HOW TOP MANAGERS MAKE SENSE OF THEIR ROLE IN THE STRATEGIC DECISION PROCESS: An Investigation into the Portuguese Textile Industry

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Abstract

The literature relating to strategy is full of contradictions. Top managers are expected to be tough-minded but flexible, to have tight controls on some areas and loose controls on others, to have an inspiring broad vision along meticulous attention to detail, to have a linear sense of rationality but to thrive on chaos. It is therefore our intention to find out how top managers make sense of these contradictions, how they integrate these contradictions in their experience and their management. This is because top managers live very fragmented lives. Although strategic decision making has long been a topic of great interest in the field of strategic management, most of the studies have not addressed the cognitive dimension of decision making, namely the question of how decision makers actually think. Strategy is a work of fiction and therefore all strategists are authors of fiction and the question is how top managers understand this fiction, their role and how they see themselves in this fiction. This paper will address these and similar questions and will try to find answers to them based on an analytical approach. The study took place in the context of the clothing and textile industries in Portugal and the companies targeted in this study are of medium and large sizes.

1. Introduction

The main objective of this paper is to understand how top managers make sense of themselves and their management in the context of the strategic decision process. The research questions are based on the authors' own experience and on a literature review; this is because on one hand from business perspective we felt difficulty in conceptualising a vision of the future and on the other hand from an academic perspective the available literature has a gap regarding these issues. Therefore, we felt the need to understand how people develop their concepts of the future; how do they decide; and, do they feel comfortable with their decisions. This research study is basically driven by these questions and supported by what Regnér (2003, p. 57) points out that there are still surprisingly few answers in strategy research for the question of how managers create and developed strategy.

The literature will be reviewed first to develop testable hypotheses. We will then outline the research methodology and analytical techniques and finally we will report the results of the analysis and discuss the implications of these results.

2. Literature Review

Strategy remains a problematic concept and the strategic management literature has become increasingly fragmented by contrasting paradigms, based on different assumptions about how business, strategy and decision making works (Henderson and Zvesper 2002). Therefore, the main strategy paradigms will be mapped to identify the dominant cognitive frameworks related to the role of top managers

The Prescriptive School considers that the environment is seen to be dynamic but essentially predictable. Therefore, strategic decisions are made based on a number

of sequential steps such as goal formulation, environmental analysis, strategy formulation, implementation, control, and with a clear separation between thinking and acting (Glaister et al., 2006). Monitoring and control are basic functions of the managerial activity and failure is seen as a consequence of deviations from this process. The responsibility of this process belongs to top managers. This rationalistic approach is characterised as being formal, top-down and done by specialists (Dincer et al., 2006). This way of managing corresponds with a mode where strategy is a conscious and controlled process formulated at the top where strategies are fully deliberate and top managers are characterised as being strong leaders with the responsibility of controlling the activities of the subordinates and assuring that the implementation of the plan is effective (Hart, 1992).

This paradigm encompasses the rational planning literature, the scientific management literature, and the functionalist literature addressing bureaucracy and the total quality management (Combe 1999). Such rational actors are rarely found because as Clegg et al. (2008: 286) state, "real life is a bit more complicated".

Another paradigm is represented by the Competitive Positioning School. According to Porter (1987) strategic thinking rarely occurs spontaneously and without formal planning systems, day to day concerns tend to prevail and the future is forgotten though, Cohen (2001: 18) claims, "after over 20 years of research, the effect of strategic planning on performance is still unclear and the true relationship that exists between planning and performance remains elusive". Still, for Porter, (1987) the formal planning system is an instrument that provides both discipline to those who have to address the strategic issues and a tool to communicate the strategic guidelines to line managers. A good strategic plan should have an analysis, based on the five forces. These five forces are: the industry in which the firm competes, the competitive advantage, the existing and potential competitors, an assessment of the company' s competitive position and a selection of the strategy. The emphasis is on predicting what is certain and strategy is a linear and stage-based process. In this regard, McKiernan (2006) points out, this perspective is captive of stable contexts, the perception is outside-in and the positivist epistemology is at its core.

Based on the above, it can be argued that stable environments facilitate formal planning because in this case, the future can be forecasted and the components of the environment can be labelled and analysed. Hence, for this perspective, the strategic decision process is characterised as being formal, top-down although with some participation of the line managers, and with an emphasis on an outside-in approach. Some authors consider that in today's shifting scenarios, the view of strategy as a logical long term planning process does not work in environments characterised by intense rivalry, instant imitation and minimal entry barriers (Dick and Ellis, 2006).

In contrast, the core competence approach is an inside-out approach where the organisation is seen as a portfolio of competencies instead of a group of business units (Hamel and Prahalad 1990). The aim is to mobilise the skills and energy of all employees of an organisation, through a constant dialogue that improves innovation through a process where ideas and information move from bottom to the top and vice versa. This style of leadership is participative and employees are empowered. The emphasis is no longer on the external competitive environment, but on the internal analysis of the firm as the basis for building strategies. Top managers create an emotional vision and a strong corporate culture and they act as coaches with the aim of motivating and inspiring the other members of the organisation to act as a team, their job is to motivate and inspire (Hart, 1992).

