Factors restricting success of strategic decisions

Evidence from the Turkish textile industry

Soner Taslak
Department of Business Administration,
Yozgat Faculty of Economics and Administrative Sciences,
Erciyes University, Yozgat, Turkey

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Abstract *This study analyzes the problems restricting success of formulation and implementation of strategic decisions and tests whether there are meaningful differences between firm groups categorized by success levels obtained in strategic decision making and implementing processes by dealing with each problem. The Turkish textile industry was examined in this study. Five formulation problems and six implementation problems were frequently experienced by the sample group. Findings showed that the most important formulation problem was "uncertainties arising from national economic conditions", and the two of most important implementation problems were "implementation activities taking more time than originally planned", and "uncontrollable factors in the external environment". ANOVA results demonstrated that there were meaningful diversities among firms attained different success level for four formulation and two implementation problems.*

Introduction

The main functions of strategic management have been explained by Robbins and Coulter (1996) as identifying the organization's current mission, objectives, and strategies, analyzing the environment, identifying the opportunities and threats, analyzing the organization's resources, identifying the strengths and weaknesses, formulating and implementing strategies, and evaluating results. This study analyzes the problems affecting formulation and implementation of strategic decisions which constitute two important stages of strategic management process.

Strategic decisions determine the organizational relations to its external environment, encompass the entire organization, depend on input from all of functional areas in the organization, have a direct influences on the administrative and operational activities, and are vitally important to long-term health of an organization (Shirley, 1982).

According to Schermerhorn (1989), strategies must be well formulated and implemented in order to attain organizational objectives. Strategy formulation is the process of choosing among the various strategies just discussed, and adapting them to fit the organization's actual circumstances. In other words, the essence of strategy formulation is to design a strategy that makes the most effective use of core resources and capabilities. Grant (1991) claimed that these

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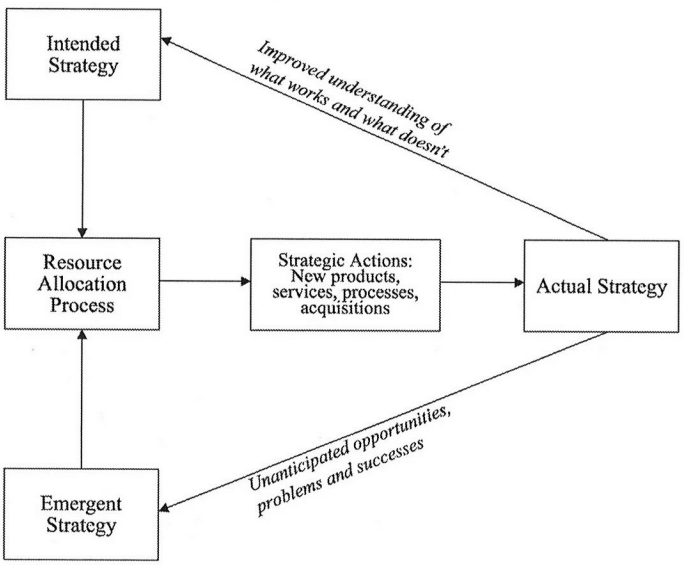
resources and capabilities played a pivotal role in the competitive strategy which the firm pursues and these are the firms' "crown jewels" and need to be protected.

According to Choo (1992), strategic thinking and decision making are the essence of strategic management and they should be directed to do three fundamental things. First, determining strategic direction and long-term performance of the organization. Second, providing a set of managerial decisions. And finally, guiding the priority use of resources and internal managerial decisions.

Christensen and Donovan (1998) stated that there were two independent strategy processes. The first strategy-making process is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. The second strategy-making process has been termed emergent strategy. It is the cumulative effect of day-to-day prioritization decisions made by middle managers, engineers, salespeople and financial staff – decisions that are made despite, or in the absence of, intentions. Figure 1 charts the confluence of these strategy-making processes.

Schermerhorn (1989) determined that the strategy implementation process included the many components of management and had to be successfully acted upon to achieve the desired results. Here, the critical point is that effective and successful strategy implementation depends on the achievement of good "fits" between the strategies and their means of implementation.



Source: Chiristensen and Donovan (1998, p. 4)

Figure 1.
The process by which strategy is defined and implemented

Robbins and Coulter (1996) have taken into consideration that no matter how effectively a company has planned its strategies, it could not succeed if the strategies were not implemented properly. Harrison (1996) also clarified that the more ineffective the top management decisions, the more ineffective are the choices made at lower levels of management. Similarly, if top management's strategic choices tend to be successful, it reflects favourably on choices made in other parts of the organization.

