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STRATEGIC DECISION-MAKING PROCESSES: THE ROLE OF MANAGEMENT AND CONTEXT

VASSILIS M. PAPADAKIS^{1*}, SPYROS LIOUKAS² and DAVID CHAMBERS¹

¹London Business School, London, U.K.

²Athens University of Economics and Business, Athens, Greece

This paper investigates the relationship between the process of strategic decision-making and management and contextual factors. First, drawing on a sample of strategic decisions, it analyzes the process through which they are taken, into seven dimensions: comprehensiveness/rationality, financial reporting, rule formalization, hierarchical decentralization, lateral communication, politicization, problem-solving dissension. Second, these process dimensions are related to (1) decision-specific characteristics, both perceived characteristics and objective typologies of strategic decisions, (2) top management characteristics, and (3) contextual factors referring to external corporate environment and internal firm characteristics. Overall, the results support the view that strategic decision processes are shaped by a multiplicity of factors, in all these categories. But the most striking finding is that decision-specific characteristics appear to have the most important influence on the strategic decision-making process, as decisions with different decision-specific characteristics are handled through different processes. The evident dominance of decision-specific characteristics over management and contextual factors enriches the traditional 'external control' vs. 'strategic choice' debate in the area of strategic management. An interpretation of results is attempted and policy implications are derived. © 1998 John Wiley & Sons, Ltd.

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INTRODUCTION

Strategic decision-making has emerged as one of the most active areas of current management research. The area has greatly benefited from such research traditions as behavioral decision theory and transaction cost economics and has recently gained its own momentum (Schwenk, 1995). However, despite a substantial body of literature, it is still widely recognized that our knowledge of *strategic decision-making processes* is limited and is mostly based on normative or descriptive studies and on assumptions most of which remain untested (e.g., Bateman and Zeit-

haml, 1989; Langley, 1990; Pettigrew, 1990; Rajagopalan, Rasheed, and Datta, 1993; Rajagopalan *et al.*, 1997; Schneider and De Meyer, 1991). As Eisenhardt and Zbaracki put it, despite the crucial role of strategic decisions, the strategy process research has not departed significantly from a stage of being based on 'mature paradigms and incomplete assumptions' (Eisenhardt and Zbaracki, 1992: 17).

In particular, the need has been recognized for integrative research which explicitly considers the impact of context on strategic processes (Bateman and Zeithaml, 1989; Bryson and Bromiley, 1993; Rajagopalan *et al.*, 1993, 1997; Schneider and De Meyer, 1991; Schwenk, 1995). For instance, Pettigrew (1990) asked whether the nature of the decision problem shapes the process more than does the organizational context through which the process proceeds. In the same vein, Rajagopalan

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* Correspondence to: Vassilis M. Papadakis, London Business School, Sussex Place, Regent's Park, London NW1 4SA, U.K.