Strategy is, therefore, based on an iterative dialogue that involves feedback and a key characteristic which is the quality of the relations based on trust and reciprocity. The strategic decision process is characterised as being emergent, bottom-up with the participation of top management in defining a learning strategy. It is an inside-out approach in the sense that organisations have to find ways of inventing new possibilities of seeing their environment and through it, be able to create new horizons. This process allows managers to reinvent themselves and their relationships, on a continuous basis, with competitors, customers, and the broader

environment (Morgan 2006).

Finally, the emergent or Learning school considers that strategy "is a pattern in a stream of actions" taken by members of an organisation in an emergent, unplanned manner (Mintzberg and Waters 1985: 272). This approach sees strategy as a creative and intuitive process rather than a systematic and rational one. Mintzberg (1994: 111) states, "strategies can develop inadvertently, without the conscious intention of senior management, often through a process of learning". Planning does not create strategy and "the crafting image better captures the process by which effective strategies come to be" (Mintzberg et al., 2003: 141).

Strategy as a learning process is considered as emergent and strategists can be found throughout the organisation (Mintzberg and Lambel 1999). The function of top managers is to design the system that allows others the flexibility to develop patterns within it. In this case, hierarchy is replaced by networks and control by coaching. Therefore, the strategic decision process is emergent and bottom-up, based on the managers' experience, their sensitivity and what they learn from daily operations. Organisational members have a great autonomy and are deeply involved in the strategic decision process and the role of the top managers is of a sponsor.

For the core competence and emergent approaches, the environment is unpredictable and managers are generally unable to predict environmental changes. Therefore, the concept of environmental enactment has centre stage. Hence, environmental context instead of an objective entity that could be analysed is a socially constructed entity perceived cognitively and enacted by those within organisations. The emphasis is placed upon perceptions over analysis when dealing with the turbulence of the environment and in that sense McKiernan (2006) claims that the environment is a sense made by organisational actors through invention. Thus, as Doz and Kosonen (2008) point out, insight replaces foresight because "the world around us keeps emerging, and our perception of it keeps reshaping itself as we play".

5. Research framework and hypotheses

Based on the focused literature review, two main streams of thought will be considered here. These are: 1) the rationalist approach which encompasses the prescriptive and competitive positioning schools and 2) the emergent approach which encompasses the core competence and the learning schools. This choice is based on the common features that each stream of thought has in terms of characteristics of the decision process, style of leadership, mindset and view of the environment.

The first stream of thought is an expression of a model that sees organisations as machines that should operate in an efficient, reliable and predictable way. For this view, monitoring and controlling are basic parts of the managerial activity and the responsibility for this process belongs to top managers. This rationalistic approach is characterised as being formal, and top-down. It is a perspective of managing that sees strategy as a conscious and controlled process formulated at the top where strategies are fully deliberate and top managers are characterised as being strong leaders with the responsibility of controlling the activities of subordinates and assure that the implementation of the plan is effective. It is also an outside-in approach which means that the environment context is observable and analysed in order to create a deliberate strategy. The emphasis is on predicting what is certain so that the future can be forecasted and the components of the environment can be labelled and analysed.

The second stream of thought considers that in today's shifting scenarios, strategy cannot be about predicting the future but instead should be about ways of dealing with the unexpected, because the usual recipes for sustained advantage do not last. It is an inside-out approach in the sense that organisations have to find ways of inventing new possibilities of seeing their environment and through it, be able to create new horizons that allows them to reinvent themselves, and the broader

environment, on a continuous basis. Through it, organisations, instead of accepting their current reality as the reality, they are able to challenge the status quo and the rules of the game. In this case, top managers act as coaches with the aim of motivating and inspiring the other members of the organisation to act as a team. This strategic decision process is characterised as being emergent, bottom-up although with the participation of top managers in the definition of a learning strategy. This approach sees strategy as a creative and intuitive process and strategists can be found throughout the organisation. In this context, the function of top managers is to design the system that allows others the flexibility to develop patterns within it. The emphasis is placed upon perceptions over analysis when dealing with the turbulence of the environment and in that sense, the environment is a sense made by organisational actors through invention.

For the purpose of this research, the dependent variables will be split into three groups: the characteristics of the decision process, the style of leadership and the mindset. Regarding the characteristics of the decision process, it could be deliberate or emergent. It is deliberate when it is perceived as a controlled and conscious process, and it is emergent when it is perceived as a process based on trial and experience. The decision process could also be top-down or bottom-up. It is top-down when the strategic decision making is centralised on top managers and it is bottom-up when line managers participate in the strategic decision-making. Regarding the style of leadership two different categories were chosen: controller or facilitator. The controller is a top manager that beliefs his role is mainly to evaluate and control the activities of subordinates and the role of organisational members is to implement the orders according to procedures and rules. The facilitator is a top manager that believes his role is to empower and enable, and the role of the organisational members is to learn and improve. Regarding the mindset, the cooperative mindset is characterised by the capacity to work together in teams based on the quality of the relationships in a process where senior managers provide a crucial role model of cooperative working based on trust and reciprocity. On the other hand the competitive mindset is characterised by relationships based on the role they play, where the attitude of top managers towards their collaborators is

impersonal with a focus on the goals.

The literature relating to strategy is full of contradictions. Top managers are expected to be tough-minded but flexible, to have tight controls on some areas and loose controls on others, to have an inspiring broad vision along meticulous attention to detail, to have a linear sense of rationality but to thrive on chaos. It is therefore our intention to contribute to the understanding of how top managers make sense of these contradictions, how they integrate these contradictions in their experience and their management.

