

Effective Decision Making Process and its Impact on Strategic Planning Process: A Case Study of Nigerian Oil Industry

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INTRODUCTION

One of the most critical activities of any manager is making strategic decisions. Decision making process of management is the process whereby a manager is placed in a position where it is necessary to choose between two or more alternative courses of actions in a bid to accomplishing organization's objectives (Rutherford-Silvers, 2008). Managers are often charged with the responsibility of making programmed routine decisions that are usually outlined in the organization's policy. They as well make unscheduled strategic decisions, emanating from the organization's strategies which are interrelated to their business environment.

Dragamir (2012), states that most of the decisions that are made by management of organizations are usually taken under the influence of certain environmental constraints that may be external or internal. Pimentel, Kuntz and Elenkov (2010) are of the opinion that as the environment is relatively dynamic with relative shortage of information; the decision of management can be made under certain, uncertain and risky conditions. Decisions that are usually made under conditions of uncertainty and unprecedented risks are characterized by complex, unstructured and unplanned challenges or problems which directly affect the strategic planning process of the organization.

Petrescu (2012), was of the opinion that in making informed decisions, managers must always consider three rudiments of morality in the decision-making process, which include; moral

recognition, moral evaluation and moral intention / action. These principles of morality refer to a behavioural pattern which encourages adherence to the manager's own control and transparency; as well as his vigilance against those who may violate these principles as it relates to ethics in the business environment. The successful application of management decision making process in business organizations has resulted in new dimensions of management theory and philosophy.

Although it is well known that the small and medium scale enterprises (SME's) usually employ a sizeable portion of the total employees of the Nigerian economy, the management of these SME's are often starved of the required business related skills and knowledge to make informed decisions that can aid in the strategic management process and that is required to help these categories of organization meet their general operational objectives (Brinkmann, 2002). Considering the vital role which strategic planning plays in the larger organization, and also bringing to the fore, the believe that effective decision making should take the front position in business organizations, it is thus eminent to recognize the instrumental role which an effective decision making process should play in the active process of strategic planning in the small and medium scale enterprises as such will set a pace for the attainment of set goals of these SME's and consequently their growth and development in the highly competitive business environment.



RESEARCH HYPOTHESES

Based on the research questions, the following hypotheses were formulated and tested in this study:

- H_{0:1}** There is no significant relationship between decision making comprehensiveness and the strategic analysis of small and medium enterprises in the Nigerian oil industry.
- H_{0:2}** There is no significant relationship between decision making comprehensiveness and the strategic choice of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:3}** There is no significant relationship between decision making comprehensiveness and the strategy implementation of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:4}** There is no significant relationship between decision making extensiveness and the strategic analysis of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:5}** There is no significant relationship between decision making extensiveness and the strategic choice of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:6}** There is no significant relationship between decision making extensiveness and the strategy implementation of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:7}** There is no significant relationship between decision making speed and the strategic analysis of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:8}** There is no significant relationship between decision making speed and the strategic choice of small and medium scale enterprises in the Nigerian oil industry.
- H_{0:9}** There is no significant relationship between decision making speed and the strategy implementation of small and medium scale enterprises in the Nigerian oil industry.

EFFECTIVE DECISION MAKING PROCESS AND STRATEGIC PLANNING PROCESS

Effective decision making has a very significant role to play in the strategic planning process of

any organization especially the small and medium scale enterprises. Busenitz and Barney (1997) opined that entrepreneurs do not have enough time to go through a detailed, rational decision-making process. He however noted that some heuristic solutions for effective decision making can constitute an advantage for the worthwhile strategic planning process especially for newly established organisations. A decision making process that is considered effective is the one that can guide management actions in consummating the strategic planning process that can drive the organization in overcoming environmental challenges and accomplishing corporate organizational goals. Brouthers et al. (1998) asserted that companies with large sales volume and employees are significantly more rational than the small ones and this make the small companies more vulnerable in terms of decision making that will drive the strategic plans of these small organizations. Their studies, also show that small enterprises settle for an average ratio of the rationality, an equilibrated point of view to which the decision making process is influenced greatly by some environmental forces that are sometimes difficult for the small and medium scale organizations to contend with. Related literatures identified three key mechanisms of the decision-making process: the environment, the decision-maker and the strategic decision process itself which are expected to exert considerable impacts on the strategic planning process of the SME's. Marchesnay (2002) opined that decision making process in large business organisation is rooted in well-defined procedures, and inter individual and collective relation which most often makes strategic planning more effective and concise.

