Levels of strategic decision success

E. Frank Harrison
Professor of Management, San Francisco State University, USA
Monique A. Pelletier
Professor of Management, San Francisco State University, USA

The preeminent characteristic of strategic decisions is significance (Harrison, 1995). Strategic decisions deal with the long-term health of the enterprise (Bass, 1983). Strategic decisions are those which normally fall within the purview of top management. Because of their importance strategic decisions must be clearly linked with each other to form a consistent pattern for unifying and directing the organization (Hambrick and Snow, 1977). This pattern of decisions reflects the strategy of the organization which, by definition, is aimed at effectively matching or aligning organizational capabilities with environmental opportunities and threats. Effective executives do not make a great many decisions; they concentrate on the important ones (Drucker, 1967). Effective organizations may be measured by the success of their strategic decisions (Harrison and Pelletier, 1998). Truly effective organizations regularly manifest successful strategic decisions. Less effective organizations only occasionally manifest successful strategic decisions. And ineffective organizations are characterized by a pattern of unsuccessful strategic decisions. The sine qua non of an effective organization is consistency in successful strategic decision making (Harrison and Pelletier, 1998).

For the purposes of this article, a successful strategic decision is one that results in the attainment of the objective that gave rise to the decision within the constraints that had to be observed to bring about such attainment (Harrison, 1995). Constraints may be organizational such as time and cost, environmental such as stakeholders and technology, or human such as cognitive limitations or risk aversion. Successful strategic decisions are made in ways that are mindful and heedful of the multiplicity of constraints that stand ready to impede the successful outcome of a selected course of action.

In essence, effective strategic decision making results in successful strategic outcomes. This article posits three primary levels of strategic decision success:

1. highly successful strategic outcomes arising out of a comprehensive process model of strategic choice including a positive set of managerial attitudes toward the process and the choice;
2. indeterminately successful strategic outcomes where the process or the outcome is compromised by the attitude and/or the actions of the decision makers; and
3. marginally successful strategic outcomes where the process and the outcome are compromised or negated by the attitude and the actions of the decision makers.

This article begins by setting forth a process model of strategic choice within which the effective strategic decision maker can move systematically toward a successful strategic outcome. The reader is then introduced to a set of managerial attitudes toward the process and the outcome of the choice that significantly determines the level of strategic decision success (Harrison and Pelletier, 1997). In general the closer the adherence to the process model of strategic choice and the more positive the managerial attitudes toward both the process and the outcome resulting from choice and implementation, the higher the level of strategic decision success (Harrison, 1996). This article presents three case studies that tend to exemplify the three levels of strategic decision success advanced herein. The principal factors that contribute to (or detract from) highly successful strategic outcomes are summarized for the reader.

The strategic decision-making process

Figure 1 reflects the strategic decision-making process that is the foundation for the case evaluations set forth in this article. As shown in the figure, the strategic decision-making process is a composite of the concept of strategic gap and the framework embodied in the managerial decision-making process (Harrison, 1996).
The concept of strategic gap

The concept of strategic gap is derived from a gap analysis that shows the capabilities of the organization in relation to the opportunities and threats in its external environment. The strategic gap is a measure of the perennially imperfect fit between the organization and its external environment (Harrison, 1989). Strategic decisions based on a balance of internal weakness seem certain to fail. Therefore, a gap analysis begins with an internal assessment of organizational strength and weakness. A capability profile will reveal weakness in the crucial areas of management, technology, policy, and resources. If the capability profile shows a balance of internal strengths vis-à-vis the opportunities and threats in the external environment, the strategic gap is positive and the organization may proceed to exploit opportunities secure in the knowledge that it can cope with most emerging threats. If, on the other hand, the capability profile reveals a balance of weakness vis-à-vis the external environment, then corrective action must be taken to eliminate the weakness(es) before venturing into the external environment to capitalize on available opportunities. In this case, the strategic gap is negative and the organization is well advised to make corrective action a top priority item.

In the context of Figure 1, the gap analysis consummated to identify the nature of the strategic gap leads to the onset of the managerial decision-making process.

The managerial decision-making process

The managerial decision-making process consists of six sequential and highly interrelated functions of decision making. As shown in Figure 1, these functions are as follows:

1. **Set/reset objectives.** Once the nature of the strategic gap is ascertained, managerial objectives are set and, as necessary, reset. Decision making starts with the setting of objectives, and a given cycle within the process culminates upon attaining the objectives that gave rise to it.