To provide answers to the above enquiries we hypothesize the following:

Hypothesis 1: An outside-in perspective is positively associated with a top-down strategic decision process and is negatively associated with a bottom-up strategic decision process.

The Null Hypothesis: An inside-out perspective is negatively associated to a top-down strategic decision process and is positively associated to a bottom-up strategic decision process.

Hypothesis 2: An outside-in perspective is negatively associated with an emergent strategic decision process and is positively associated with a deliberate strategic decision process.

The Null Hypothesis: An inside-out perspective is positively associated to an emergent strategic decision process and is negatively associated to a deliberate strategic decision process.

Hypothesis 3: An outside-in perspective is negatively associated to the role of the top manager as a facilitator and is positively associated to the role of the top manager as a controller.

The Null Hypothesis: An inside-out perspective is positively associated to the role of the top manager as a facilitator and is negatively associated to the role of the top manager as a controller.

Hypothesis 4: An outside-in perspective is negatively associated to a cooperative mindset and is positively associated to a competitive mindset.

The Null Hypothesis: An inside-out perspective is positively associated to a cooperative mindset and is negatively associated to a competitive mindset.

Each hypothesis will be tested along with its null hypothesis, so a clearer picture can be drawn for each variable.

3. Methodological approach

Through a self completed and administered questionnaire, data was collected and based on that data, scatter diagrams and graphics of the views and positions that top managers and collaborators have about the issues under study were created. Closed ended questions were chosen through Likert scales, through these Likert scales, respondents could indicate their opinions and attitudes. The questionnaires were pre-coded and questions were clear for the respondents to answer. The respondent just had to place a circle in the appropriate response and for each answer a pre-code was already created. Twenty questionnaires were received from top managers and nineteen from direct collaborators. Regarding the questions, closed ended questions were.

Two sets of questionnaires were designed, one for the top managers and the other for their immediate collaborators. The reason why the immediate collaborators of top managers were included in this research is because, according to Weick *et al.* (2005), it is the social dimension of sense-making where the projects and actions of the CEOs are dependent upon others. Each questionnaire had a letter explaining the purpose of the research. The questionnaires were done so that they were as short as possible, and in a sequential structure so that the respondents could understand the themes. They consisted of statements and respondents were asked to choose a

position on a six points scale according to their opinion. Analysis was done through scatter diagrams and graphics that portray views and positions that top managers and their collaborators have about the issues under study.

4. The companies studied

The study takes place in the context of the clothing and textile industries in Portugal and the companies targeted in this study are of medium and large sizes, excluding the smaller ones. Smaller companies were excluded because in such companies the strategic decision process is in most cases made solely by the top manager. The concept of size adopted is the one recommended by the European Commission that considers a small enterprise as having between 10 and 49 employees and an annual turnover not exceeding 10 million Euros (European Commission 2003). Therefore enterprises with less than 50 employees and/or an annual turnover of less than 10 million Euros are excluded from this research project.

6. Analysis

The analysis is performed here for each hypothesis along with its null hypothesis, so a complete picture may be drawn after analysing these hypotheses. This analysis is based on the received responses to our questionnaire from the five Portuguese textile and clothing companies.

Hypothesis 1and its null hypothesis:

Testing these hypotheses shows that hypothesis one is not supported either by top managers or by collaborators. Figure 1 and Figure 2 show that, in both cases, the answers are concentrated mainly in the lower left quadrant. This means that managers see their strategic decision process as outside-in and bottom-up; this leads to that they believe that the environment context is considered as an outer reality that is observable and analysed. It also means that top managers see

themselves and other members of the organisation as a team where dialogue move smoothly form top to bottom and from bottom to top. This obviously proves the null hypothesis.
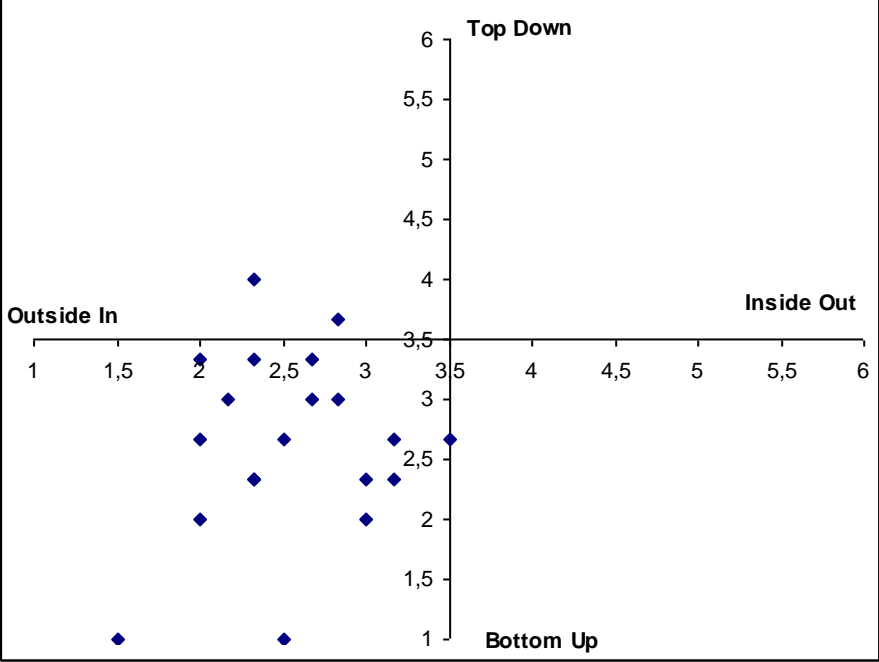

