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E-Content
BCH-601 : Business Policy

Lecture 38

Prepared by:- Mr. Raj Kumar, Assistant Professor, Faculty of commerce and management, Rama University Kanpur

Strategic choice

According to Paul Nutt, an authority in decision making, half of the decisions made by managers are failures.[102] After analyzing 400 decisions, Nutt found that failure almost always stems from the actions of the decision maker, not from bad luck or situational limitations. In these instances, managers commit one or more key blunders: (1) their desire for speedy actions leads to a rush to judgment, (2) they apply failure-prone decision-making practices such as adopting the claim of an influential stakeholder, and (3) they make poor use of resources by investigating only one or two options. These three blunders cause executives to limit their search for feasible alternatives and look for quick consensus. Only 4% of the 400 managers set an objective and considered several alternatives. The search for innovative options was attempted in only 24% of the decisions studied.[103] Another study of 68 divestiture decisions found a strong tendency for managers to rely heavily on past experience when developing strategic alternatives.[104] There is mounting evidence that when an organization is facing a dynamic environment, the best strategic decisions are not arrived at through consensus when everyone agrees on one alternative.

STAGES OF INTERNATIONAL DEVELOPMENT

- Corporations operating internationally tend to evolve through five common stages, both in
- their relationships with widely dispersed geographic markets and in the manner in which they
- structure their operations and programs. These stages of international development are:
- _ Stage 1 (Domestic company): The primarily domestic company exports some of its products
- through local dealers and distributors in the foreign countries. The impact on the organization's
- structure is minimal because an export department at corporate headquarters
- handles everything.

- _ Stage 2 (Domestic company with export division): Success in Stage 1 leads the company
- to establish its own sales company with offices in other countries to eliminate the
- middlemen and to better control marketing. Because exports have now become more important,
- the company establishes an export division to oversee foreign sales offices.

- _ Stage 3 (Primarily domestic company with international division): Success in earlier
- stages leads the company to establish manufacturing facilities in addition to sales and service
- offices in key countries. The company now adds an international division with responsibilities
- for most of the business functions conducted in other countries.