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ABSTRACT

Strategic decision-making literature is reviewed, and applications to colleges and universities are made. The key requirement for strategic decision-making is that decisions affect the entire organization. While strategic decision-making can occur at different levels within the organization, the specific strategic decisions available to the planner at each level will vary depending on the issue addressed. Strategic decisions at colleges include: mission, program offerings, student clientele, geographic scope of activities, faculty-resource mix, and comparative advantage sought. In order for a unified organizational strategic thrust to occur, these strategic decisions need to be integrated. The achievement of this outcome can be illustrated by summarizing William Rothschild's categorization of types of generic strategy, with attention to strategies concerning investment, management, and implementation. It is noted that strategic decision-making assumes change is inevitable and focuses on preparing for change. An analogy is made between strategic decision-making and vector mathematics and also to sailboat racing to help illustrate the process. A three-page list of references concludes the document. (SW)

The Concept of

Strategic Decisionmaking

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Introduction

Concern with strategic principles can be traced as far back as the writings of Homer. The word strategy comes from the Greek strategos, meaning "the art of the general." Throughout history, strategy usually has been considered a concept applicable primarily within a military or political context. However, one of the first known applications of strategy to organizations occurred when Socrates consoled Nichomachides, an Athenian militarist who lost an election to Antisthenes, a businessman. Socrates compared the duties of a general and a businessman and showed Nichomachides that in either case one plans the use of one's resources to meet objectives (Bracker 1980, p. 219).

The development of strategy as a concept to guide decisions in economic and social organizations is fairly recent, both in management theory and practice, and there has been less than unanimous agreement regarding its purpose. Peter Drucker was one of the first to view strategy as a management tool. To him, an organization's strategy amounted to the answer to two questions: "What is our business? And what should it be?" (1954). After Drucker's initial formulation, little attention was given to the concept of strategy in management literature until Alfred Chandler, a business historian, published Strategy and Structure: Chapters in the History of the American Industrial Enterprise. Chandler defined strategy as "the determination of the basic long-term goals and objectives of an organization and the adoption of courses of action and the allocation of resources necessary for carrying out these goals" (1962, p.13).

Since these initial definitions of strategic decisionmaking appeared in the business literature, there have been almost as many different definitions of the concept as there have been writers on the subject. This paper analyzes the various definitions in order to develop a better sense of what is generally meant by the concept. Is strategic decisionmaking really different from other types? If so, in what ways? The author's study of the publications of various researchers on strategic decisions was intended to identify those writings that 1) exemplify the views of many, or 2) represent new and innovative refinements to the concept. The paper is organized so as to discuss separately each of the major elements of the overall concept of strategic decisionmaking. It concludes by drawing an analogy between strategic decisionmaking and sail-boat racing, to help the reader better visualize the concept.

The Focus of Strategy

Strategy addresses a specific set of decisions that determine the position of the organization within its environment. In turn, this environmental position determines the organization's ability to compete and therefore its ability to achieve its desired future.[1]

A Specific Set of Decisions

Most of the literature on strategic decisionmaking actually addresses itself to "strategic planning." However, planning is only one way of making strategic decisions; other organizational actions can have strategic effects. Therefore, the primary focus should be placed on strategic decisions, not on the specific process by which they are made.) A number of researchers have supported this decision-oriented view of strategy. Michael Menke (1979), in discussing the work of the Stanford Research Institute (SRI), noted:

> Among the many existing definitions of planning, the definition preferred by SRI is 'the network of decisions that directs the intent, guides the preparation for change, and programs action designed to produce specified results.' The crucial importance of decisions in this definition is not accidental, because the key to a more explicit and rewarding treatment of uncertainty in strategic planning is to focus on the major decisions that comprise the strategic plan. (P. 30)

[1]Throughout the ensuing discussion, it is assumed that the decisionmaker is addressing an orgaizational entity (even though the word entity will not be used throughout). In some instances, this entity might be a subset of a larger organization (such as a school within a university or a department within a college). The key requirement for strategic decisionmaking is that the decisions being made affect the entire organizational entity, regardless of the place within the larger organization where the decisions are taken. At a later point, the notion of levels of strategic questions will be described. It will be suggested that while strategic decisionmaking can occur at a number of different levels within the total organization, the specific strategic decisions available to the planner at each level will vary, depending upon the strategic question being addressed.

