history of an organisation, not of a single action or decision. Tiny, undetectable actions can escalate into major outcomes. Thus short term decisions need to be made within longer term
guidelines or intentions. This idea is particularly relevant in highly
turbulent or highly uncertain environments.

### EXHIBIT ONE:

**CHARACTERISTICS OF DECISION MAKING PROCESSES**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Key Points</th>
<th>Key References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensiveness</td>
<td>A measure of rationality which refers to the extent to which organisations attempt to be exhaustive or inclusive in the making or integrating of decisions</td>
<td>Fredrickson &amp; Mitchell 1984</td>
</tr>
<tr>
<td></td>
<td>Defined as extensiveness of decision process relating to short-term opportunities and threats</td>
<td>Miller &amp; Toulouse 1986</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Priem, Rasheed and Kotulic 1995</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Miller, Burke &amp; Glick 1998</td>
</tr>
<tr>
<td></td>
<td>Positive for firms in stable industries; harmful for firms in turbulent industries</td>
<td>Fredrickson &amp; Mitchell 1984</td>
</tr>
<tr>
<td></td>
<td>Positive effects for firms in turbulent industries</td>
<td>Bourgeois &amp; Eisenhardt 1988</td>
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<td>Miller &amp; Toulouse 1986</td>
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<td></td>
<td></td>
<td>Priem, Rasheed &amp; Kotulic 1995</td>
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<tr>
<td></td>
<td>Positive effects for firms in stable industries</td>
<td>Dean &amp; Sharfman 1996</td>
</tr>
<tr>
<td>Extensiveness</td>
<td>Defined as extensiveness of decision process relating to long-term opportunities and threats</td>
<td>Miller, Burke &amp; Glick 1998</td>
</tr>
<tr>
<td></td>
<td>Long term planning has positive effects, particularly in turbulent industries</td>
<td>Boyd 1991</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Miller &amp; Cardinal 1994</td>
</tr>
<tr>
<td>Speed</td>
<td>Fast decision making leads to better performance in high velocity environments</td>
<td>Eisenhardt 1989</td>
</tr>
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</table>

Hamel and Prahalad’s (1989) suggestion that firms should establish “strategic intent” - an ambitious competitive objective, which provides vision and informs the decision making of the entire firm over time - seems to be in line with these ideas. Similarly, Eisenhardt & Tabrizi (1995) note a contrast between “punctuated equilibrium, which characterises adaptation in terms of large, infrequent structural changes” and adaptation which “can also occur through small, frequent shifts in how firms compete in the marketplace” (p.106). Eisenhardt (1997) also suggests that “improvisation”, as in jazz or drama, is a relevant metaphor to describe the tension between short term and long term decisions. The musicians (in the case of jazz...
improvisation) innovate within the guidelines of a few clear rules. The result is both innovative and uncertain on the one hand, and highly musical on the other.

The uncertainty described by complexity theory and associated ideas is linked to the strategic decision making literature by various authors, including Stacey (1995) and Eisenhardt (1989). Stacey (1995) asks, “how do/should managers conduct themselves in the presence of irremovable, indeed desirable, uncertainty, surprise, unknowability, and open-endedness?” (p.491). Eisenhardt’s (1989) study in a high velocity environment seeks to establish how managers maintain rationality in decision making processes in the face of uncertainty and rapid, discontinuous change: “How do decision makers overcome anxiety and gain the confidence to decide? …. How do decision makers maintain decision quality while moving quickly?” (p.545). The paper deconstructs the process as a whole to establish how its elements induce speed and thoroughness together.

Eisenhardt (1989) found that managers in successful firms employed various tactics to achieve comprehensiveness of decision process. They used experienced counsellors for advice, they sought many alternatives, they speeded their cognition processes by evaluating many sorts of information frequently, they tied strategic decisions into operating plans. In highly dynamic environments, these tactics serve to speed decision processes as well as rendering them comprehensive.

One of her conclusions, that “interesting research questions centre on problem solving strategies” (p.573) is subsequently echoed in Eisenhardt & Zbaracki (1992), where the call for research into the heuristics employed in strategic decision making is more fully articulated. McFadzean and Money (1995) focus on this matter, looking at technical, rather than political approaches to problem solving.

