ON STRATEGIC CHOICES AND DECISION MAKING PROCESS: DOES THE MENTAL MODEL MATTER?

Abstract
Researchers have long been attempting to understand the concepts of strategic choice and decision. This issue may be approached through one’s mental model, the characteristic models of perceiving, processing and using gathered information. The relationship between executive’s mental model and strategic choices and decisions is done theoretically by examining the mental model under Temperament proposition. The authors conclude that the executive’s mental model – operational or strategic – may explain their strategic choices and decisions. By understanding of the executive’s mental mode it possible to prevent biases in the strategic analysis of the business environment and promote a best strategic choices and decisions.

Key words: Strategic Choices; Strategic Decision Making Process; Mental Models.

INTRODUCTION

Management process is a social, and complex, and multifaceted phenomenon related to the professional running the business, the managed company, and business environment (Brazeal, Schenel & Azriel, 2008). Taken together, these areas bring strategic questions to the discussion. As researches in this area indicate, the very nature of strategy takes into account the business environment, the characteristic of managers’ personality ( McCarthy, 2003; Michaud et al. 2003) and their choices and decisions (Coake & Smith, 2007; Stumpf & Dunbar, 1991).

The search for an understanding of the managerial process, the lone human activity able to transform human efforts and competences in wealth (Drucker, 2007), has itself theoretical and practical values. On the practical view, manager’s choices and decisions may be a way to the broadening of business, and to the development of new business and enterprises by developing and launching innovations to address new-to-the-world products (Stevens & Burley, 2003) that may be a new solution for the market needs (Hussain; Sultan & Ilyas, 2011; Koellinger, 2008; Zahra, 2008; Drucker, 2007; Ireland, Hitt & Sirmon, 2003). These new businesses may generate new employment opportunities and to make possible to hire and employ workers dismissed as a consequence of economic crisis. They can make possible the creation of new enterprises or
institutions) as a way to minimize the social and political causes of poverty (Kamat, 2003), and to the social promotion and integration of poor and marginalized social segments (Alvord et al. 2004), especially in the developing economies (Nga & Shamuganathan, 2010; Mensah, 2010).

On the theoretical view, the main contribution refers to the identification of the type and the extend of the manager's personal characteristics – his or her mental model - influence on the strategic choices and decisions. As research indicates, these personal characteristics have a direct influence on the diagnosis, choices and strategic directions of enterprise (Gallén 2006; Armstrong & Hird, 2009). Furthermore, personal choices and decisions are consequences of these characteristics that affect the perception and the understanding of environmental challenges, and opportunities and by consequence, the strategic decision making (Spencer & Burley, 2003). Identifying the type and extension of these influences in the enterprise fate may be of value to the effort to build a theoretical proposition in the management field (McCarthy 2003) and may serve as a basis for the design of a theoretical proposition and construction of an explanatory model in the context of business management (Ambrosino et al, 2008).

The purpose of this paper is to present a basic review of the strategic concept, and the choices and the decision making process, and the mental model proposition measured by temperament. It also aims to establish a link between executives’ strategic choices and decisions and the influence of executives’ mental model on the strategy formulation and the way of running the enterprise and to point out some questions as a guide for the empirical research.

**UNDERSTANDING STRATEGY**

There are numerous perspectives on strategy and definitions of the term in the literature as well as many approaches to strategy, as it is pointed out by Porter (1998) propositions and by Mintzberg et al, (2000) that emphasizes the need for a holistic view of strategic issues. As an
illustration of the need of this holistic view, Mintzberg et al. (2000) refer to the analogy of the blind men trying to describe an elephant. This analogy suggests that each researcher tends to focus on specific points of view on strategic matters which generates many “thinking schools”. Each school proposes a distinctive definition for strategy, which may be an indicative of lack of consensus or absence of a generic proposition for this business field.

When dealing with strategic business issues, one executive may ask: Which strategic concept to adopt and what is the best strategy to be taken? The strategy formulation process was not simply an exercise in rationality but also “reflect experimentation, exploration, intuition, instinct and learning” (McCarthy 2003, p. 155). It becomes a delicate balance between motivation, the learning acquired with experiences and actions and the modeling of new ways for the business to succeed that may have no relations with the past success (Whittington, 2002). In this paper, in spite of many schools of thought on strategy, Hax and Majluf (1998) concept is adopted:

“a coherent, unifying, and integrative pattern of decision that determines and reveals the organizational purpose in terms of long term objectives, selects the businesses the organization is in or is to be in, attempting to achieve a long term sustainable advantage in each of its businesses, by properly responding to the opportunities and threats in the firm's environment, and the strengths and weaknesses of the organization, engaging all the hierarchical levels of the firm and defining the nature of the contributions it intends to make to its stakeholders” (Hax and Majluf 1998 p 38).