Robert Shirley agrees. In an unpublished paper "Limiting the Scope of Strategy: A Decision-based Approach," Shirley argues that the scope of the field of study called "strategy" should be limited to a decisional orientation. Shirley also points out that a decisional orientation is not a new approach to the strategy concept:

> Chandler (1962) distinguished strategic decisions from tactical, entrepreneurial, and operating decisions; Ansoff (1965) contrasted the strategic decision class with operating and adminisrative decision classes; Cannon defines strategy as 'the directional action decisions which are required competitively to achieve the company's purposes' (1968, p. 9); McNichols views strategy as 'a series of decisions reflecting the determination of basic business objectives and the utilization of skills and resources to attain these goals' (1977, p. 9). [Shirley, p. 9]

Environmental Position:

A number of authors agree that strategic decisions determine the position of the organization within its environmant (Hofer and Schendel, 1978; Cannon, 1968; Shirley, unpublished.) Hofer and Schendel (1978) make this point somewhat obliquely, suggesting that strategic decisions deal with the "effectiveness" of the organization while other planning decisions deal with its "efficiency". They say that organizational changes can be of two types: 1) those that affect the relationship between the organization; and its environment, and 2) those that affect the internal structure and operating activities of the organization. They add: "Typically, environmentally related changes affect the organization's effectiveness to a greater degree than internally oriented changes, which usually have greater influence on its efficiency" (p.2).

Competitive Advantages

There is wide agreement that the organization's competitive advantage or disadvantage, vis-a-vis other organizations, establishes its environmental position. Most notably, in the higher-education field, Richard Cyert and Richard Van Horn (1979) (president and vice-president, respectively, of Carnegie-Mellon University), state: "In general, strategic planning requires a search for elements of comparative advantage" (p.7).

Creating the Desired Future:

Since competition is seen in economics as a barrier to unrestrained organizational action, it stands to reason that competition impedes an organization's ability to achieve its desired future. And it follows that strategic decisions essentially create the future of the organization by positioning it within its environment and moving it through time. Peter Drucker (1954) refers to this as the "futurity" aspect of strategic decisionmaking. Since decisions exist only in the present, he maintains that the question strategic decisionmakers must deal with is not "What will happen in the future?" Rather, there are these questions: "What futurity do we have to build into our present thinking and doing?" "What time spans do we have to consider?" "How do we use this information to make a rational decision now?" (Drucker, 1954, p.125). Drucker's concept emphasizes the fact that today's decisions help create the future world of the organization.

To recapitulate:

1. Strategy development involves the making of a specific set of decisions.

2. These strategic decisions are the ones which determine the position of the organization within its environment.

3. The organization's comparative advantage establishes its environmental position.

4. The degree of comparative advantage enjoyed by the organization determines, in large part, its ability to create the future it desires.

Levels of Strategic Decisionmaking

One of the more recent refinements in the discussion of strategic decisions (at least in the business literature) has been to distinguish among various strategic decisions according to the organizational level at which a particular decision is made. This approach establishes a hierarchy of strategic decisions determined by the kinds of questions the decisionmakers are dealing with. In the business literature, a hierarchy of strategic decisions is generally defined as 1) corporate-level strategic decisions, and 2) business-level strategic decisions. Hofer and Schendel, (1978) define these levels decisionmaking in the following way:

> In today's complex corporations, (decision makers) must deal with operating divisions, groups of divisions, and even separate legal business entities. Hence corporate level strategy is concerned primarily with answering the question, 'What set of businesses should we be in?' ...At the business level, strategy focuses on how to compete in a particular industry or product/market segment. [Pp. 27-28]

Defining two levels of strategic decisionmaking implies a hierarchy of decision questions, the first being "What business(es) should we be in?" If this corporate-level question has already been answered, the level of strategic qurestion to be addressed will depend, in large part, upon the degrees of freedom available to the decisionmaker.

