STRATEGIC DECISION-MAKING IN A PROFESSIONAL SERVICE FIRM

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Mintzberg et al.’s (1976) general model of the strategic decision process is applied to the decision to ‘restructure’ a cost and project management consultancy. The study focuses upon the activities to reach the initial decision to ‘restructure’ and not the implementation of the decision itself. The research is a pilot study in the first year of a part-time PhD and was carried out in an inductive and ethnographical manner, in order to develop a greater understanding of professional service firms (PSFs) for future hypothesis generation and testing within the PhD. Conceptual modelling of the decision is achieved but the model is considered to lack identification of critical implicit activities in the process. It is suggested that the model confuses reaching a decision with implementing a decision and that the identification of the numerous subsequent interrelated decisions becomes difficult. It is also suggested that a top-down strategy within a PSF is not acceptable. The diagnosis of the problem was considered too vague and consequently it became difficult to see what the real driver for change was at all. Future research questions for the development of the PhD are proposed together with observations on the PhD process from a part-time student perspective. This paper is drawn from Wilson (2001).

Keywords: Professional service firm, strategic decision-making

INTRODUCTION

This research applies a general model of the strategic decision process (Mintzberg et al., 1976) to investigate a strategic decision within a PSF. The author of this paper is a manager within the PSF and the approach adopted is ‘inductive’ and ‘ethnographic’. Given the limited research into the field of strategic management in PSFs, this research offers an insight into strategic decision-making in a large cost and project management consultancy and is a step in developing a greater understanding of PSFs for future hypothesis generation and testing. The research investigated the decision to ‘restructure’ the company in organisational and legal form.

MINTZBERG’S GENERAL MODEL OF THE STRATEGIC DECISION PROCESS

In their paper The structure of "unstructured" decision processes (Mintzberg et al., 1976), Mintzberg et al. define the characteristics of strategic decisions as novel, complex and open ended with decisions not so much made under uncertainty but within a continuous state of ambiguity, where almost nothing is given or easily determined. Mintzberg’s et al.’s (1976) field study of twenty-five ‘strategic decision processes’ across a range of organizations suggests that there is a basic structure underlying these
‘unstructured’ processes. A general model of the strategic decision process was constructed, see Figure 1, which tries to show that whilst strategic decisions are immensely complex and dynamic, it is possible to give them conceptual structuring. Mintzberg et al. find that the structure can be described by twelve elements comprising three ‘central phases’ (‘identification’, ‘development’ and ‘selection’), three sets of ‘supporting routines’ (‘decision control’”, ‘decision communication’ and ‘political’) and six sets of ‘dynamic factors’ (‘interrupt’, ‘scheduling delays’, ‘timing delays and speedups’, ‘feedback delays’, ‘comprehension cycles’ and ‘failure recycles’). The general model describes the interrelationships among them and the decision processes studied are shown to fall into seven types of ‘path configurations’. Three decision stimuli sit in a continuum, namely ‘opportunities’ at one end (voluntary decisions to improve a secure position), ‘crises’ at the other (decision responses to intense pressures) and ‘problems’ in the middle; each capable of integrating or moving along the continuum.

Figure 1 A general model of the strategic decision process


RESEARCH METHOD

This research was undertaken as a pilot study in the first year of a part-time PhD. The author is a manager within the research target and the opportunity arose to investigate a strategic management decision that had been made by the owners of the company (note that the author is not an owner in the firm). The timing of this opportunity did not allow the scientific method to be adopted, such as the literature review in the field, generation
of hypothesis and testing (Silverman, 2000). Instead, the decision was taken to use a general model of the strategic decision process and to ‘get on and investigate’ the decision in an inductive and ethnographical manner. It is accepted that the research will not satisfy the hypothetical-deductive requirements of the scientific method of research, but nonetheless it will offer the first step into developing a greater understanding of PSFs for future hypothesis generation and testing within the PhD.

