

STRATEGIC DECISION-MAKING THEORIES: A HISTORICAL REVIEW

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Abstract

The concept of decision making is considered as one of the key topics in the field of strategic management and related fields. According previous theoretical considerations and discussions of the main contributors, there is no single routine/path used by managers in strategic decision-making. Mintzberg, Raisinghani and Théorêt define strategic decisions with regard to the decision-making level as a combination of entrepreneurial activities and efficient use of resources. The process of making strategic decisions is often described as unstructured, non-routine associated with uncertainty, defining it as a set of activities, which includes the collection of information, the development of alternatives and their evaluation, and ultimately the selection of the best alternative. It is clear, therefore, that it is difficult to talk about strategic decision-making exclusively in the context of a logical sequence of activities by division makers. This type of presentation of strategic decision-making, based on the idea of rational action by top management, as the strategic management executives, is also shown in numerous management text books. In their editorial in a special issue of the prestigious *Strategic Management Journal*, Cyert and Williams synthesized the conclusions of the special issue contributors. Analysing the cause-and-effect relationship between strategy, strategic decision-making and the organization, emphasis is put on the importance of organizational learning. In the conditions of creating an economy based on information and knowledge, a connection is created between information, organizational structure and strategic decision-making. In complex systems, such as companies, one of the key problems that occurs when making decisions is to find out where the decision comes from and how it is realized. Strategic decisions are most often a collection of some individual decisions in the organization or a consequence of informal conversations or actions that lead to collective action. The focus of this paper is an attempt to identified a key theoretical underpinning, through an overview of relevant theories and strategic management schools. In so doing, this paper will use the concept of strategic management schools, presented by Mintzberg, Ahlstrand and Lampel in their popular book *Strategic Safari*.

Keywords: decision-making, strategy, theoretical underpinning, strategic management schools

INTRODUCTION

The concept of decision making is considered one of the key topics in the field of business strategy and related fields. Mintzberg, Raisinghani and Théorêt (1976, p. 246) define strategic decisions with respect to the decision-making level and define them in terms of "actions undertaken and resources engaged". Relying on previous theoretical considerations and discussions of other authors, they studied strategic decision-making processes in 25 companies and proposed a theoretical model, which consists of 12 elements. At the same time, they believe that there is no single routine/path used by managers in strategic decision-making and that the outcome of the decision is determined by the choice of an alternative solution and the influence of dynamic factors. The same authors suggest that any strategic decision making process should

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contain two key routines: recognition of the situation and evaluation/selection of solutions, although it is a process that is complex and dynamic and different from company to company.

The process of making strategic decisions is described as unstructured, non-routine and associated with uncertainty (Eisenhardt and Zbaracki 1992; Mintzberg et al. 1976; Shrivastava and Grant 1985; as cited in: Shepherd and Rudd, 2014), and they define it as a set of activities, which includes the collection of information, the development of alternatives and their evaluation and ultimately the selection of the best alternative (as cited in: Wally and Baum 1994; Goll and Rasheed 2005; as cited in: Shepherd and Rudd, 2014).

Considering the above, it is difficult to talk about strategic decision-making exclusively in the context of a logical sequence of activities, which begins with the analysis of the situation and continues with the phases of identification, evaluation and selection of the best alternative and, finally, with the implementation and control of decisions. This type of presentation of strategic decision-making, based on the idea of rational action of top management, as the bearer of strategic management, is also shown in management textbooks and, for the above reason, is popular and generally accepted.

However, the strategies themselves are not always implemented linearly, in conditions of full rationality and top management control. In their editorial in a special issue of the prestigious *Strategic Management Journal*, Cyert and Williams (1993) synthesized the conclusions of several authors, selected for publication in a special issue of the journal, on the cause-and-effect relationship between strategy, strategic decision-making, and organization. Cyert and Williams (op. cit.) then emphasized the importance of organizational learning, the sense that organizations learn from experience and use information that can give them a competitive advantage. In the conditions of creating an economy based on information and knowledge, a connection is created between information, organizational structure and strategic decision-making, and the model of decision-making in conditions of uncertainty is acknowledged.

In certain cases, strategy may be a reaction in response to an urgent challenge from the environment, or the result of reaction and learning by employees, and not necessarily the intention of top management (Mintzberg & Waters, 1990, p. 1). In this sense, Mintzberg & Waters (1990) consider theoretical positions and discussions with other authors, who were engaged in the study of decision-making and its application in strategic management. In their analysis, the focus is on decision-makers and decision-making assumptions, where the classical concept of top management as a strategic decision-maker, Mintzberg's model of planned, independently formed (emerging) and realized strategic decisions are contrasted with other relevant concepts.

In the end, it doesn't even have to be a completely correct assumption that decisions precede actions, in such a way that the action represents the consequence of decision-making and the result of the decision-maker's commitment - to implement the formulated strategy. Namely, the decisions do not necessarily have to formally exist, nor necessarily be causally connected with the action, and there does not have to be a commitment of the top management to a certain direction of actions. In complex systems, such as companies, one of the key problems that occurs when making decisions is identifying where the decision came from and how committed all the employees are to its realization. It can be said that strategic decisions are most often a constellation of some individual decisions in the organization or a consequence of informal conversations or actions that lead to joint reflection, as a basis for collective action.

That is why it is of particular importance to try to find a certain theoretical framework, which will provide an overview of the theories and schools of strategic management, with the help of which the analysis of influencing factors on strategic decision-making will be carried out, as well as the literature from the mentioned area. For this purpose, this paper will use the concept

of schools of strategic management, which were presented by Mintzberg, Ahlstrand and Lampel (2004) in their popular book *Strategic Safari: A complete guide through the wilds of strategic management*, grouping previous research in the field of strategic management through ten theoretical schools. Of the above, only those key theoretical schools, which can be connected with specific theories and theoretical concepts of strategic decision-making, will be discussed below.

FACTORS INFLUENCING STRATEGIC DECISION-MAKING FROM THE PERSPECTIVE OF STRATEGIC MANAGEMENT THEORIES

Strategic decision-making in the school of strategic management design

In this subchapter, strategic decision-making is analyzed through the framework of the school of strategic management design, i.e. within the framework of matching the internal and external environment, which includes various characteristics of the decision-maker, which are essential for understanding the environment (analysis of perceptions, limitations, etc.).