This does not mean that strategic decisions differs because they can be used in addressing different strategic questions. It does mean that the emphasis placed upon a particular decision or set of decisions will differ by the type of strategic question being dealt with. For example, Hofer and Schendel (1978) suggest that in addressing the corporate-strategy question, relatively more emphasis is placed upon the "geographic scope" decision (one of the strategic decisions), whereas "competitive advantage sought" is more likely to be an important decision when addressing the business strategy question (p. 27). The present writer agrees with Shirley (unpublished), who writes that the same strategic decisions are applicable at both the corporate and business levels:

> Basically, I see the six strategic decisions applying to <u>both</u> the corporate and SBU (business) levels. As a general rule, I would postulate that the decisions be made first at the corporate level, followed by the same types of decisions being addressed by SBU's. The difference lies <u>not</u> in the basic types of decisions being addressed, but rather in the range of options available to decision makers. [P. 16]

<u>Strategic Decisions for Colleges and Universities</u>:

Given that strategic decisions determine environmental position, it is possible to propose a set of strategic decisions for colleges and universities. To this author's knowledge, only one other writer (Shirley unpublished) has attempted to identify such a set of strategic decisions for higher-education institutions. On the other hand, any number of business writers (Chandler, 1962; Katz, 1970; Newman and Logan, 1971; Steiner and Miner, 1977; Ausoff, 1965) have postulated such a set of strategic decisions for the corporate and business world. The following set of strategic decisions, which differ somewhat from those put forward by Shirley, is proposed by this author as those which determine the environmental position of a college or university:

1. <u>Mission</u> - the mission is a statement of organizational purpose. King and Cleland (1978, p.49) say that a mission statement can guide the multitude

of underlying choices that must be made to move the organization into the future. They also see it as defining the scope of acceptable choice. It is obvious that whether or not mission is seen as an approved strategic decision will depend upon where the organizational entity is vis-a-vis any higher governing authority. For example, even the president of a public university may not have the authority to make a decision about the institution's mission if the state legislature has reserved that power.

2. Programs to be Offered - Program offerings determine the type and mix of products the institution is willing to provide for its clientele. The program-mix decision will also reflect the organization's priorities among programs, since some programs receive more emphasis (more resources, larger size) than others. It will be necessary to make make strategic decisions in addressing either of the two strategic questions. However, the program-mix decision may be defined quite differently for each question. For example, if a major university president is asking "What business should I be in?", the program-mix decision may mean making choices among levels of instruction, types of research, and types of public service to be offered. If the dean of the liberal arts school is asking "How should I compete?", the program-mix decision may involve deciding whether or not to start new interdisciplinary instructional programs.

3. Clientele to be Served - Deciding upon the clientele to be served involves determining what the markets for the organization's products and services will be. It involves determining the mix of types of clientele to be sought by the organization, as well as the relative emphasis that will be placed on each type of clientele in the future. Once again, the clientele-mix decision may look somewhat different, depending upon the

strategic question being addressed. For example, when asking what business to be in, the clientele decision may be to serve nontraditional students who require the establishment of totally new programs and delivery systems. When looking at how to compete, the clientele decision may be to serve the same type of student historically served, but expand the geographic region from which they are recruited.

4. Faculty-Resource Mix - The fourth, and particularly important, strategic decision, determines the types of faculty to utilize in the institution's educational programs. Higher education is a labor-intensive industry, and so the number and types of faculty hired by an institution have significant cost implications. Given the nature of tenure in higher education, these cost implications can also be very long-run. More important, from a strategic-positioning standpoint, faculty-resource mix has major impacts on the kinds of educational programs an institution is able to offer. The character of the institution is determined in large part by the mix of faculty employed. For example, in order to improve organizational flexibility, colleges and universities are increasingly relying upon part-time faculty. The degree to which part-time faculty become a significant proportion of the faculty-resource mix will affect the institution's strategic position. However, hiring tenure-track junior faculty members will have even greater strategic implications. Once again, it will not only affect the institution's current strategic position but could potentially restrict ability to change that position for many years into the future.