Figure 1: answers of top managers in relation to hypotheses 1 and its null hypotheses.
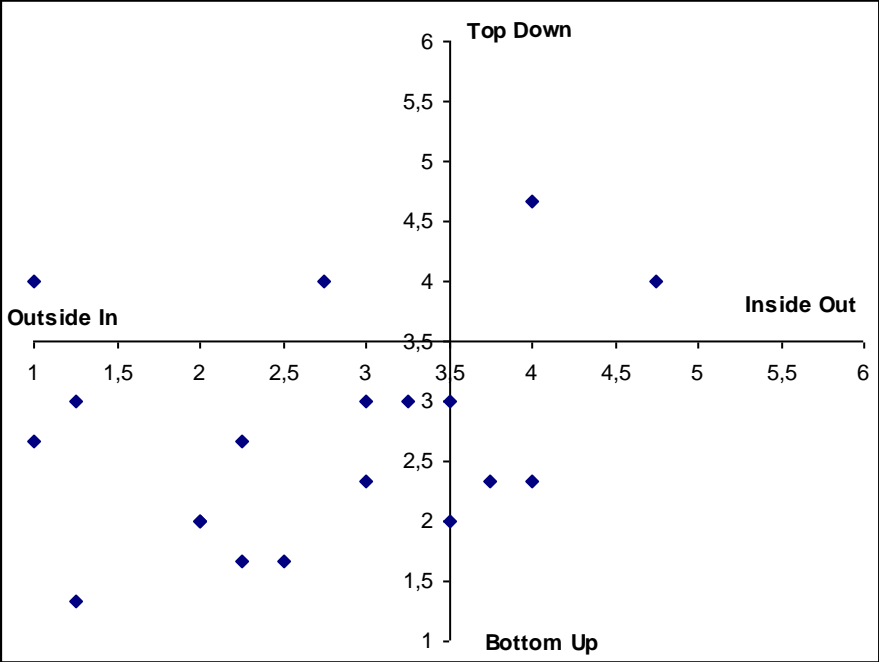
Hypothesis 2 and its null hypothesis

The results indicate that both top managers and collaborators believe that their way of deciding is essentially a controlled and a conscious process and at the same time a process based on trial and experience. This is clearly shown in Figure 3, Figure 4 and 10.
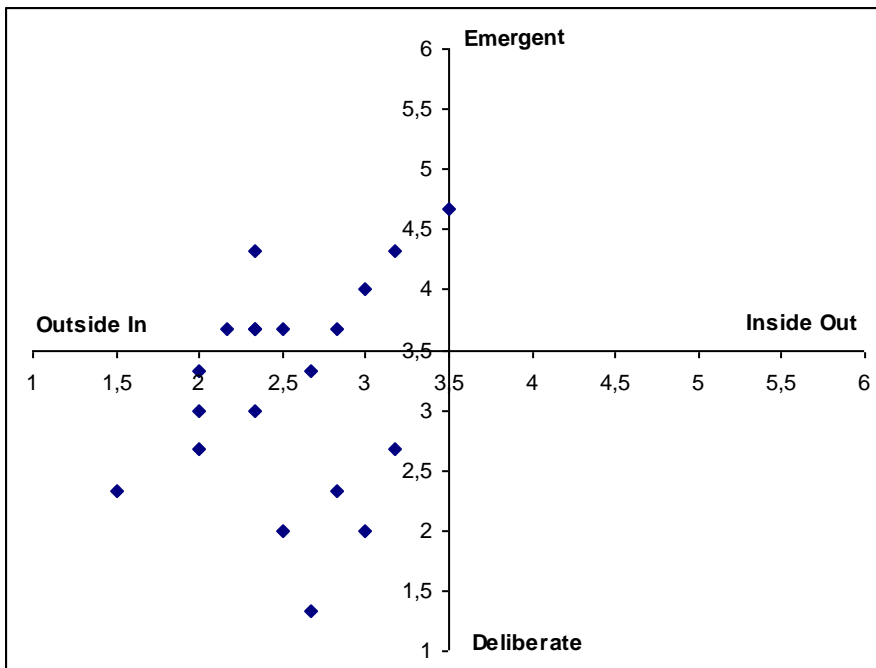
Figure 3: answers of top managers in relation to hypotheses 2 and its null hypothesis.