The oldest theoretical approach to strategic management is the school of strategic management design, which starts from the SWOT model as a strategic framework, within which there should be harmony between internal and external factors of the environment. In principle, managers decide rationally, that is, they choose the strategy that best corresponds to their understanding of the goals and specifics of the business. The above assumes that top management has a clear intention and perception of both the external and internal environment of the company. Top management, with an emphasis on the person of the top manager(s), creates a strategy and makes rational decisions about the strategic direction of the company, using simple decision-making models and mostly informal consultations within the company. Therefore, the strategies are simple and completely clearly defined, which is why their implementation should not be too complex a task (Mintzberg, Ahlstrand and Lampel, 2004).

Of course, the reality of strategic decision-making is significantly more complex and, given the challenges in the modern business environment, it cannot be fully relied on just one person, regardless of their knowledge and competence. Therefore, strategic decision-making in contemporary literature, which, in a broader sense, can be considered the heirs of the original school of design, is considered in a broader context. Elbanna, Thanos and Jansen (2020) suggest that an understanding of the impact of selected factors and their characteristics on strategic decision-making should be developed. These factors include (ibid., p. 43):

- external environment and its characteristics,
- internal (organizational environment) and its characteristics,
- individual and collective characteristics of strategic decision-makers, as well as their interaction,
- features of the decision itself.

This approach, which derives from the previous empirical research of the strategic decision-making process (Elbanna and Child, 2007), can be compared to the classic SWOT analysis, which is indirectly related to the idea of designing a strategy, i.e. understanding the external environment and matching internal with external factors of strategy and strategic of decision-making. In this way, an easier understanding of the context of the decision-making process is achieved, the causes and consequences of the decision-making process are delineated, as well as the differences between the decision-making process and its results. Furthermore, it is easier to understand the sometimes conflicting results of existing empirical research, as well as establish guidelines for future research on this issue.

Similar to the aforementioned researches, neither the characteristics of the strategic decisions themselves have been sufficiently empirically investigated, so that they could be brought into a reliable connection with the characteristics of the strategic decision-making process. When analyzing the importance of a strategic decision, the importance of a decision for business has traditionally been associated with an increased level of rationality (Judge and Miller, 1991, as cited in: Elbanna, Thanos and Jansen, op. cit.), which is not confirmed in recent research. (Elbanna and Fadol, 2016a, as cited in: Elbanna, Thanos and Jansen, op. cit.). The unpredictability of the perception of the situation, in which strategic decision-making takes place, can be viewed through the arguments of the necessary increase in rationality in decision-making, with the aim of overcoming limitations and increasing the quality of decisions. On the other hand, strategic decision-makers in situations of high unpredictability can be guided by an intuitive approach and organizational politics, proposing decisions that are sure to be supported by all key managers and other individuals or groups with high power. Decision motives, such as the perception of an opportunity or threat, to which a decision is responded, affect the scope of the decision. However, it is difficult to reach general conclusions about the connection of this factor with strategic decision-making, except in the case of crisis management, as a specific case for making managerial decisions.

The external environment can be a significant factor in decision-making, which, again, is expressed through the way of managerial perception. There are two key factors that determine how managers perceive the environment: the assessment of the amount of uncertainty in the environment and its hostile orientation towards company. The results of empirical research, which try to determine the indirect effect of managerial rationality on the results of strategic decision-making, are different, whereby the perception of the external environment is singled out as an indirect (intermediate) factor. Due to differences in the assessment of strategic decision-makers, which includes their determination, selectivity and the effort they invest in decision-making, different strategic results occur in situations of a similar level of uncertainty (Klingebiel and De Meyer, 2013 as cited in: Elbanna, Thanos and Jansen, op. cit.). Very similar conclusions are reached when observing the results of the connection between the perceived hostile orientation of the environment towards the company and strategic decision-making. Due to a number of factors and the diversity of decision-makers, there are no clear empirical results (Boyd et al, 2013, as cited in: Elbanna, Thanos and Jansen, op. cit.).

According to Elbanna, Thanos and Jansen (op. cit.), neither the research of internal factors, such as the effect of previous business results (performance), the size of the company and its ownership, give a completely clear picture of the empirical connections with the strategic decision-making process. Some of the reasons for such insufficiently clear results can be found in methodological reasons, differences between researchers in defining key variables and ways of measuring them, but also theoretical differences, which relate to the definition and understanding of the term strategic decision-making process and its phases. In this sense, the importance of the content framework can be pointed out, i.e. key theories of strategic management, which will be discussed more in the next chapter.

Shepherd and Rudd (2014) follow a similar approach to the one described in their review of the impact of influencing factors on strategic decision-making. According to their analysis of the literature, the internal factors are the characteristics of the type of top management (top manager/decision maker), as well as the characteristics of the decision-making process, as understood by the team members. Their analysis of how the top management team and its characteristics can influence strategic decision-making was previously presented.

The characteristics of the decision-making situation itself, as seen by members of the top management team, are especially related to the perception of the complexity of the situation and its connection with organizational politics (Hickson et al, 2001, as cited in: Shepherd and

Rudd, op. cit.), for which is still not clear whether it is a prerequisite for strategic decision-making, or a factor that influences it. Increasing uncertainty reduces the rationality and formalization of decision-making, but increases flexibility, which, however, also works through organizational politics, considering the need to create coalitions between members of the top management team and mutual negotiation (Papadakis et al, 1998, as cited in: Shepherd and Rudd, op. cit.). Regardless of the importance of SWOT analysis in strategic management, it has not been clearly established that there is a significant empirical influence of opportunity or threat perception on strategic decision-making. Differences in empirical results also exist in relation to the perception of the importance of a strategic decision for the organization, where the same conclusions were not reached regarding the connection between rationality and the scope of the analysis with the perceived complexity of the decision. In the event of a crisis or a time limit for making a decision, due to the need for centralization, top management will communicate less and generate organizational conflicts to a greater extent.