5. Geographic Scope of Activities - Determining the geographic scope of activities involves not only deciding upon the location of the

organization's facilities, but also the geographic areas to be served by the organization. This decision is generally associated with the corporate-level strategic questions, although it can also be used to determine how to compete. For example, expanding the geographic scope of operations may add entirely new clientele groups. Therefore, this decision would respond to the strategic question about what businesses to be in. On the other hand, an institution may find that geographic proximity is an effective means of capturing larger numbers of existing clientele. In this instance, expanding geographic scope becomes a determination of how to compete.

6. Comparative Advantage Sought - The final strategic decision determines what type of competitive advantage the organization will seek. Any number of types of comparative advantages are potentially available to a college or university. It could seek to compete on the basis of price. It could also compete on the basis of either uniqueness (no other organization offers a similar product or service) or quality (the organization's products are better than those of competing organizations). Finally, the institution could offer better service than others or could attempt to create an aura of prestige about its products or services that would give it a comparative advantage. While the examples are not exhaustive (for instance, comparative advantage may involve location), they show that this strategic decision responds to the strategic question, "how should the organization compete?"

The Unity of Strategy

<u>The set of strategic decisions, when integrated using synergy as the criterion, produce a unified "strategic thrust" for the organization</u>

Effective strategic decisionmaking incorporates more than making the six strategic decisions described previously. In order for a unified organizational strategic thrust to be produced, it is necessary for these strategic decisions to be integrated. To the degree that each of the strategic decisions support the same strategic thrust, the stronger that strategic thrust will be. To the degree that one or more of those decisions opposes the institution's basic strategic thrust, the weaker that strategic thrust will be.

Strategic decisionmaking can be visualized in terms of <u>vector mathematics</u>. Vector mathematics says that every vector hs a (compass) direction and a magnitude--a force or impact. Adding different vectors combines the various directions and magnitudes to create a sum vector. There are several different sum vectors that can be produced from two component vectors having the same magnitude, but being at several different angles to each other.

The smaller the angle between the two component vectors, the greater the length or magnitude of the sum vector. If one uses vector mathematics to illustrate strategic decisionmaking, the same principle applies. The smaller the difference in direction of the various strategic decisions, the stronger the resulting strategic thrust.

Assume that an institution is faced with making two strategic decisions: one decision about the <u>clientele to be served</u>, and one decision about the <u>geographic scope</u>. It makes the clientele decision first, deciding to serve nontraditional, adult students--making then a significant proportion of the institution's total clientele mix. This particular decision has a specific direction and a specific magnitude. Assume that the institution currently has a single campus located in a small, rural town. It has two options available in making the geographic scope decision. If the institution decides to keep its geograhic scope limited to a single campus, and to its rural location, then the number of potential adult students in the area would be too small. Selecting that option would not be in harmony with the institution's desire to serve adult students. The resulting strategic thrust is not likely to have much magnitude and, therefore, very little impact. Thus the institution's strategy of serving large numbers of adult learners will probably fail.

The other option available to the institution is to expand its geographic scope by taking educational programs _to_ large numbers of adult learners by offering programs in major metropolitan areas or by establishing some other mechanism, such as correspondence courses, for reaching them where they live. Since this geographic scope decision is in essentially the same "direction" as the student clientele decision, the resulting strategic thrust will be much stronger.

The vector mathematics analogy is congruent with the notion of synergy which may be characterized by the statement: 2 + 2 = 5. Synergy allows the whole to be larger than the sum of the parts. Actions that are synergistic build upon one another and reinforce each other. In the same manner that the two component vectors create a summative vector. However, unlike vector mathematics, synergy shows that it is possible for two decisions, through their synergistic effects, to create a strategic thrust that is _greater than_ the sum vector of those decisions. This can be demonstrated using the two previously discussed strategic decisions as illustrations. The institution's preliminary analyses may show that seeking to serve the nontraditional student will produce a certain result. Its analyses of an expanded geographic scope, however, suggests that another result can be expected.