As can be seen from Figure 3 and Figure 4, top managers and collaborators do not recognise their approach to strategic issues as an inside-out approach. This is shown mainly in Figure 3, where none of the respondents are placed in the inside-out quadrant. However, the large majority of answers are placed in the outside-in quadrant in Figure 4. Therefore, this makes the hypotheses where the independent variable is inside-out as not applicable, in other words the results supports hypothesis two and disprove its null hypothesis.
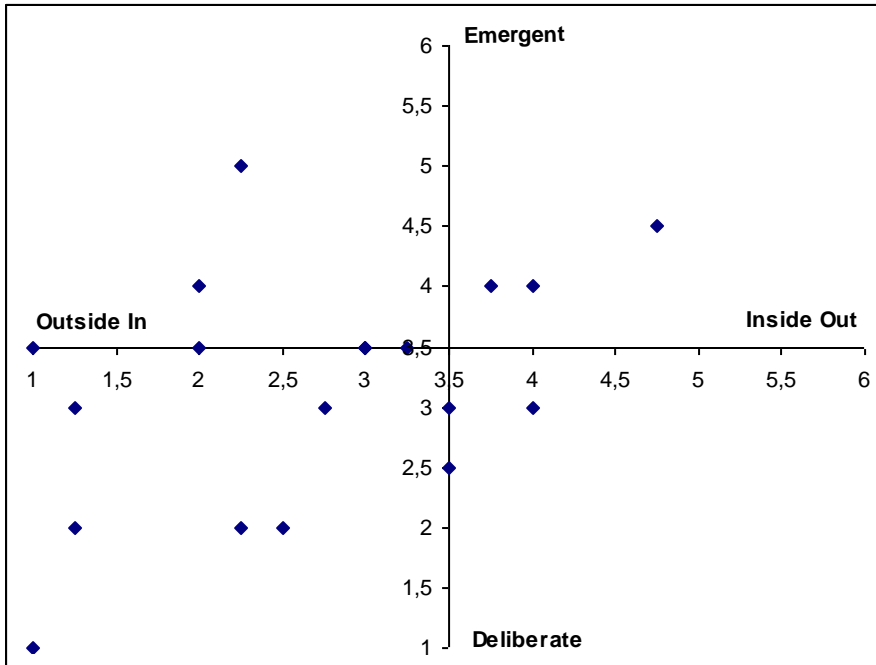
Figure 4: answers of collaborators in relation to hypotheses 2 and its null hypothesis.

Hypothesis 3 and its null hypothesis

Answers by top managers do not support hypothesis three because, according to Figure 5, the answers are mainly in the upper left quadrant. Top managers believe that their role consists of acting as coaches with the aim of motivating and inspiring their collaborators through an iterative dialogue based on trust and reciprocity. In contrast, their collaborators see them in a mixed way which is shown in Figure 6 and 9. Collaborators see top managers with the role of evaluating and controlling the activities of their subordinates but at the same time they empower and enable their collaborators. This proves hypothesis three and disprove its null hypothesis.
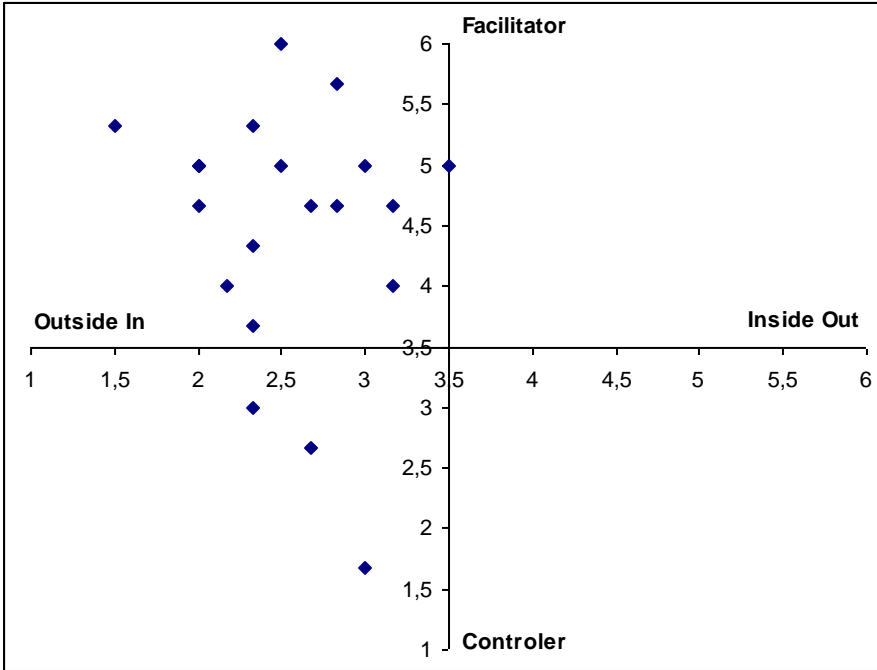
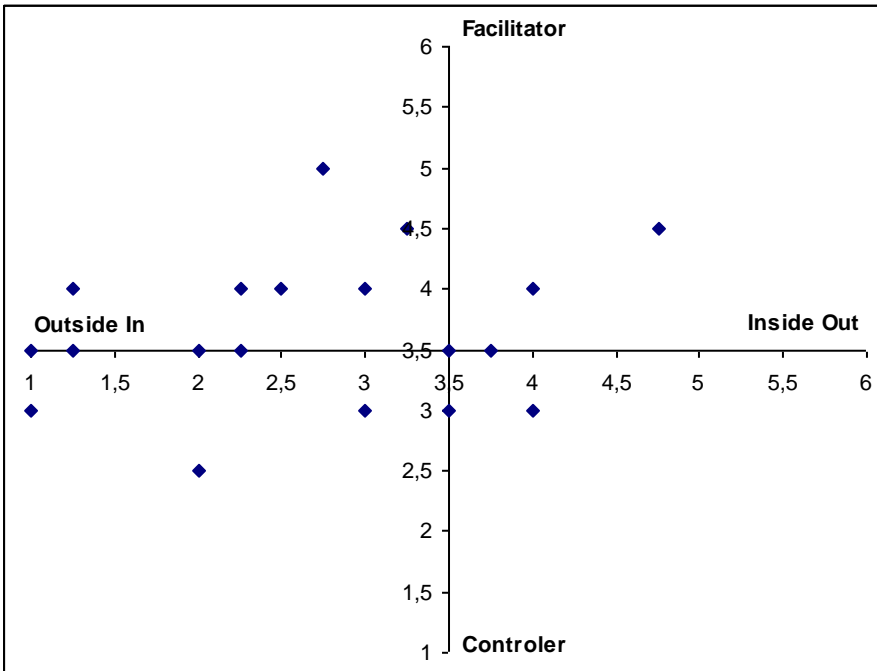**Figure 5: answers of top managers for hypotheses 3 and its null hypothesis.**

Figure 6: answers of collaborators in relation to hypotheses 3 and its null hypothesis.

