

## Case History

# Strategic Decision Making: from Crisis to Opportunity

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*Managers can perceive and categorise problems as crisis, threat, familiar everyday nuisance or even opportunity. This article focuses on the extent to which this categorisation determines the process the organisation goes through in tackling the problem. Using the case history of a big externally-triggered decision in a chemical company to illustrate these distinctions, the authors show that the characteristics of the processes can vary a lot according to how the problem is perceived: and across many dimensions - procedural rationality, generation of alternatives, politicisation, timing and lateral and horizontal communication. They argue that top managers should not only pay particular attention to the manner in which strategic issues are perceived and labelled within the company and its systems, but even in some circumstances should 'manipulate' the information provided from external*

*or internal systems. The case described here also illustrates the crucial role of middle managers in providing expertise and information during the making of strategic decisions. Finally, it points to ways in which management teams can avoid destructive conflict and engage in constructive conflict.*

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Early in the 1990s, most parts of Greece experienced an alarming water shortage problem similar to that in many other places worldwide in the last decade (for example, in the British Midlands during 1994-1995). This was caused by a prolonged period of low rainfall, and was more acute in the greater Athens area, where supplies were at an all-time low. The shortage was so acute that the Athens Water Authority (WA) was forced to introduce severe restrictions on the use of water by both households and industrial users.

In April 1990, the headquarters of one of the most important chemical companies in Greece (to preserve anonymity, we call it CHEMCO) received an unexpected letter from WA. This warned CHEMCO that because of the water shortage and the coming summer period WA might substantially reduce or even cut off the supply of water to the factory.

At that time, CHEMCO relied on only one supplier, WA, for all its water. Unlike some of its rival companies, CHEMCO had not built a desalination unit of its own. The threat was perceived by top management to be genuine. If it materialised, it would mean that the whole plant would have to stop operations with dire consequences for production capacity, employment levels, maintenance of machinery and everything else. What should be done?

### **The Company**

CHEMCO is an industrial company belonging to a larger group of industrial and commercial companies and runs one of the most sophisticated and technologically-advanced chemical factories in its own field of activities. A \$600m expansion and modernisation project was completed in the late 1980s. In 1991-1995 the company invested an additional \$150m in various capital modernisation projects. The company faced intense competition from both private and public companies operating in Greece, as well as from international competitors.

In recent years, CHEMCO had been consistently among the most profitable industrial firms in Greece. It was also among the major customers of WA. In 1990 the company consumed approximately 10,000m<sup>3</sup> of fresh water each day. But given the serious water shortage, CHEMCO seemed unlikely to receive any preferential treatment from the water authority, whose attention had now shifted to the thousands of private households in the greater Athens area.

The situation was clearly of outmost importance to the operations CHEMCO and attracted serious top management attention with the CEO, President, and top level managers becoming heavily involved in the process of resolving it. Even the members of the Board of Directors were notified of the situation. As one manager put it:

*“Apart from officially complaining to WA, we recognised that the problem was there, and as a major company we had to deal with it and live up to our social responsibility. We should not forget that besides our profit-seeking orientation we are a company with a strong social orientation.”*

The issue became one in which people from various departments (ie research and development, production, engineering and procurement) were all involved. Ideas were welcomed from all.

The major characteristics/aspects of the processes were both positive and negative (see Table).

### **Positive Aspects of the Process**

There were three main positive aspects of this phase: stretch and leverage, closer co-operation and speed of decision-making.

#### *Stretch and leverage*

Managers were “forced” to improvise and create a large number of alternatives (some of them novel). Their approach was to work as comprehensively and rationally as possible, given the perceived shortage of time, and come up with solutions which were easy to implement. Indeed, some broad guidelines were agreed to help people in their search for solutions (eg “even if water costs us three times more than what WA charges us, we must explore this possibility”).

The managers involved in the process simultaneously examined almost all possible alternatives. Some of them could be implemented easily, while others required more thorough examination and more resources. These managers admitted that this number of alternatives would never have surfaced in a normal decision-making process of the same importance. After careful examination, the following four alternatives were short-listed:

- **Water-saving:** A widespread water-saving programme in the plant would require minimal investment; but the benefits in terms of water conservation were inadequate.
- **Transporting water in tankers:** This idea, which originated from an independent ship-owner, involved transporting water from various locations in Greece or abroad. The costs entailed were extremely high, but CHEMCO’s managers were not willing to rule out any viable option. Funding was therefore provided for the necessary infrastructure to be built to support this option (eg CHEMCO assembled a pipeline connecting the port with the factory and a tank was emptied to be used for future water-storing purposes).
- **Search for water:** The company started drilling operations in the wider factory area. The idea was proposed by the R&D department and the implementation and supervision were assigned to the technical department. Unfortunately this idea proved to be unsuccessful: significant water resources were not found.
- **Installation of a sea water desalination unit:** Producing water to feed directly into the boiler, this was the main alternative. It implied an