Alexander (1985) claimed that most of the literature has been on the formulation side of the strategy and has rarely discussed the strategy implementation. Al-Ghamdi (1998) expressed that there was no balance between studies which concerned strategy formulation and strategy implementation in literature.

The puprose of this study is to determine the problems restricting success of formulation and implementation of strategic decisions and to test whether there are meaningful differences between firm groups categorized by success levels obtained in strategic decision making and implementing processes by dealing with each problems. The Turkish textile industry was designated as the field of study.

Literature review

Simons and Thompson (1998) refer to three categories of factors that affected strategic decision-making process:

(1) environmental factors;

(2) organizational factors; and

(3) decision-specific factors.

Here, environmental factors mean external agents such as national culture, national economic conditions, and industry conditions. Organizational factors refer to organizational structure, organizational culture, structure of decision making bodies, impact of upward influence, and employee involvement. Decision-specific factors can be explained as time, risk, complexity, and politics.

According to Porter (1979) strategists must assess the forces affecting competition their industry and identify their company's strengths and weaknesses, then strategists can devise a plan of action that may include first, positioning the company so that its capabilities provide the best defense against the competitive force; and/or second, influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or third, anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.

Schermerhorn (1989) enumerated major elements of strategy formulation as analysis of mission, analysis of values, analysis of organization, and analysis of

environment. According to David (1983) if strategists lack objective information and analysis, and cannot use analytical tools, personal biases, politics, emotions, and personalities may play a dominant role during the strategy formulation process.

Certo and Paul (1991) pointed out two important tasks of strategy formulation process conducted by top management. First, general strategies must be selected and developed. Second, specific decisions must be made about what role various lines of business in the organization will play and how resources will be allocated among them.

David (1983) noted that strategy formulation techniques could have been integrated into a three-stage decision-making framework. Stage 1, called the "input stage", summarizes the basic input information needed to formulate strategy and consists of an external and internal factor evaluation matrix, and a competitive profile matrix. Stage 2, called the "matching stage", focuses upon generating feasible alternative strategies by aligning key external and internal factors. Stage 2 techniques include the threats-opportunities-weaknesses-strengths matrix, the strategic position and action evaluation matrix, the Boston consulting matrix, the internal-external matrix, and the grand strategy matrix. Stage 3, called the "decision stage", involves a single technique, the quantitative strategic planning matrix (QSPM). This technique uses input information from stage 1 to objectively evaluate feasible alternative strategies identified in stage 2. A QSPM reveals the relative attractiveness of alternative strategies and thus provides an objective basis for selecting specific strategies.

Hitt and Tyler (1991) argued that it was essential that strategic level manager's demographic characteristics should have been examined for the formulation and implementation of strategic decisions.

Based on the presentations above, Table I presents the difficulties that might be experienced by firms during the strategy formulation process.

Beer *et al.* (1990), and Woolridge and Floyd (1990) emphasized that the strategy implementation could be more difficult than thinking up a good strategy. Harrison and Pelletier (1998) explained that the real value of a decision surfaced only after the implementation of a decision. In other words, it

1.	Conflicts and poor communication between the strategists
2.	Inadequate training and skills of decision makers
3.	Mission and goal uncertainty
4.	Lack of participation of different levels and departments
5.	Uncertainties arising from national economic conditions
6.	Insufficiency of information system in providing the essential information for decision making
7.	Planning difficulties and uncertainties arising from industrial conditions
8.	Negative influence of manager's demographic characteristics (age, educational background, experience, level of executive), cognitive complexity, perception style, risk orientation, and personality

Table I.
Potential problems restricting successful formulation of strategic decision

will not be enough to select a good decision and effective results will not be attained unless the decision is adequately implemented.

Wessel (1993) stated that there were mostly individual barriers to strategy implementation such as too many and conflicting priorities, insufficient top team functions, a top down management style, interfunctional conflicts, poor vertical communication, and inadequate management development. Eisenstat (1993) pointed out that most companies trying to develop new organization capacities failed to get over these organizational hurdles: competence, co-ordination, and commitment.

Sandelands (1994), indicated that there were difficulties to conjecture the commitment, time, emotion, and energy needed to translate plans into action. McGrath *et al.* (1994) explained that the political turbulence might be the most important issue facing any implementation process. Lingle and Schieman (1994) stated that market, people, finance, operation, adaptability, and environmental factors play a vital role to long-term successful strategy implementation.