Hypothesis 4 and its null hypothesis:

The answers, both by top managers as well as collaborators, do not support this

hypothesis. According to Figure 7 and Figure 8, their answers are mainly in the upper left quadrant which indicates that they see themselves with a cooperative mindset. This merely proves the null hypothesis where an inside-out perspective is positively associated to a cooperative mindset and is not associated to a competitive mindset.
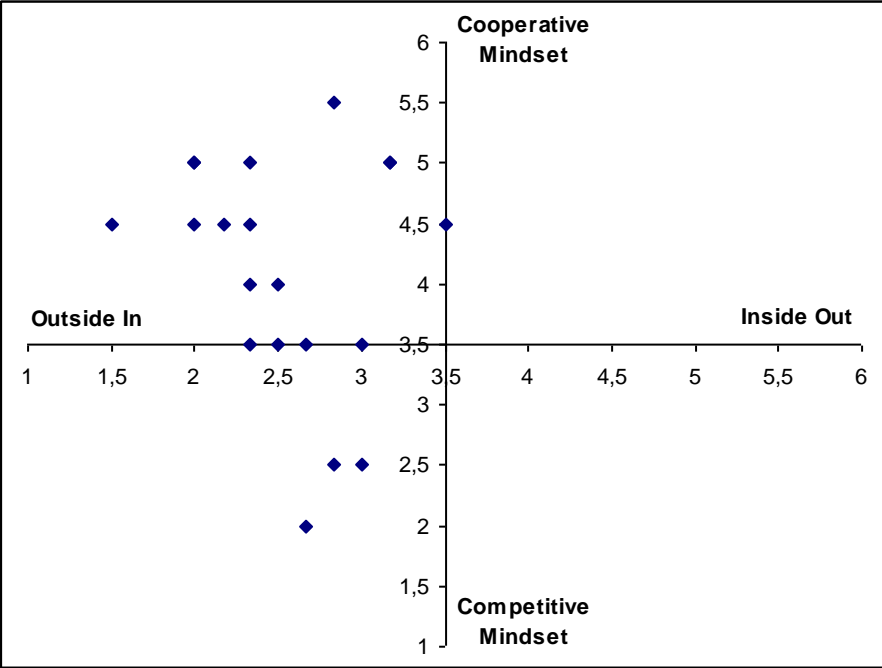

Figure 7: answers of top managers in relation to hypotheses 4 and its null hypothesis.
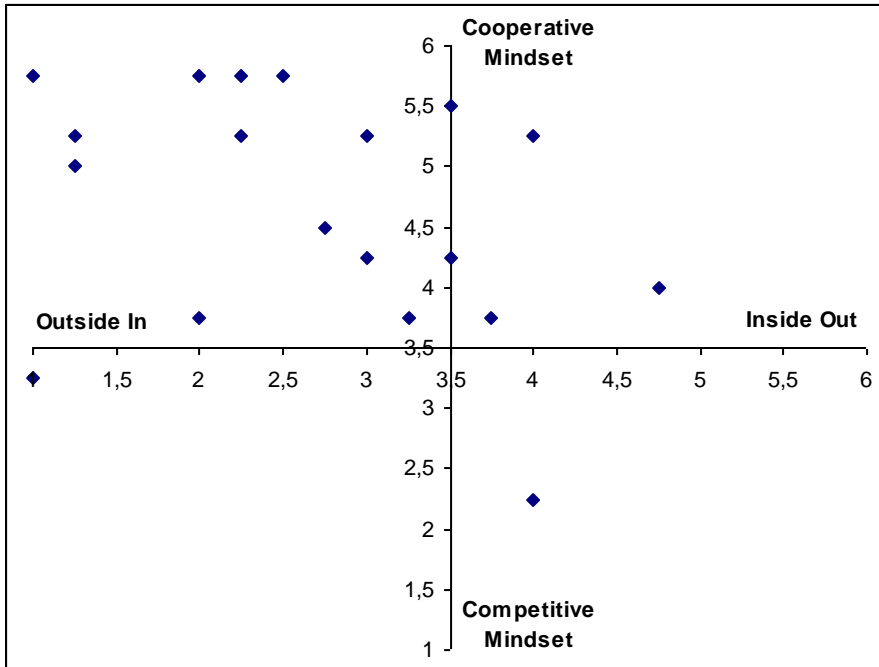
Figure 8: answers of collaborators in relation to hypotheses 4 and its null hypothesis.

