

Strategic Decision Making: Do Demographic Variables Matter? An Empirical Investigation

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The paper presents the results of an exploratory study that examined if gender, work experience and culture influenced a manager's strategic decision making. One hundred and fifty working MBA students participated in the study responding to a hypothetical case. The results and their implications as well as the limitations of the study are discussed. Recommendations for future research in the area are offered.

Decision-making has been described as a process managers use when trying to discern how to respond to problems or opportunities. Most would agree that decision-making is among the most important activities in which managers engage (Mintzberg, 1988, as reported in Aguinis & Henle, 2003). Of particular importance is strategic decision-making because of its impact on firm performance and survival (Fredrickson, 1985). However, research on decision making has had limitations. Previous studies have been criticized for the brevity of questions and lack of diversity among organizations surveyed (Kahnweiler & Thompson, 2000). For example, Freeman and Rogers (1994) observed that the results of their decision-making study were quite narrow and investigated only six types of decisions.

Decision making is a complex activity which is influenced by many variables. Included in this list would be the concept of culture (Yates & Lee, 1996). Cox and Blake (1991) use the term "cultural diversity" to include visible features (for example, race, gender, and age) as well as those not readily visible (for example, educational level and work experience).

It is common knowledge that the workplace composition in the United States has become much more diverse. For decades increasing numbers of women and minorities have been entering the workplace. These trends are likely to continue to increase. The degree of diversity among the basic demographic variables of race, gender, age, education, and tenure seems to accent the need to study organizational demography as it relates to the effective functioning of organizational subunits (Pelled, Ledford, & Mohrman, 1999).

For example, the leadership literature has emphasized the importance of relational demographic variables. These would include the variables of age, tenure, education, and gender

(Somech, 2003). Demography also seems to have played a significant role in research efforts examining team performance (Jackson, 1992) and firm outcomes (Ancona & Caldwell, 1992; Wiersema & Bantel, 1992). However, Glew, O'Leary-Kelly, Griffin, and Van Fleet (1995) and Pasmore and Fagans (1992) note the lack of attention to demographic characteristics in the research on decision making.

Pelled, et al. (1999) argue that demographic differences could be a powerful influence. Bacharach and Bamberger (1992) state that persons who have different demographic characteristics also are likely to have different backgrounds, experiences, and values. These factors would make it difficult to predict the reaction of others, which might tend to inhibit participation in decision-making activities (Pelled, et.al. 1999).

Richard and Shelon (2002) lament that often the demographic variables investigated in organizational studies are the non-visible attributes such as functional background rather than the more visible ones such as age, race, and gender. They note that the studies that have included these variables have produced inconsistent results.

GENDER

The literature has been very mixed on whether or not gender differences significantly effect workplace values, attitudes, and behaviors. Fenwick and Neal (2001) reported that there is now wide acceptance that gender affects how men and women think and behave in organizations. When performance rates on company simulations were compared, most women-dominated groups ranked first or second within their industry. In stark contrast, very few male-dominated groups performed similarly. Fenwick and Neal (2001) attributed these performance differences to the tendencies of women to use a more personal, collaborative, and interactive communication style when working with others versus a more analytical and competitive style used by men.

Tannen (1992) agrees that there are significant differences in communication patterns. She pointed out that women encourage others to participate, phrase opinions as questions, and share information and power with others. Men, on the other hand, use more aggressive, competitive, and controlling styles in their interactions. Rigg and Sparrow (1994) describe the decision-making style of men versus women to be "detached, analytical and systematic or more ponderous, less confident and rule based."

Hofstede (1980) would tie these to more general socialization patterns. He argues that men naturally tend to be more assertive while women tend to nurture others. In his review of survey data on personal workplace goals and objectives, Hofstede found that men ranked monetary earnings and promotion highly, while women rated interpersonal communication and services as most important.

Although Hawkins and Power (1999) concur that men seem to be more competitive in nature while women tend to seek cooperation and connection with others, in their study they found significant gender differences in only one of five question types that were examined. Differences were not noted in questions asked in general, however, women did tend to ask more probing questions than men. This might be linked to two goals: more interaction and additional sharing of information for purposes of goal achievement (Hawkins & Power, 1999).