Christensen and Donovan (1998) mentioned that intended strategies would be implemented as they have been envisioned if three conditions were met. First, those in the organization must understand each important detail in management's intended strategy. Second, if the organization is to take collective action, the strategy needs to make as much sense to each of the members in the organization as they view the world from their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence from outside political, technological, or market forces.

Peng and Litteljohn (2001) noted two dimensions of strategy implementation: structural arrangements, and the selection and development of key roles. According to Govindarajan (1989), effective strategy implementation is affected by the quality of people involved in the process. Peng and Litteljohn (2001) claimed the quality of people as skills, attitudes, capabilities, experiences and other characteristics required by a specific task or position.

Based on these presentations belonging to implementation process above, firms can experience difficulties in the strategy formulation process, as shown in Table II.

Research methodology

Sample and data collection procedure

The study looked at the Turkish textile industry. A sample of the study consists of 200 randomly selected textile firms which settled in cities accommodating intense textile industry (İstanbul, Bursa, Denizli, Adana, Kayseri and Gaziantep). Data were collected by using a questionnaire. Questionnaires were distributed to 200 textile firms to be responded by top

1.	Uncontrollable factors in the external environment
2.	Inadequate leadership and direction of departmental manager
3.	Ineffective coordination of implementation activities
4.	Insufficient capabilities of employees
5.	Inadequate training given to lower level employees
6.	Unclearly defined changes in responsibilities of key role
7.	Problems surfaced not identified earlier
8.	The problems that were not communicated to top management early enough
9.	Implementation activities taking more time than originally planned
10.	Competing activities distracting attention from the implementing decision
11.	Key formulators of the strategic decision that cannot play an active role in implementation process
12.	Supporters of the strategic decision that leave the organization during the implementation process

Table II.
Potential problems restricting successful implementation of strategic decision

executives. Questionnaires were delivered to respondents via mail. Mail was sent to the firms' addresses by enclosing each questionnaire form with a letter, and a return envelope. At the beginning, 15 questionnaires were returned. A total of 185 questionnaires were again distributed to the rest of firms via mail after calling. A total of 35 questionnaires were returned the second time. This time it was decided to establish a pollster team that consisted of 15 volunteer students in order to increase the response rate. In the semester holiday each pollster was charged to the firms in his/her hometown. So investigation opportunity was obtained via a face-to-face interview method. Finally, a total of 117 questionnaires were returned. Of the responses, 112 were available for analysis. The response rate was 56 per cent. The data collection process was really quite difficult. For example, the firms couldn't assign enough time, and were not willing to give any information because of the negative effects of the national economic crisis, and because of the competition within the industry. It was considered that data were attained to a level that enabled the study to progress.

Sample characteristics

The mean age of respondents ($n = 112$) was 40.7 years (SD = 8.1), their average organizational tenure was 11.5 years (SD = 7.9). A total of 88 per cent of the respondents were male, 10 per cent had not completed high school, 40 per cent had a high school diploma as their terminal degree, 19 per cent held a college degree, 26 per cent a graduate degree, and 5 per cent had a postgraduate degree.

Measures

The questionnaire consists of 26 items belonging five question groups.

Decision types. The first group involves the types of the strategic decision that have been executed recently. Types of strategic decision were adopted

from Hickson (1995), Hickson *et al.* (1986), and Al-Ghamdi (1998). Decision types are:

- expand operations to enter a new market;
- develop a new product;
- change the strategy in an operational department;
- open a new factory;
- retrench a product or withdraw from a market; and
- acquire or merge with another company.

Formulation problems. The second group is oriented towards potential strategy formulation problems. Respondents were asked to respond to eight formulation problems (Cronbach alpha = 0.7288) on a five-point Likert type scale (1 = never, 2 = seldom, 3 = occasionally, 4 = often, 5 = always).

Formulation success. The third group of question measures the success level obtained in formulation activities. In this section the following two success items have been orientated to respondents:

(1) Decision was convenient for firm characteristics, environment, general goals, and activity field.

(2) Decision was so flexible that it was adaptive to dynamic environmental conditions and easily applicable.

Respondents were requested to evaluate their organization's success level on the two items using a five-point Likert type scale ranging from 1 = low success, to 5 = high success (Cronbach alpha = 0.7686).

Implementation problems. The fourth group involves the potential strategy implementation problems. Respondents were also asked to respond to 12 implementation problems (Cronbach alpha = 0.8156) on a five-point Likert type scale (1 = never, 2 = seldom, 3 = occasionally, 4 = often, 5 = always).