The first part of the research was a semi-structured interview with the current MD of the practice in order to develop an understanding of the past, present and future context of the practice and to gain an insight into the implicit parts of the decision. Following the interview, the MD passed copies of five strategic management documents that were the formal records of reports, minutes and debate of the decision to ‘restructure’. These documents were offered by the MD and not selected by the researcher, and as a result cannot be relied upon as the only relevant information. It is acknowledged that these are unlikely to represent the informal modes of communication in the process such as conversation, but alongside the semi-structured interview offer a satisfactory representation of the process for the purpose of a pilot study. The five documents were analysed, using a matrix as a checklist to find examples of the components of the model within the text.

RESULTS AND DISCUSSION

Results of the document analysis

The study has revealed four significant issues for discussion. Firstly, it has been possible to conceptually model the decision to ‘restructure’ and the decision may be seen to fit with a ‘path configuration’ of a Type 2: Political design decision process (Figure 2). As such the model gives the impression of a relatively straightforward, iterative and systematic decision. Nonetheless, it is considered that the complexity of the decision process is not well represented. The model in itself does not explicitly identify ‘dynamic factors’ or the ‘supporting routines’ that in the case of this decision were critical implicit issues and as such requires further development.

Secondly, a Type 2 ‘path configuration’ suggests that the strategic decision is less complex than a decision to build a new facility (Type 7). It is suggested that the Mintzberg et al. (1976) model confuses the process of making and implementing the decision. As a result it becomes difficult to identify the numerous subsequent interrelated decisions. For example, the decision to ‘restructure’ the practice led to twelve points of diagnosis, that led to a further twenty-three points of diagnosis. Taking Mintzberg et al.’s (1976) definition of strategic as ‘important’ each one of these decisions could in themselves be construed as strategic.

The third issue relates to the apparent top-down approach to strategy within the PSF. This is evidenced by the dominance, or arguably leadership, of the joint senior partner in the original diagnosis, the control of the decision process itself and the manner and philosophy of the discussions. The final document may suggest that top-down strategies are not acceptable within a PSF. Dictating the decision process, greater in-depth knowledge, the use of an independent facilitator and political manoeuvring did not ensure the decision was accepted.
The final finding was that the diagnosis of the problem appears to be too vague. It is overly simplistic and arguably irrefutable; the need for change in order to survive. Consequently it became difficult to see what the real driver for change was at all. It may be analoised with a doctor saying that a patient is ill. Although correct it does not in itself constitute a diagnosis.

**Figure 2** A political design decision process – the decision to ‘restructure a professional service firm’

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**FUTURE RESEARCH**

This pilot study has provided groundwork for the future development of the PhD. It has identified a number of questions that may be developed in the future as hypothesis for testing as part of the PhD:

1. Can a strategic decision be adequately conceptualised without investigation of the implementation phase?
2. How many interrelated decisions follow a strategic decision?
3. Can group decision theory offer greater insight into strategic decision-making within a PSF?
4. How does the quality of the diagnosis relate to the success of the implementation of a strategic decision?

The next phase of the research will develop a critical awareness of the existing strategic decision-making literature. Given the tentative criticisms of Mintzberg et al.’s (1976) model, it is proposed that the PhD be developed as research of a ‘testing out’ nature.
(Phillips and Pugh, 1994) by applying the model to the entire duration of the decision to ‘restructure’ this particular PSF. In so doing, it will test and develop the generalizations of existing theory.

Observations of the PhD process

Two observations on the PhD process are offered from the perspective of being a part-time student. Firstly, difficulties have been encountered from the outset with the traditional approach to the PhD process, typically literature review, research and then writing-up. Due to the ethnographical nature of the research it has been difficult to consider theory without constant reflection against current practice. Advice from the tutor to “get on with some research” has proven invaluable. In so doing it has forced rigorous review of the theoretical model and behaviour in practice, thereby proving the value of research to provide new insights.

Finally, getting on and doing some interim research has led to departmental seminars, MSc teaching and presenting a paper at the ARCOM conference (Wilson, 2001). These are all considered to be a positive step in the PhD process in ‘learning the trade’. Future activities are hoped to include ‘notes’ in construction journals on sections of the literature review to encourage early feedback.

REFERENCES


