Formation and Identification of Strategic Issues in Organizations: A Review and Classification of Current Studies

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Abstract
Identification of strategic issues assists organizations to pay attention to what is actually important in their long term decision making. The domain of strategic issue identification is broad, disperse and unclear. Since strategic issues are not predefined, the process of assigning the meaning to these issues and finding solutions for them is dynamic. Thus, the type of strategic issues faced by the organization, as well as how these issues are diagnosed and are formed influence which issues are included in the organization decision maker's agenda and which ones are ignored. The present research aims to take a step to fill the research gap in this context through representing a coherent picture of the subject matter literature on strategic issue area and how they are formed. Through a review of the current literature, this research outlines the process of formation and identification of strategic issues in three main categories: Environment sensing, issue sensing, and agenda formation.

Keywords: strategic management, strategic issues formation, organization

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1. Introduction

The concept of strategic issues was introduced when strategic planners faced a gap between SWOT analysis of Harvard model and strategy formulation (Bryson, 2004). Strategic issue identification is important as it has a particular effect on the organization's present and future strategies and could put problems or opportunities in the way of organization's decision-makers (Miller & Lin, 2014).

Bryson (2004) argues that the way based on which strategic issues are framed and formed could improve the process of decision-making organization's strategies. Also, if these issues were formed well, then subsequent option of decision and actions more likely would be more acceptable and defensible in terms of the organization's policies. Strategic decision-makers’ type of view of issues faced by the organization and how these issues are diagnosed and formed, as well as dimensions which are considered for identifying these issues, could influence which issues are incorporated in the organization decision-makers’ agenda and which issue are not considered as important. As a result, perhaps, success or failure of organizations operating in the same environment could be sought in the paradigm of formation of strategic issue in those organizations.

Accordingly, understanding how organization's managers and decision makers give sense to the events and issues faced by the organization and how they react against them, would lead to extension of their view range and their strategic thinking capacity (Athukorala & Ekanayake, 2014). Familiarity with the process of the strategic issue formation and the dimensions of interest in diagnosing these issues would further extend decision-makers' range of view, improving the quality of substantial organizational decisions.

2. Research Problem

By identifying strategic issues, organization's attention is paid to what that is actually important. But, unfortunately, organizational decision-makers often are sacrificed by the 80-20 rule, i.e. they spend 80 percent of their time on the 20 percent of the least important tasks, and as a result, many of the organization's rare resources are often wasted. as a result, If managers can identify factors affecting their understanding of issues, they will be able to divide their attention among issues that no actions are necessary for them at the present time, but they should be paid attention continuously, issues that could be considered as part of the organization's current strategic planning cycle, and issue which require immediate response and therefore they could not take action on them in the current day-to-day manner to solve them (Miller & Lin, 2014).

Filley (1975) and Fisher and Ruy (1981), have asserted that, since serious disagreements over issue solutions are often manifested without full awareness of them, one benefit of awareness of the process of the strategic issue formation and identification is that it draws the organization's attention into the issues rather than responses. With regard to what has been said, paying attention to strategic issues and how they are formed is very effective on the quality of organizational actions and decisions, but among the studied carried out on strategic issues, no certain ideas have been offered about how to determine them except for their diagnosis through situation analysis (Fearon et al., 2012; Bryson, 2004). Regarding what was said, the authors saw it necessary to take a step toward clarifying the process of strategic issue determination, through a review of areas of studies conducted on how to determine strategic issues and how they are formed, as well as through representing amore-coherent picture of this study area.
So, the research problem is “what are the main activities in the process of strategic issue formation and their entrance into the organization's agenda? And how could we present a more-coherent picture of them?”

In what follows, first, strategic issue introduction as well as a review on some of the most important definitions represented about these issue and their dimensions, have been carried out and then literature review of strategic issue has been done.

3. Strategic Issues: Definition and Dimensions

Among the researchers in the context of strategic management and organizational cognition, Dutton and his colleagues have paid special attention to the notion of strategic issues. In their view, no issue is inherently strategic unless when managers believe that that issue is associated with organizational performance (Athukorala & Ekanayake, 2014; Motii & Sanders, 2014). In table 1, some of the most important definitions represented about strategic issues are shown.