Gender differences failed to emerge on another construct Hofstede (1980) examined in his research: uncertainty avoidance. This construct contained three variables which included measures of rule orientation, employment stability, and stress. Questionnaires from a survey

spanning 116,000 respondents in 40 countries were collected. The results showed that gender and uncertainty avoidance (as defined) were unrelated.

Kahnweiler and Thompson (2000) examined decision-making dimensions in their research. They noted that a common understanding seemed to exist that women tended to invite and encourage a more participative decision-making style. However, in their analysis of five different decision-making dimensions, they found no differences related to gender. Similarly, Sonfield, Lussier, Corman, and McKinney (2001) found no significant differences related to gender in a study of strategies chosen by business owners in situations involving venture capital or risk. Focusing primarily on the practices of small businesses, Perry (2002) indicated that gender did not seem to be related to either strategies chosen or performance.

On the other hand, both So and Smith (2003) and Atkinson, Baird, and Frye (2003) argue that gender plays an important role in decision-making and has a significant impact on outcomes achieved.

Fenwick and Neal (2001) and Sonfield, et al. (2001) comment that the results are sufficiently mixed to call for further research.

WORK EXPERIENCE

A number of studies have examined age/work experience as a variable in decision-making studies, again with inconsistent results. Miller and Prichard (1992) found that younger workers desired greater participation in decision making, while Kahnweiler and Thompson (2000) concluded that workers younger than 25 and older than 45 desired the least amount of involvement. As reported in So and Smith (2003), Taylor (1975) also noted a significant correlation between the variables of work experience and decision making. He found that workers with more experience and age sought greater amounts of information and were wiser regarding the value of pieces of information than their younger counterparts.

Kahnweiler and Thompson (2000) concluded that it is clear that additional research is needed investigating the links between age/work experience and decision-making variables.

CULTURAL DIFFERENCES

One of the main dimensions by which Hofstede (1980) distinguishes cultures is the extent to which a culture might be characterized as individualistic or collectivist. More individualistic cultures might emphasize personal goals and achievements to a greater extent than collectivist cultures, which tend to emphasize the group or collective welfare.

Yates and Lee (1996) affirm that individualistic versus collectivist mindsets differ across cultures and play a significant role in decision making. They use, as an example, that many times a decision maker in China (a more collectivist society) will be strongly influenced by social or group issues that would be inconsequential to someone from a more individualistic culture. Among participants of equal status in China, the rule is to seek broad and generic consensus before proceeding with a course of action.

Lee (2000) and Fong and Wyer (2003) also point to differences in decision-making strategies depending upon cultural and individualistic/collectivist orientations. The Chinese, for example, seem to be more influenced by others' opinions and are more likely to consider others' decisions to have greater merit than their own when compared to American patterns (Fong & Wyer, 2003).

The Chinese also tend to have more confidence in collective versus self-efficacy and therefore to value the capabilities of groups versus individuals (Lam, Chen, & Schaubroeck, 2002).

Although there is a worldwide trend toward greater employee involvement in decision making, this too seems to differ with cultural leanings toward a more collectivist or individualistic nature. Aguinis and Henle (2003) remark that participative decision making seems to be most effective in countries considered collectivist, where group involvement is more highly valued and embraced.

RESEARCH QUESTIONS

On the basis of the previously mentioned literature, this study explored the following questions:

- (a) Does gender play a role in strategic decision making?
- (b) Does work experience impact strategic decision making?
- (c) Does the strategic decision-making process differ between the Americans and non-Americans?

METHODS

We used a survey method to examine these questions. One hundred and fifty MBA students from a private mid-western university were surveyed in a multiple classroom setting. Participation in the study was voluntary and no incentives were offered for the participation. The students were presented with a short hypothetical case study. The case revolved around a manufacturer of electrical components who needed to modify existing facilities to stay competitive. The top management was divided in its opinion about how to proceed with the modification plans. Some, including the CEO, favored immediate action without any further study, while others favored gathering additional input. The students were asked to respond to 11 multiple choice questions, 3 multiple response items, and 6 additional demographical questions about themselves.