2. **Search for alternatives.** Search involves scanning the external environment for information that represents possible alternatives likely to fulfill the objectives.

3. **Evaluate alternatives.** Alternatives reflect various courses of action for attaining the objectives. Alternatives are compared and evaluated based on the perceived relative uncertainty of cause-and-effect relationships and the preferences of the decision maker for various probabilistic outcomes.
4 Make choice. Choice is a moment when, in the ongoing process of decision making, the decision maker chooses a given course of action from among a set of alternatives.

5 Implement choice. Implementation is where the choice is transformed into an operational reality through task assignments and allocations of resources. Outputs of goods and services are transported to customers in the external environment.

6 Assess choice. Through the evaluation of feedback from the external environment and internal operations, actual performance is measured against standard performance to ensure an outcome consistent with the managerial objectives.

As shown in Figure 1, the functions of decision making are highly interrelated within the managerial decision-making process. The dynamic nature of the decision-making process is reflected in the synergy of the interrelated functioning of the total process. The synergistic results of the process mean that, for the most part, decisions made within it have a much greater potential for success (Harrison, 1995; 1996).

Satisficing outcomes

Satisficing outcomes compel the strategic decision maker to accept certain limitations inherent in the process of making strategic choices. First of all, the decision maker is bounded by imperfect information, time and cost constraints, and cognitive limitations. Simon notes these constraints on the strategic decision maker in his concept of bounded rationality (Simon, 1957). Second, the decision maker is limited by various dimensions of the external environment such as economic constraints, sociopolitical factors and technology. On balance the strategic decision maker operates with a high level of uncertainty surrounding the likely outcome of a given strategic choice. Therefore, the basis for a successful strategic outcome should be judgmental rather than computational, which is to say satisficing rather than maximizing (Harrison and Pelletier, 1997).

Managerial attitudes toward strategic decisions

Strategic objectives operating through the strategic decision-making process give rise to strategic outcomes. There are two principal variations of strategic outcomes, each of which has its own distinctive managerial attitude.

Maximized outcomes

Maximized outcomes are based on presumptions of perfect information and completely quantifiable alternatives obtained in a setting that tends to disregard environmental effects (Harrison and Pelletier, 1998). If a given outcome is less than optimal, it is not a maximized result, and is unacceptable to the maximizing decision maker. Maximizing is an illusion rather than a reality. This managerial attitude presumes a level of control that is unattainable in strategic decision making. Strategic decisions have a level of complexity that precludes any attempt to quantify their principal variables. Moreover, strategic decisions have environmental effects that militate against a closed approach to the making of such decisions. The uncertainty of the outcome likely to result from a given strategic decision limits the quest of the maximizing decision maker in pursuit of an optimal choice. Given these constraints, it seems obvious that the strategic decision maker should concentrate on a result that simply meets the objective. To do otherwise is to lessen the likelihood of strategic decision success. Rather than engage in a futile attempt of obtain a maximized outcome, strategic decision makers should accept their innate limitations and acknowledge the uncertainty inherent in strategic choices. This managerial attitude dismisses the notion of a maximized outcome and correctly seeks a satisficing result or one that fulfills the objectives at hand.

Philip Morris

Philip Morris (PM) is widely regarded as the leading manufacturer and marketer of cigarettes in the USA. In 1996, it had just under a 50 percent retail share of a $74 billion industry (Philip Morris Companies, Inc., 1996). In 1984 one of PM’s primary concerns was its high level of dependence on profits from tobacco products. In fact, cigarettes accounted for 92 percent of PM’s profits in 1984. Consequently PM’s strategic objective in 1984 was to reduce the company’s overdependence on profits from tobacco and at the same time to become and remain the most successful consumer packaged goods company in the world. To accomplish this strategic objective within ten years, PM chose to diversify into the food processing industry. This industry was chosen because it used many of the same marketing techniques that PM used in selling cigarettes.
Moreover, there were few external threats to the profits of the food processing industry which provided PM with an offset to the beleaguered high-profit tobacco industry. Within the next six years, PM made the following acquisitions:

- November 1985, purchased General Foods for $5.6 billion;
- December 1988, acquired Kraft Foods for $12.9 billion; and
- August 1990, purchased Swiss-based coffee and confectionery company, Jacobs Suchard AG for $4.1 billion.