In Birkelund’s (2003) view, deduction domain of a strategic issue could be broad, disperse, and unclear, especially in early stages. Because it is not predefined, some perceptions or assignment of the meaning to these issues are required to design, select, and apply a solution for them. Also, it is obligatory for the organization's managers and main decision-makers to be able to decode various aspects of the complex environment they deal

Table 1: Strategic issues definition

<table>
<thead>
<tr>
<th>definition</th>
<th>Researcher</th>
</tr>
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<tbody>
<tr>
<td>Strategic issues can be defined as developments, events and trends having the potential to impact an organizational strategy</td>
<td>Ansoff, 1980; Dutton &amp; Duncan, (1987)</td>
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<td>a matter the decision of which involves important consequences</td>
<td>Oxford dictionary, (1989)</td>
</tr>
<tr>
<td>Issues are events, developments and trends that an organization’s members collectively recognize as having some consequence to the organization</td>
<td>Dutton and Dukerich, 1991</td>
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<tr>
<td>emerging developments, trends or events which in the judgment of some strategic decision makers are likely to have a significant impact on the organization's present or future strategy</td>
<td>Dutton (1993) &amp; ashford, (1993)</td>
</tr>
<tr>
<td>strategic issues typically have the following characteristics:</td>
<td>Pearce II &amp; Robinson (1994)</td>
</tr>
<tr>
<td>- Require large amount of the firm's resources,</td>
<td>From Nooraie, (2012)</td>
</tr>
<tr>
<td>- Often affect the firm's long term prosperity,</td>
<td></td>
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<tr>
<td>- They are future oriented,</td>
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<tr>
<td>- Usually have multifunctional consequences,</td>
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<tr>
<td>- They require consideration of the firm's external environment, and</td>
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<tr>
<td>- Require top management decisions.</td>
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<td>A strategic issue is an analytically distinct sub-system of a strategic problem, pertaining to a specific topic.</td>
<td>Meyer, (2007)</td>
</tr>
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Through a literature review of strategic issues, as well as empirical study on a group of managers, Dutton and her colleagues (1989), classified dimensions of the strategic issues, which are of the most importance to managers.

with and to reach the beneath structure of it (from Meyer, 2007).

In another study which was performed by Dutton and his colleagues in 1990, the result was that managers tend to invest in issue that they think them to be of the highest efficiency. A manager's evaluation of an issue
efficiency is highlighted in his/her evaluations of the emergency, feasibility, and interdependency of an issue with other issues. Emergency of an issue refers to the decision-makers' evaluation of the value from investment on that issue. While issue feasibility is related to the probability of its success accomplishment. Managers learn that investments in an issue frequently influence other issues as well. One of importance, the emergency and the duration of posing an issue, understanding the necessity of its evaluation would be greater proportionately.

4. Review of the Literature
In order to review the literature on strategic issue formation, the study areas around this topic were divided into 3 main groups. Each of these groups is related to activities which cover from the phase of environmental evaluation and strategic issue identification up to their entrance into the organization's strategic agenda. These three groups refer to three main activities: environment sensing, issue sensing, and agenda formation; they are described below.

4.1. Environment Sensing Activities
Environment assessment refers to activities based on which decision-makers examine, scan, and monitor the organization's environment (Miller, K. D., & Lin, 2014; Dutlon et al., 1989). Aguilar (1967), defined environment monitoring as part strategic planning, as follows:

"About events and relationship in a company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action."

He specifies 4 styles of the environmental monitoring as follows: undir- exted viewing, conditioned viewing, informal search, and formal search.