Looking specifically at SME’s, Stokes (1995) suggests that owner-managers tend to concentrate on the day-to-day at the expense of the longer term. Carson, Cromie, McGowan & Hill (1995) note that the process of information gathering and analysis in SME’s is often “chaotic and opportunistic”. Similarly, Stokes (1995) suggests that owner-managers seem reluctant to pursue systematic market research programmes. A reliance on informal networks and feedback from known sources is noted by
Milne & Thompson (1986). Research by Brouthers (1998) shows the smallest firms doing the least structured or thorough information searches, and concludes that small firms generally could improve their processes by using more independent information and more analytical approaches.

The literature suggests, therefore, that good decision processes are described as comprehensive or extensive referring to the range of options considered either in the short term or the long term. In some environments, decisions must be made quickly, and complexity theory suggests that short term decisions may need to be made within the context of longer term rules, objectives, or guidelines. The literature also suggests that the ways in which managers cope with or address complexity - presumably in order to make good decisions - is an interesting subject for further study. In the small business field, the behaviour of owner-managers in this regard is a particular subject of study.

DECISION MAKERS AND DECISION MAKING PROCESSES

So far, the literature reviewed has identified the nature of strategic decisions, characteristics of good decision making processes. This section will consider the role of individuals and groups in Strategic Decision Making processes.

Eisenhardt & Zbaracki (1992) note three paradigms which attempt to describe the nature of strategic decision making: rationality or bounded rationality; politics & power; garbage can. The authors review the empirical support for each theory, concluding that several main contentions have enough empirical support that they can be agreed, namely:

- decision makers are rational or boundedly rational;
- decision making is a political process in which the powerful get their way;
- decision makers play politics; and
- the garbage can model (though limited in its empirical support) offers an important signal - that chance is important.

Eisenhardt and Bourgeois (1988) identify the importance of power and conflict, and propose a critical link between centralisation of power and the appearance of politics in an organisation. While the authors accepted that “all strategic decision processes are ultimately political” (p.737), they defined politics as “the observable, but often covert, actions by which executives enhance their power to influence a decision” (p.737-738).
organisations which they studied in depth, politics were negatively linked with performance. Using quite different quantitative methods across a larger sample group, Dean and Sharfman (1996) evaluated Strategic Decision Effectiveness in twenty-four firms, looking at sixty-one decisions, and similarly found that political behaviour was negatively related to effectiveness.

Conflict in team processes is discussed by many authors (for instance, Amason 1996 and Eisenhardt (1997). Amason (1996) notes the importance of team heterogeneity for decision making processes, and suggests that both cognitive characteristics and team processes influence the SDM process, and that types of conflict influence decision quality. He identifies affective conflict (which is dysfunctional and has a negative effect on decision quality) and cognitive conflict (which is functional and has a positive effect on decision quality), and notes that well managed team processes are likely to result in better decisions, with less affective conflict. In a similar vein, Eisenhardt, Kahlwajy & Bourgeois (1997) equates “substantive”, “issue-oriented” and “cognitive” conflict, and describes the importance of conflict in extracting comprehensive and extensive decision processes. Eisenhardt et al. (1997) conclude that conflict “reflects a continuously evolving understanding of the world that is gained through interaction with others around alternative viewpoints” (p.60)

Hambrick and Mason’s (1984) paper on upper echelons opened up a stream of literature examining the makeup of top management teams. They argued that if decision making is a process, and process is affected by behavioural factors, then the behaviour of senior managers is important to understanding the strategic decision making process. And behaviour is at least in part derived from the characteristics of the individuals at the top of the organisation. In keeping with the view that strategic decisions are made by the firm’s most senior managers, many authors (for instance, Eisenhardt (1989), Smith, Smith, Olian, Sims, & O’Bannon (1994), Papadakis & Barwise (1995) and Miller Burke & Glick (1998)) explore the actions and composition of top managers and management teams, and the effects of these on strategic decisions.

The influence on decision making of cognitive diversity (Miller et al. 1998), and demographic diversity (Smith, et al. 1994) in the top team have been examined. Conclusions from both studies suggest that diversity of individual characteristics of members of the team may require a process which enables them to integrate effectively. Thus in Smith et al., some
aspects of heterogeneity had a negative impact on performance, and it is suggested that team building activities in some circumstances might have substantial pay-offs for the firm. Similarly, Miller et al. identify a negative influence of cognitive diversity over comprehensiveness and extensiveness, and suggest that the management of diversity needs further research. Papadakis & Barwise (1995) examined both demographic and cognitive characteristics of CEOs and Top Management Teams. They found that decision process was strongly influenced by the team makeup, but not by the individual CEOs. Thus it is the teams themselves that seem to be linked to performance, rather than the individuals.