Decision making is usually done by a single person in small organisations, although the individual may be surrounded by counsellors, it is most likely that the outcome of such decision



making process may produce a strategic planning outcome that will be less effective in driving the organizational goals. Secondly, an important perspective of literatures pertaining to entrepreneurial decisions develops from the proposition that entrepreneurs differ from managers. Scholars have argued over time that there is a clear distinction between entrepreneurs and managers. For example, it is generally accepted that entrepreneurs make non-routine decision unlike managers who make more of routine decision. Also entrepreneurs are more prone to making decision intuitively in heuristic manner than managers of large organisations. Therefore, the extent to which the manager with accumulated stock of experience would act in the decision making process may differ between the large corporate organizations and the SME's and such could create a disparity in the quality of strategic planning outcomes between these two categories of business organizations.

DECISION MAKING COMPREHENSIVENESS AND STRATEGIC PLANNING PROCESS

Strategic decisions are related to the daily work in an organization. Undoubtedly, they are intricate paradigms that comprise diverse dynamics that influence strategic planning as well as the required comprehensiveness of the decision making process (Carmeli, Sheaffer & Halevi, 2009).

Scholar (Glaister, Dincer, Tatoglu, Demirbag, & Zaim, 2008) argued that recently, strategic planning has increasingly been used by both small and large business organization has as a tool to overcome the complexity associated with decision making. According to Aldehayyat and Khattab (2013), presently strategic planning has become the most widely used apparatus in large and small business firm who strive to allocate and utilize their limited resources in the most efficient and

effective manner. However, Boyd and Reuning-Elliott (1998) noted that there is an ongoing argument and discrepancy among these scholars on the construct of strategic planning.

Despite the importance attached to comprehensiveness in the decision making process, Atuahene-Gima and Li (2004) argued that its efficacy (up to this moment) still appears to be obscure. The current business domain is characterized by high-velocity changes and great competition (Brews & Purohit, 2007). The life cycles of modern day products have become short circuited, technological advancement accelerates is at the speed of light, and as such the taste and demands of consumers have become more complicated, while competition has become heightened. This realities embedded in the business arena according to Brews and Purohit (2007) has elevated the level of uncertainties and business risks thereby creating new challenges and necessity for business firms to step up in their decision making process. This is necessary because only the innovative ones who make the right decision at the right time will survive and excel in this current business trend. Therefore, Handling with these new challenges becomes essential for the survival of business organizations.

Forbes (2007) argued that the most important job of a manager is the ability chose only the relevant information from a vast volume of available information. This is because not all available information is essential for business success. Researches in strategic management have place high priority and meaning on the competitive environment within which modern business firms operate. In that perspective, firms are seen as information-processing constructs and interpretation systems (Forbes, 2007). The success of business firms according to Atuahene-Gima and Li (2004) therefore relies on the



appropriateness and scope of its information-processing ability, not necessarily the comprehensiveness of information gathered. However, Fredrickson (1984) opined that the scope of decision making comprehensives is largely dependent on the organizational settings.

Apparently, there is a need to further explore the body of knowledge and to critically investigate which factors actually vital to make most of firm's outcomes. This view is supported by Fredrickson and Mitchel (1984) who argued that despite the importance attached to comprehensiveness in the decision making process and strategic planning as a tool for the long term success of business firms, little is known about their properties. Furthermore, serious research complications and the deficiency of generalizability weaken the informational worth of the findings (Boyd & Reuning-Elliott, 1998; Forbes, 2007). Therefore, there is a need for further research to provide a clear understanding of the diverse factors that determine the usefulness of decision comprehensiveness in strategic planning (Forbes, 2007).