In directed viewing, the manager faces information with respect to which he/she doesn't have any particular goals in his/her mind and he/she is unaware of what issues may occur. Undirected viewing is usually ambiguous, temporary and merely warn the manager of what has happened and requires further examination. In the conditioned viewing, the manager encounters some information about the selected areas or some particular kinds.

of information. This viewing sometimes applies as a sign or cue implying that further examination is required. In informal search, the manager is involved in a limited and unstructured effort for acquiring specific information or information for a specific goal. The informal search is different from conditioned viewing, mainly in terms of the fact that the needed information

<table>
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<tr>
<th>Analytic dimensions</th>
<th>Issue content</th>
<th>Issue action</th>
<th>Issue source</th>
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<tbody>
<tr>
<td>e.g. Abstractness, age of issue, certainty, complexity, decision maker’s interest, direction of impact, duration permanence, locus: internal/external, interconnectedness, pervasiveness, scope, time pressure, visibility, label: threat/opportunity</td>
<td>Geographical referent, type, competitive forces</td>
<td>Amount of payoff from action, certainty of payoff from action, controllability, feasibility</td>
<td>Chosen versus externally induced, responsibility, influence, strategic location, personal attachment, relevance</td>
</tr>
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Table 2: Strategic issues dimensions, Dutton et al., (1989)
is pre-found. Finally, formal search refers to a deliberate effort that sometimes follows a trend, methodology or schema to obtain particular information related a particular topic. Like other organizational activities, the environmental monitoring process is effective on organizational perception. Heugens (2001), has stated that the perceptual selection process indicates that how organization high-level decision-makers assign their limited cognitive capabilities to issues. He argues that two modes of environmental scanning exist: passive scanning and prospective scanning.

The purpose of prospective scanning is to determine issues that are still incomplete, thus they warn the organization about potential issues. The other mode of environmental scanning is passive in nature. In this mode, issues are paid attention by the organization when they have completely happened. Organizations choose one of these scanning modes with regard the managerial understanding about organizational position in the environment (Motii & Sanders, 2014).

4.2. Issue Sensing Activities

The second phase of the process of strategic issue formation, i.e. issue sensing, is associated with two concepts of interpretation and sense giving. Interpretation means the process of trams formation the events, development of models for understanding, discovering the meaning and cresting conceptual schemas among key managers (Fearon et al., 2012; Daft & Weick, 1984). In the present study, like the study by kunnas (2009), the interpretation has been considered as a separate phase of environmental scanning. While some investigations have defined interpretation as part of environmental scanning (e.g. Kiesler and Sproull, 1982: 548). Organization could be inferred as interpretation systems that, like very particular information receivers, interact with the environment. Organization differences in interpretation are rooted in: a) management ideas about analyzability of the external environment (Daft & Mackintosh, 1981) and b) the extent to which the organization permeates into the environment in order to understand it.

Weick claims that interpretation is different from sense making. However, sense making may sometimes encompass interpretation. In other words, Weick believes that sense making concerns the ways in which people offer their interpretations. Interpretation further seeks to discover or approximate data, but sense making is more about invention rather than discovery. For participating in sense making, we should create, filter, frame, realize, and interpret the subjectivity to a more tangible thing. Thus the concept of sense making is valuable because it shows an invention that is superior to interpretation (from kunnas, 2009).

Activities which lie in this class of actions related to strategic issue formation, are classified into two categories: A group relates to sense making activities that are associated with issue diagnosis in the research literature; and a group is related to sense giving activities that are associated with the strategic issue selling.

According to the definition by Thomas et al. (1993), sense making and sense giving are two supplementary and mutual processes. Sense making refers to the way based on which managers understand, interpret, and create meaning of the information available about strategic changes, whereas sense giving concerns their efforts for influencing outcomes, transferring their thoughts about the change to others and obtaining their support. The boundaries of these two processes are interwoven, and like discourse and practice, sense making and sense giving are less distinct such that one implies the other and their existence is not possible without each other (Rouleau, 2005).
In this respect, a number of researchers sought to find out that how do managers make sense of the past, encounter the present, and plan for future (Dunford & Jones, 2000; Huisman, 2001; Jameson, 2001), and that how sense making and sense giving occur socially over time (Hopkinson, 2001).