In the SME field, owner managers and entrepreneurs are frequently cited as having identifiable characteristics (Stokes 1998). All owner managers are not entrepreneurs, however, and entrepreneurs may exist in much larger organisations. Stokes also notes that researchers (for instance Kets de Vries (1985), Chell, Haworth & Brealey (1991)) have tried to identify both single important traits and clusters of characteristics which define the entrepreneur. He also notes that the sheer variety of people who are identified as entrepreneurs indicates a limitation to the demographic approach.

Lawrence (1991) notes that demographic studies have a key shortcoming: they substitute input characteristics for process. They collect demographic information about management and try to establish causal relationships directly with outcomes, thus ignoring the “black box” of the interactions between managers, systems, and the environment. Pettigrew (1992) attributes the conflicting and uncertain findings of these studies to this problem, critiquing in addition the shortcomings of the correlational methodologies employed. He builds on this criticism, noting that the:

“damning indictment of the demography-based top management team research is that no-one has ever been anywhere near a top team in an organisational setting either to directly observe a team in action, or to interview the members about the links between their characteristics and structure, processes of communication and decision making and their impact and performance.” (p.175)

Pettigrew completes his critique by calling for more contextualised approaches to research to be employed in the field. These alternative methodologies would consider the wider range of influences in a more holistic manner. Pettigrew (1992) also notes that even difficulties of access to senior managers can be overcome, citing Eisenhardt (1989) Eisenhardt and Schoonhoven (1990) and Pettigrew and Whipp (1991) as good examples in the field.
Higgs (1997) investigates these matters with a more complex model, using demographic, process, and outcomes characteristics of working teams to try to establish relationships between inputs, process and outcomes. This work builds on the proposed models of McGrath (1964) and Hackman and Morris (1975). The McGrath (1964) model is shown as Exhibit Two.

Higgs’ work takes a more holistic view than those attempting to link demographic characteristics of individuals with performance. It lends support to the view that process is an intervening variable between individual characteristics (inputs) and outcomes. It also looks at teams, rather than individuals. However, it also has limitations, resulting from the correlational analysis, and the necessarily limited number of factors used to enable the model to be analysed with multivariate statistics.

**EXHIBIT TWO:**

**McGRATH (1964) INTERACTION PROCESS MODEL**

Dean and Sharfman (1996) collected data on 61 decisions, using interviews with senior managers to investigate the effectiveness of Strategic Decision Making process. Their conclusion was that “decision processes influence the strategic choices managers make, which in turn influence the outcomes affecting a firm.” (p.389). They also note that “managers who collected
information and used analytical techniques made decisions that were more effective than those who did not. Those who engaged in the use of power or pushed hidden agendas were less effective than those who did not” (p.389). They note that their study, despite using quite a different methodology, shows “that some of the findings of Eisenhardt and Bourgeois (1988) and Bourgeois and Eisenhardt (1988), extend beyond unstable environments to include stable ones as well” (p.389).

Approaching the field from a different perspective, McFadzean and Money (1994) evaluated the literature on Strategic Problem solving, and noted that inputs into decision making can be addressed in many ways, as appropriated: “decision makers may need to use problem solving tools such as conceptual maps, creative problem solving techniques and/or decision analysis tools. The type(s) or tools needed will depend on the complexity and severity of the problem.” (p.18)

In keeping with Pettigrew (1992), Dean and Sharfman (1996) suggest that future research might include “more complex conceptualisations of decision making, implementation, and environmental effects. Formulating these would probably require conducting case study research, so as to disentangle the complex strands of influence on decision effectiveness in any setting.” (p.391).

The literature suggests, therefore, that process is important. The literature on top team demographics which resulted from Hambrick and Mason’s (1984) paper has been inconclusive about the influence of demographics on decision making. Pettigrew’s (1992) scathing criticism of the demographic approach for substituting inputs for process is a compelling argument against the approach. Dean and Sharfman (1996) follow Pettigrew (1992) and Eisenhardt & Zbaracki (1992) in calling for contextualised research examining Strategic Decision Making processes in situ.

THE BUSINESS ENVIRONMENT AND DECISION MAKING

The business environment is identified as a key contingent factor in SDM processes by a variety of authors (for instance, Mintzberg (1979), Castrogiovanni (1991). That the business environment is a multi-dimensional construct (including dynamism, stability, complexity, velocity and munificence) is identified by Mintzberg (1979) Goll and Rasheed (1997) and Castrogiovanni (1991). Environmental factors are seen as

However, the definition and operationalisation of constructs in this area are incomplete. Castrogiovanni’s (1991) review of the literature on munificence highlights the lack of precision in the area. Here, Exhibit Three identifies some of the constructs relating to dimensions of the environment, and gives an indication of the uncertainty surrounding them.