This concept denotes that an enterprise will follow a reasonably coherent and stable pattern in its strategic choices and decision making process (Wiesner & Millett, 2012), but do not necessarily will do it by the adoption of a formally structured plan. This is especially relevant for understanding the management process, because most of the enterprises usually do not have the tradition for explicitly addressing strategic planning issues, and a routine for the development of a formal strategic planning. The absence of a formal process does not mean the inexistence of any strategy, but it may mean that the executive is open, flexible, and is willing to learn (Wiesner & Millett, 2012; Ensign, 2008; Pellegrino & Carbo, 2001)
THE DECISION MAKING PROCESS

Decision making is a process that involves the selection of a specific course of action that is supposed to bring enterprise desired results (Gibcus et al. 2008). As a strategic, it leads to the choice of goals and means, resources and people, and the way which they are effectively deployed. As strategic, they are crucial to the viability of enterprise and may be defined as programmed choices and/or reactions about business and environment issues that affect the survival, thrive, well-being and the nature of organizations (Shoemaker 1995).

Making decisions are a daily executive routine and, in spite of the authority delegation on operational issues, strategic decisions remain under executive direct responsibility (Balta et al, 2010; Ensign, 2008). Under the decision process point of view, every time an executive faces the need for making a decision it is expected that a planned and rational approach to decision-making is adopted. By considering that the focus of this paper is the decision making process in highest organizational level (Berry, 1998) and executive on charge, it may be analyzed two approaches: rational and bounded rationality.

One basic assertion to the preliminary field studies on decision making process is the rational human being, which is coherent with the economy concept and the Scientific Administration. This rational man is able to analyze all data and alternatives for a given situation or problem and then makes a perfect rational decision by selecting and choosing the best solution that optimizes the desired results. Under the rationality optic, one executive makes all decisions on a logic basis, by analyzing all the alternatives to find the best choice in a known and scanned environment. This position does not admit ambiguity and has as a basic presupposition that executive posses or believe to posses the mental capability to know and analyze in a rational way all data and alternatives for a problematic situation that is under analysis (March & Simon,
1967). In doing this, an executive will formulate a utility equation that enables him or her to choose the alternative that will result in the best desired consequences and the best results.

However, this assumption has strong, opposite arguments. As stated by Freud (1971), sometimes we are under conscious control of our mind; many times, our minds and decisions are governed by our unconscious, which influences and distorts our perception. Although one may consider that decisions can be made in a rational way, most situations an executive faces involves a large number of facts and are made up of far more variables that are relevant for the decision at hand then one comprehend (Chen & Dong, 2007).

As a larger stream of research on cognitive biases in decision making process has consistently demonstrated, managers are not perfectly rational but boundedly rational. Bounded rationality refers to the limits experienced by managers in their abilities to perceive and interpret a large volume of pertinent information in their decision making activities (Simon, 1979). In the same way, the challenges or problems an executive faces are complex and made up of more variables one can comprehend (Ambrosino et al, 2008). So, in contrast of the rational man proposition there is the administrative man proposition that have the basic assertion that decisions are made in a personalized way by upper echelons, which are responsible for the strategic decisions. Under the bounded rationality, the executive will select an alternative that best fit with some personal values and beliefs system adopted instead of a rational system, being a kind of behavior that is at least boundedly rational (Simon 1955; Tiwani et al. 2007).

As rationality is valuated in the educational process and work situations (Pink 2006), there will always be a rational drive in every decision making process, but the executive’s bounded rationality will act as an obstacle to a perfect rational decision making process. Furthermore, executive’s personal temperament and preferences in conjoint with formal education and experiences may bring meaning and color to the problem or context that she or he is facing and
act as a strong obstacle to a perfect rational decision making process. This features allied to the executive feelings and expectations may interfere in the perception process in a manner that important facts and data may be considered irrelevant or do not have importance, building a gap between the existing and the perceived reality and which can make different executives face different problems and give different responses to the same situation (McCarthy 2003).