**4.2.1 Strategic Issue Diagnosis**

Strategic issue diagnosis is a process during which managers give sense to the continual flow of ambiguous and complex environmental data, which determines the organization position (Kent & Lin, 2014). Dutton and her colleagues (1983), believes that the importance of strategic decision- makings. This influences the strategic decision-making process and subsequently organizational selection and performance (Fearon et al., 2012; Thomas, Clark, and Gioia, 1993). In other words, how managers diagnose environmental events and transformation, is a vital issue because different diagnoses could lead to different strategic responses (Dutton and Dukerich, 1991; Gutton and Duncan, 1987; Lant, Milliken, and Batra, 1992).

Gilbert (2006), has stated that managers investigate their environment changes, interpret them, and label them according to cognitive mechanisms. He has acknowledged that CEO's framing of environmental changes in the of positive and negative terms affects organizational changes.

Also, some diagnoses may be more effective on strategic decisions and they may result in higher levels of performance, than other diagnoses (Fearon et al., 2012, Gooding and kinicki, 1995).

In Dutton's idea, there is a mutual relation between the manger and the environmental events and transformations in strategic issue diagnosis. In one hand, environmental transformations are partially in the form of objective realities that influence how issues are diagnosed and understood, limitations existing in this context, and how to take action about them. On the other hand, they are the managers that confirm the existence of these transformations and events in their surrounding environment, interact with them, and are influenced by them (Motii & Sanders, 2014, Dutton, 1993).

Previous studies have attributed the strategic issue diagnosis to various organizational characteristics; for example, culture and the structure of strategy and information processing (Dutton and ottensmeyer, 1987; Thomas and McDaniel, 1990), the extent of diversity in the chief management team (Dutton and Duncan, 1987; plambeck and weber, 2009), and resource dependencies (Milliken, 1990). Olambeck and weber (2010), have also pointed out the role of previous experiences in data processing.

**4.2.2 Issue Selling**

Brown and Aisenhart (1997), depict organization as a plurastic market of ideas, in which issue are sold through managers' and individuals' persuasive efforts and are bought by chief managers who adjust the organization's strategic direction. In such a picture, effective management is achieved through proper understanding of the elements of the key process of issue selling.

When an issue has been determined, then a specific reasoning is required to be made by organizational participants to specify the excellence of the issue (Fearon et al., 2012). The process of strategic issue selling refers to activities that are performed to influence others' awareness in issue understanding. Issue selling could be considered as the main basis for the explanation of why and how superior managers assign their awareness and time to a particular issue (kunnas, 2009). In fact, issue selling points to the process by which individuals influence on others' attention to events and on their understanding of events,
transformations and trends related to the organization performance (Ansoff, 1980; Dutton and Ashford, 1993).

Dutton and Ashford (1993) and Field and Woldridge (1996) assert that because any problem is not strategic by itself, individual's claim about what is important (for example, issue selling) determines which change plan is activated in the organization (Dutton et al., 2001).

One of the main indicators concerning the issue selling success is the amount of time and attention that superior manager devotes to an issue. Attraction of collective attention toward an issue is displayed by types of behaviors: (a) issue naming; (b) collecting data related to the issue; (c) talking about the issue; and (d) establishing role or task-force specific to the issue.

Drawing the attention of the superior management is the progress needed for their fundamental taking which may be to assign more material resource to an issue. One of the groups who could have an important effect on the process of issue in trance into the strategic agenda is the middle managers. Kaunter (1989), believes that the potential ability of middle managers is to influence the superior managers’ perception and strategizing (strategy-making) based on their organizational situation. Because the middle managers have the pulse of the organization performance, so they can convince others and pose new ideas which may not discovered by the superior managers.

4.3. Agenda Formation

The last phase of this study concerns the step strategic issue entrance into the organization's agenda or organization agenda formation followed by assigning the scarce organizational resources to this issue category. In the research literature, the process of assigning attention to the strategic issues has been conceptualized as the agenda building process. According to Bower (1972) and Burgelman (1983), the agenda is not solely captured by the organization's superior decision-makers, but also it is the product of forces who in multiple levels of the organization, consciously or unconsciously, lead an issue to be legitimated, resources be assigned to that, and consensus be established about it (Motii & Sanders, 2014).