If the two actions are synergistic, carrying out both actions together should produce a greater result than the sum of those two expected results.

This element of the strategic decision-making concept, therefore, suggests that the level of nergy achieved should be the criterion for integrating different strategic decisions. This element of the strategic concept, while stated somewhat differently, is supported by William Newman (1979):

> Each company singles out perhaps one, but more likely a few, areas having synergistic ties. In these areas it tries to develop an unusually favorable resource relationship as compared to that of competitors. . . If the company is wise (or lucky) it selects relationships for emphasis which will be especially important strengths in the future of its industry. [P.46]

A synergistic integration of the six strategic decisions will produce what Newman calls "an unusually favorable resource relationship."

Generic Strategic Thrusts:

The actual strategic thrusts resulting from the integration of the six strategic decisions can be classified into a small number of generic categories. While a number of other writers have postulated such a list of generic strategies (including Hofer and Schendel 1978, pp. 160-61), this author has found William Rothschild's (1979) description of generic strategic thrusts to be the most valuable. The remainder of this section, therefore, will be devoted to a summary of Rothschild's ideas regarding different types of generic strategies. Rothschild categorizes strategies in the following three ways:

1. Investment strategy - this type of strategy sets priorities for the investment of both financial and human resources.

2. Management strategy - This type of strategy serves as the thrust or driver for how the organization will accomplish its investment strategy.

3. Implementation strategy - This strategy specifies which functions within the organization will be called upon, and in what ways, to carry out the management strategy and the investment strategy.

Investment strategy. Rothschild says that there are five fundamental investment strategies available to organizations today. The first strategy is investment for the purpose of growth or to penetrate a market. This strategy aims to increase sales volume of profits either by improving market share or by adding to the sales base of other markets, market segments, or even of new industries. This is the strategy being attempted by many colleges and universities today. They are adding new programs and seeking new student markets, while they hope to maintain enrollment or to minimize their losses in enrollment regarding their historical student markets. However, as Rothschild points out,this strategy "usually requires investment beyond immediate rewards. Sales grow, but income will normally lag, and cash will be required from other sources" (p.3). If more institutions recognized this characteristic of the growth strategy they might not attempt it without more deliberation.

A second investment strategy is holding on or defending one's current position. This is usually the strategy adopted by the organization that currently has the largest market share. Sales may grow, but that is usually because the market is growing, not because the organization is aggressive. This is a strategy that is being adopted by many of the more prestigious colleges and universities.

A third investment strategy is rebuilding. This is the option of the one time leader who has lost earlier market shares. However, a turn-around or rebuilding strategy is usually expensive and difficult, even impossible. Rothschild says that "...it should only be followed if the business or (market) segment is important for other reasons... (Rothschild) would normally recommend divestment and focusing on new businesses or segments." (p.4)

A fourth strategy is harvesting the rewards of past investments strategy. While Rothschild points out that most managements falsely equate harvesting with surrender, he believes it is as inevitable as old age (p.4). Harvesting allows an organization to invest less money than it receives, resulting in excess resources that can be invested elsewhere.

The final investment strategy he describes is exit and divestment strategies. Here, management recognizes the inevitable and decides to get out quickly and channel its resources and efforts elsewhere.

Management Strategy. What Rothschild refers to as management strategy is similar to what this author described as seeking comparative advantage. As the strategic decisionmakers make decisions regarding comparative advantage, they will automatically be determining what Rothschild refers to as the management strategy. Rothschild notes that the first type of management strategy can be categorized as mar' ting-driven. Within the marketing-driven strategy he includes seeking comparative advantage based on price, service, product, and service availability, advertising/promoti n, and distrubution. A second strategy, and one less applicable to higher education, is the production-based strategy. In each of these cases, the management strategy is driven by production related advantages such as capacity, types of equipment and efficiency considerations. A third approach is referred to as the innovation-based management strategy. In this strategy, the organization comes up with a better way. The innovation allows the organization to develop a preference for its product or service because there is a real difference in that product or service. The final type of management strategy is called the executive-based strategy. It may include acquisitions, joint- venturing, consortiums, mergers, and management contracts.

