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## **Flexibility in Strategic Decision Making: A Great Need for Indian Public Sector Undertaking (PSU's)**

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### **Abstract**

*In the rapidly changing business environment organisations are required to adapt environmental changes. As the challenges for modern business environment increases, adaptation becomes a crucial task and guiding change a pre eminent challenge for management. Adaptability is basically a series of choices about how the organisation should respond to perceived threat and opportunities. Why most of the Indian public sector undertaking fails to change when there is great need? It can be due to the strong inertial pressures reinforce firm's current structure and practices (Hannon&Freeman,1989).*

*In PSU's there is proclivity towards adopting an inside-the-box approach; the thinking patterns are already established. The managers believe in tried and tested methods and tend to be more conservative in their approach to decision-making. The prime objective of this paper is to identify the factors that promote flexibility and to understand what leads to willingness or unwillingness of top managers to consider new course of action.*

**Keywords:** Flexibility, factors, PSU's, Strategic Decision Making.

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### **Introduction**

Change is one of the most critical aspects for business survival in the competitive environment. Simply stated organisations that do not bring about change in timely ways are unlikely to survive. Organisations and the managers whether they belong to public or private, service or manufacturing will be increasingly judged by their ability to adapt and adopt changes in the decision-making environment which impacts strategic flexibility of the organisation. Organisations consist of managers who in their individual capacity influence decision-making. The procedure by which managers make decisions impacts the degree to which the whole process will be flexible. It has been observed, the firms that fails to make flexible strategic choices may enter into organisational decline which has been described as a 'failure to adapt for change to fit external environment demands' (Weitzel & Jonsson, 1989)

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## **Literature Review**

Strategic flexibility is the ability of firms to respond and successively adapt to environmental change (Evans, 1991; Greenley and Oktemgil, 1998). The term has also been applied to strategic decision making, as it is the extent to which new and alternative options in strategic decision making are generated and considered (Aaker and Mascarenhas, 1984; Fiegenbaum and Karnani, 1991; Greenley and Oktemgil, 1998; Sharfman and Dean, 1997). While the importance of considering a wide variety of choices are well known (Alexander, 1979; Janis, 1972) decision makers are often seduced by familiar alternative close to the status quo (Cyert and March, 1963; Lindblom, 1959) and prefer "off-the-shelf" over 'custom made solutions' (Mintzberg *et al.*, 1976). In fact many decisions are actually 'solution driven' so that entire exercise is oriented toward a particular alternative. (Cohen *et al.*, 1972; O'Reilly, 1983).

Smart and Vertinsky (, 1977); Tushman *et al.*, suggests that flexible decision process are open to diverse information sources inside and outside the organization, but the innovative ideas are sometimes ignored by the top managers (Wright, 1979). Staw (1981) notes that the search may be narrowed so as to justify past decisions, and declining organizations in particular often seek information from fewer sources (Weitzel and Jonson, 1989).

Unfortunately, the strategic decision making has been ignored as a source of adaptive behaviour, despite its ability to 'highlight' the breadth of choice faced by top managers in attempting to reconcile their organisations to the environment (Miller and Friesen, 1980). Manager's unwillingness to abandon their usual roles in unusual circumstances limits decision making flexibility. (Wilson *et al.*, 1986). To adapt, managers must make choices which are unusual, innovative, or a bit different from the norm. Nutt (1993) suggests, 'By opening up the decision process to new possibilities, stakeholders are more apt to recognize the value of new ideas. This opening up allows people to move away from stereotyped responses and traditional way of acting' Further Nutt argues that managers who have a flexible style will be 'more immune to the distractions that arise from uncertainty and ambiguity' inherent in strategic decision making. The managers may have solution focused approach to help with decision making process (Kay, 2012).

## **Purpose of the Study**

The review of literature indicates that there have been very few studies that try to link perception of managers towards decision-making in the organisation and change. The decision-making environment in the organisation especially a PSU may not promote a rethink or change in decision; managers therefore are more likely to adopt a path of least resistance. Alternatively, managers may avoid making a decision altogether or defer it to a later time (decision avoidance).