Personal differences will lead executives, in spite of high intelligence quotient and education level, to perceive the same reality under different angles, with different characteristics demanding different decisions and actions. In this way, people with little focus on concrete and factual aspects of the reality will tend to look at the opportunity from a positive side than a negative one and to see fewer risks and threats in the decision implementation and be more risk tolerant than others (Gallén, 2006; McCarthy, 2003; Simon & Houghton, 2003).

By considering this, in spite of having information and the capability to analyze them, it may be said that what will be perceived as the true reality by one executive may be very different from the other one because the executive’s perception and analysis processes may suffer influences that other don’t (Pellegrino & Carbo 2001). These different characteristics may lead different persons to take different strategic decisions facing the same context and information.

Many research on decision making, by focusing on the role of cognitive styles on strategic choices process and by addressing the role of preferred way for perceiving and utilizing information, have pointed out that people act on their mental modes or cognitive style, which may drive to a specific strategic choice (Gallén, 2006). All these factors seem to be a strong cue which shows that perception, organization and use of information – the mental model – are critical in the strategic choice and decisions. So, the next part of this paper will analyze the interaction between the decision making process and the executive mental model.

**STRATEGIC CHOICE, DECISION AND MENTAL MODEL**
Executive management research has established that the perception do play a major role in the decision making process and suggests that an individual’s perceptions, rather than objective reality, explain the decision made ((Simon & Houghton, 2002). Perception directly influences enterprise successful performance because to survive and grow it is necessary to anticipate or creatively react in facing business environment opportunities. Because of this, the search for understanding the executive’s way of perception and use perceived information, and how perception may influence strategic choices and decisions becomes a relevant issue for developing some propositions to support strategic choices and the decision making process (Gallén 2006).

As many factors influence the strategic decision making process, the fact of an alternative or course of action is perceived as possible or desirable leads us to a question related to the factors leading an executive or manager to perceive the same situation in a different way from others facing the same situation. So, the ways one makes strategic decisions seem to be closely related to the executive’s personal characteristics (Korunka et al. 2003). In this case, executive’s way of perceiving and taking information has an effect on preferred strategies. (Armstrong & Hird, 2009; Gallén, 2006; Korunka, et al., 2003; Simon & Houghton, 2002; Pellegrino & Carbo, 2001).

A lot of research indicates that executive’s way of perception is a main factor in understanding the strategic choices and strategic decision (Gallén 2006). Hambrick and Mason (1984) stated that perceptual process can be viewed under a sequential perspective. First, an executive cannot scan every aspect of the enterprise and business environment. The executive’s field of vision is restricted, posing limitations to the perceptual process and on what is perceived. The executive’s perception is further limited because one selectively perceives only some phenomena included in her or his field of vision, and finally the data selected for processing is also limited by the values and cognitive model filter (Hambrick & Mason, 1984).
So one can ask: how one can explain executives’ strategic choices and decisions? The answer may be found in the mental models approach that is widely recognized as an important determinant of executive’s strategic choices and decisions. These mental models are neither wrong nor right, but the one’s way for taking and using information have an effect on the strategies they tend to prefer. In this sense, the discussion can be addressed by the relationship between mental model and temperaments, (Stevens and Burley, 2003; Keirsey and Bates, 1978).

**Mental Models and Temperaments**

Mental models may be described as characteristic mode of perceiving, processing and using information gathered. Different mental models may lead to different strategic choices facing same business environment. When one knows the cognitive style of executives, one “can assume that their processes of strategic choice and strategic decision making are different if their perception and judgment are different form each other” (Gallén 2006, p. 119).

There are many approaches on differences about mental models or cognitive styles in the literature. As Hambrick et al (1993) put it, some executives are more interested in “what is” than other that are more able to accept the new, untested ideas about “what might be”. This proposition is in according to the temperaments approach (Keirsey & Bates, 1978).

Temperaments are “based primarily on observable extravert behaviors and describe differences in people noticed and registered throughout the history” (Kroeger & Thuessen 1992; Silva, 1992). They are derived from one’s preferred modes of perception and behavior in facing many life situations and are a useful way of grouping preferences, and permit to make consistent previsions on preference and behavior of person, on how one learns, and on how one manages (Kroeger & Thuessen 1992; Nelson et al, 1997).), and about mental models. Differences in perception - concrete or sensorial and global or intuitive (Jung 1991; Allison & Hobbs, 2010) - are the first to be considered because perceptions are the manner people collect information
about the world which influences the other functions (Myers & Myers, 2010). Without some understanding on how people perceive, the communication process becomes highly difficult because people first believe in their own data and information.