These various types of management strategies may be more or less applicable to particular colleges and universities, depending upon their situation. However, a creative attitude ɔwards them should allow most strategic decisionmakers in higher education to utilize the concepts they represesnt.

Functional strategy. After selecting an investment strategy and a management strategy, the decisionmaker identifies those functional units within the organization that will allow for the successful implementation of the two strategies. This procedure asks the decisionmaker to look at the set of six strategic decisions and relate them to functional units within the organization. A strategy based upon a new program mix will focus attention upon the academic departments in which these new programs will occur. The strategy may suggest certain priorities within the student admissions and recruitment office, and may also reqire changes in the way one thinks about, and uses the office of financial aid. In each case, the purpose of the functional strategy is to restate the strategic thrust in operating terms.

Summary

This element of the decisionmaking concept suggests that strategic decisions must be integrated before they qualify as a strategic thrust. It also suggests that the degree of synergy achieved by a particular mix of strategic decisions be used as the criterion for developing a particular strategic thrust. Finally, Rothschild's discussion of different types of "generic strategies" is summarized to aid the reader in seeing how the set of strategic decisions might be integrated into a unified strategic thrust.

The Anticipatory Quality of Strategy

<u>Strategic decisionmaking assumes the inevitably of change and focuses attention on preparing the organization to deal with change.</u>

One of the most important factors of strategic decisionmaking is its focus on preparing the organization to cope with change. Patrick Irwin (1978) describes the concern with change as one of the essentials of strategic planning:

> Strategic planning is concerned with change--change in the future environment, change in the nature of the company's business activities, and change in how that business will be conducted. Because change is continuous, so too (strategic) planning is a continuous process. [P. 7]

While there is fairly widespread agreement that strategic decisionmaking helps the organization to cope with change, there is less agreement regarding how it does it. The most common view on how strategies should cope with change is characterized as a <u>proactive</u>, <u>opportunistic</u>, <u>action-oriented approach</u>. Newman and Logan (1971) say that "strategies are forward-looking plans that anticipate change and initiate action to take advantage of opportunities that are integrated into the concepts or mission of the company" (p.70). Their definition establishes qualifications for strategic decision-making, which are opportunistic and action-oriented. The same qualifications are inherent in Krieken's (1980) point that, "the future of the firm cannot be predicted; it must be created" (p.25).

This action-oriented concept of strategic decisionmaking, which is put forth by Drucker (1954), and Anshoff (1965, 1972), argues that change should be handled by taking the initiative, and by seeking out opportunities that can be enhanced in the future. They suggest that current decisions cn revise the future environment, and influence the organization's future resources and, therefore, the match between these two. The basic assumptions inherent in this view of strategic decision-making is "that the initiative in the interaction with the environment belongs to the firm, and that the firm [is] the master of its own destiny. The second assumption [is] that the environment [is] predictable enough to enable the firm to plan its response to change in advance of the event" (Ansoff 1979, p. 36).)

In viewing strategic decisionmaking in this way, the administrator will essentially be asking, "how desirable is the future being created by the decisions we are making today? Do we really want to take advantage of the opportunities that are available to us?" Therefore, primary attention is focused upon identifying opportunities that occur as a result of change and then taking advantage of those opportunities. This particular attitude seems to be the predominant one in most writings on strategic decisionmaking. An alternative view on how change should be dealt with, is beginning to be noticed. Perhaps the leader in arguing for an adaptive approach to strategic decisionmaking is William Dill (1979). Dill opposed the initiative oriented approach to strategic decisionmaking as being too arrogant, which makes it prone to failure:

> Strategic management ... runs the danger of turning into machismo management: the organization plotting and sailing its course through shark-infested seas. Good formulators of strategy are intellectual, inquisitive, activist, confident, and often quite arrogant. Arrogant strategists sometime get swallowed by sharks. [P. 48]