**EXHIBIT THREE: DESCRIPTORS OF THE BUSINESS ENVIRONMENT**

<table>
<thead>
<tr>
<th>Descriptor</th>
<th>Definition</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamism</td>
<td>Used interchangeably with Uncertainty</td>
<td>Goll &amp; Rasheed 1997</td>
</tr>
<tr>
<td></td>
<td>Opposed to stability on a continuum</td>
<td>Mintzberg 1979</td>
</tr>
<tr>
<td>Stability</td>
<td>Opposed to dynamism</td>
<td>Mintzberg 1979</td>
</tr>
<tr>
<td></td>
<td>Goll &amp; Rasheed 1997</td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>Numerous, interconnected, environmental elements are relevant</td>
<td>Dess &amp; Beard 1984</td>
</tr>
<tr>
<td></td>
<td>Measure of the extent to which the environment requires the organisation to have a great deal of sophisticated knowledge about products, customers, or whatever</td>
<td>Mintzberg 1979</td>
</tr>
<tr>
<td>Velocity</td>
<td>A measure of speed of change and continuity in demand, competition, and technology. In high velocity environments, changes are so rapid and discontinuous that information is often inaccurate, unavailable, or obsolete</td>
<td>Bourgeois &amp; Eisenhardt 1988</td>
</tr>
<tr>
<td>Munificence</td>
<td>Scarcity or abundance of critical resources needed by firms operating within an environment</td>
<td>Castrogiovanni 1991</td>
</tr>
<tr>
<td></td>
<td>Opposite to Hostility on a continuum.</td>
<td>Mintzberg 1979</td>
</tr>
<tr>
<td></td>
<td>Influenced by the organisation’s relationships with … outside groups, as well as by the availability of resources to it</td>
<td></td>
</tr>
<tr>
<td>Hostility</td>
<td>Opposite to munificence on a continuum</td>
<td>Mintzberg 1979</td>
</tr>
<tr>
<td>Uncertainty</td>
<td>Rate of change</td>
<td>Rajagopalan, Rasheed &amp; Datta 1993</td>
</tr>
<tr>
<td>Scarcity</td>
<td>Opposite to munificence on a continuum</td>
<td>Staw &amp; Szwarzkowsi 1975</td>
</tr>
</tbody>
</table>
Just as the constructs and their definitions are not fully agreed, it is also not agreed how they influence strategic decision processes and performance. Dean & Sharfman (1996) suggest that environmental instability influences decision process. Eisenhardt (1989) and Bourgeois and Eisenhardt (1988) suggest that particular environments require particular approaches to strategic decision making. Rajagopalan and Datta (1996) examine the fit between industry and CEO characteristics, and conclude that “industry factors might be less salient than firm-specific factors in explaining variations in CEO characteristics”.

In the SME field, the Small Business Research Centre (1997) develops a composite model, Indicators of Survival and Growth of Micro Firms (p.32). This acknowledges the importance of and connection between External Factors and Individual (top team demographic) Factors to success and survival. The Small Business Research Centres (1997:33) also quotes Hall (1995) “The thrust of results from this and other studies would seem to indicate that the success of a small firm will depend far more upon the policies it adopts than the buoyancy of the markets in which it operates. Internal efficiency would appear more important than the general state of the environment” (p.143).

For researchers, one way of controlling for environmental variations and uncertainty of construct is to structure research programmes around firms operating in a common environment. Eisenhardt (1989) studies firms within a single environment type – high velocity – and thereby excludes the effects of environmental factors in her study. Her study examined firm processes, then compared firm performance, identifying a range of performance quality which could be linked directly to decision making approaches. Similarly Rajagopalan and Datta (1996) examined undiversified firms, in order to control for varying environmental factors that might have an impact on Strategic Decision Processes. Their research agenda then calls for complementary work in larger, diversified firms.