This emphasis on selective diversification by acquisition continues today in PM. By most definitions, PM has attained its strategic objective set in 1984. In 1996, for example, tobacco products accounted for 53 percent of PM’s sales and 67 percent of the company’s profit. Even a 67:33 percent split in profits between tobacco and food products is a long way from the 92 percent share held by tobacco products in 1984. It seems obvious that PM’s strategic choice in 1984 resulted in a strategic outcome that is highly successful. A closer look at PM’s use of the strategic decision-making process and the managerial attitude of its strategic decision makers will show the reasons for this successful result.

Philip Morris’s strategic gap in 1984
Since PM’s strategic objective to reduce its high level of dependence on profits from tobacco products was set in 1984, it is instructive to focus on the corporation’s strategic gap in that year. PM’s capability profile in 1984 was characterized by an abundance of strengths and only one significant weakness. The weakness of 1984 is still a weakness today, PM has too much cash flow and too much cash reserve. PM’s management was highly effective in 1984. PM had just displaced R.J. Reynolds as the leading producer of cigarettes in America. The company’s technology in the production of cigarettes was first rate. It costs were under control and productivity was increasing. Policies were comprehensive and enforced. Resources for all types were in a positive state. The human resources at PM were generally challenged and satisfied. Physical resources in the form of land, buildings, and machinery were modern and fully utilized. The institutional resources of company image and reputation were positive. Again the only apparent weakness was a surfeit of liquidity in the fiscal resources of the company. On balance PM’s capability profile was replete with strength in nearly every critical factor.

Given its vast internal strength along with its abundant cash flow and cash reserve, PM had more than enough capability to exploit existing opportunities and to develop new opportunities while protecting itself from most of the known threats in its external environment. The opportunities of interest to PM were those that would reduce its reliance on profits from tobacco products. The threats to PM related primarily to smoking and health-related issues and increasing competition from other producers and discount brands of generic cigarettes. PM’s strategic gap was both large and positive in 1984. Management’s strategic choice to diversify into the food processing industry while maintaining the company’s industry leadership in tobacco products was both timely and rational in that it promised to protect the long-term best interests of the company.

Philip Morris’s managerial decision-making process
PM paid careful attention to every aspect of the managerial decision-making process set forth in Figure 1 (Harrison, 1996):

1. **Set/reset objectives.** PM’s long-range strategic objective was to reduce its high level of dependence on profits from tobacco products while, at the same time, protecting itself from external threats arising from anti-smoking litigation and legislation. PM’s objective was designed to be accomplished within a ten-year maturity.

2. **Search for alternatives.** PM’s search took place with the concept of bounded rationality (Simon, 1957). PM’s decision makers acknowledged that they were proceeding with imperfect information and a good deal of uncertainty associated with the outcome. They were also mindful of the time and cost constraints on the need to take some decisive action. Finally, they were sensitive to their own cognitive limitations in that they considered a rather small number of alternatives (Harrison and Pelletier, 1997).

3. **Evaluate alternatives.** The search soon dwindled down to a few attractive opportunities. Consumer products in general and consumer packaged products in particular were primary candidates for diversification. These products would complement PM’s legendary competence in marketing packaged goods to ultimate users. PM’s decision makers proceeded cautiously mindful of the uncertainty associated with the outcomes of their evaluation of the alternatives.
(4) **Make choice.** The strategic decision was to diversify into the food processing industry. This diversification was eminently rational. Both tobacco products and processed foods use essentially the same kind of production technology and both are purveyed to the ultimate consumer through a vast and diversified distribution system. Both industries require essentially the same type of managerial know-how. Moreover, food processing is a low profile, low margin industry which affords a definite offset to the high profile, high margin tobacco industry.

(5) **Implement choice.** PM moved swiftly to implement its strategic decision to diversify into the food processing industry. Between 1984 and 1990, PM expended nearly $23 billion in the acquisition of several major food processing companies. By 1994, in keeping with PM’s ten-year strategic objective, profits from tobacco products were reduced from 92 percent to just under 70 percent. By 1996 tobacco products yielded 67 percent of PM’s profits. Food products provided nearly 50 percent of PM’s sales in 1996 and acted to soften the image of the company as a pure producer of cigarettes.

(6) **Assess choice.** The effectiveness of PM’s continuing assessment of its strategic choice is attested by the company’s ability to successfully assimilate its major acquisitions in the food processing industry while enhancing its industry leadership in the increasingly beleaguered tobacco industry. PM is regularly listed among America’s top growth companies. Moreover, in every year of the 1990s, PM has been a US corporate profit leader.