Company characteristics significantly affect strategic decision-making, but mainly through organizational politics, given that the centralization of power and decision-making increases the political behaviour of management, as well as the characteristics of ownership and external control. The rationality and scope of decision-making, on the other hand, are mainly the result of the size of the company and the chosen organizational structure. At the same time, a special problem in empirical decision-making is the way of measuring the results (performance) of business, given that the use of different measures of performance can lead to different conclusions.

The perception of the external environment is, of course, important for strategic decision-making, whereby special attention is paid to the speed and instability of the environment. However, there is a lack of empirical confirmation of the effect of these environmental characteristics on strategic decision-making (Papadakis et al, op. cit.), so it seems that their effect is indirect - through the CEO's perception and decision-making style, as the most influential factors. Some researchers (Eisenhardt, 1989; Judge and Miller, 1991, as cited in: Shepherd and Rudd, op. cit.), prove that increased rationality and the use of strategic management tools, as well as the speed of strategic decision-making, can affect the success of strategic management in a very unpredictable and changing external environment. These results are opposed to those obtained by previous research (Fredrickson and Iaquinto, 1989; Hough and White, 2013, as cited in: Shepherd and Rudd, op. cit., since their research does not find a connection between complexity decision-making, that is, the application of strategic management tools and company success in a dynamic and unpredictable environment.

Strategic decision-making in the school of strategic management planning

In the continuation of the presentation, emphasis will be placed on the school of planning in strategic management, which emphasizes strategic decision-making through a formalized strategic management process. The formalistic model of strategic planning still retains the idea based on maintaining the alignment between the internal (strengths and weaknesses) and external (opportunities and threats) strategic capabilities of the company, while developing a large number of different phases of planning and hierarchical responsibilities for different levels of strategy (corporate, business, functional), as well as the implementation of the plan at the operational management level (Mintzberg, Ahlstrand and Lampel, 2004, pp. 54-58). However, the emphasis on the formal principle of planning means that the focus of strategic decision-making moves from the person(s) - members of top management to experts (planners), who represent the key people of this process, because managers generally devote more and more attention and time to the implementation of program activities, and less knowledge of strategy creation.

In the aforementioned theoretical context, the influence of formal planning on the success of strategic decision-making was first analyzed, which was an important topic from the 1960s to the 1980s, which can be identified as the time period in which the school of planning in strategic management ruled, i.e. the practice of corporate strategic planning, based on a formal process and expert and administrative support. That is why it is not surprising that one of the most cited works, which refers to this issue, is from the early 1980s, authored by J.S. Armstrong (1982), who, in a limited analysis of 15 case studies, concluded that formal planning in 10 cases was perceived (by top management) as useful for making strategic decisions, compared to 2 analyzed cases, in which as more useful assessed informal strategic planning. The same author singled out potential situations that support the role of the formal planning process in strategic decision-making. He analyzed situations of inefficient markets, high complexity or uncertainty in the environment and its major changes (regardless of whether it is an internal or external environment), which he claims are the only situations in which the positive role of formal planning is recognized.

At the same time, one should definitely keep in mind the results of later research on the size and nature of the impact of formal strategic planning on the success of the entire strategic management. Langley (1988) is among the authors who warned that the role of formal strategic planning is not limited exclusively to the implementation of the strategic decision-making process (strategic analysis, identification, evaluation and selection of alternatives), as described by the classic theory of strategic management. Based on the analysis of three case studies, this author concludes that strategic planning can also serve as a form of "group therapy" (through which top management communicates, "sells" and ensures support for its strategic vision from stakeholders within the organization), but and "public relations" (ie influence and positioning towards important stakeholders from the external environment). According to the same author (op. cit.), the formal planning process also has the roles predicted by the traditional theory of strategic management, which is related to the collection of information for the development of a strategic vision at the level of top management, as well as to the direction and control of the implementation of strategic decisions.

This author continued her research into the role of formal aspects of strategic management on strategic decision-making with a study in which she analyzes the relationship between formal analysis and social relations, i.e. the interaction between individuals with different levels of formal power in the company, as well as with different knowledge, motivation and way of thinking (Langley, 1991). And this study is based on a small number of three case studies, which were chosen as typical representatives of Mintzberg's organizational structures (machine bureaucracies, as highly standardized and administratively based organizations; professional bureaucracies and adhocracies, as representatives of organizations with complex work tasks and high demands on employees, but different in terms of innovation and predictability).

Using the analysis of different strategic decision-making situations in these organizations, Langley (op. cit.) develops a general framework of different situations, namely:

- (a) a situation of confusion, with a vague definition of the problem and the absence of a vision, where the role of formal analysis is limited to one or more individuals, who need to lay the foundations for understanding the situation;
- (b) the situation of convergence, in which the strategic decision is known, as well as the way of its implementation, while the formal analysis is aimed at determining the best individual solutions, within the framework of the implementation of an already known strategic decision;
- (c) the negotiation situation, which refers to the communication and "selling" of the strategic vision, most often by lower-positioned management at higher hierarchical levels, and where

formal analysis is used as a communication tool and means of persuasion, but also of control (if top management, on the other hand, "sells" his decision to lower hierarchical levels);

(d) a situation of stagnation, i.e. the existence of a strategic vision by individuals or smaller groups in the organization, with simultaneous differences in priorities, or complete non-acceptance of the vision by the top management, whereby the analysis does not produce appropriate communication between the interested parties (in contrast to the situation of negotiations) and

(e) a situation of divergence, in which individuals from different parts of the organization (eg organizational units) possess different strategic visions and actively conflict in their implementation, whereby the role of formal analysis is aimed at generating arguments for the conflicting parties and supporting conflicting positions.

In short, it can be concluded that, in this case, a large number of situations have been identified, in which the use of formal strategic analysis in decision-making does not coincide with the classic picture, related to the assessment of the problem and the decision-making situation and the evaluation of alternatives. Each of the specific situations of strategic decision-making uses formal analysis as a tool for directing interpersonal relations between managers, who participate in strategic management, which speaks of a series of roles that the formal planning process can have in the process of strategic management.

