

## Chapter 4

# Critical Systems Perspective of Strategic Decision Making: The Role of Values and Context

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### ABSTRACT

*Growing complexity and diversity of strategic decisions indicate the need for applying the appropriate holistic tools in strategic decision making. Thus, the chapter deals with the process of strategic decision making from the viewpoint of critical systems thinking, with emphasis on the role of values and context in strategic decision making. The main purpose is to show how systems thinking generally and critical systems thinking particularly can help decision makers involve different perceptions and values in the process of strategic decision making, as well as take into account context in which the strategic decisions are made. Considering the key internal and external factors affecting strategic decision making, the authors have selected three systems methodologies stemming from different paradigms: soft systems methodology as interpretive, team synteegrity as emancipatory, and organizational cybernetics as functionalist systems methodology. The way in which they can be combined, aimed at improving effectiveness of strategic decision making, has been presented.*

### INTRODUCTION

Strategic decision-making has emerged as one of the most important areas of current management research that has arisen from such research traditions as behavioral decision theory and transaction cost economics (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 (Pettigrew, 1990; Rajagopalan,

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Rasheed, & Datta, 1993). As Eisenhardt and Zbaracki (1992), 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”(p. 17). In particular, the need has been recognized for integrative research which explicitly considers the impact of context on strategic decision-making processes (Rajagopalan et al., 1993; Schwenk, 1995).

Furthermore, modern circumstances, resulting in increasing complexity of contemporary business environment, require new creative approaches to strategic decision-making and problem solving. This need is more obvious at strategic level, since managers in contemporary companies are dealing with growing complexity, dynamics and diversity, and do not have appropriate instrumentarium for solving these strategic problems.

Due to ambiguity and uncertainty of strategic problems, strategic decisions, as outcomes of strategic problem solving/strategic-decision process, are unstructured or insufficiently structured. In addition to this, complexity, openness, and novelty can be distinguished as key characteristics of strategic decisions (Babić, 1994, p.63). In fact, strategic problems and strategic decision-making are characterized by extreme complexity, dynamics, interactivity, diversity, and ambiguity. Therefore, strategic problems in contemporary organizations should be researched as management problem situations, i.e. as a system of real management problems (Rosenhead, 1996; Jackson, 2003, p.18).

Strategic decision-making is a process influenced by different past, present, and future circumstances, and is oriented towards the organization's mission and vision of where it wants to be in the future. Therefore, it consists of a set of activities that top managers and other organizational members undertake from the moment of strategic problem formulation to the moment of its solving. Accordingly, various factors affect the nature and outcome of strategic decision-making. Interdependence, uncertainty, and complexity of these factors complicate the process of making “right” strategic decisions. Therefore, researching these factors becomes a relevant research area, and different researches deals with this topic. In fact, these researches analyze many of different strategic decision-making factors, but the knowledge of how they can be systemically conceptualized and researched is limited. It is a relevant research gap, which this paper aims to overcome. The main purpose of the paper is, therefore, to demonstrate how systems thinking generally and critical systems thinking particularly can help decision-makers involve different personal/organizational values and environmental characteristics, i.e. to take into account different context in which strategic decisions are making. As a relevant paradigm in contemporary systems thinking, Critical Systems Thinking (CST) is suitable for the systems characterized by different power of participants, conflicts, as well as coercion. At the same time, as an appropriate conceptual framework for combining the systems methodologies, CST is aimed to support holistic managing of the diversity of systems approaches, that is, to reveal the ways of appropriate combined use of diverse systems theories, methodologies, methods and models in order to respond to complexity, change and diversity of problem situations in contemporary organizations (Jackson, 2019).

Respecting all the above, the paper is structured as follows. First of all, the nature of strategic decision-making process, as well as the key factors influencing and determining the context of strategic decision-making process, are analyzed. Since factors affecting the formulation and solving of strategic problems can generally be considered as internal and external, the paper deals with characteristics of decision-makers (personal values, opinions, perceptions or behavioral characteristics of decision-makers), organizational characteristics and values, and environmental characteristics as the key contextual factors. In addition, the process of strategic decision-making is holistically conceptualized and researched. In this regard, and respecting the importance of strategic decisions for companies' survival and development, the analysis

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