The label which has been considered in this study for this phase is "agenda formation" and the aim of applying this label is to show that agenda is influenced by activities of affective force in strategic issue formation, as a result of which it can be said that the agenda is formed too. Understanding this process and its probable outcomes, people could manage it and thereby take advantage. For example, facilitating or limiting the entrance of an issue into the agenda is a robust tactic to make changes with particular intentions. Accordingly, by understanding how the agenda is formed, individuals can manage ambiguities existing about problem regulation (adjustment) in the organization (Metcalfe, 1981).

Strategic agendas are formed in two ways. One of them is through individual's actions, who attempt to obtain others' attention and confirmation for a strategic issue to be counted. As was mentioned in the previous phase, this kind of actions is called issue selling behaviors (Dutton & Ashford, 1993). Dean (1987), calls individuals involved in this activity as architects who have a good combination of validity and commitment to incorporate an issue into the agenda. Other researchers call these individuals as champions (Motii & Sanders, 2014; Howell and Higgins, 1990) or elsewhere they are named "policy entrepreneurs" (Kingdon, 1984). They are individuals who can draw the superior managers' attention to an issue through communication and interpersonal influence and temporal sensitivities (from Dutton and Penner, 1993).
The second way the strategic agenda formation is through group or collective actions. Some authors like Narayanan and Fahey (1982), have named these actions as “coalitions mobilization around the issue”. Both the issue selling and coalition mobilization processes are focused on individuals or groups who influence agenda formation out of the superior manager team (from Dutton and Penner, 1993).

According to the model that Dutton (1993), has represented in relation to factors influencing the issue incorporation into the organization's agenda, influential factors are: perceptual importance and greatness for an issue, abstractness of an issue, perceptual complexity of an issue, the urgency of examining an issue, the power of the issue sponsors, the extent of sponsor's personal linkage with the issue, size of agenda and diversity of issues incorporated in the agenda.

These factors, which are focused on the specific features related to an issue, allow one to predict how different strategic issues in an organization receive different amount of attention resources. However, to predicting organizational differences in focusing attention to issues, the organizational context in which the strategic agenda forms, should be considered too.

Also, in Dutton's (1988) view, two factors are of importance in incorporating an issue in the agenda: 1) issue context 2) Organization context. By the issue context, it is meant that how an issue's features and the characteristics of a political context shape the level of representing and of drawing attention toward an issue. For example, Dutton asserts that, issues which are understood to be more important, as well as more abstract and simpler issue, have more ability to be incorporated in the tragic agenda.

Evidence from previous research acknowledges that organization context and especially the genus of the organization members; beliefs are pivotal in determining how much an issue is important, practical and legitimate (Fearon et al., 2012; Dutton and Suncan, 1987; Milliken, 1990).

On the other hand, people's beliefs about organizational identity are counted as an important reference in determining whether an issue is legitimated in the view of the organization. Also, the organizational identity raises expectations for individuals in and out of the organization, about which issue is the organization committed. These expectations create motives for the organization's individuals whether an issue is worthwhile to devote time. People's beliefs about organizational identity are also associated with their perceptions of the issue's personal of the issue's personal importance.

When organization identity is threatened by actions related to the issue, people's personal identity is jeopardized. This reaction occurs because there exist a close relationship between people's personal perceptions and the organization they work for (Ashforth and Male, 1989; Dutton et al, 1991).

In summary, since the organization's strategic agenda (Dutton, 1988) refers to a set of issues which have attracted superior organizational decision-makers in a section of time, so knowing how and when strategic issues draw the main decision-makers' attention would be a lever to understand how the organization changes (Dutton & Guncan, 1987). Also, assigning the organization's resource or information processing capacity to the issued is an important sign specifying that how capacity to the issues is an important sign specifying that how issue are embedded in agenda (Simon, 1971).