Implementation success. The last group of question measures the success level obtained in implementation activities. According to Harrison and Pelletier (2000, 2001) a strategic decision, designated successfully, must have the attainment of its objective within time, cost, and environmental (such as stakeholders and technology) constraints. In this section the following three items, adopted from Al-Ghamdi (1998), were orientated to respondents:

- The initial goals of the decision were achieved in time as planned.
- Expected financial results were achieved.
- Implementation activities were carried out within the resources initially budgeted.

Each respondent was requested to evaluate his organization's success level on the three items using a five-point Likert type scale ranging from 1 = low success, to 5 = high success (Cronbach alpha = 0.7791).

ANOVA and *t*-test have been used in order to measure significant differences between firm groups based on success classification.

Findings

Table III shows the strategic decision types implemented recently. "Expand operations to enter a new market", "develop a new product", and "change the strategy in an operational department" are most common decision types formulated and implemented recently.

Table IV orders the potential problems faced in the formulation process of strategic decision with respect to the mean score. Problems scoring higher than the average mean score of 2.5, are assumed to be important factors.

According to this classification "uncertainties arising from national economic conditions (FP1)", "planning difficulties and uncertainties arising from industrial conditions (FP2)", "conflicts and poor communication between the strategists (FP3)", "lack of participation of different levels and departments (FP4)", and "negative influence of manager's demographic characteristics, cognitive complexity, perception style, risk orientation, and personality (FP5)" are the important formulation problems experienced.

Decision types	*n*	(%)
Expand operations to enter a new market	38	33.9
Develop a new product	30	26.8
Change the strategy in an operational department	20	17.9
Open a new factory	10	8.9
Retrench a product or withdraw from a market	8	7.1
Acquire or merge with another company	4	3.6
Other	2	1.8
Total	112	100.00

Table III.
Strategic decision types

No.	Problems	Mean	SD
1	Uncertainties arising from national economic conditions	3.9375	0.8085
2	Planning difficulties and uncertainties arising from industrial conditions	3.5714	0.9653
3	Conflicts and poor communication between the strategists	2.8125	1.1031
4	Lack of participation of different levels and departments	2.6161	1.0067
5	Negative influence of manager's demographic characteristics, cognitive complexity, perception style, risk orientation, and personality	2.5625	1.0379
6	Insufficiency of information system in providing the essential information for decision making	2.4018	0.9629
7	Inadequate training and skills of decision makers	2.1161	0.9562
8	Mission and goal uncertainty	2.0714	0.9174

Table IV.
Strategy formulation problems by facing frequency

Table V demonstrates the potential implementation problems by their mean scores. Problems with a score greater than the average mean score of 2.5 are assumed to be important factors.

Findings show that "implementation activities taking more time than originally planned (IP1)", "uncontrollable factors in the external environment (IP2)", "competing activities distracting attention from the implementing decision (IP3)", "the problems not communicated to top management early enough (IP4)", "problems surfaced that were not identified earlier (IP5)", and "that the key formulators of the strategic decision cannot play an active role in implementation process (IP6)" were found to be the most frequently faced important problems.

Tables VI and VII provide ANOVA and Scheffe multiple test results. The results of the ANOVA indicated that there were significant differences between groups based on classification of formulation success for FP1, FP2, FP3, and FP5 ($p < 0.05$). There were no significant differences between groups based on formulation success classification for one of five (FP4) important formulation problems (see Table VI).

According to the Scheffe test, there were significant differences between firms attaining high success for FP1, between firms attaining middle and other levels of success for FP2, between firms attaining middle and top level of success for FP3, and between firms attaining top and other levels of success for FP5.

The results of the ANOVA also indicated that there were significant differences between groups based on implementation success classification for three of six implementation problems (IP1, IP5, and IP6; $p < 0.05$.). There were no significant differences between groups for IP2, IP3, and IP4 (see Table VII).

According to the Scheffe test, there were significant differences between firms attaining low and high success for IP1, and between firms attaining middle and high levels of success for IP5.

Table V.
Strategy implementation problems by facing frequency

No.	Problems	Mean	SD
1	Implementation activities taking more time than originally planned	3.5893	0.9449
2	Uncontrollable factors in the external environment	3.5893	1.0359
3	Competing activities distracting attention from the implementing decision	3.0625	0.9423
4	The problems not communicated to top management early enough	2.8125	0.9542
5	Problems surfaced that were not identified earlier	2.7411	0.9562
6	Key formulators of the strategic decision that cannot play an active role during implementation process	2.5357	0.9293
7	Ineffective coordination of implementation activities	2.4107	1.0359
8	Unclearly defined changes in responsibilities of key role	2.2679	0.8163
9	Supporters of the strategic decision that leave the organization during the implementation process	2.2411	0.9226
10	Inadequate training given to lower level employees	2.2143	0.8429
11	Inadequate leadership and direction of departmental manager	2.2054	0.9018
12	Insufficient capabilities of employees	2.1607	0.9731