**Philip Morris’s managerial attitudes toward its strategic decision**

PM’s strategic decision makers operated on a presumption of imperfect information with a high level of uncertainty attendant on the outcome of their strategic choice to diversify into the food processing industry. PM’s managers had an understandably strong preference for a favorable outcome. But not to the exclusion of the uncertainty inherent in the decision-making situation. Their preferences obviously encompassed a desire to attain the same level of financial performance in food products as they had in tobacco products. Still these preferences for a gainful outcome did not translate into a computational decision-making strategy for PM’s decision makers. Rather they employed a judgmental strategy that was open to the external environment and one that accepted the constraints and limitations of bounded rationality on the decision makers. PM’s managerial attitude was directed toward a satisficing outcome or one that simply met the objective rather that a maximized result that presumed some unattainable optimum. Along with its positive strategic gap and its meticulous observance of every aspect of the managerial decision-making process, PM’s positive and realistic managerial attitude toward its strategic choice militated for a highly successful strategic outcome.

**General Motors**

Since its inception in 1931, General Motors (GM) has epitomized corporate success. In the 1970s, GM began to falter in its impeccable record of growth and prosperity. In 1978, GM’s managers embarked on a long-range strategy intended to protect the corporation from domestic and foreign competitors and to preserve its world-wide position of automotive preeminence. The strategic objective originated at the top of the corporation. GM’s top management was inspired by the company’s past successes and was determined to use the full might of GM’s financial resources and presumed managerial know-how to reinvent the corporation. The total cost to accomplish this objective was set at $40 billion. As conceived, GM’s factories would turn out a vast assemblage of economical, smaller cars with front-wheel drive and quality to match any in the world. High technology and high volume would enable GM to produce cars cheaper than anyone. In one incredibly bold masterstroke, GM would dispose of its foreign competitors and leap years ahead of its domestic rivals.

Unfortunately, for reasons to be elaborated in this case, GM’s strategic objective was literally unattainable. In 1998, after 20 years and the expenditure of multiple billions of dollars, GM’s market share had declined from just under one-half to less than one-third of the US automobile market. In the interim, nearly every strategic decision made by GM in furtherance of its strategic objective set in 1978 has been marginally successful. The total cost of these marginally successful strategic decisions has escalated from the original $40 billion to $60 billion and is still rising. By now GM has stopped counting.

Starting in 1978, GM made the following additional strategic decisions to further its primary strategic decision to reinvent the corporation:
GM’s long-term strategic decisions have yielded virtually nothing but marginal results for the corporation. The 1978 strategic decision to reinvent GM by spending $40 billion stands as a prime example of questionable strategic decision making. The actual expenditures to date in excess of $60 billion have done little to reinvent GM. While there may have been some minor successes in this vast outpouring of resources, there is much more failure than success. On balance, therefore, this case is properly classified as a marginally successful strategic decision.

**General Motors’ strategic gap in 1978**

Since GM’s strategic objective to reinvent the corporation was set in 1978, it is instructive to focus on the corporation’s strategic gap in that year. Fiscal resources were a positive factor in GM’s capability profile. The company was awash in cash flow, cash reserves, and lines of credit. In fact in 1978, GM recorded $83 billion in sales with a phenomenal $3.5 billion in earnings and an astronomical $7 billion in cash flow (Harrison, 1995). This plethora of corporate riches contributed to the perception of GM’s management that it could buy perpetual industry leadership. GM’s reputation was strong in 1978. The company was still regarded as the preeminent producer of automobiles. Over the next 20 years GM’s fiscal resources and its institutional image would steadily decline.

GM’s weaknesses greatly exceeded its strengths in 1978. The company had more human resources than it could support especially in view of its declared intention to increase productivity and reduce unit costs. Moreover, many of these human resources were essentially obsolete in that they were still doing things the way GM did in the 1950s and the 1960s. As such, human resources were a negative factor in GM’s strategic gap. GM’s physical resources were badly in need of modernization or replacement in 1978. These resources were also an internal weakness for the company. Along with obsolete human and physical resources, GM’s technology was woefully outdated in 1978. The $40 billion that GM had earmarked to reinvent the corporation was intended to upgrade all forms of technology throughout the company.

Since its inception in 1931, GM had epitomized the best in corporate management. By 1978, excellence had become mediocrity; GM’s management was characterized by a bloated, bureaucratic structure that impeded any attempt to improve the corporation (Keller, 1989). Incredibly, GM had no intention of streamlining its management in 1978. To the contrary, there was an unjustified belief that management was GM’s principal strength when in fact it was the company’s primary weakness. Along with its management, GM’s policies were a negative factor in 1978.

