

Phase 1	INTELLIGENCE	Searching the environment for conditions calling for decisions
Phase 2	DESIGN	Inventing, developing and analysing possible courses of action. This involves processes to understand the problem, to generate solutions and the testing of solutions for feasibility
Phase 3	CHOICE	Selecting an alternative or course of action from those available. A choice is made and implemented.
Phase 4	REVIEW	Assessing past choices.

Figure 2. Phases of decision-making.

Source: H A Simon, In Business Administration, T Lucey (1994)

- Content (the main actions of the proposed strategy);
- Process (the means by which the strategy will be achieved).

These three elements are illustrated in Figure 3 below.

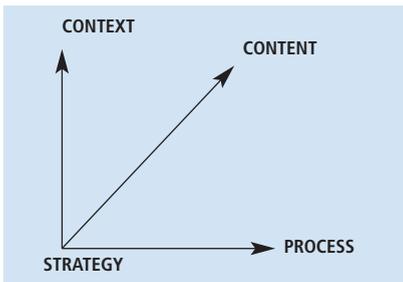


Figure 3. The three elements of the strategic decision. Source: Pettigrew and Whipp (1991), Managing Change for Competitive Success

In most strategic situations context and content are reasonably clear. It is the way in which strategy is developed and enacted – i.e. the process – that causes the problems.

Process is thus one of the most difficult parts of strategic decision-making.

However, help is at hand and following a simple model can reduce risk and provide a better chance of success.

Models and tools

If a rational decision is to be made a statement of the objective should be the starting point. This may be to realise:

- Economies of scale;
- Growth;
- Develop new competencies;
- Reduce costs (cost per unit or overhead);
- Maximise utilisation;
- Develop new products and services;
- Maximise profit;
- Enter new markets.

Figure 4 illustrates a theoretical approach to decision-making.

In reality, studies show that whilst management explains its behaviour in rational terms, the actual performance is governed by intuition. These studies of managers at work show that there is a marked discrepancy between how managers claim to take decisions and their

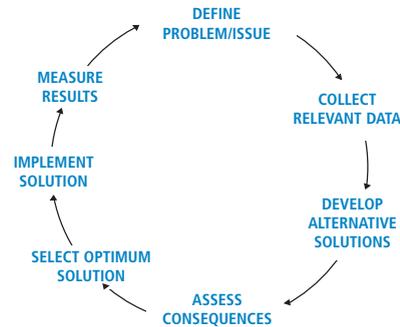


Figure 4. Decision-making model.

actual observed decision-making behaviour.

The choice of alternative action is a key issue in the decision-making process. Often significant investments, resource allocation and repositioning the firm are the impacts of such choices.

Choosing the most appropriate options for a business’s strategic pathway is thus amongst the most important activities that business leaders engage in. Thus it is crucial that all aspects of the suitability of a proposed strategic decision are fully explored. This is illustrated in Figure 5.

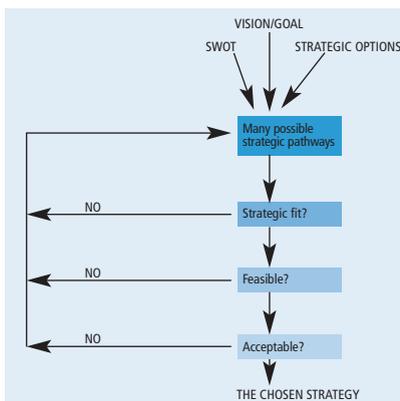


Figure 5.

There are a number of decision-making tools available which support the available models.

Combining the models and tools can significantly increase the chances of suc-

cess and reduce risk. These tools include:

- Simulation
- Modelling
- Decision trees
- Consensus teams
- Bounded rationality.

Simulation, as the word suggests, includes creating a computer simulation of a situation. This is used extensively in retail situations but has also been used effectively in the printing industry.

Modelling is usually a mathematical model of a situation or situations (scenarios) combined with variables or ‘what if’ positions. A spreadsheet is a typical example.

Decision trees are a pictorial way of showing a sequence of inter-related decisions and outcomes.

Consensus decision-making involves making a decision acceptable to all. The conventional wisdom in the West is that this model is most appropriate where there are only small changes to policy and is not suited to radical changes. The Japanese, however, determine what the decision is all about i.e. what is the question first, not what is the answer.

Bounded rationality recognises that totally rational decisions are not always possible but rational decisions, within the imperfections of information possible outcomes and alternatives, are.

Conclusions

The printing industry is undergoing significant change and competitive pressure is intense.

This presents a considerable challenge to business leaders who are not always equipped to deal with it.

Making appropriate strategic decisions is arguably the single most important aspect of management.

All too often we at Richmond Capital Partners meet many printing, packaging or direct mail firms that do not have a coherent strategy and have clearly not considered their strategic choices. This is dangerous!

Before making any key strategic decisions we strongly suggest that printing firms should:

- Seek professional advice
- Conduct a strategic review
- Use proven models and tools
- Make a decision and implement
- Have a contingency plan.

Survival could depend upon it! ■

Paul Holohan is Chief Executive of Richmond Capital Partners, the specialist printing industry mergers and acquisitions company.