The research question that is being investigated revolves around the theme that flexibility in decision-making is a positive characteristic. A study has been conducted to investigate whether managers in the PSU share this view/belief/ideology. This is consistent with the studies done by Rowe and Boulgarides (1983) and Singh (1986) who have asserted that the decision style approach provides valuable insights to understand managers, their perception towards decision-making and their ability to interact with others in the organization. The research question being studied is how perception towards decision-making can be used to identify individual/ employees reaction towards change. An attempt has been made to shed light on individual perception of the manager and decision-making style. The study of managers' perception helps uncover their reaction towards change. If managers have patterns of decision-making processes, the study of perception towards decision-making may yield some valuable insights for future studies.

### Research Methodology

The study is exploratory and analytical in nature. The primary data has been collected from the corporate office of a single PSU located in New Delhi. The PSU is a *navaratna* and offers services in petrochemicals, oil, gas and refineries. It employs over 5000 employees all over India. The questionnaire was personally administered to the managers working there and a total of 180 responses were obtained. The decision-making style questionnaire used has been adapted from the instrument developed by London Business School researchers. A total of 33 statements scaled on a 5-point Likert scale has been employed to collect primary data from the managers in the corporate office. The responses have been obtained from managers in different areas of management as the purpose was to understand what factors in the organization promote or inhibit flexibility in decision-making.

### Findings and Analysis

The table 1 (refer to appendix) provides a summary profile of the respondents. It can be seen that out of 180 respondents 122 are male and 58 female. It has also been observed that almost 77% of respondents have changed the organization only twice in their tenure. It has been also observed that almost 50% respondents are only four levels away from the top level in the management hierarchy. The Pearson's correlation co-efficient between number of years worked in the PSU and the total number of organizations worked in their career span is 0.049. The null hypothesis that there is no correlation between these two variables is also rejected (Refer Table 2 and 3). This means that tenure in the organization is an important variable in the decision-making style paradigm.

**Table 1: Demographic Profile of Respondents**

Variable	Mean	Standard deviation
Sex: Male 122 (67.8%) Female 58 ( 32.2 % )		
Age	50.6 years	5.227 years
Years in the organisation	17.8 years	5.511 years
Level from the top	4.86	0.883
Number of times employees have changed the organization	1.99	1.057
Likely to make career change in next three years	2.65 years	0.835 years

**Table 2 : Symmetric Measures between Years in the Organization and Number of Organizations worked**

Value	Asymp. Std. Error <sup>a</sup>	Approx. T <sup>b</sup>	Approx. Sig.	
Pearson's R	.049	.108	.661	.509 <sup>c</sup>
Spearman Correlation	.039	.076	.516	.607 <sup>c</sup>
Valid Cases	180			

**Table 3: Chi-Square Tests between years in the PSU and the Number of Organizations Worked with in their career**

sided)	Value	df	Asymp. Sig. (2-
Pearson Chi-Square	17.857 <sup>a</sup>	20	.597
Likelihood Ratio	18.371	20	.563
Linear-by-Linear Association	2.711	1	.100
N of Valid Cases	180		

An EFA was undertaken to extract the factors that promote flexibility/ adaptability in the PSU. (Refer Tables 4 and 5). The calculated Cronbach alpha 0.559 for 33 multi-item scale shows that the observations are reliable for exploratory study. The KMO at 0.543 also shows that sample is adequate for an initial data reduction. The method of Principal Component analysis could extract 14 factors accounting for 64.62% of variation. The initial factor matrix could not be rotated using Varimax rotation; this could be due to multicollinearity (Hair *et al*, 2006). This implies that 14 factors extracted may be correlated. This is quite likely as the data has been collected from a single PSU; it implies that these factors impact each other and are not unidimensional in nature. The 14 Factors extracted (refer table 6) are as follows:

**Table 4: KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.543
Bartlett's Test of Sphericity	Approx. Chi-Square	804.564
	Df	528
	Sig.	.000

**Table 5: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.826	8.563	8.563	2.826	8.563	8.563
2	2.224	6.739	15.302	2.224	6.739	15.302
3	1.881	5.701	21.003	1.881	5.701	21.003
4	1.656	5.019	26.022	1.656	5.019	26.022
5	1.570	4.757	30.779	1.570	4.757	30.779
6	1.452	4.399	35.178	1.452	4.399	35.178
7	1.362	4.126	39.304	1.362	4.126	39.304
8	1.320	4.000	43.304	1.320	4.000	43.304
9	1.282	3.885	47.189	1.282	3.885	47.189
10	1.272	3.853	51.042	1.272	3.853	51.042
11	1.199	3.634	54.676	1.199	3.634	54.676
12	1.176	3.563	58.240	1.176	3.563	58.240
13	1.082	3.280	61.520	1.082	3.280	61.520
14	1.023	3.101	64.621	1.023	3.101	64.621