GM’s strategic gap in 1978 was large and negative. In particular, the situation called for a complete overhaul of GM’s organizational structure with a substantial reduction in size. Instead GM chose to use its substantial fiscal resources in a futile attempt to reinvent the corporation (Harrison, 1995). GM sought to reinvent the corporation by changing everything except its management. Such a course can only result in marginal success at best.

**General Motors’ managerial decision-making process**

GM disregarded nearly every aspect of the managerial decision-making process set forth in Figure 1 (Harrison, 1996):

(1) **Set/reset objectives.** GM’s long-range strategic objective to reinvent the corporation was intended to preserve the industry leadership of the corporation. As such it was defensive rather than offensive in its primary thrust. However, in the absence of Draconian managerial modifications, GM’s strategic objective had little chance of appreciable success. Moreover, the objective was cast in a closed decision-making process largely ignoring environmental factors and the response capability of competitors. Time was of some importance; but there was virtually no limit on cost; and GM’s objective was unlikely to achieve what its managers had intended.

(2) **Search for alternatives.** The available evidence indicates that GM did not search outside the corporation for any alternative courses of action. GM’s managers assumed that whatever was needed to reinvent the corporation was immediately available to its managers. Again this is evidence of a closed approach to decision making.
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(3) Evaluate alternatives. Given the presence of a preferred course of action about which GM’s managers presumed complete success, there were no alternatives to compare and evaluate. Everything was conceived at the top of the corporation and implemented by fiat through the managerial hierarchy.

(4) Make choice. GM’s decision to spend $40 billion to achieve its objective of reinventing the corporation was the only course of action considered by its decision makers. There was no doubt in their minds that it would succeed in the same way that GM had always succeeded. In this regard, GM was caught up in a kind of organizational narcissism (Schwartz, 1990). Times had changed; but GM was still operating from an organizational ideal that no longer existed.

(5) Implement choice. Implementation of GM’s strategic decision to reinvent itself took place through the extensive managerial hierarchy and the complex budgeting mechanisms of the corporation. Task assignments and resource allocations permeated the entire corporation as GM sought to attain its objective. A series of strategic decisions discussed at the beginning of this case was made to facilitate accomplishment of the primary long-term strategic objective. In 1984 GM underwent a major reorganization which did little to correct the chronic weaknesses in the corporation’s management. Management was and is the major obstacle in GM’s valiant but futile attempt to reinvent itself.

(6) Assess choice. Essentially there was no follow-up and control of GM’s strategic decision to reinvent itself. As untold billions of dollars were expended, GM’s productivity continued to languish and its market share steadily declined. It seemed that the more money GM spent, the more its fortunes diminished. By the end of the 1980s, it was apparent to most observers that GM was only marginally successful in its strategic objective to transform the corporation.

General Motors’ managerial attitudes toward its strategic decision

GM’s strategic decision makers operated on a presumption of perfect information with a high level of certainty attendant on the outcome of their strategic decision to reinvent the corporation. GM’s managers had an understandably strong preference for a favorable outcome, but to the virtual exclusion of any uncertainty in the decision-making situation. Their preferences obviously encompassed a desire to retain GM’s leadership in the automobile industry. Regrettably, these preferences for an optimal outcome translated into a computational decision-making strategy for GM’s decision makers. Rather than employing a judgmental strategy that was open to the external environment and one that accepted the constraints and limitations of bounded rationality on the decision makers, GM’s managers used a computational strategy in a futile quest for a maximized outcome. Along with its negative strategic gap and its virtual disregard of every aspect of the managerial decision-making process, GM’s unrealistic and untenable managerial attitude toward the outcome of its strategic choice militated for a marginally successful strategic outcome. In this respect, the negative results were all too apparent.

The Walt Disney Company

The Walt Disney Company has a unique character in that it is an integral part of American folklore. Disney projects a larger-than-life image that is replete with fantasylands, magic kingdoms, and fictional personalities. Disney transmogrifies the dreams of America’s children and sugarcoats the daily frustrations and disappointments of its adults who, for the most part, have evolved on a steady diet of Disney scenarios and storybook characters. Disney is a fantasy world that transcends reality. It is the tranquilizer for vanquished hopes and the panacea for shattered dreams. Disney provides a place to share the fulfillment of real-life accomplishments in the realm of virtual reality created and projected by Disney’s technical magicians. When asked to indicate how one plans to celebrate a significant achievement, the common American response is: “I’m going to Disneyland”. A trip to Disneyland is a kind of psychic reward in its own right. This profile is what gives Disney its unique place in America. No other company has created a pervasive perception of its ability to uplift the human spirit in happiness or despair. This is the magical world of Disney (Harrison, 1999).