One of the most popular articles in this area is a study written by Kaplan and Beinbocker (2003), which confirms the aforementioned research results. The mentioned authors indicate that the value of formal strategic planning is not found in the quality of the strategic decisions themselves, which were made within the formal process of strategic management, but in the way it encourages managers to think strategically and discuss important topics, i.e. how the formal process influences managerial thinking for making strategic decisions and creates opportunities for information transfer and individual learning of top management team members.

If experts are involved in strategic decision-making, regardless of whether they are from the organization or external collaborators, the characteristics of expert decision-making, analyzed by Hutton and Klein (1999), should be taken into account. According to the mentioned authors, the key characteristic of expert decision-making is the constant assessment of the situation, based on the expert's ability to recognize and evaluate critical decision-making factors. Experts are regularly characterized by serial thinking, where alternatives are evaluated one by one. In this way, strategic decisions are successfully made in conditions of time constraints, high risk (uncertainty), insufficiently well-defined goals, etc. The aforementioned form of decision-making is possible due to the high specialization of experts, who possess knowledge from a narrowly defined professional field, while relying on the recognition of key factors in the decision-making situation, which they know from previous experience.

Strategic decision-making in the environment-based school of strategic management

The school of strategic management based on the environment (environmental school) is described by Mintzberg, Ahlstrand and Lampel (2004) as the complete opposite of the initial schools of design and planning. In this theoretical school, the role of strategic leadership (top management) is placed in the background, and the success of strategic management is observed through the company's ability to adapt to environmental influences, which cannot be influenced in any way. Therefore, the environment-based school is associated with the so-called contingency approach to management, in which the possibility of choosing one and the best approach to management is denied, given that the success of the company may depend on a number of situational (contingency) factors and their values. Given that, in a certain industry,

companies will be faced with similar factors and methods of action of the external environment, it is usually noticed that they are grouped into certain - more or less successful groups, which will depend on the action of the external environment and the success of the response to it from by strategic decision makers. Groups of successful companies will prosper, because they have adapted well to the external environment and its influence, while groups of unsuccessful companies will slowly lose resources and eventually, most likely, go bankrupt or be forced to leave the industry.

A somewhat newer theoretical school within strategic management, which can be considered a specific form of environment-based school, is the positioning school, with Michael E. Porter as the key theorist. While the school based on the environment generally emphasizes the influence of the external environment and the need to adapt the company and management to the requirements of the environment, positioning develops precise "recipes" for recognizing the impact of the environment, especially the industrial one, on the company, on the basis of which recommendations are developed for the behavior of companies in the industry, how the best possible performance and the competitive advantage of the company would be achieved. Therefore, a key initial step is the use of various analytical tools to obtain information about the conditions in the environment, that is, the industry (Mintzberg, Ahlstrand and Lampel, 2004, pp. 84-87). Many authors have studied this area, but the most popular is its interpretation by M. E. Porter (Mintzberg, Ahlstrand, & Lampel, 2004, p. 85). Porter's theoretical direction is based on the application of the idea, that is, the concept of industrial organization (the so-called "industry analysis approach"), in explaining the effect of the competitive (industrial) environment on managerial decision-making in the field of strategic management.

Industrial organization represents a discipline in theoretical economics, which was based on the appreciation of empirical findings, from which one of the most important conceptual frameworks of company behaviour, better known as the structure-conduct-performance paradigm, was developed. In the literature on strategic management, the SCP paradigm is popularized by M. E. Porter, especially through the two most popular books - *Competitive Strategy* and *Competitive Advantage*. In principle, they say that the structural characteristics of the industry (industrial environment) are determinants of the company's behaviour, that is, of the strategic choice of managers, who are limited by them in their decision-making.

At best, managers can recognize the characteristics of the environment (determined by Porter's five industrial forces model) and adapt to it. The managerial response to the industrial environment is based on the choice and consistent application of one of the generic business strategies (the lowest cost strategy, the differentiation strategy and the focus strategy, which is also based on the lowest cost or differentiation, but applied to a narrower market niche). They differ from each other with regard to the volume of the target market and the way of creating value, which Porter explains in more detail with the concept of the value chain (Mintzberg, Ahlstrand and Lampel, 2004, op. cit. p. 104). In the case of choosing an adequate generic business strategy, the company will achieve high performance and realize a competitive (strategic) advantage in the branch/activity. In the case of inadequate analysis and adaptation of managerial decision-making to the environment, the company will not have good strategic performance, nor will it achieve a strategic advantage. In the worst case scenario, when managers try to combine elements of different generic strategies, the worst strategic outcome appears - the company/organization is said to be "stuck-in-the-middle", because it does not adapt at all to the demands of the environment and thus threatens its acquired position on the market, on which its further sustainability depends

Empirical research singles out a number of different contingency factors, which can affect the success of strategic management, which can be considered a key factor in adapting to market conditions and survival in the industry. However, when it comes to strategic decision-making,

the choice of influential factors is limited and can be limited to the influence of the characteristics of strategic decision-makers on strategic decisions and their success. Some of the potentially important demographic characteristics of top management were explored by Elbanna, Thanos, and Jansen (2020) in their review of the literature on strategic decision-making.

According to this literature review, the empirical results do not provide a clear picture of the influence of demographic characteristics of top management on their strategic decision-making. The age and length of work of managers in the company and industry influence the rigidity, but also the rationality of top management's actions (Greening and Johnson, 1996; Goll and Rasheed, 2005, as cited in: Elbanna, Thanos and Jansen, 2020). And the role of the experience of the top management team is not clearly empirically related to the characteristics of strategic decision-making, but depends on the level of their self-confidence, as well as the risk they are willing to take (Jansen et al., 2013, as cited in: Elbanna, Thanos and Jansen, 2020). The education of the top management team is related to the amount of rationality in decision-making, but it seems that the mentioned influence is realized indirectly, through the characteristics of the strategic decision-making process. The connection between the psychological characteristics of strategic decision-makers (related to the internal or external sense of control, the need for achievement, as well as the assumption of risk), give mixed and insufficiently reliable empirical results, related to the realization of different characteristics of the decision-making process.