AN INTEGRATING MODEL OF STRATEGIC DECISION MAKING PROCESSES

This literature review has so far identified the many inputs to SDM processes, the importance of process itself, and the outputs which are considered to be important to the success of the firm. These findings of can be modelled into an overview of the decision making process as shown in Exhibit Four. While the model provides an overview of the decision
process, theory specifically about how managers overcome uncertainty to decide, and how they maintain decision quality, is still limited. Bourgeois and Eisenhardt (1988), Eisenhardt (1989) and Eisenhardt and Bourgeois (1988) provide tentative propositions, but these appear still to be largely untried. Together they cover many different aspects of SDM processes, including comprehensiveness, the use of power and politics, the development of intuition and cognition, the management of teams and the difficulties of overcoming uncertainty. Their case studies were all found in a single, turbulent industry, where changes in competition are so fast and substantial that they create major gaps in information and high levels of uncertainty. The authors limit the generalisability of some of the propositions to such turbulent industries.

EXHIBIT FOUR:
A MODEL OF INFLUENCES ON STRATEGIC DECISION MAKING PROCESSES

The process of Strategic Decision Making among senior managers remains, therefore, an area of importance which is under-researched. As Pettigrew (1992) points out:

“We still know little about why and how top teams and other groupings look the way they do, the processes by which top teams go about their tasks, how CEOs engage with their
subordinates, and how, why, and when the upper echelons engage in fundamental processes of problem sensing, decision making, learning, and change.” (p.178).

The importance of the field, the complexity which it entails, and the limitations of the research already conducted, all imply that there are significant opportunities to develop research programmes in the area.

OPPORTUNITIES FOR RESEARCH

Using our model of SDM processes, research could investigate the relationships between certain or all elements, or it could investigate particular areas of the field. The complexity alluded to by Dean and Sharfman (1996) and others implies that either complex computer modelling would be required to look at a large sample group of SDM processes or decision makers, or alternatively, a rich picture developed of fewer examples. The former approach was taken by Higgs (1997), but faced with the volume of possible constructs and relationships to measure, he necessarily selected only a few. The case study approach would help to identify and disentangle the many threads, but repeated case studies, taking a similar approach, might have to be examined in order to identify generalisable laws or relationships.

The literature also makes numerous calls for contextualised research into the ways in which managers actually do make decisions. While Pettigrew (1992) calls for contextualised research investigating the range of influences on senior managers more holistically, Eisenhardt and Zbaracki (1992) call for contextualised research into cognition and conflict. Dean and Sharfman (1996) also call for further case study investigations:

“so as to disentangle the complex strands of influence on decision effectiveness in any setting. Such research would be less suited to demonstrating empirically that these variables have an effect, but better suited to explaining how their influences play out.” (p.391)

There are several important factors which cross these and other calls for research in the field. They encompass SDM processes as a whole, as well as specific inputs to decision processes. They also focus on the fact that SDM is the domain of managers – people with substantial responsibility for the future of the firm and only limited cognition. Exhibit Five draws together the various research questions and fields of study identified in this review. Along with the process model of Exhibit Four, this research agenda
identifies complexity and context as critical aspects of possible research in the field

EXHIBIT FIVE:
RESEARCH QUESTIONS & AREAS FOR INVESTIGATION IDENTIFIED IN THE LITERATURE REVIEW

<table>
<thead>
<tr>
<th>Author</th>
<th>Research Question or Area for Investigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hambrick &amp; Mason</td>
<td>Makeup of top management teams</td>
</tr>
<tr>
<td>Eisenhardt</td>
<td>“how do decision makers overcome anxiety and gain the confidence to decide?…How do decision makers maintain decision quality while moving quickly?” (p.545)</td>
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<tr>
<td></td>
<td>“interesting research questions centre on problem solving strategies” (p.573)</td>
</tr>
<tr>
<td>Eisenhardt &amp; Zbaracki</td>
<td>Calls for research into:</td>
</tr>
<tr>
<td></td>
<td>❏ the heuristics employed in SDM; nature, use and limitations of insight; development and use of intuition.</td>
</tr>
<tr>
<td></td>
<td>❏ the effectiveness of rationality and use of power, identification of the organisational or cultural contingencies which affect their use, research designed to illustrate how to improve various aspects of decision making.</td>
</tr>
<tr>
<td></td>
<td>❏ the effect of conflict, and how to manage it and reduce it.</td>
</tr>
<tr>
<td>Pettigrew</td>
<td>More contextualised approaches to research should be employed, which would consider the wider range of influences in a more holistic manner.</td>
</tr>
<tr>
<td>Rajagopalan &amp; Datta</td>
<td>Complementary work in larger and diversified firms to investigate environment influences</td>
</tr>
<tr>
<td>Dean &amp; Sharfman</td>
<td>“More complex conceptualisations of decision making, implementation, and environmental effects…case study research …to disentangle the complex strands of influence on decision effectiveness in any setting.” (p.391)</td>
</tr>
<tr>
<td>Miller et al.</td>
<td>Management of diversity needs further research</td>
</tr>
</tbody>
</table>

The implication for researchers may be that it is not yet time to examine SDM processes in isolation from their context. Examination of processes for commonality across widely differing environments or organisational
contexts may still present a level of difficulty which will undermine the value of any results. A more holistic approach, examining perhaps case studies in Strategic Decision Making might more effectively identify and disentangle some of the complexity.