Problems	F value	Sign.	Multiple comparisons Scheffe (I) Success	(J) Success	Sign.
FP1	4.192	0.008	4	5	0.009
FP2	10.021	0.000	3	2	0.000
				4	0.031
				5	0.001
FP3	2.806	0.043	3	5	0.055
FP4	1.225	0.304			
FP5	10.746	0.000	5	2	0.000
				3	0.000
				4	0.002

Notes: FP1: uncertainties arising from national economic conditions; FP2: planning difficulties and uncertainties arising from industrial conditions; FP3: conflicts and poor communication between the strategists; FP4: lack of participation of different levels and departments; FP5: negative influence of manager's demographic characteristics, cognitive complexity, perception style, risk orientation, and personality

Table VI.
ANOVA test results for formulation

Problems	F value	Sign.	Multiple comparisons Scheffe (I) Success	(J) Success	Sign.
IP1	5.341	0.002	2	5	0.003
IP2	0.271	0.846			
IP3	1.594	0.195			
IP4	1.577	0.199			
IP5	3.842	0.012	3	4	0.019
IP6	3.229	0.025			

Notes: IP1: implementation activities taking more time than originally planned; IP2: uncontrollable factors in the external environment; IP3: competing activities distracting attention from the implementing decision; IP4: the problems not communicated to top management early enough; IP5: problems surfaced that were not identified earlier; IP6: key formulators of the strategic decision that cannot play an active role in the implementation process

Table VII.
ANOVA test results for implementation

Finally, the t-test was administered for firm groups that included significant differences. Table VIII provides t-test results based on success level classification.

According to findings of Table VIII, firms attaining low success level have more often experienced problems than firms having higher success during the formulation and implementation process.

Conclusion

This study shows that there are five important strategy formulation problems and six important strategy implementation problems. For the Turkish textile firms the most important formulation problem is "uncertainties arising from national economic conditions", and the two of most important implementation

Table VIII.
T-test based on success level classification

	Succ. level	Mean	Std dev.	Levene's test *F*	Levene's test Sig.	*t* value	Sig.
Formulation problems							
Uncertainties arising from national economic conditions (FP1)	4	4.400	0.854	2.369	0.129	3.479	0.001
	5	3.658	0.598				
Planning difficulties and uncertainties arising from industrial conditions (FP2)	3	3.050	1.036	0.006	0.940	3.803	0.000
	2	4.363	0.924				
	3	3.634	1.036	0.465	0.497	2.934	0.004
	4	3.050	0.733				
	3	3.634	1.036	1.100	0.299	3.900	0.000
	5	3.010	0.686				
Conflicts and poor communication between strategists (FP3)	3	3.025	1.250	0.129	0.720	2.531	0.014
	5	2.200	1.056				
Negative influence of manager's demographic characteristics, cognitive complexity, perception style, risk orientation, and personality (FP5)	5	1.600	0.820	3.914	0.057	4.671	0.000
	2	3.363	1.286				
	5	1.600	0.820	0.402	0.528	4.830	0.000
	3	2.775	0.919				
	5	1.600	0.820	0.330	0.568	4.359	0.000
	4	2.610	0.862				
Implementation problems							
Implementation activities taking more time than originally planned (IP1)	2	4.250	0.930	0.074	0.789	3.589	0.002
	5	2.750	1.035				
Problems surfaced that were not identified earlier (IP5)	3	2.994	1.017	2.193	0.142	3.249	0.002
	4	2.294	0.719				

problems are "implementation activities taking more time than originally planned", and "uncontrollable factors in the external environment". Turkey has experienced a serious national economic crisis for a long time so these results were not surprising for Turkish textile firms. Many firms had much more difficulty in making realist strategic decisions and successfully implementing them because of national economic uncertainty.

Formulation and implementation of strategic decisions are inseparable processes. Unsuccessful strategy formulations consequently produce unsuccessful implementations. Healthy communication of essential information for decision and early identification of possible problems should be provided by establishing an effective communication system.

In addition to considering national economic conditions, during the strategic decision-making process, analysis of the firm's strengths, weaknesses, opportunities, and threats is needed. Therefore the education levels of employees and their skills are important factors in such analysis. On the other hand, organizational goals should be clearly set and key formulators of the strategic decision must play an active role that will enable firms to achieve a high level of success in the implementation activities.

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