Shepherd and Rudd (2014) also conducted an analysis of the influence of the top management team on strategic decision-making. In their work, the influence of the top management team on strategic decision-making is considered from different aspects:

- The length of engagement in a top management position refers to the increase in rationality in decision-making, as well as the integration of decisions into the company's strategy, whereby an increase in involvement in the analysis of the environment, proactive search for new opportunities and formal planning is observed;
- The level of education of the top management team is also associated with an increase in the rationality and breadth of strategic decision-making, but this applies to the entire team, and not exclusively to the position of the Chief Operating Officer (CEO);
- Diversity in the demographic characteristics of the members of the top management team only somewhat affects the breadth of strategic decision-making, with the more important characteristics being the diversity in the type and length of work experience, as well as in the discussions that take place between team members;
- Psychological characteristics of the top management type refer to their differences in cognitive processes (understanding and creation of knowledge), cognitive style and personality. Although it could be assumed that the diversity of team members in the cognitive sense is a positive factor, research shows that it actually increases conflicts and reduces the ability to analyze complex strategic possibilities. The way team members think, analyze, solve problems and enter into interpersonal relationships (cognitive style) is not clearly empirically connected to strategic decision-making. The same applies to CEO personality research, which is logical, given the previous findings, which emphasize the importance of the top management team as a decision-making unit.

The mentioned authors conclude that the current research on the personal characteristics of the top management team and strategic decision-making is quite limited, given the small number of studies that relate to certain observed factors.

However, strategy does not always have to be only a rational and logically based process, but it must always count on a certain level of irrationality, which, moreover, is even necessarily

needed, in order to initiate actions in organizations characterized by ideological beliefs, instead of logic and rationality, which are cited in textbooks and academic literature (Brunsson, 1982). Namely, traditionally, literature in the area of decision-making was mainly based on the perspective of individual behaviour, and organizational decision-making was identified with individual, based on the belief that entire organizations obey the leadership of one or more powerful top managers, or their coalition. Taking into account the normative nature of traditional literature, which describes how decision-making should flow, instead of how it normally flows and is implemented in organizations, it is not surprising that there was a lack of understanding of the decision-making process from the perspective of implementing organizational decisions in practice, i.e. through organizational actions. Also, it should be taken into account that there are dominant ideologies in organizations, which limit the way of managerial thinking, prescribe values and forms of behaviour in organizations, and thus guide decisions and, ultimately, determine how decisions are turned into action (Brunsson, op. cit.).

Unsteady or chaotic ("erratic" in English) processes of strategic decision-making, which can be defined as a potential impact on the development of the company, based on inconsistent analyses and behaviour of managers. This specific research problem was analysed by Mitchell, Shepherd and Sharfman (2011), where they started from the managerial understanding of their own thinking and their perception of the external environment, considering that it affects the thinking itself. According to the results of their empirical research, managers who better understand their own way of thinking (that is, have more experience and understanding of themselves) have a lower level of chaos in strategic decision-making, while the situation is the opposite for managers in hostile environments. The stated results are logical and expected, but it was not easy to explain why the empirical results showed that managers in more dynamic environments react less chaotically in their strategic decision-making. The same authors (Mitchell, Shepherd and Sharfman, op. cit.) provide a number of potential answers, which can be reduced to experience in dynamic environments, or to the ability to filter redundant information from the environment, which is not crucial for making successful strategic decisions.

In this sense, Papulova and Gazova (2016) emphasize that the key to the success of strategic decision-making is how individuals - strategic decision-makers apply strategic analysis. As the lowest level of application, they single out the so-called "mechanical thinking", which boils down to the rational application of well-known scientific and practical methods, tried and tested in managerial practice so far, and which as a result have relatively safe but conservative solutions. The next step in the ways in which individual strategic decision-makers apply strategic analysis is the so-called "intuitive thinking", in which innovation and creativity participate, but mainly based on the individual knowledge, experience and abilities of the manager, who makes a strategic decision. Given that this way of carrying out the analysis does not require a lot of time, the decision-maker has the possibility of a quick and flexible response to challenges from the environment, whereby he can focus on solving the most important aspects of the problem, instead of developing complex and comprehensive solutions (ibid, p. 574- 575).

When considering the role of intuition in strategic decision-making, the insufficiently rational process of understanding different segments of the problem, from which a comprehensive solution emerges, is actually valued. Managers arrive at it based on many years of experience and knowledge of all business details and typical business problems, which appear in the company, with competitors and in the entire industry (Khatri and Ng, 2000). It is characteristic of intuition that it is an unconscious process, which is complex and ensures a quick reaction and that it represents a shortcut in strategic decision-making, the results of which are comparable to a much slower rational process, based on individual steps (Khatri and Ng, op.

cit.). The same authors warn that intuition should not be confused with decision-making based on emotions and bias, and empirically show that intuitive thinking is associated with the success of strategic decision-making in an unstable and dynamic environment, while it is not successful in a stable environment.

In accordance with the previous discussion, one of the sources of possible deviation from the model of logical and completely rational behaviour can be innovation, which is understood as a consequence of strategic thinking, i.e. a creative approach to thinking. Papulova and Gazova (2016) believe that it is a combination of a mechanical approach, in the part that refers to the application of proven tools and methods of strategic analysis, as well as an intuitive approach, in the part that stimulates the application of a creative approach and the creation of innovative solutions.

Strategic thinking, therefore, does not dwell too much on existing constraints, but combines a classical rational approach with creativity and an understanding of the unclear and competitive external environment (Steptoe-Warren, Howat, & Hume, 2011). These authors indicate that strategic thinking and decision-making could be a consequence of individual abilities, ie top management competencies, although they concluded that the literature did not clearly establish an unambiguous theoretical framework, nor the sources of such competencies. However, in their review of the literature, they analysed the factors that influence such competences, or limit their development, and among them they specifically singled out the categories of managerial thinking (cognition), as well as their individual values and beliefs.

Strategic decision-making in learning and power-based schools of strategic management

Classical decision-making theory does not sufficiently mention the fact that strategic decision-making, in principle, consists of phases of understanding (structuring) the problem that needs to be solved, as a key prerequisite for the implementation of strategic analysis. Only after the aforementioned has been implemented, one can approach the problem-solving procedure (that is, decision-making in the narrower sense), with all the classical phases - starting with the generation of alternatives, and ending with the strategic control of the chosen decision/solution (Thomas, 1984). Furthermore, the process of strategic management, in which problem-solving is carried out, is not linear, but takes place in cycles, so it can be described as dynamic and open to different influences, which include feedback from different parties within and outside the organization, as well as negotiations and bargaining with top management and other participants in strategic decision-making, whose attitudes and way of thinking can influence the final decision-making (Thomas, op. cit.).