15	.963	2.919	67.540	
16	.897	2.718	70.258	
17	.834	2.528	72.786	
18	.814	2.465	75.251	
19	.792	2.401	77.652	
20	.730	2.212	79.864	
21	.691	2.095	81.959	
22	.644	1.953	83.912	
23	.635	1.923	85.834	
24	.579	1.753	87.587	
25	.552	1.674	89.261	
26	.546	1.654	90.915	
27	.518	1.569	92.483	
28	.487	1.476	93.960	
29	.477	1.446	95.406	
30	.431	1.307	96.713	
31	.405	1.226	97.939	
32	.388	1.177	99.116	

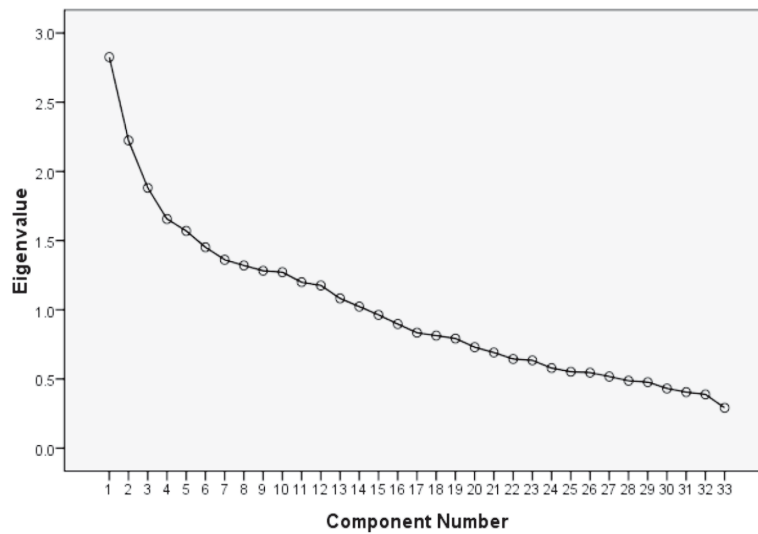
**Table 6: Factor Matrix**

Statements	Factor Name	Factor Loading
My style is more spontaneous action than cool deliberation	Off-the Shelf Approach	.520
I am someone who prefers routine to uncertainty		.446
I would rather achieve balance than success in my life		.440
Before buying a quite expensive item		.446
I do exhaustive research I am much less concerned with achievement than with my personal fulfillment		.510
I like to gather a lot of data on any		.605
new opportunities that arise To help ensure things run smoothly		.432
I like routines and systems I can shut off emotionally from things that happen at work		.435
I like areas of work where gut feelings rather than careful analysis is needed	Structured Approach	.543
When undertaking the task my style is to take a highly structured approach		.486
I like to study the evidence in detail before making choices.		.462
I feel at home in situations where I am under pressure to make quick decisions I feel too tied down when I have to follow standard operating procedures for any length of time A lot of the emotions I experience in my leisure time are work related		.414
		.470
	.395	
Nothing makes me angry I like tasks where the end result is unpredictable Success is all that matter to me	Problem solving approach	.546
		.415
		.465
I feel happiest working with tried and tested methods	Stuck in past approach	.427
I have no bad habits I rarely act on impulse		.356
		.449

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I find the uncertainty of big changes stimulating	Open mind approach	.474
High risk activities excite me When there is a big event coming up at work, I find it hard to put it out of my mind	Moderate Risk taking approach	.493 .473 .425
I never upset people When I play a game the only thing that matter is winning	Closed mindset	.654 .500
To help ensure things run smoothly I like routines and systems	Operational approach	.404
When things go wrong at work it takes me a while to get over it	Concerned approach	.436
I like to make decisions quickly and instinctively My main motivation is to be a star in my field	Solution Driven	.401 .387
I am the sort of person who easily shrug off a set-back and keep on going	Rational approach	.413
I find it is best to trust instinctive reactions to situations.	Intuitive Approach	.407
Occasionally people make me angry	Bounded Rationality	.429
I like to take my time over most decisions	Cautious Approach	.336