Figure 9 is a graphical representation of the average answers both by top managers and collaborators in relation to each variable which helps to reveal their dominant cognitive frameworks. Considering these values we can understand that both collaborators and top managers believe that the approach to strategic issues is done mainly through an outside-in perspective. This means that for them the environment context is considered as an outer reality that is observable and analysed. They also believe that their approach to strategic decision is bottom-up. This means that they believe that strategy is based on an iterative dialogue that involves feedback.
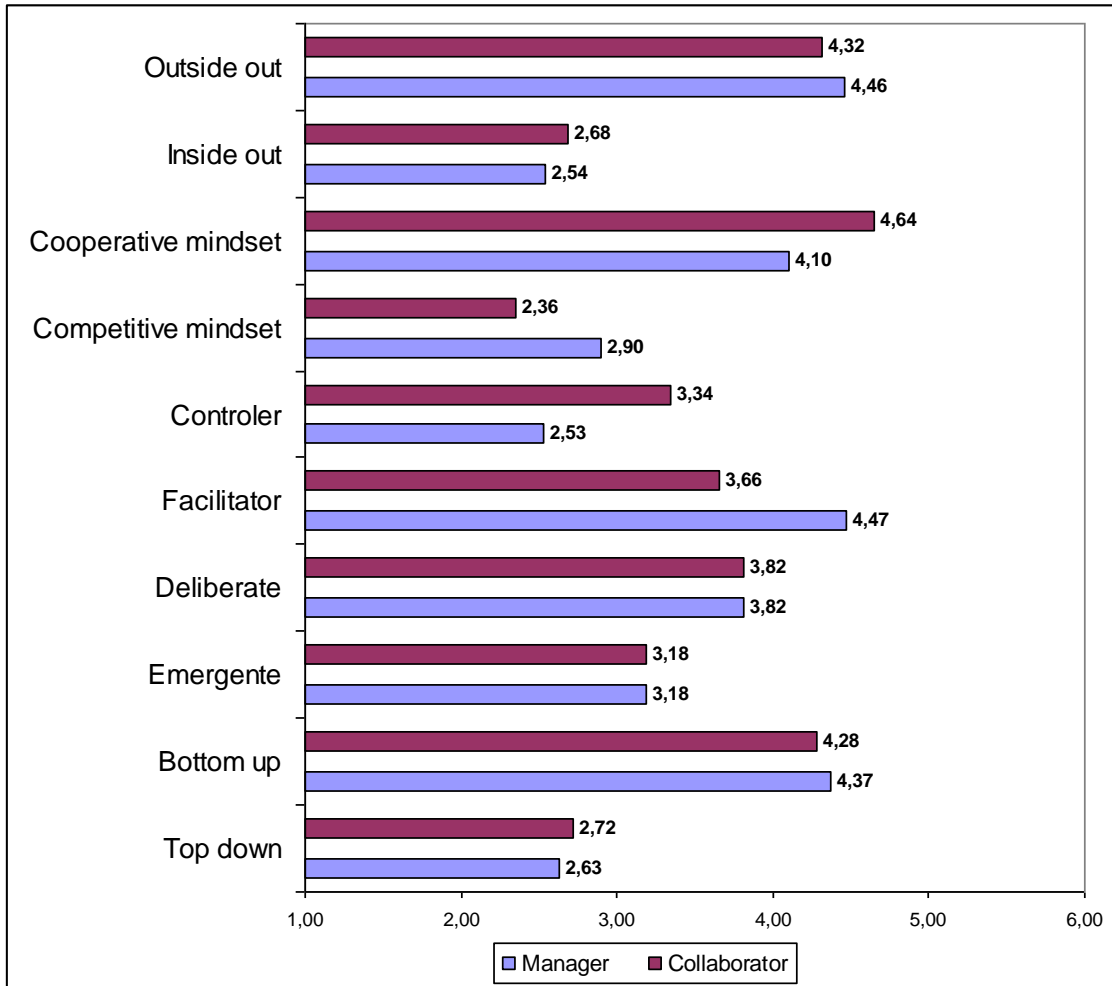
Figure 9: average values of answers for each variable given by top managers and collaborators.

Figure 9 also indicates that top managers see themselves as facilitators with the role of empower and enable the participation of organisational members in the strategic decision process. This view is not shared in the same way by their collaborators, who consider that top managers are equally facilitators and controllers. Their collaborators consider that monitoring and controlling are basic parts of the top managers' responsibility as well as the function of motivating and inspiring them to act as a team. Both managers and collaborators display a mindset characterised by the capacity to work together in teams. Finally, both top managers and their collaborators believe that their approach to strategic issues is more deliberate than emergent. Therefore, for them the strategic process is at the same time a controlled

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and conscious process and a process based on trial and experience.