The mentioned facts can be connected with schools of strategic management based on organizational learning and power (that is, organizational politics). According to the arguments of Mintzberg, Ahlstrand and Lampel (2004), the school of strategic management, based on learning (learning school), starts from Lindblom's (1959) concept of strategy as a complex and insufficiently clear process, which means completely abandoning the idea of strategic management as logically organized and a clear process, which was still introduced by the design school. As will be described later in this subsection, the influential research of Quinn, which led to the idea of logical incrementalism, introduces bounded rationality, viewed in the short term, as the key logic of strategic decision-making, as seen by the school of learning. It also opens up the possibility for the strategy to appear "independently" (emergent strategy), i.e. that the strategy arises as a process of organizational learning in the company, which the management will recognize and support. At the same time, it is even possible that the emergent strategy differs from the intended strategy (deliberate strategy), as well as that the realized (implemented) strategy in the end is completely different from both the emergent and the intended one.

In the context of the aforementioned limitations, numerous researches have been conducted on the content of the strategic management process, which offer different models of strategic decision-making. One of the most influential reviews of the literature in this area was made by K. M. Eisenhardt and M. J. Zbaracki (1992), who single out groups of rational and political decision-making models. In doing so, the concept of rationality is used in the usual sense of knowing organizational goals, on the basis of which decision-makers gather information, identify and evaluate alternatives, in terms of possible outcomes and their relationship to known goals, and, in the end, choose a decision that leads to the outcome closest to the goal.

In traditional theory, the mentioned process stems from the assumption of man as an economic being ("homo economicus", in the original Latin), which functions on the basis of the assumption of full rationality. It implies that the decision-maker knows all possible alternatives, the consequences (outcomes) of their implementation, has clear preferences regarding each of the decision-making outcomes, as well as being able to realistically assess the costs and benefits of achieving a particular outcome (Kreitner and Kinicki, 2001, as cited in: Turpin and Marais, 2004, p. 144.).

The traditional process of rational decision-making defined in this way is the subject of an analysis of the limitations of management and its rationality, that is, the very rational nature of strategic decision-making. The most famous analysis is Herbert Simon's concept of bounded rationality, which states the relativity of the concept of full rationality and introduces the idea of a certain degree of rationality in decision-making, which depends on the availability of information, decision-making style and cognitive limitations of strategic decision-makers, as well as other factors (Simon, 1990). Of course, the idea of bounded rationality not only reflects practical limitations in the situation of strategic decision-making (absence of complete information, unclear preferences of the decision-maker, etc.), but also the subjective satisfaction of the decision-maker with the achieved level of rationality, which will also depend on the characteristics of the decision-maker, as well as the decision-maker herself. decision-making situations (Turpin & Marais, 2004).

However, one should not ignore the fact that, in the practice of decision-making, the stages of information gathering, identification, evaluation and choice of alternatives do not have to take place in a prescribed order, but can take place in different combinations and time sequences (Mintzberg, Raisinghani & Théorêt, 1976). In this context, the so-called are of particular importance. incremental models of strategic decision-making, which imply that the stages of strategic decision-making (and strategic management in a broader sense) take place without preparation and a long-term strategic vision. The first concept of incrementalism was introduced into the analysis of strategic management by Lindblom (op. cit.), who proposes abandoning the rational model, given that it assumes knowledge of the entire situation and the possibility of analyzing it as a whole, in order to reach a comprehensive and long-term solution to the problem. Instead of the above-mentioned approach, which in very complex situations can be unrealistic, the realistic behavior of decision makers can be described through a series of short-term and limited decisions, which solve certain aspects of the entire decision-making situation. Choices among alternatives are based on short-term experience, and decision-makers are ready for experimentation and multiple attempts to solve problems, constantly moving from the decision-making phase to the analysis phase, and vice versa.

A somewhat newer concept, which was introduced into the theory by Quinn (1977), and known as logical incrementalism, implies that top managers will try not to publish their strategic vision and goals, in order to avoid political behaviour and the creation of coalitions directed against themselves, but also maintain the greatest possible level of flexibility in creating strategies. Furthermore, refraining from "excessive" planning and publishing detailed strategic plans ensures that competitors will not have enough information about the company's strategic vision.

However, according to Quinn (op. cit.), strategic managers should set a strategic vision and plans in general terms, which ensure general understanding and joint action of employees, while changing the role and behaviour of top management itself. Instead of a detailed understanding of the situation and the formulation, implementation and control of the strategy, with full rationality, it is enough that managers are able to feel the need to change the strategy, create awareness of a new strategic step forward and encourage the first step in its direction.

Historical models of incrementalism in strategic management were analyzed by Rajagopalan and Rasheed (1995), where they described the model from Lindblom's (op. cit.) article with the English phrase "muddling through", which could perhaps be translated as "stumbling", but understood in a positive sense. Although there is no clear boundary between analysing the situation and formulating and implementing strategic decisions, this model emphasizes "managing" in complex situations, in which mistakes are inevitable, so their correction and learning can be considered key success factors (Rajagopalan and Rasheed, op. cit., p. 291). In the described way, agreement is achieved between the key stakeholders of strategic decision-making, which is very important from the aspect of organizational policy (which will be discussed below). The same authors (op. cit., p. 292) see Quinn's model of incrementalism as a combination of rationality and organizational politics, which will be discussed later in this literature review. According to their interpretation of Quinn's model, strategic management is a conscious and proactive process, which top management derives from its strategic vision, although it deliberately does not communicate its vision in detail and does not publish detailed strategic goals, in order to increase the quality and acceptance of its strategic decisions. In both groups of incremental models there is a common emphasis on mastering limited information, decision makers' ability to analyse, as well as reducing conflicts with strategic management stakeholders (Rajagopalan and Rasheed, op. cit., p. 292).