**Scree Plot**



**Factor1. Off- the Shelf Approach**

The first factor extracted depicts that in PSU's managers are hardly strategical, they are often seduced by familiar alternatives which confirms status quo (Cyert and March, 1963; Lindblom, 1959) and prefer "off-the –self' over 'custom made solutions' (Mintzberg *et al.*, 1976).They are suspicious of the data that doesnot fit their worldview and thus make decision based on their gut feeling (Kay, 2012)

**Factor2. Structured Approach**

The second factor indicates that in PSU's decisions of the managers are based on clearly articulated fundamental objective, dealing explicitly with uncertainty, and responding transparently to public preference values.

**Factor3. Problem Solving Approach**

This factor is characterised by moderate involvement of decision making approach. Managers do not adopt strategical approach.

**Factor4. Stuck in Past Approach**

In this factor it is observed that managers narrow their search for alternatives to justify past decisions (Staw 1981) and decline organisations in particular by collecting information from fewer sources (Weitzel and Jonson, 1989).

**Factor5. Openness**

This factor depicts that though managers in PSU's are open to new ideas, information sources and roles, they don't adapt to change. They stick to their comfort zone and maintain status quo (Alexander, 1979; Janis, 1972).

**Factor6. Moderate Risk Taking Approach**

This factor is characterised by the moderate risk taking approach by the managers. They are willing to take calculated risk in strategy implementation but are hesitant due to proclivity towards adopting an inside-the-box approach.

**Factor7. Closed mindset**

It is observed that decision making is influenced by people preferences to avoid conflict in the organization.

**Factor8. Operational Approach**

This factor suggests that manager's preferred to routines and systems and are unwilling to adapt flexibility in decision making (Wilson *et al.*, 1986) .They regularly obey norms, repeat their routines for the smooth conduct of the organization.

**Factor9. Concerned Approach**

This factor shows that managers are more concerned about the work performance.

**Factor10. Solution Driven Approach**

In this factor it is observed that managers think first about solution outcome not the decision making (Kay, 2012).

**Factor11. Move Forward Approach**

This factor depicts that managers don't get stuck in self-doubt or feeling sorry for themselves. They beat indecision by building momentum. They don't hesitate and move forward (Kay, 2012).

**Factor12 Intuitive Approach**

The managers in this organisation link their decision making with deep knowledge which is developed over the years. This factor shows that manager's decision making is connected to experience& expertise (Mintzberg& Westley, 2001)

**Factor13 Bounded Rationality**

The study shows that in this factor manager have limited problem solving capacities and often do not have the time, motivation, or ability to imagine all possible decision outcomes in advance. They are not looking for the best optimal but for a satisfying solution of a decision task (Simon, 1986)

### Factor14.Cautious Approach

In this factor managers focus on the facts and analytics of decisions because of their own fears and uncertainties.

The factor loadings are low owing to multicollinearity in the data set. This is owing to the fact that the extracted factors may be correlated with each other; though this has not been proved.

### Conclusion

The research paper sought to identify the effect of individual factors that hinder adoption of flexibility in the context of decision-making. Although the overall variance captured by PCA is fairly low, it shows how managers' perception explains variance in decision-making context. It also shows that this is prevalent across different levels of management as data has been collected from top as well as middle management cadre. The results suggest that stability of tenure (77% of respondents have changed the organization only twice) provides a comfort zone where predictable alternatives and outcomes are favored.

Though the findings cannot be generalized there is evidence to suggest that the PSU has a proclivity towards structured problem-solving paradigm which are typically characterized by less ambiguity. It seems that the majority of efforts are spent in strategy implementation rather than formulation. It can be seen that the managers in the PSU in spite of having spent over two decades in the organization are unwilling to assume risk.

### Limitations

The most valuable contribution of this study is that provides guide for future research; it will aid in developing a more comprehensive context to assess decision-making context. A longitudinal study would provide more relevant information about correlation managers' perception and decision-making. The collection of primary data from a single corporate office is an important limitation of this study.

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