7. Conclusion

Figure 10 summarises the way top managers' view their roles in the strategic decision process. The value 3.0 separates the concepts indicated in each bar, the concept that was less supported are crossed.
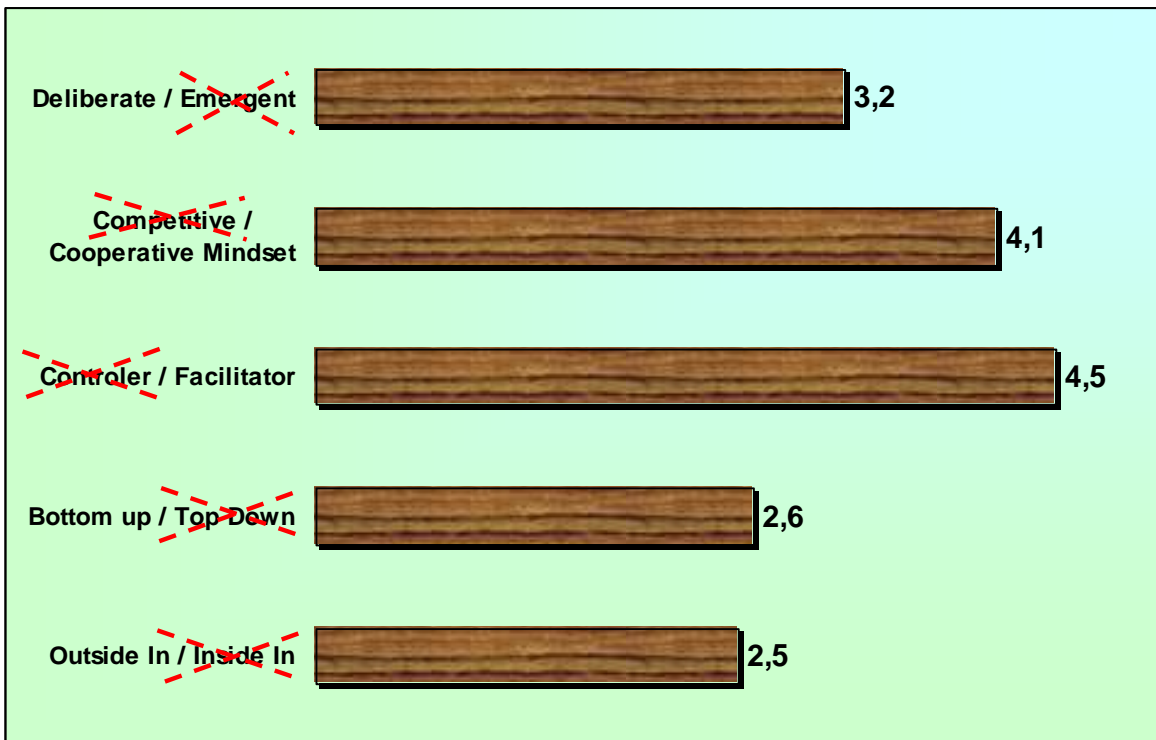

Figure 10: the way top managers understand their roles in the strategic decision process.

The deliberate approach considers that the environment is dynamic but essentially predictable. Still, when we consider the answers provided by top managers regarding if their approaches are deliberate or emergent, the difference is negligible. This ambivalent position could indicate that, although the environment is unpredictable they believe that the future can be known. Another possible explanation is that it is difficult to live without a feeling of confidence and safety. Therefore, people "live as if their expectations are basically correct and as if there is little that can surprise them" (Weick and Sutcliffe, 2005: 30). This desire for stability

and predictability, as Dick and Ellis (2006) claim, is particularly easy to see in management thinking although they also consider that much of the strategic management literature is a fantasy defence against anxiety.

Most top managers and collaborators tend to adopt simultaneously a cooperative mind set, a facilitator view of their roles and a bottom-up perspective. Management by rules and control are changing to management styles based on dialogue and discussion. Dialogue and discussion allow the generation of options and ideas, the sharing of experiences, and the learning from what happens. Thus, solutions and options that result from inclusive conversations are more likely to reflect a more complex view of reality.

Our analysis revealed that top managers do not see their organisations as machines that operate in an efficient and predictable way. In fact, for this perspective of organisations as machines, control is considered a basic part of the activity of top managers. The results show that instead of control, top managers believed in dialogue and team work. Still, they believe that they have a deliberate approach to strategic issues. One way to understand this is that when confronted with unfamiliar territory, top managers make sense with representations of things such as models and plans and in that sense, the rational management theories are still major sense-making tools because they provide the categories with which managing is experienced.

Responses to our questionnaires show that top managers have mainly an outside-in approach with an emphasis on prediction of the future through analysis and forecasts. But because it is difficult to predict the future they try to deal with this challenge through dialogue with other members of the organisation. In fact, the turbulence of the present environment produces unforeseeable outcomes which may create unique challenges to the cognitive frameworks that managers use to make sense. Therefore, when it comes to their collaborators they see their role as facilitators and coaches.

Our time, which has a context of uncertainty and ambiguity, seems to need leaders who are able to understand that their roles are paradoxical. One way of achieving this is to balance opposite frameworks. This conclusion is in line with the paradigm shift in organisational theory from models that emphasise order, determinism and linearity to models that emphasise complexity, non determinism and non linearity. This shift reflects a shift of mental models from models of individualist cultures to models that emphasise the importance of relationships, dialogue, interdependence and teamwork.

Managing paradoxical tensions demand from top managers the capacity to encompass at the same time in their way of managing, tensions such as flexibility and control, discipline and empowerment. In today's complex organisations, managers need to recognise and become comfortable with tensions and anxieties instead of adopting a defensive attitude suppressing the contradictions and maintaining a false appearance of order. This capacity to think paradoxically makes it possible to discover meaningful solutions out of contradictions.   This is not easy because as Lewis (2000) point out, actors choose interpretations that support, rather than challenge, their frames. This last point needs further research and analysis in the field of the Portuguese textile and clothing industry; therefore it may be the subject of our next research activity. In addition to this issue, for future research we intend to analyse how top managers enact the environment, based on which cues they envision the future and the implications that these have in the way they make sense of themselves and their managing.

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