This case is not about the unique place of Disney in American folklore. Rather it deals with a strategic decision intended to expand Disney’s magic kingdom to a larger and ultimately global platform. Make no mistake about it, Disney is committed to a global presence and one that is as influential abroad as it is in America. Today the Walt Disney Company is a multinational enterprise in the
entertainment industry concentrating on creating films, television programs, and theme parks. With the acquisition of Capital Cities/ABC in 1995 for $19 billion, Disney became a major player in the distribution as well as the production of entertainment modules. This acquisition is the subject of this case.

**Disney’s strategic gap in 1995**

Since Disney acquired Capital Cities/ABC in 1995, it is instructive to focus on the corporation’s strategic gap in that year. A review of Disney’s capability profile in 1995 reveals that, with one significant exception, the corporation was characterized by a surfeit of internal strengths. In the technology of entertainment, for example, Disney is the industry leader. Disney’s reputation for special effects, scenarios, and animation is second to none. The virtual reality of fantasies, magic kingdoms, and lifelike fictional characters is a principal strength of Disney. Moreover, Disney must be given good marks for the completeness of and compliance with its policies. When you work for Disney you are required to assimilate and manifest the Disney core concepts of self-image and ideology. Organizational narcissism is a way of life at Disney (Schwartz, 1990; Glover, 1997).

Disney’s resources manifest considerable strength. For example, Disney’s human resources clearly contribute to a positive strategic gap. Turnover of employees is low and there is general satisfaction with working conditions and relationships in the company. Good performance is rewarded with recognition and opportunity for advancement. Disney’s physical resources in the form of land holdings, real estate developments, and theme park assets are substantial and contribute significantly to the company’s cash flow. Institutional resources in the form of a positive image and excellent reputation give Disney a strong rapport with its external environment. Fiscal resources are particularly strong at Disney. The targeted rate of return on stockholders’ equity is 20 percent, and Disney hits the target regularly. For example, between 1993 and 1995 Disney’s aggregate revenue from all sources increased from $8.5 billion to $12.1 billion, a 42 percent increase (Walt Disney Company, 1996).

The single weakness in Disney’s capability profile is its management. In 1994 Michael Eisner became the chief executive officer (CEO) of Disney. Between 1985 and 1990 Disney’s management was characterized by considerable strength. In the 1990s four contributing factors have tended to reduce the strength of Disney’s management:

1. the decision making at Disney has become more centralized in the person of Michael Eisner;
2. beginning in 1994, many of Disney’s top executives have left the company and have been replaced by managers with less experience and/or competence;
3. given Michael Eisner’s major heart surgery in 1994, there is no designated executive successor for him; and
4. beginning in the mid-1990s, Disney’s board of directors has come under heavy fire as a pawn and rubber stamp of Michael Eisner.

It is no secret that Eisner rules Disney with an iron fist. All strategic decisions at Disney are made by the CEO including the decision in 1995 to acquire Capital Cities/ABC for $19 billion. In 1994 the Disney top management team began to unravel. Eisner’s top executives began to leave Disney when they noticed his reluctance to promote them. Eisner also continues to resist any attempt to designate a corporate successor. Moreover, in 1997 the Disney board was designated by Business Week as the worst in the USA (Byrne et al., 1997). Specifically, the Disney board was scorned for being “a meek, handpicked group with long-standing ties to Eisner or the company” (Byrne et al., 1997, p. 90).

Given the aforesaid problems, it appears that management has emerged in recent years as a source of serious weakness for Disney. On balance, however, the company seems to be operating from an overall position of strength, which is to say a small positive strategic gap. Given this assessment in 1995, it is reasonable to assume that the acquisition of Capital Cities/ABC would be successful.