Although some authors have alluded to Eisenhardt’s and Bourgeois’ various findings (for instance Dean & Sharfman 1996), this author has found no example of research specifically setting out to test these, either by replication of their approaches in another setting, or through cross-sectional research. There is, therefore, scope for either of these approaches to be pursued. One possible avenue for future research would be to repeat their case based research programme, but in very different industries. This could provide triangulated evidence to support (or undermine) their theoretical proposals. These could then be examined with greater confidence through larger scale and cross sectional samples.

Similarly, their research approach could be replicated in SME’s, or small owner-managed firms. Such a programme would control for a particular organisational context, rather than for industry specific issues. Research into decision making with dominant owner managers across industries would contribute a rich vein of comparative data to help with the articulation of theory on decision making processes.

Some of Eisenhardt’s (1989), Eisenhardt & Bourgeois’ (1988) and Bourgois & Eisenhardt’s (1988) proposals link decision making process with firm performance. The nature of the business environment under study meant that this was a feasible part of the research programme. Firms entered and exited the relevant markets very quickly, and their successes and failures became obvious very quickly. Many SME’s and owner managed firms similarly enter and exit quickly from the business stage, and a link between process and performance might be relatively easy to observe.

Not all environments show results so quickly, and in addition, measuring success is not itself as easy as it might be in an organisation with clear profit making goals. This need not preclude researchers from examining SDM process in such industries. Process complexity means that there are many areas to explore and disentangle within an SDM case before making the connection to performance.
Calls for research ask repeatedly for a holistic approach, and for examination of SDM processes within their context in the first instance. A purely positivist approach, by examining specific hypotheses only, might fail to identify important aspects of the problem. Advances in computer modelling systems mean that sophisticated models can be tested with greater ease than previously, but it is not yet entirely clear what propositions should be tested. Case based research, however, would seem to be an appropriate vehicle for disentangling the complex threads of the problem area. This would help to clarify new hypotheses for examination.

The need for research in the field is, therefore, well established. Senior managers carry enormous responsibility for the performance of their organisations, and finding ways of improving their performance must be an important area for research and development. Developmental programmes for managers need to be based on theory developed through research which addresses the problem of Strategic Decision Making holistically. The complexity of the problem opens up numerous opportunities for research in organisations of all sorts. The challenge – and opportunity – is to identify and carry out research programmes leading to robust and generalisable theory in the field.

In the light of these discussions, this paper proposes a qualitative study of decision processes in SME’s. The study would replicate Eisenhardt & Bourgeois’s approach of collecting and studying decision stories. These were derived principally from interviews with the Top Management Team and documentary evidence relating to the decisions themselves. Particular concepts like politics and power were investigated through the use of perceptually based quantitative instruments in each TMT. Replication would respond to calls in the literature for more consistent and comparable approaches to research on SDM processes.

The replication of the earlier studies would enable more direct comparison of findings, leading perhaps to the development of better articulated theory across different sectors. Decision stories in each of 5 – 8 SME’s should be sufficient to establish whether the tentative theory developed by Eisenhardt and Bourgeois, and supported elsewhere in the literature, is supported in the SME sector.

A similar, but smaller, replication study is being pursued currently in part-fulfilment of a DBA programme, in the University sector in England. That
study extends the investigation into the not-for-profit sector, and into a sector where performance is much more complex to measure. Like that study, the SME study would test the theory in a specialist organisational context, though unlike it, the study would look across industries. The two studies together would serve to extend and articulate the theory across a wider selection of organisational types.

Ultimately, the objective of these research proposals is to improve performance in firms. The first step is to articulate theory more fully by exploring in a more consistent manner the inputs, outputs, and critical processes in SDM. Later, the theory can be used to develop better training for managers and entrepreneurs, and more focused O.D. interventions in organisations of all types. These matters can be addressed across the organisation, not least to address the nature and quality of entrepreneurial activity.

REFERENCES