How an issue is named, how much time is devoted to, and how information is collected about that issue, indicate how managers' attention is assigned to issued (Dutton, 1988, p.127).
5. Discussion and Future Research
In the view of Mintzberg and some other researchers (1976), strategic issue diagnosis is the starting point to formulate strategy and the strategic decision-making in the organization. Fahey et al. (1983) believe that the importance of this topic is due to its epidemiology and centrality in the organization's strategic decision and its effect on decision-making steeps, as well as its potentiality for changing managers' perceptions about the organization's internal and external environment. In their view, strategic issue diagnosis is for the purpose of its critical effect on both the process and the content of stages after strategic decision-making and, consequently, organizational recruitment and performance. In other words, response to the organization's environment and, eventually, the organizational performance may depend on the managers' ability in noticing the transformations and in representing and appropriate interpretation of the organization's strategic environment (Motii & Sanders, 2014, Kuvaaas, 2002).

Accordingly, it could be said that the importance of identifying strategic issue formation is due to its effect on the organization's decision and its potentiality to change managers' perceptions about organization's internal and external environment. Thus, the way in which these issues are formed could improve the organization's decision-making and strategy selection process. If these issues were well-formed, subsequent decisions and actions, will be technically applicable and executively possible. Also, they will be adopted with the organization's values and so they will be morally and legally defensible (Bryson, 2004).

In the present study, we attempted to depict how strategic issue are formed in three main phases. We did so through a literature review and through classifying study areas about strategic issue.

Fig. 1. Conceptual model of strategic issues formation process
It could be said that the beginning of the strategic issue formation process is from the environment sensing phase. However, according to the model, this phase itself is affected by the final phase (i.e. strategic agenda formation). In fact, organization's previous experiences about strategic issues and past agendas, could affect the way of environmental evaluation, or in other words, past experiences could make the managers' information-receiving antennas more sensitive to some kind of environmental information, transformations and events. This has been emphasized in the research literature as well. Some authors like Dutton (1993), think that relationship of an issue with previous issue or that current ones, as well as managers' familiarity with issues they faces, are effective in drawing manager's attention toward an issue. The next phase in strategic issue formation process is issue sensing. In this phase, in addition to semantic dynamics among the organization's managers and decision makers (which was referred to as strategic issue formation), some dynamics also flow among strategic issue middlemen or entrepreneurs or individuals who peruse a person's or group's benefits. In the research literature, these dynamics are known as strategic issue selling. Issues that under the effect of actions and reactions occurred in this phase obtain the chance to attract the organization's decision-makers, would be incorporated into the strategic agenda in the final process phase and so, various resources including time, human force, expenditure, etc. Would be assigned to them. Experience obtained in this phase would be effective in the organization's future issue identification. Actually, the organization learns from its previous experience how to interpret its environment dynamics and how to react agonist them.

In summary, the research literature review shows that strategic issues are not something to be a priori prepared and packaged, but also managers identify, interpret and formulate them through paying selective attention to some environmental aspects and ignoring some other aspects (Fearon et al., 2012; Thomas et. Al., 1993). Therefore perhaps it could be said that one of the reasons why different organizations in the same environment make different decisions and employ different strategies is due to organizations' difference in paying attention to issues they face.

With regard to strategic issue importance in the strategic decision making process, the present study was conducted with the aim of representing a simple and coherent picture of how strategic issues are formed and determined, as well as how they are incorporated into organization's agenda. Also, the aim of this research was to fill the familiarity of the organization's decision-makers with what occurs during this period, they would have a better understanding of behaviors and activities happening around these issues formation.

In summary, with regard to work done in strategic issue scope and research gap existing in the research empirical background, the following suggestions are offered for future studies:

- Paying attention to different dimensions of the organizations' structure in strategic issue understanding;
- Paying attention to manager's decision-making style in strategic issue determination;
- Performing deeper research in strategic issue selling scope and its related dynamics;
- Deeper investigation to determine the strategic issue role in formulating company's strategies

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Strategic issues formation


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