**Walt Disney’s managerial decision-making process**

Up to the moment of choice, Disney made its strategic decision to acquire Capital Cities/ABC in accordance with the functions that constitute the managerial decision-making process. Once the choice was made, Disney’s decision making lost its momentum, and today, nearly four years later, the presumed advantages of the acquisition have yet to manifest themselves:

1. **Set/reset objectives.** Disney’s strategic objective for the acquisition of Capital Cities/ABC was multidimensional. First of all, Disney needed an outlet for its surfeit of fiscal resources. The company required new opportunities for continued growth and the maintenance of its...
targeted 20 percent return on shareholders’ equity. Disney also desired an opportunity for growth that would enhance its image as the global leader in the entertainment industry. Finally Disney was seeking an opportunity to combine its demonstrated creativity in the production of entertainment with a means to distribute its entertainment to worldwide audiences (Glover, 1997). Presumably the optimal fusion of Disney’s productive capability with the distributive capacity of a major television network would yield innumerable synergies not available without a combined operation. On balance, Disney’s decision to acquire Capital Cities/ABC was undergirded by a multidimensional objective which translated into power, prestige, and profits with potential for growth in all areas (Harrison, 1998).

(2) Search for alternatives. For Disney to attain its multidimensional objective, the acquisition of a major network was almost axiomatic. Eisner had been discussing the acquisition of/or a merger with Capital Cities/ABC since 1993. Eisner had declined a deal with NBC because of demands that he was unwilling to meet. The Fox network was not for sale; and CBS was an overpriced network with years of improvement ahead of it. Earlier in his career Eisner had been an executive at ABC, and he appreciated the distribution capability and overall profitability of that company. Consequently Eisner leaned toward an agreement with Capital Cities/ABC (Glover, 1997).

(3) Evaluate alternatives. Capital Cities/ABC was the preferred choice but it was expensive. Moreover, what was the best way to proceed? A strategic alliance would provide a workable fusion of entertainment content and distribution. A merger would provide the same benefits, but with more of an ownership commitment. And, finally, the outright acquisition of Capital Cities/ABC by Disney would provide both benefits and control to the acquiring company. The acquisition would make Disney the first media company with a major presence in four distribution systems:

- filmed entertainment;
- cable television;
- broadcasting through network television, and radio; and
- telephone communication through its joint ventures with three regional telephone companies (Glover, 1997).

(4) Make choice. On August 7, 1995, Disney announced that it had acquired Capital Cities/ABC in a cash and stock agreement valued at $19 billion. The Disney deal created the largest entertainment company in the world. With the acquisition of Capital Cities/ABC, Disney jumped from a $12 billion entertainment company to a $19 billion vertically integrated entertainment company leading the industry in both content and distribution (Walt Disney Company, 1996). The term synergy means that what was formerly differentiated is now optimally integrated (Harrison, 1994). After the acquisition of Capital Cities/ABC, Disney was supposed to derive synergistic benefits resulting from a fusion of the number one entertainment company with the number one distribution company. Disney is now a company that manufactures a product, owns the network distribution system for it, and controls how long the product stays on the network (Harrison, 1999). Given these ostensible synergistic advantages, it remains for the implementation of the strategic choice to confirm its record of actual accomplishment.

(5) Implement choice. It has been almost four years since Disney acquired Capital Cities/ABC. Even for acquisitions of this size, the process of implementation should be well under way. For the most part, the promised benefits of synergy remain elusive (Orwall and Pope, 1997). Perhaps, as Michael Eisner has noted, there is no quick payoff from the purchase of Capital Cities/ABC: You won’t begin to see a payoff in the first year, not for two or three years… and the real earnings explosion won’t come for five or six years (Mahar, 1995, p. 14).

Still, given the magnitude of the deal and Eisner’s assertions of synergistic benefits, one would expect implementation to be further along. The analysis and preparation for implementation begin with the evaluation of alternatives in an attempt to anticipate and prepare for expected obstacles and difficulties in transforming the decision from an abstraction to a reality. Apparently such was not true in this case. Disney had no intention of integrating operations or reducing cost following the acquisition of Capital Cities/ABC. Actually, the two organizations are operating as though the acquisition did not take place, except that Michael Eisner now makes all the major decisions for the combined enterprise. One can only speculate regarding the
rampant redundancy and escalating opportunity costs that are steadily diminishing the declared value of this acquisition. For Disney the decision-making process stopped after the choice was made. Consequently, what appeared to be a highly successful strategic decision has since devolved into an indeterminately successful strategic outcome.

(6) Assess choice. In this case the assessment reveals that Disney’s strategic choice to acquire Capital Cities/ABC for $19 billion has not been implemented. By any measure Disney has been dilatory in this regard. Consequently, the vaunted synergies that should have followed from this acquisition are yet to be realized. One can only speculate at the benefits available from a comprehensive integration of these two organizations.