Dill points to the major role governmental regulation has played in harnessing the ability of organizations to create their own futures. In many instances, he sees this increased regulatory mood as a reaction to the type of initiative-oriented approach to decision-making promoted by many writers on strategy. As an alternative to this "macho" approach to strategizing, Dill suggests that the decision-maker should pay "less attention to strategy formulation and more to voices in the environment outside the firm," (p.48). He points out that there has been less turbulence in the environment for companies that have spent time over the years listening to and assessing what various internal and external constituencies have to say. He argues for a more adaptive approach to dealing with change. In his view, strategic decision-making should be more subtle in selecting places where the organization might let some segment of the environment govern its activities so that, in turn, it can get public acceptance for an activist role other matters.

The adaptive view may be more useful and appropriate for higher-education institutions than the aggressive view, for two reasons. First, those institutions are less flexible than most businesses. However aggressive their administrators may be, they are severely limited in their ability to create rapid change. Second, higher education is a service industry that receives much of its financial support from governments because it is assumed that the industry provides general social benefits. Institutions are well served by administrators who ensure that their strategy is attuned and responsive to those desired social benefits.

<u>Strategies should cope with change from the base of the present</u>:

A second aspect of the Newman and Logan definition deserves additional attention in this discussion of strategic decisionmaking and its role as a change agent. Newman and Logan emphasize that organizations take advantage of opportunities "that are integrated into the concepts or mission of the company" (p.70). This suggests that decisions about the organization's future should build from the base of the current position of the organization. This is a key point in discussing how strategic decisionmaking copes with change.

Other perspectives on organizational decisionmaking, most notably the marketing approach to decisionmaking, do not pay adequate attention to where the organization is now in making decisions about the future. The marketing approach, which is generally characterized as being based upon the organization and environment match usually does not concern itself enough with the relationship between this new match and the old, historical match. Strategic decisionmaking, on the other hand, recognizes that all decisions about the future must be based upon the present base.

A Sail-Boat Racing Analogy to Strategic Decision-Making

In discussing strategic decisionmaking, an analogy to sailboat racing can help in communicating the concept. Racing a sailboat has a sufficiently large number of variables in common with strategic decisionmaking that understanding sailboat racing often helps one understand strategic decisionmaking as well. The decisions that the skipper makes during the course of a sailboat race are strategic because they directly affect the position of the boat both in the water and relative to other sailboats in the race. Such strategic delcsions for the skipper include the direction in which the boat will be headed at a given time, the speed of the boat at a given time, and the competitive advantage that will be sought regarding other boats. Therefore, sailboat racing is decision oriented and focuses attention on a discrete set of decisions that determine the position of the boat. The logic of sailboat racing is the same as the logic of strategic decisionmaking:

1. A set of decisions determines the position of the boat in the water.

2. This position, in turn, determines the boat's competitive position regarding other boats in the race.

3. The degree to which the boat has a competitive advantage determines the degree to which its desired future, which is winning the race, can be achieved.

A second analogy to strategic decisionmaking occurs because synergy is used as a criterion for integrating all of the skipper's various decisions. The skipper will explicitly consider the full set of decisions that have been made. He knows it is foolhardy to seek a competitive advantage based on boat speed if the wind is so light that high speeds cannot be achieved. In this situation, it is smarter to try to out-maneuver other boats or to seek an advantage based on the sailing skills of the crew to take advantage of the little wind that does exist.

The criteria that the skipper uses in making strategic decisions involve simultaneously matching the boat's capabilities to various elements in the environment such as speed and direction of wind, speed and direction of current, and the actions of the other boats. One of the first things that a sailor needs to master is the ability to maintain an appropriate match between the wind and the sails. The only way for the boat to move is to set the sails appropriately in the wind so that the force of the wind can be used to move the boat. The match between the boat's sails and direction of the wind determines the speed and direction of the boat. The skipper must simultaneously match the wind and sail configuration with the sailing skills of the boat's crew. It would be foolhardy of the skipper to create a good match between the wind and the sails, while ignoring the skills of the crew in sailing such a course. Therefore, the matching process in sailboat racing requires a simultaneous solution of all of the various strategic elements rather than a match of only some of the elements. This same principle holds true in strategic decisionmaking. If the organization's skipper designs a strategy that effectively matches the organization's resources to its environment, but does not map well the predominant personality of its employees, the probability of that strategy being successful is generally quite low. All strategic elements must be simultaneously matched if the strategy is going to be successful.