Strategic decision making process is generally classified into two main models namely: the synoptic and incremental model. According to Fredrickson and Mitchell (1984), the most widely accepted of the two models is the synoptic model. This model provides an avenue to for decision makers not only to solve immediate problems but as well anticipate future challenges and as such put them under consideration while making decisions. This means that this model considers both current problems and those that may arise in the future. Decision Comprehensiveness is an intrinsic and essential part of the decision making process in the synoptic model (Fredrickson & Mitchell, 1984). Conversely, the incremental model is perceived to be a less comprehensive model with fewer alternatives and as such considered as a reaction to the present

circumstances (Atuahene-Gima & Li, 2004). Fredrickson and Mitchell (1984) describe it as an adaptive process of decision making which is focused on the present changes in the business environment. The major assumption of this model is that there is no adequate of comprehensive planning process that can put all important variables into consideration.

DECISION MAKING EXTENSIVENESS AND STRATEGIC PLANNING PROCESS

Literature in the decision making arena have identified a dichotomy between comprehensives which is a short term decision making horizon and extensiveness which on the other hand is a long term decision making horizon. The recent studies such as Levy (1994) and Stacey, (1995) on strategy may provide an in-depth understanding of this challenge. Stacey (1995) suggested that the science of complexity can suggest greater understanding into the mechanisms through which strategies emerge than more traditional views to ensure the extensiveness of the decision making endeavour.

Complexity theory perceives organizations as systems operating within complex feedback loops which may either be positive or negative. Long term results are hard to envisage, because they are the product of the entire history of an organization, not of a single action or decision and thus the decision making process must in cooperate effective channel thrust to ensure that the long term value of the decisions made are preserved in the system, this as such informs the extensiveness of the decision making process. Little, unnoticeable decisions can accelerate into major outcomes. Thus short term decisions need to be made within longer term guidelines or intentions which bring decision making extensiveness to play. This idea is peculiar to a



highly volatile and unstable business environment. This idea seem to be congruent with that of Hamel and Prahalad's (1989) who suggested that business organization should develop "strategic intent"-a motivating competitive objective, which provides vision and informs the extensiveness of decision making of the entire firm over time. Eisenhardt (1997) also recommends that "improvisation", is a significant metaphor to describe the tension between short term and long term decisions. Also, Eisenhardt's (1989) carried out a study in a an unstable environment to investigate the ability of managers to be rational while making decision in the face of uncertainty and rapid, discontinuous change: he wanted to find out how managers are able to defeat anxiety and confidently make quality decision while moving quickly. His findings revealed that managers of successful business firm adopt various strategies to accomplish extensiveness in their decision making process. One of his conclusions that "interesting research questions center on problem solving strategies" was subsequently reverberated in Eisenhardt and Zbaracki (1992), who called for research into the heuristics employed in strategic decision making to be more copiously articulated.

McFadzean and Money (1995) also viewed this matter from a technical perspective rather than political point of view to resolving problems. The literature recommends, therefore, that worthy decision processes are described as comprehensive or extensive, referring to the range of choices considered either in the short term or the long term. Some business environment requires quick decision making process. However, complexity theory proposes that short term decisions may need to be made within the context of longer term rules, objectives, or guidelines which informs the importance of extensiveness. The study likewise advocates that the manner

wherein managers handle complexity, seemingly in order to make good decisions - is a remarkable topic for further study.

DECISION MAKING SPEED AND STRATEGIC PLANNING PROCESS

Interest in the study of speed in strategic decision-making emerged from the work of Bourgeois & Eisenhardt (1988), who inductively suggests a link between firm performance and speedy decision-making. Eisenhardt, (2009) in her study suggested that the following factors influences decision making speed: (1) planning and real-time information, (2) timing and number of alternatives, (3) power and the role of counselors, (4) conflict and resolution and (5) fragments and decision integration.