MEASURES

The students answered 14 questions in regard to the short hypothetical case. The first 11 questions used the Likert scale that ranged from strongly disagree (1) to strongly agree (7). The questions ranged from need for further analysis, team versus individual decision making, to use of outsiders. Questions 12-14 allowed multiple responses and gauged students views on which functional expertise, stakeholders and financial analyses should be employed in the decision-making process. The 14 questions are listed in the Appendix. Each question was answered by at least 145 subjects.

The 11 questions utilized a Likert scale. Data were analyzed using factor analysis and Varimax rotation. Four components had eigenvalues of one or higher and explained cumulative variance of 58.85%. Question 1, 2, and 10 loaded on factor one with loadings of .68 or greater. As expected, question 2 had a negative loading and its scores were reversed for scale construction. The average of the three items comprised a scale called "Action Orientation (AO)." It measured how quickly the subjects wanted to make the strategic decision. It had Cronbach's alpha value of .69. Questions 6, 7, and 8 loaded on second factor with loadings of

.80, .64, and .78. This scale consisting of the average of these items was called “Resource Investment (RI).” It measured the subjects’ beliefs about the investment of money and people’s time during the decision-making process. It had Cronbach’s alpha value of .66. Questions 3, 4, and 5 comprised the third factor with loadings of .73, .49, and .62. This scale was labeled “Openness to External and Formal analyses (OEF)”. This measure gauges subjects’ tendency to involve people outside the organization and construct a formal analysis of the situation – beyond the gut feeling. It had Cronbach’s alpha value of .41. Questions 9 and 11 were the two items on the fourth factor with loadings of .63 and .80. This scale was called “Consideration Beyond Profits (CBP).” It measured the focus of subjects’ decision-making. It had Cronbach’s alpha value of .28.

SAMPLE

The sample consisted of 150 MBA students. Of these 150 students, 94 were males and 55 were females; 106 were from the USA and 39 were from 17 other countries, mostly Asian. The age ranged from 21 years to 52 years with the mean of 32.5 years and mode of 28 years. The work experience ranged from 0 to 30 years with a mean of 10 years and mode of 2 years.

ANALYSIS

The study was designed and analyzed to be exploratory in nature. No specific directions for the results were predicted. The results for each question are presented below:

(a) Does gender play a role in decision making?

Oneway ANOVA was used to explore the relationship of gender with AO, RI, OEF, and CBP. While no prediction was formally made, females were expected to be less action oriented than men, more willing to invest resources upfront in the decision process, less open to external and formal analyses and give consideration to factors beyond profits. The results shown in Table 1A and 1B are mixed. The statistically significant differences were found only on OEF. The females were less open to formal analyses and input from outsiders.

**TABLE 1A
DESCRIPTIVE STATISTICS FOR GENDER DIFFERENCES**

| | Gender | N | Mean | Std. Deviation |
|-------------|---------------|----------|-------------|-----------------------|
| AO* | Male | 92 | 4.18 | 1.62 |
| | Female | 54 | 3.87 | 1.32 |
| | Total | 146 | 4.06 | 1.52 |
| RI* | Male | 94 | 4.23 | 1.35 |
| | Female | 55 | 4.35 | 1.66 |
| | Total | 149 | 4.27 | 1.46 |
| OEF* | Male | 94 | 3.27 | 1.42 |
| | Female | 54 | 2.67 | 1.18 |
| | Total | 148 | 3.05 | 1.36 |
| CBP* | Male | 92 | 4.03 | 1.43 |
| | Female | 55 | 3.64 | 1.51 |
| | Total | 147 | 3.88 | 1.47 |

