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Role of Strategic Analysis in Strategic Decision-Making

Zuzana Papulova^{a*}, Andrea Gazova^a

^aComenius University in Bratislava, Faculty of Management, Odbojarov 10, 820 05, Bratislava

Abstract

The crucial role in strategic decision-making process has strategic analysis. It often brings the important information about evaluation and development of environment inside and outside the company and reveals possible opportunities and threats that need to be consider in strategic decision-making. In this paper we will discuss strategic decision-making process and possibilities how companies can improve their approaches in this process. We examined companies operating in Slovak Republic and evaluated their approaches to strategic decision-making, especially from view of application of strategic analysis and strategy formulation. Article presents the level of the application of strategic analysis and brings insights to current state of usage of analytical tools used in strategic management..

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1. Introduction

Strategic decision-making belongs to the one of the most important areas of current management and plays a crucial role in achieving success and survival of the company. In this connection, many researches are pointing out two important areas: the role of top management (Balta et al., 2009; Mussoa & Francioni, 2012) and the process of making strategic decisions (Rajagopalan et al., 1993; Papadakis, 2006). There is always an interest to improve strategic decision-making among both managers and researchers. Interest in improving the strategic decision-making is related to changes in current environment and to the difficulty that managers have to face in decision-making nowadays. The environment is constantly changing and is much more dynamic and less predictable than in the past. Changes in the environment have an exponential trend. In the past, changes were slower and much less

* Zuzana Papulova. Tel.: +4-345-434-2342.

E-mail address: Zuzana.Papulova@fm.uniba.sk

marked by the dynamics. Today, changes are much faster and bring trends, which previous generations of entrepreneurs and managers did not know about. We can look at the tempo of innovation, tempo of globalization, ongoing changes in legislation, in culture and in other parts of environment. These changes can bring new opportunities for companies' development, but also at the same time, they mean threats. Monitoring, researching and predicting the development of environment has become increasingly difficult, and these difficulties affect also decision-making of managers. Especially decision-making at strategic level is extremely difficult and demands new set of skills and approaches. We consider strategic analysis as crucial in strategic decision-making process. Strategic analysis brings the important information about evaluation and development of environment and also reveals possible opportunities and threats that need to be consider in decision-making. Therefore, the main purpose of our study is to search for the possibilities how to improve approaches to strategic analysis as a part of improvement of strategic decision-making. The aim of our research is to assess how managers in current praxis approach the strategic decision-making, what type of thinking they apply in strategic analysis and if performed analysis are truly in strategic nature.

The paper is organized as follows. After introduction, in the literature review we discuss the approach to strategic decision-making, brief development of various approaches and way of thinking used in strategic analysis. In the next section we describe the data and methodology of our research. The results of research and analysis are presented and summarized in the section Results. Last section summaries and concludes our main findings.

2. Literature Review

2.1. Strategic analysis in Strategic Decision-Making

Strategic decision-making is growing of importance because of the characteristics of strategic decisions (Papadakis & Barwise, 1998; Papadakis, 2006): they are large-scale, risky and hard to reverse; they are a bridge between deliberate and emerging strategies; they can be a major source of organizational learning; they play an important part in the development of individual managers and they cut across functions and academic disciplines. Strategic decision-making is crucial because it involves fundamental decisions which shape the course of a firm (Eisenhardt & Zbaracki, 1992), thus the approach to strategic decision-making should be considered very carefully. First we can look shortly at the some views and approach to decision-making.

The current environment is in constant motion and it is necessary to respond to ongoing changes. This knowledge is not new. As already ancient philosopher Heraclitus pointed out "Panta Rhei" - everything flows. The change and life are interdependent and interconnected. People can adapt to living in changing environment due to their thinking ability. We know how to monitor environment, how to identify the effects, how to understand and how to make decisions. The process of human thought reflected well-known philosopher Immanuel Kant (Kant & Smith, 2003) when he stated that all our knowledge begins with the perception, then proceeds to the understanding and ends with judgment/idea. On this basis, we can propose of model of thinking and decision-making (Fig. 1) to describe how people are reaching decisions or how the people should approach decision-making.

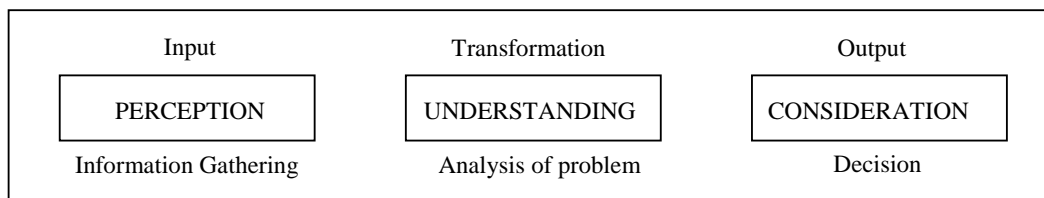


Fig. 1. The process of thinking and decision-making.

Decision-making is undoubtedly one of the basic management functions despite the fact that the founders of management theory (especially by Fayol) set the basic functions of management as planning, organizing, leading people and controlling (Robbins & Coulter, 2013). Decision-making has an important cross-cutting feature that is

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