This suggestion revealed that in making decision, fast decision makers utilize more information than the slow decision makers. This findings was however in contradiction with the earlier studies of Janis (2002); Mintzberg, Raisinghani and Theoret, (2006); Nutt, 2006 who asserted that considering a few range of alternative and gathering data from sources of expertise with narrowed analysis reduces the strategic decision making process. Fredrickson and Mitchell (2004) noted that by implication, the traditional approach advocates that as more information are used, decision making process slows down and as such, comprehensiveness in decision making reduces the pace of strategic decision making process. In support of the findings of Eisenhardt (2009), Judge and Miller (2011) gave a quantitative explanation that a greater use of real-time information increases the process of making strategic decisions. Eisenhardt asserted that when decision makers consider several alternative concurrently, the speed of their decision making process will increase thereby leading to a more



effective planning process. In contrast to this assertion, Janis (2002); Vroom and Yetton (2003) who noted that the decision making process can be delayed of several alternatives are put into consideration. However, Mintzberg, (2003) and Nutt (2006) suggested that when decision makers consider few alternatives, and obtain input from few sources, they are bound to make quick decision which will in turn lead to a more effective strategic planning. This was strongly supported by Judge and Miller (2011) who proposed that there is a positive association between the numbers of alternatives considered and decision making speed.

Anderson (2003) and Schwenk (2003) supported this when they gave related conclusion that multiple alternatives enhances rationality processing and hence, decision-making speed. They further justify their conclusion by explaining that when a particular alternative falls short of expectation, decision makers can quickly switch to another alternative before the situation fall out of reasonable control. Furthermore, taking different alternatives lessens the possibility of escalating one's commitment to only one option which at the end may not be feasible (Staw, 2011). The implication is that decision makers with several alternative have a lower psychological stake in one single choice and in the case failure can quickly switch to any other option. Eisenhardt (2009) recommends that the more the use of skilled counselors, the faster the promptness of the strategic decision process. On the other hand, when few executives are involved, a decision process can be rapid. For instance, Vroom and Yetton (2003) supported autocratic decision-making in situations where speed is highly important. This approach believed that centralized power accelerates decision-making. However, Eisenhardt (2009) gave a contrary opinion that decision making speed has no correlation with

power centralization. Vance (2003) also argued in the same direction that “experienced boards make faster decisions than inexperienced boards because the members because the experienced ones have a better knowledge of the industry in which their organization operates and as such can quickly pat attention to the major strategic issue.

In the same vein, Eisenhardt (2009) observed that the difference between slow and fast decision lies in the web of relationships among choices. She further explained that as decisions become more integrated the speed of decision making process increases and that in so doing managers who integrate strategic decision via tactical plans tend to make faster strategic decisions than those who do not.

RESEARCH METHODOLOGY INTRODUCTION

This chapter presents the various procedures and techniques adopted in the study to proffer solutions to the problems at hand. It focused on the various data collection methods, their valuation techniques and provided a guide on how the hypotheses formulated were tested. Thus, it comprises information such as research instrument, research approach, research strategy, data collection method, validity, reliability, ethics and limitations of the study.

RESEARCH INSTRUMENT

This study is majorly aided with the use of questionnaire. A comprehensive questionnaire was designed by the researcher with great care and simplicity to make it easily understood by the respondents. As a result, technical errors were carefully avoided. The questions were structured using the 5-point Likert like Scale ranging from “strongly agree to strongly disagree”. The



questionnaire contained questions asked to elicit information about effective decision making process and its effect on the strategic planning process of small and medium scale enterprises in the oil industry. A cover letter explaining the purpose of the study was attached, assuring the respondents of confidentiality. However, aside the use of questionnaire, the researcher also gathered relevant information from other instruments such as journals, periodicals, text books, magazines etc.

RESEARCH APPROACH

This aspect of the research methodology explains the overall approach to the study. Generally, there are only two likely approaches that can be adopted in research which are the inductive and deductive approaches (Burke 2007). The deductive approach according to Klement (2007) is solely based on facts. Conclusions drawn from this approach is largely dependent on the actual findings rather than estimates and researcher's interpretations. This approach is mostly adopted for pure scientific and experimental research. On the other hand, the inductive approach is purely based on observation (Klement 2007). Hence, the conclusions drawn under this approach are based on researcher observation and analysis; subject to the researcher's understanding and ability to interpret results. According to Robson (2002) the inductive approach is more appropriate for theory-based researches. Since this research is primarily focused within the ambit of behavioural science, the inductive approach was adopted.