TABLE 1B
ONEWAY ANOVA – DIFFERENCES BY GENDER

| | Gender Groups | Sum of Squares | df | Mean Square | F | Sig. |
|-------------|----------------------|-----------------------|-----------|--------------------|----------|-------------|
| AO* | Between Groups | 3.21 | 1 | 3.21 | 1.40 | .24 |
| | Within Groups | 329.97 | 144 | 2.29 | | |
| | Total | 333.18 | 145 | | | |
| RI* | Between Groups | .46 | 1 | .46 | .21 | .65 |
| | Within Groups | 317.11 | 147 | 2.16 | | |
| | Total | 317.57 | 148 | | | |
| OEF* | Between Groups | 12.21 | 1 | 12.21 | 6.83 | .01 |
| | Within Groups | 260.84 | 146 | 1.79 | | |
| | Total | 273.05 | 147 | | | |
| CBP* | Between Groups | 5.26 | 1 | 5.26 | 2.46 | .12 |
| | Within Groups | 310.41 | 145 | 2.14 | | |
| | Total | 315.67 | 146 | | | |

* AO = Action Orientation; RI = Resource Investment; OEF = Openness to External and Formal Analyses; CBP = Consideration Beyond Profits

While the risk of type 1 error is very high, an Oneway ANOVA was conducted on the individual items as well. Statistically significant differences were found between the males and females on two variables represented by question 2 (I would recommend that Tycon further study the situation) and question 3 (... assign primary responsibility for directing the decision process to one individual versus a group of several people).

(b) Does work experience impact strategic decision making?

In order to explore this question, the subjects were divided into four categories. The first group was comprised of individuals with experience of five years or less. The second group was comprised of individuals with 6 to 10 years of experience. The third group consisted of individuals with experience of 11 to 20 years, and the individuals with more than 20 years of experience made up the fourth group. This categorization allowed the use of Oneway ANOVA to analyze the differences between the four groups on the four factors and explore the direction of the differences.

The results (see Table 2A and 2B) do not indicate that the extent of work experience has a significant impact on the strategic decision-making process as measured in this study. While statistically there are no significant differences, interestingly, the higher the group's work experience, the higher was the group's tendency to be action oriented. Similar escalating tendency is also suggested by the averages on the OEF measure. No discernable pattern is present on the other two measures.

TABLE 2A
DESCRIPTIVE STATISTICS FOR DIFFERENCE BY EXPERIENCE

| | Work Experience | N | Mean | Std. Deviation |
|------------|------------------------|----------|-------------|-----------------------|
| AO* | ≤ 5 yrs. | 56 | 3.80 | 1.25 |
| | 6–10 yrs. | 30 | 4.04 | 1.78 |
| | 11-20 yrs. | 43 | 4.26 | 1.69 |
| | ≥ 21 yrs. | 16 | 4.48 | 1.33 |
| | Total | 145 | 4.06 | 1.52 |

| | | | | |
|-------------|------------|-----|------|------|
| RI* | ≤ 5 yrs. | 58 | 4.10 | 1.41 |
| | 6–10 yrs. | 30 | 4.42 | 1.67 |
| | 11-20 yrs. | 43 | 4.42 | 1.48 |
| | ≥ 21 yrs. | 17 | 4.16 | 1.30 |
| | Total | 148 | 4.27 | 1.47 |
| OEF* | ≤ 5 yrs. | 57 | 2.91 | 1.14 |
| | 6–10 yrs. | 30 | 3.11 | 1.37 |
| | 11-20 yrs. | 43 | 3.11 | 1.36 |
| | ≥ 21 yrs. | 17 | 3.37 | 1.98 |
| | Total | 147 | 3.06 | 1.36 |
| CBP* | ≤ 5 yrs. | 58 | 3.91 | 1.43 |
| | 6–10 yrs. | 30 | 3.70 | 1.60 |
| | 11-20 yrs. | 42 | 3.93 | 1.43 |
| | ≥ 21 yrs. | 16 | 3.91 | 1.57 |
| | Total | 146 | 3.87 | 1.47 |