Sailboat racing also teaches the strategist the inevitability of change. The first motto of the sailor is "always watch the wind." It will inevitably change. Watch the wind and look for opportunities that can help improve competitive position. Does the wind seem to be blowing harder up ahead and to the left? If so, what actions must the skipper take now to enable the boat to take advantage of those stronger winds ahead? The good sailor will also watch signs ahead that suggest the direction the wind will be blowing when the boat reaches that point. This allows for the appropriate trimming of the sails and tacking of the boat to ensure that the desired progress through the water is made. Once again, this analogy to sailing is appropriate for strategic decisionmaking. Strategists recognize that environmental change is inevitable (just as changes in the wind are inevitable) and that close attention must be paid to signs that can be read now to predict the speed and direction of such future change.

In sailboat racing there are two ways in which competitive advantage can be gained. One way involves taking a different tack to the wind--going in a different direction relative to the wind. In a sailboat race, once the boats cross the starting line, they begin to fan out in all directions rather than following any one course line. Each boat is seeking a competitive advantage by going in different directions. The skippers believe that they will be able to identify the best strategy for finishing the race in the shortest amount of time. In watching a sailboat race from shore it is almost impossible to determine which boat is ahead and which boat is behind except at the start, and at each of the intermediate buoys, and at the finish line. This phenomenon is analogous to the strategic planner who seeks to attain a competitive advantage by being different rather than by being better than the competition.

The second way in which competitive advantage is sought in a sailboat race occurs when two boats find that they have both taken the same course relative to the wind. In such an event, the skipper will attempt 1) to go faster in the wind, by increasing the amount of sail open to the wind, or by shifting the weight of the crew, or 2) to make the other boat go slower by trying to take the other boat's wind away from it, or by trying to force the other boat off course. This strategy is analogous to the organization which attempts to either out perform the competition in the same business or to somehow slow down the competition.

These same kinds of tactics are an integral part of strategic decisionmaking because competition also exists for most organizations. Simply matching the organization to the opportunities within the environment is not enough. In some instances the strategic planner will need to take the organization in a slightly different strategic direction (resulting in the same fanning out phenomena that ocurs in sailboat races). In other cases, the strategic planner will decide to take the same course as the competition, but will try to gain competitive advantage along that course.

A second comparison with sailboat racing is the importance of always being aware of the competitive position of the other boats in the race. The boat's skipper will continually keep tabs on where the other boats are, what their prospects appear to be for catching a good wind, and what they would need to do in order to get back in the race if they appear to be behind. In all cases, the skipper will watch the competition to see where they are now and where it looks like they might be in the future. In strategic planning, the planner must also pay attention to the competition and to the relative competitive position of the organization. What opportunities can my organization capitalize on and what are the chances that the competition will be able to capitalize on the same opportunities? Questions such as these and others can be formulated by thinking about the role competitive position plays in a sail-boat race.

A final aspect of strategic decisionmaking that sailboat racing illustrates is that decisions about where the boat should be in the future must assume the boat's current position. The skipper knows that a decision made now eliminates the possibility of certain future decisions while creating the potential to make other future decisions. In effect, each present decision helps create the future for the boat in the race. For example, if the skipper decides to take a course to the left side of the lake, it will be almost impossible to get over to the right side of the lake should a stronger wind develop over there. Therefore, prior to deciding upon a course, the skipper should attempt to assess all of the future dynamics of his proposed course of action. This is analogous to Drucker's point on analyzing the futurity of decisions as one way of assessing their desirability.

Strategic planning is a way of moving the organization through a changeable environment in such a way that it can deal with the effects of competition while reaching its ultimate goals and ensuring long-term survival. While sailboat racing does not have the factors of survival that the organization faces, it does have many of the other factors that characterize organizations.

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