RESEARCH STRATEGY AND DESIGN

This is the framework or plan that guides the collections and analysis of data for a research study Baridam (2001). It is a model of proof that allows the researcher to draw inferences

concerning casual relationships amongst the variables under investigation. (Nachimias & Nachmias, 1976). This research study is a descriptive research study, this is informed by the type of phenomenon under study and also because the variables under study were not under the control of the researcher. Therefore, the quasi-experimental design becomes the most appropriate in achieving the objectives of this study. The researcher adopted the cross-sectional study method on the basis that the research involved selecting samples of elements from the population of interest measurable at a particular point in time. The Cross Sectional design was adopted because it enables researchers to have access to direct information by gathering data from primary sources. It enhances the measurement of the dependent and independent variables; saves time, as well as provide a wider representation of a large target population.

DATA COLLECTION METHOD

Both Secondary and Primary data were used in this research study for the purpose of gathering the information required to effectively accomplish the objectives of this study. The secondary data used in this study were gathered from; research papers, textbooks, journals, magazines, seminar papers etc. as well as materials from the internet. The chapter on review of related literature relied heavily on this source of information. The primary source of data on the other hand was gotten through the administration of questionnaire by the researcher to the sample units.

SAMPLING PROCEDURE/SAMPLE SIZE DETERMINATION

Sampling involves the taking of a reasonable portion of a population as a representative of a



population about which generalization could be made on the basis of the findings derived from the sample (Baridam 2001).

In this study, the target population includes all the small and medium scale enterprises in Nigerian oil sector. However, it will not be possible to access the entire small and medium scale enterprises in Nigerian oil sector. Consequently, an accessible population of small and medium scale enterprises in Port Harcourt was considered. Based on the convenience sampling technique, the researcher selected a sample size of two hundred and fifty (250) respondents from twenty five (25) small and medium scale enterprises in Port Harcourt. Thus ten (10) copies of the research questionnaire were distributed to each of the ten SME's selected for this study; giving rise to a total of two hundred and fifty (250) copies.

DATA ANALYSIS TECHNIQUES

Having retrieved the distributed copies of the questionnaire, the data were collated for statistical manipulation and analysis. To present the findings in a concise manner, descriptive statistics involving percentages and tables were used to organize the data. The researcher made use of the Spearman's Rank Order Correlation Co-efficient in testing the hypotheses in order to affirm the answers that were provided by the data collected from the field. The formula for the Spearman's rank order correlation coefficient is given as;

$$\rho = \frac{1 - 6\sum d^2}{N(N^2 - 1)}$$

Where:

d = difference in ranks for any two corresponding items

N = number of items sampled

$\sum d^2$ = summation of total value

ρ = rank correlation coefficient between x and y

The Interpretation of the Correlation Relationship (ρ)

+ 0.001 - + 0.499 = Weak positive relationship

+ 0.5 - + 0.99 = Strong positive relationship

+1 = Perfect positive relationship

-0.001 - - 0.499 = Weak negative relationship

-0.5 - - 0.99 = Strong negative relationship

-1 = Perfect negative relationship

DISCUSSION OF FINDINGS

Our findings show a significant and strong association between the dimensions of effective decision making process and the measures of strategic planning process. The study finds as follows:

First Finding

What is the relationship between decision making comprehensiveness and strategic planning process? This was tested using Spearman's rank order correlation coefficient at a 0.05 level of significance. The findings of the analysis carried out on the hypotheses in this section shows that a significant relationship exist between comprehensiveness and the measures of strategic planning process, obviously, the findings of this study corresponds with the findings of Carmeli, Sheaffer and Halevi, (2009) in which they discovered a strong positive and correlational relationship between decision making comprehensiveness and the strategic planning process of manufacturing organizations in Pakistan. The findings of this study is also in agreement with the outcome of an empirical study carried out by Atuahene-Gima and Li, (2004) in which they found a positive correlation between comprehensiveness of decision making and the strategic planning success of managers in selected businesses in China. In the same vein, the findings of this study also agree with the findings of Brews and Purohit, (2007) in which they discovered the