The preference for concrete perception mode points to a preference for collecting factual and concrete information and then deciding what to do: organize them or continue to look for more information. The preference for global perception mode means that an executive will prefer to collect abstract or conceptual data and then will organize this information in a rational way or by considering values and ideas and interests of other people (Keirsey & Bates, 1978; Silva, 1992). By considering those preferred modes of perception and behavior in facing many life situations (Silva 1992) and the Hambrick and Mason (1993) propositions and translating the “what it is” as factual focus on “here and now” and “what may be” as “possibility for the future” it became possible to make a synthetic classification of mental model into two types: operational mental model and strategic mental model.

**Operational Mental Model**

This mental model is characterized by her or his focus on what is going on and by the search for precision, reliability, efficiency, prudence and discipline, and conformity. She or he is practical (Keirsey & Bates, 1978) and demonstrates high focus on problem solving rather than finding it and tend to reduce problems occurrence by improving and maximizing the process efficiency, under the existing conditions; she or he has a preference to make plans and is happy with the plan accomplishment. Quick to decide, but once a decision is made, this is not a problem for her or him. The day-to-day activities of an operational-minded person are driven by responsibility, obligation and duty, and he or she rarely challenges the norms and policies. As to this person the next step is to apply the information to daily activities, she or he may do things in a planned way – implementer – or in an improvised way – pragmatist.
Implementer prefers decisions over options; he or she is traditionalist, stabilizer, consolidator; he or she works from a sense of responsibility, loyalty and industry and learns in a step-by-step way with preparation for present and future utility. She or he prefers the decision over possibilities, concrete over the abstract and order over flexibility; he or she tends to focus on current, here-and-now issues, but lets experience guide him or her in solving problems.

Pragmatist prefers action over reflection, responding over planning; she or he is troubleshooter and negotiator and works via action with cleverness and timeless - give him or her a problem to fix and she or he is in his or her element. She or he uses the sense of the obvious to scan the environment to determine the best way to outmaneuver an adversity. She or he is expeditious in handling of the out-of-ordinary and the unexpected.

Strategic Mental Model

This mental model takes information through her or his sixth sense, by focusing not on what is but on what may be, and looks for meaning in all things. He or she will probably describes himself or herself as innovative (Keirsey & Bates 1978), and may be characterized as disorganized person by the low adherence to norms and rules and structures, and many times this person is considered undisciplined. He or she is able to think strategically and to bring innovative solutions to daily problems and issues. Visionary and architect of change, she or he is imaginative and analytical, exploring all possibilities inherent in any situation and directing their energy toward building systems for the future. She or he works on ideas with ingenuity and logic. She or he learns by an impersonal and analytical process for personal mastery, and may be sensible to people or privileges rationality. As to this person the next step in to use the information in the decision making process, one may know if his or her decision will be taken in a rational way – strategist – or in a value based way – energizer.
Strategist prefers to look at the big picture rather than details in search for possibilities to build new systems or to solve daily and potential problems; she or he tends to make decisions based on logic and objective—analyzes and in an impersonal way. She or he is a visionary, architect of systems, builder, and works on ideas with ingenuity and logic, is imaginative and analytical, exploring all the possibilities in any situation. She or he learns by an impersonal and analytical process for personal mastery, and believes that an organization’s daily activities must be consistent with its mission and directs her or his energy toward building systems for the future.

Energizer tends to make value-based decisions by considering possibilities, and others’ interests and wishes. In this way, she or he is catalyst, spokesperson, energizer, and works by interacting with people about values and inspirations; she or he prefers to look at the big picture rather than details in search for possibilities for people, and learns for self-awareness through personalized and imaginative ways. Energizer people are enthusiastic and passionate in championing people, causes and anything new. In this way, Keirsey and Bates’ temperament approach appoint for the potential of mental model or cognitive styles for future research related to the competitive business environmental analysis and to the executives’ strategic choices and decision making process, and, in this way, for addressing the relationship between the strategic choices and strategic decision process and the executives’ personal characteristics, as derived from her or his mental model.