Disney’s managerial attitudes toward its strategic decision
In the acquisition of Capital Cities/ABC, Disney began with a judgmental decision-making strategy in the quest for a satisficing outcome. Given that the decision-making process was only partially open, Disney proceeded to make the right choice in the right way up to the point of implementation. At the implementation phase, however, the decision-making process came to a sudden halt. This contraction in the decision-making process is serious because converting a choice into action is a major element in the process. In fact, a brilliantly conceived decision can easily prove worthless without effective implementation. In this case, the positive managerial attitudes displayed by Michael Eisner up to the moment of choice appear to be nullified by continued inaction in consummating the choice through the full decision-making process. Consequently, the success of the outcome must be labeled indeterminate.

Summary
This article presented a new paradigm for use in making and implementing strategic choices. Figure 1 reflects a strategic decision-making process that is a composite of the organization’s strategic gap and the process through which its strategic decisions should evolve. Given the presence of a positive strategic gap and a full observance of all the functions that constitute the managerial decision-making process along with a positive set of managerial attitudes toward the decision itself, the stage is set for a highly successful strategic outcome. This article further posits three levels of strategic decision success:

1. a highly successful strategic outcome emanating from the right approach to the right decision;
2. a marginally successful strategic outcome resulting from the wrong approach to the right decision; and
3. an indeterminately successful strategic outcome derived from either the wrong approach to the right choice or the right approach to the wrong choice.

Philip Morris (PM) was advanced as the epitome of a highly successful strategic outcome. The company’s decision in 1964 to reduce its reliance on profits from tobacco products through a diversification into processed food products was highly successful. In less than ten years, PM’s profits from tobacco products were reduced from more than 90 percent to just over 60 percent. PM made its strategic choice operating from a positive strategic gap and the company meticulously observed every aspect of the managerial decision-making process. Moreover, PM’s managerial attitudes toward the decision itself was positive in that the company used a judgmental decision-making strategy to obtain a satisficing result. PM’s strategic objective was completely attained within the time and cost constraints accepted by management. As such, this decision yielded an eminently successful strategic outcome. It was the right approach to the right decision.

General Motors (GM) was presented as the antithesis of a highly successful strategic outcome. The company’s decision in 1978 to reinvent itself through the expenditure of $40 billion was clearly the wrong approach to the wrong decision. In the 20 years since 1978, GM’s market share has declined steadily from just under half of the US market to just under one third. During this same period GM made several additional strategic decisions to facilitate the attainment of its primary strategic objective set in 1978. None of these decisions was successful. GM made its primary strategic choice in 1978 operating from a large negative strategic gap. In particular, GM’s management was in need of a drastic revision and downsizing. This weakness still plagues GM as it moves into the twenty-first century. Moreover, GM ignored or disregarded every aspect of the managerial decision-making process as its decision makers employed a computational strategy in a futile quest for a maximized outcome. To classify this decision as
marginally successful is euphoric. In reality, it was a monumental failure.

Disney’s acquisition of Capital Cities/ABC in 1995 was heralded as an optimal fusion of the number one entertainment company with the number one distributor of entertainment modules, that is, an ideal blending of content and distribution. This decision promised handsome benefits for Disney in the form of synergies resulting from the compatibility of the two companies. To date these synergies have not materialized. In fact there are few if any realized benefits from this marriage made in heaven. The evidence suggests that Michael Eisner is delaying the implementation by insisting on being involved in every detail. Until such implementation takes place, the Capital Cities/ABC acquisition is a successful decision in concept but not in practice. As such, its outcome in terms of any degree of success must be designated indeterminate.

Clearly, there are levels of strategic decision success. PM was positive in every aspect of its decision making and the outcome of its choice in 1978 was highly successful. GM was negative in nearly every aspect of its decision making and the outcome of its strategic decision made in 1978 was marginally successful at best. Given some obvious weaknesses in its top management, Disney was positive in nearly every aspect of its decision making in 1995 which should have yielded a high level of success for the outcome of its strategic choice to acquire Capital Cities/ABC. To the contrary, because it aborted the decision-making process at the moment of choice, Disney is moving away from the positive outcome of PM and more toward the negative results of GM with every passing year.

High levels of success for strategic outcomes normally follow from observance of the theories and concepts set forth in this article. Marginal levels of success usually attend partial or complete disregard of these same theories and concepts. In the final analysis, successful strategic outcomes are the product of managerial actions in using the right approach to make the right decision.

References
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Application questions
1. Do your strategic decisions enjoy a high level of success?
2. Is your organization operating with a positive or negative strategic gap?
3. What are the principal strengths and weaknesses in your organization?
4. Do you regularly employ a process approach to your strategic decisions?
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