existence of a positive relationship between decision making process and strategic planning outcome. However, the findings of this present work did not agree with that of Boyd and Reuning-Elliott, (1998) in which they discovered a positive but non-significant relationship between decision making comprehensiveness and effective strategic planning. Similarly, in the study carried out by Forbes (2007), his result did not correspond with this our present findings as his findings showed a negative correlation between decision making process and success in corporate strategic planning. As a result of the outcome of this analysis and based on the decision rule of $p < 0.05$ for rejecting the null hypothesis, we then reject the null hypotheses one, two and three. We therefore restate that:

- That there is a significant relationship between decision making comprehensiveness and strategic analysis in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making comprehensiveness and strategic choice in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making comprehensiveness and strategy implementation in small and medium scale enterprises in Port Harcourt.

Second Finding

What is the relationship between decision making extensiveness and strategic planning process? This was tested using Spearman's rank order correlation coefficient at a 0.05 level of significance. The outcome of this analysis revealed that decision making extensiveness is instrumental in helping small and medium scale enterprises enhance their strategic planning process. The findings of this empirical analysis conforms with the findings of Levy, (1994) who in his study of extensiveness of decision making

in multinational corporations discovered that effective extensiveness in strategic decision making process guides top management in achieving long term strategic objectives. The outcome of our findings also conforms to the findings of Stacey (1995), who in her study discovered that there is a positive relationship between decision making extensiveness and long term strategic goals accomplishments of business organizations. On a similar note the findings of this study also agrees with the stand of Hamel and Prahalad's (1989) who emphatically stated that extensiveness in decision making keeps the decision making process alive as it helps to correct deviations which the short term comprehensive have failed to address. Also the findings of our study agree with the stand of Eisenhardt, (2009) who stated that decision making extensiveness is a positive channel through which managers translate long term strategic plans into operating plans and consequently into accomplished goals. As a result of the analysis and based on the decision rule of $p < 0.05$ for rejecting the null hypothesis, we then reject the null hypotheses four, five and six. We therefore restate that:

- That there is a significant relationship between decision making extensiveness and strategic analysis in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making extensiveness and strategic choice in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making extensiveness and strategy implementation in small and medium scale enterprises in Port Harcourt.

Third Finding

What is the relationship between decisions making speed and strategic planning process? This was tested using Spearman's rank order correlation



coefficient at a 0.05 level of significance. The outcome of the analysis in this section revealed that a speed in decision making is very instrumental in determining the extent to which small and medium scale enterprises are successful in their strategic planning process. Our findings here corresponds with the position of Judge & Miller (2011) who in their study discovered that speed in the decision making process is instrumental in helping top management in developing strategic plans that can help the business achieve her predetermined objectives. Similarly, the findings of this work also agrees with the stand of Eisenhardt, (2009) who in her findings concluded that the speed in decision making enables management to roll out critical decision thrusts that can direct management actions in the strategic planning process which guides the firm in accomplishing her corporate goals. On a similar note, our findings here also corroborates the view of Staw, (2011) that decision making speed enables the organization to effectively put the comprehensiveness characteristics to effective use as such can be implemented without delay, while is sets the pace for the extensiveness thrust to function

operationally towards solving lingering issues which could not be solved in the short run so as to guarantee the achievement of strategic goals. The findings of this study also validates the work of Fredrickson and Mitchell (2004) who opined that decision making speed is instrumental to management in the decision and strategic management process as it helps to stair up swift and quick response of management towards strategic planning actions that will drive corporate actions towards the accomplishment of corporate objectives. As a result of the analysis and based on the decision rule of $p < 0.05$ for rejecting the null hypothesis, we then reject the null hypotheses seven, eight and nine. We therefore restate that:

- That there is a significant relationship between decision making speed and strategic analysis in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making speed and strategic choice in small and medium scale enterprises in Port Harcourt.
- That there is a significant relationship between decision making speed and strategy implementation in small and medium scale enterprises in Port Harcourt.