However, in practice, situations of complete and extreme uncertainty often occur, in which there are no clear preferences and attitudes of decision makers, who do not have clearly defined goals before making a decision, but arrive at them during the decision-making process. Furthermore, neither the participants in the decision-making process are fixed, but the makers of individual decisions differ, with regard to interest and motivation, as well as the availability of time and resources for participation in decision-making processes. An additional limitation in such situations is ignorance of the entire business process, whereby learning is reduced to multiple trials and errors. The aforementioned characteristics of the "anarchic" theoretical model were stated by Eisenhardt and Zbaracki (op. cit., p. 27), based on the theoretical work of Cohen, March and Olsen (1972), who called it the "garbage can" model (can model). Namely, problems and possible solutions and accompanying strategic decisions can be presented as individual flows, accompanied by the same flow of energy and resources of individuals for participation in the decision-making process. The way in which the aforementioned four flows "match" in a particular situation will determine the quality of the strategic decision, and the authors confirm the practical value of their model with a case study of decision-making at the university, in several different decision-making situations.

Taking into account a number of other studies based on the "garbage can" model, Eisenhardt and Zbaracki (op. cit., p. 31) synthesize their characteristics, citing three common features: (a) acceptance of the idea of the enterprise as "an organized anarchy", (b) consideration of strategic decision-making as a more or less "random" process, created by the accidental connection of changing problems, opportunities for solving them, available solutions and participants in the decision-making process, and (c) limitations of "organized anarchy" through "introduction of order", which is based on observing the strategic decision-making process through a long-term perspective and observing certain rules and structures. In this sense, the very existence of the

theoretical concept of "garbage can" can be questioned, that is, the limitations of this concept can be discussed.

The analysis by Eisenhardt and Zbaracki (op. cit.) is logically followed by a group of papers by S. Elbanna and associates, who concentrate on the process of strategic decision-making, whose analysis they oppose to research on the content of decision-making, which considers strategic management topics, such as diversification and corporate strategies, alignment strategy with environmental requirements, etc. (Elbanna, 2006, p. 2). In the aforementioned study, Elbanna concentrates on the unfolding of the strategic decision-making process and on the factors that can influence such a specific process dimension of strategic management. He singles out the rationality of decision-makers as a significant factor, which has already been discussed in this literature review. This factor does not cause great discussions in contemporary literature, which accepts the idea of bounded rationality, given that it is mostly supported by the findings of empirical research (Eisenhardt and Zbaracki, op. cit.). When viewed from the perspective of the strategic decision-making process, bounded rationality will be reflected in the limitations of strategic decision-making due to the cognitive limitations of managers, as well as the limitations of organizational politics (Snyman and Drew, 2003). Nevertheless, there are also a number of problems and unclear results in determining the empirical relationship between the level of rationality and the results (outcomes) of strategic decision-making, for which Elbanna (op. cit., p. 6) finds the reason in a number of problems from research methodology, such as: different approaches to defining the external environment of the decision-making situation, national cultures in which the research takes place, non-inclusion of other important variables, differences in sample selection and statistical methods, etc.

The second group of theoretical decision-making models is related to the analysis of organizational politics, which implies that strategic decisions are made by managers and stakeholders, who have a number of different goals and are temporarily connected in coalitions, in order to have as much influence as possible on the outcome, but also on the procedure. decision-making process (Eisenhardt & Zbaracki, op. cit., pp. 22-23). Organizational policy and negotiations between the key actors of strategic decision-making are the basis on which the school of strategic management based on power relies.

The aforementioned theoretical school implies that it is not possible to formulate or implement optimal strategies, which lead to maximum profit, because the process of strategic management relies on the creation of interest groups and negotiation (guessing), in order to find a compromise between the interests of powerful stakeholders. They relate to the achievement of status and the distribution of resources in the organization and the resolution of conflicts that arise due to different interests in controlling resources (Mintzberg, Ahlstrand and Lampel, 2004).

According to Pettigrew (1977), organizational politics refers to both the choice of strategic problems to be solved and the choice of alternatives to solve them. The choice of both problems and solutions depends on the power to put the problem on the "agenda" of decision-making, as well as to influence the stages of strategic decision-making. Both dimensions of the political process of strategic management depend on the perception of the legitimacy of the demands of an individual or a group in the organization, which is why the conflict when making strategic decisions can be described in the context of gaining legitimacy for one's own demands, i.e. reducing the legitimacy of competing individuals and groups (Pettigrew, op. cit. pp. 85-86).

Eisenhardt and Zbaracki (op. cit.) emphasize that empirical research of political models of strategic decision-making is mainly based on case studies, which confirm that strategic decisions most often realize the preferences of powerful individuals and groups (ibid., pp. 25-26). Furthermore, this situation encourages general "political behaviour" in organizations, that

is, the creation of coalitions, manipulation and control of information, lobbying, control over the "agenda" - decision-making agenda, etc. (ibid., p. 26). This theoretical school can be briefly presented with the conclusions, which say that: (a) organizations consist of people with partially conflicting goals, (b) strategic decision-making is guided by the individual and group interests of powerful stakeholders, and not necessarily organizational interests, and (c) members and groups in the organization necessarily base their behaviour on their own interests and use organizational politics at the same time (op. cit., p. 27).

Elbanna (op. cit.) states their basic characteristics somewhat differently. These include (Elbanna, op. cit., p. 8): (a) the opposition of the political model of behavior to recommendations on open discussion and free sharing of information during strategic decision-making, which results in (b) long-term decision-making processes, which create divisions among individuals and groups in the organization and (c) poor outcomes of the decision-making process, due to the concentration on individual interests within the organization, instead of the demands of the external environment.

THE ENTREPRENEURIAL DIMENSION OF STRATEGIC DECISION-MAKING AND THE SPECIFICS OF SMALL AND MEDIUM-SIZED ENTERPRISES

With regard to the theoretical schools of strategic management, entrepreneurial strategic decision-making can be observed through the entrepreneurial school of strategic management (entrepreneurship school), the basis of which is proactive action, based on an entrepreneurial way of thinking. This school starts from the position that managers, in principle, should think strategically and act as entrepreneurs, have the characteristics of a leader - strong character traits and personality, with a clear vision of their long-term orientation, observed in the context of strategic decision-making (Mintzberg, Ahlstrand and Lampel, 2004, pp. 130, 136, 150-151). Stevenson and Gumpert (1985, as cited in: Mintzberg, Ahlstrand and Lampel, 2004, p. 139) believe that in business decision-making there is a difference between an entrepreneur and a manager, who can be seen as a person who, in an administrative way, approaches strategic management. Namely, while an entrepreneurially oriented strategic manager observes and listens to his environment and searches for new opportunities, which he quickly materializes, the manager, in such situations, behaves formalistically, in accordance with the principles of corporate decision-making, avoiding any risk in his strategic decisions.