Discussion and Conclusions

The main purpose of this study was to make a link between strategic choices and decision making process, and the influence of model as a personal characteristic in the strategy formulation and the way of running the enterprise. Based on the previous researches, it was made possible to point out same theoretical correlations between both mental models and strategic choices.
As it may be noted, the rational model presents limitations to explain executive choices and decisions because, as it is posited, the bounded rationality brings about limitations to the perception process. As a consequence, it brings limitations to the executives’ strategic choices and decision making process. As an alternative approach, by emphasizing the role of the perception process in the strategic choices and decision process, this study proposes the mental models, as measured by the Keirsey and Bates temperaments, as having great influence on executives’ strategic choices and decisions, and as a better way for understand the executives’ strategic choices and strategic decisions.

Theoretically, the development of this propositions signs an interesting research field because many studies on this issue have a main focus on the strategic decision process instead of on the executives’ mental model. By proposing the mental model, derived from temperament approach, and the influence of the personal preferences as a way to address the strategic choices and strategic decision making process, this study presents a model that may help to explain how an executive perceives the business environment and, in doing so, how she or he uses his or her mental model to make choices and decisions.

As the business environment is in a rapid transformation and requires executives to brings forward or reacts to challenges and threats and the opportunities that appear and disappear, by knowing the one’s mental model, it may be possible to make previsions about her or his chance to succeed in the strategic choice process and in the decision that will be taken in running the enterprise. According to the proposition, it may be said that if an executive presents an operational mental model, her or his choices and decisions probably will be focused on operational and daily issues of managerial process, planning and managing for budgeted results. He or she will demonstrate high focus on the problem solving rather than finding it and will tend to reduce problem occurrence by improving and maximizing the process efficiency.
An operational minded executive will expect business environment strengths and opportunities and competitive issues to be understood, explained, and controlled through the repertoire of the frameworks and models that he or she has assimilated. More importantly, he or she seems to develop a blind spot or is unable to correctly decipher those aspects of the business world that reside outside of their mental model. (Mukherji & Mukherji, 2003). When dealing with strategic issues, her or his way of thinking is that “in the future things are going to be like in the present”. This is especially critical because the fast-paced and complex business environment do not fit operational mental model that perceive the business environment as organized, factual and stabilized. Changing business environment imply that managers must be ready to consider new choices, to take risk, and make decisions and develop and implement new strategies and different ways of running business. Paradoxically, (Dunbar et al 1996) when an operational manager faces turbulence in the business environment, the mental model let him or her to assume contextual stability and to a preference for incremental adjustments in keeping with this assumed stability. 

By another side, it may be said that if an executive presents a strategic mental model, she or he take the information through a global perception process by focusing not on what is, but on what may be, and will look for meaning in all things. As a natural strategic thinker, her or his choices and decisions will have the strategic management as the main focus. She or he probably will look for and bring new and innovative solutions for business daily problems and issues. This executive tends to be a visionary and imaginative and analytical, exploring all possibilities inherent in any situation and directing their energy toward building systems for the future. She or he will work on ideas with ingenuity and logic. 

He or she will take into account that strategic administration inherently requires understanding and management of the two-way relationship between capability -resources and components -and organizational purpose , and the understanding of how different organizational components
can generate strategic advantage and the effectiveness that will have useful strategic and operational consequences for the company. For example, in a longitudinal work on new business development, Stevens and Burley (2003) stated that personal characteristics – mental model – of individuals involved in early stages of new business development have been found to be as important as the process of development itself, and that strategic minded analyst have generated 95 times more profit than those operational minded analyst.

In this way, we believe that the proposal made in the study appoints for the potential of Mental Model, and their influence in the strategic choice and decision making processes, for future research related to the business environmental analysis and Business Strategic Management. It can be an open door to a new perspective on how mental models may explain executives’ strategic choices and decisions and creates avenues for future empirical investigation on this issue. In this way, we also believe the proposal made will inspire others researchers to design and conduct research projects to address the impact of mental model in the executives’ success to bring about new insights on executive business management.

For practice, this proposition may be of interest for the executive selection and development processes. It may be relevant to the talent development program, and for dealing with the succession and career process. In this way, by knowing one's mental model, it may of value in matching the executive mental model with the executive positions requirement.

It also may be said that by knowing the executive’s mental model, the board will enhance its competence to make provisions about executives’ chance to succeed in the strategic choice and decision process that will be made in running the enterprise. In this way, the board and HRM will be in a position that made possible to lead strategically, and help the corporation to run business in a safe way in this time of turbulent environment by adequately facing challenges and addressing opportunities it may present.
References


