

Why getting operations decisions right is critical: implementing sustainable business growth depends on it

Ever-increasing competitiveness in today's business world means that growth has become a necessity rather than choice for most organizations. Indeed, survival can often depend on it.

Sustainable business growth

Embarking on a growth path is one thing though. Sustaining it over the longer term is something else altogether. The challenge is now even greater due to expectations that firms must fulfill responsibilities in social and environmental dimensions as well as the economic one. It is widely acknowledged that performance in respect of this so-called "triple bottom line" (TBL) determines whether a company ultimately succeeds or not.

Not surprisingly, sustainable business growth is therefore high on many company agendas. Such growth occurs when the firm increases its capital in one or more of the interconnected dimensions without detracting from any of them.

A critical part of any growth strategy is the need for accurate decision making. Leaders must typically make decisions that vary in their complexity and capacity to influence the degree of growth. Significant pressure is naturally on those responsible for decision making as a wrong move can make failure a much likelier outcome than success.

Small and medium enterprises (SMEs) and decision making

The challenge is even greater for SMEs where resource limitations invariably impact on the decision-making process. Managers thus often rely on previous experience to guide them. Such a policy is fine in certain situations but inadequate when the organization is heading toward uncharted territory.

Many managers will argue that using heuristics helps their decision making. In terms of swiftness and efficiency, that might be true. But the inherent biases mean that desired outcomes are not always achieved. This is especially the case where more complex decisions are concerned. It does not help that growth periods are characterized by greater urgency and the need for more decisions to be made. A likely consequence of this added pressure is managers becoming even more predisposed toward certain choices.

It is clear that how managers control the decision-making process has considerable bearing on its effectiveness. Hence, any argument for an approach that relies more on methodology and sophistication cannot easily be refuted. Management theory already advocates that decision making can be improved if the process is considered as a series of different steps culminating with the implementation of the final choice.

Reflection is deemed an essential part of decision making by researchers who propose a multi-step checklist that guards against bias and improves quality.

How a complex framework can help ascertain which decisions are right?

Such thoroughness appears to guide decision making at SCHWAB-SYSTEM, a family-run wood construction firm in Switzerland. A longitudinal study of this SME aptly illustrates



the importance of operational decisions with regard to growth. Strategic decisions made impacted on different stakeholders and the three dimensions of the TBL.

During the study period, the organization faced several complex decisions relating to different growth aspects. One of the major growth decisions was to build a new plant. Scope to increase the volume of sales was impeded due to space and production capacity restrictions within the existing plant. These confinements prompted the decision to move to larger premises. This meant that SCHWAB-SYSTEM could hire more staff and undertake larger projects it had previously been forced to decline.

The association between the economic dimension and the others is emphasized in this example. Increasing the number of employees also brought about the need for establishing a human resources department. Rival operators in this region had not followed this growth path, so the move was somewhat unprecedented and arguably more risky.

A more indirect connection with the company's growth plans was the debate about whether to install solar panels on the roof of the new plant. Urgency was particularly important here as this decision pertaining to the environmental dimension of TBL had to be made in line with the construction schedules.

Each of these cases represents a significant aspect of sustainable business growth for the firm and merited a comprehensive approach to the decision making involved. In line with other suggestions, the process utilized consists of several steps including the consideration phase, reflection phase and decision phase. The reflection phase is omitted for less complex decisions.

Thoroughness is evident in all phases. For instance, a potential option would only merit serious consideration if the decision maker was positive about the choice and was further heartened by supportive information from an external source. Feeling upbeat is also a key component in the decision phase.

SCHWAB-SYSTEM appears to put significant emphasis on reflection. Different patterns are evident but are all largely based on deeper consideration of feelings, whether positive or negative. External opinions can play a role in some cases, whereas in others more work is required as part of the depth of evaluation that is carried out. If negative thoughts about an alternative persist, the decision maker would normally discard this option and start the procedure again to consider a different one.

Some key implications for managers

Decision making is naturally context dependent to a substantial degree. However, managers might be able to utilize the framework outlined in this example to enhance their own process. Scope thus potentially exists to:

- identify how to appropriately use each reflection pattern;
- more systematically assess operations decisions;
- improve awareness of the steps involved in the decision-making process; and
- relate decisions to each dimension of the TBL.

Managers armed with such capabilities can make sustainable business growth become a reality in their organization.

The impact can be further enhanced if a more selective approach is adopted. In SMEs, it is essential that managers use time and other resources more productively. Given that situation, a comprehensive approach to decision making will undoubtedly not be feasible in all instances. It would accordingly make sense to confine the use of frameworks like the one at SCHWAB-SYSTEM to the consideration of more complicated decisions. But when it

comes to operations decisions which have less serious implications for performance, heuristics would arguably be appropriate in the majority of situations.

Comment

The review is based on: “Sustainable business growth: exploring operations decision-making” by Leila Schwab *et al.* (2017), published in *Journal of Global Responsibility*. Decision making regarding operations can have major consequences for sustainable business growth. The tendency of managers within resource-limited SMEs to rely on instinct and past experience risks damaging outcomes for the firm. Schwab *et al.* propose that such managers will be better equipped to make important decisions if they adopt the more methodological approach identified in the study whereby decision making involves a sequence of defined steps.

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Reference

Schwab, L., Gold, S., Kunz, N. and Reiner, G. (2017), “Sustainable business growth: exploring operations decision-making”, *Journal of Global Responsibility*, Vol. 8 No. 1, pp. 83-95, doi: 10.1108/JGR-11-2016-0031.