In this sense, the entrepreneurial school of strategic management is not necessarily limited to small and medium-sized companies, but can also be applied to large companies that have developed intrapreneurship.

With regard to strategic decision-making, entrepreneurs have certain specificities, depending on the characteristics of entrepreneurs, as well as their environment (Shepherd, Williams & Patzelt, 2015). The psychological characteristics of entrepreneurs, which have been empirically proven as relevant for (strategic) decision-making, are (Busenitz & Barney, 1997): (a) excessive self-confidence, in the function of using the entrepreneurial opportunity as early as possible, while all the data about it are not yet fully available to the wider public and (b) tolerating non-representative information, resulting in making general conclusions, based on small and purposive samples. Considering that they tend to take advantage of insufficiently known and unexplored market opportunities, it is quite clear that entrepreneurs do not have at their disposal large amounts of reliable data about customers and their behavior, competition, costs, technology, etc. It is interesting to note that the literature also recognizes the reverse relationship, i.e. the impact of entrepreneurial strategic decision-making on some of the essential characteristics of entrepreneurs, such as self-efficacy (the perception of one's own

ability to establish and run an entrepreneurial venture). It has been empirically established that the involvement of employees in strategic decision-making, as well as the complexity and amount of information for decision-making can be associated with higher levels of perceived self-efficacy (Forbes, 2005).

Furthermore, the characteristics of entrepreneurial behaviour relevant to strategic decision-making have also been determined in the literature (Sarasvathy, 2001, p. 252):

- Entrepreneurs prefer thinking in terms of acceptable loss, in relation to setting goals, related to profit maximization;
- Instead of a detailed analysis of the competitive environment, entrepreneurs focus on concluding strategic alliances and using the interests of existing stakeholders;
- Entrepreneurs are oriented towards action and using market opportunities, instead of using expert knowledge;
- Entrepreneurs prefer to focus on controlling the unpredictable future rather than predicting it.

In addition to the entrepreneurial characteristics, specificities related to the limitations in strategic decision-making of small and medium-sized enterprises (SMEs), as typical entrepreneurial organizations, should also be taken into account. The characteristics and limitations of entrepreneurial strategic decision-making are usually viewed as the opposite of the classical theory of (strategic) decision-making, which starts from a problem situation, which has clearly defined causal characteristics. They determine the logical connections between the problem and the solution, namely (Sarasvathy, *op. cit.*, p. 249): (a) what goal needs to be achieved, (b) what are the alternatives for achieving the goal or solving the problem, (c) what constraints (from the environment) are present and (d) what are the criteria for evaluating alternatives. On the other hand, in real entrepreneurial business, the problem of effectuation (strategic decisions) appears, which implies that the entrepreneur has limited knowledge of the situation and the necessary information, and has a number of other limitations.

These limitations include (Sarasvathy, *op. cit.*): (a) own, relatively unchanging characteristics, (b) general entrepreneurial goals, i.e. a very general perception of the results one wants to achieve, (c) limitations in resources and other business characteristics, whether come from the internal or external environment and (d) criteria for choosing between the desired goals/results, usually based on the level of acceptable risk or loss, which the entrepreneur can bear). In a very similar way, the limitations of entrepreneurial strategic decision-making were also defined by Liberman-Yaconi, Hopper and Hutchings (2010, pp. 74-75), who single out: (a) lack of resources for data analysis and decision-making situations, (b) less centralized and the formalized nature of strategic decision-making, which relies to a greater extent on the intuition and abilities of the decision maker.

From the aspect of the development of the strategic decision-making process, the results of the research of the mentioned authors (Liberman-Yaconi, Hopper and Hutchings, *op. cit.*), which is based on 11 case studies of micro-enterprises from the information technology industry, except for the role of business experience, ethics and intuition of the decision maker decisions, as key factors in strategic decision-making, also confirm the importance of informal data collection. Owners of micro-enterprises, as strategic decision-makers, collect them in an unstructured manner, most often from customers and business partners. Unsystematic and passive information gathering affects the very nature of strategic decision-making, which cannot fully follow the model of full rationality, but are mostly incremental, as previously described by Mintzberg, Raisinghani and Théorêt (1976) and Quinn (1977). The model of entrepreneurial strategic decision-making, according to the mentioned authors, can be presented

as a series of three overlapping cycles, within which informal information, generation of strategic options and decision-making are carried out.

In the previously described context, the question arises whether entrepreneurs and managers of SMEs are inclined to some specific form of strategic decision-making, based on innovation and innovative use of existing resources, or whether they operate without any strategic management. This issue was analysed by Hauser, Eggers and Guldenberg (2019), using 10 case studies of Swiss SMEs, they showed that effectuation, as a form of innovative approach to strategic decision-making, can be found in most of the analysed case studies. These authors believe that effectuation, as a form of strategic management, which opposes the classic rational model and relies on the entrepreneurial qualities and intuition of the leaders of SMEs, is different from the lack of strategy. Its characteristics, which are described by the mentioned authors, almost completely coincide with the previously described models of incremental strategic decision-making.

CONCLUSION

Strategic decisions can be observed in the context of decision-making theory, considering their characteristics and characteristics of decision-makers, as well as the processes by which they are reached. On the other hand, these decisions can also be viewed from the aspect of strategy, i.e. places and roles in the process of strategic management, as well as positions within the theoretical framework, which refers to strategy and strategic management. In this paper, the hitherto known theoretical approaches in the field of strategic decision-making are presented, whereby the existing works are classified in a way that has not been used in appropriate reviews of the literature so far, which enables a new approach to the study of strategic decisions and their observation in practice.

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