TABLE 2B
ONEWAY ANOVA – DIFFERENCES BY EXPERIENCE

| | Work Experience | Sum of Squares | df | Mean Square | F | Sig. |
|-------------|------------------------|-----------------------|-----------|--------------------|----------|-------------|
| AO* | Between Groups | 8.15 | 3 | 2.72 | 1.18 | .32 |
| | Within Groups | 324.96 | 141 | 2.31 | | |
| | Total | 333.11 | 144 | | | |
| RI* | Between Groups | 3.47 | 3 | 1.16 | .53 | .66 |
| | Within Groups | 312.97 | 144 | 2.17 | | |
| | Total | 316.44 | 147 | | | |
| OEF* | Between Groups | 3.18 | 3 | 1.06 | .57 | .64 |
| | Within Groups | 267.93 | 143 | 1.87 | | |
| | Total | 271.11 | 146 | | | |
| CBP* | Between Groups | 1.10 | 3 | .37 | .17 | .92 |
| | Within Groups | 311.92 | 142 | 2.20 | | |
| | Total | 313.02 | 145 | | | |

(c) Does the strategic decision-making process differ between the Americans and non-Americans?

While no direction was hypothesized for the differences between the two groups in this study, the expectation was that Americans will be more action oriented, profit motivated, more open to formal analyses and less likely to invest upfront than the non-Americans. The group of non-Americans consists of students from Thailand (9), India (4), Brunei (1), Mexico (1), Malaysia (2), Swaziland (1), Taiwan (2), Indonesia (1), Pakistan (1), S. Korea (3), Japan (1), China (7), Morocco (1), Hong Kong (1), Honduras (1), and Kazakstan (1). There were two students from Canada which were included in the American group for the sake of simplicity.

Oneway ANOVA results (Table 3B) do not suggest the differences between the two groups to be statistically different on any of the four measures. However, as expected, the Americans' group average is higher than non-Americans on AO and OEF, but lower on CBP. Contrary to stereotypical thinking, the Americans' average is higher on RI than the non-Americans (Table 3A).

TABLE 3A
DESCRIPTIVE STATISTICS FOR DIFFERENCES BY COUNTRY

| | Culture | N | Mean | Std. Deviation |
|-------------|----------------|----------|-------------|-----------------------|
| AO* | Americans | 106 | 4.18 | 1.61 |
| | Non-Americans | 36 | 3.83 | 1.15 |
| | Total | 142 | 4.09 | 1.51 |
| RI* | Americans | 108 | 4.41 | 1.41 |
| | Non-Americans | 37 | 3.89 | 1.60 |
| | Total | 145 | 4.28 | 1.48 |
| OEF* | Americans | 108 | 3.17 | 1.39 |
| | Non-Americans | 36 | 2.78 | 1.30 |
| | Total | 144 | 3.07 | 1.37 |
| CBP* | Americans | 106 | 3.83 | 1.39 |
| | Non-Americans | 37 | 3.93 | 1.73 |
| | Total | 143 | 3.86 | 1.48 |

TABLE 3B
ONEWAY ANOVA – DIFFERENCES BY COUNTRY

| | Culture Groups | Sum of Squares | df | Mean Square | F | Sig. |
|-------------|-----------------------|-----------------------|-----------|--------------------|----------|-------------|
| AO* | Between Groups | 3.27 | 1 | 3.27 | 1.44 | .23 |
| | Within Groups | 319.25 | 140 | 2.28 | | |
| | Total | 322.52 | 141 | | | |
| RI* | Between Groups | 7.50 | 1 | 7.50 | 3.51 | .06 |
| | Within Groups | 305.98 | 143 | 2.14 | | |
| | Total | 313.48 | 144 | | | |
| OEF* | Between Groups | 4.15 | 1 | 4.15 | 2.21 | .14 |
| | Within Groups | 266.11 | 142 | 1.87 | | |
| | Total | 270.26 | 143 | | | |
| CBP* | Between Groups | .26 | 1 | .26 | .12 | .73 |
| | Within Groups | 309.94 | 141 | 2.20 | | |
| | Total | 310.20 | 142 | | | |

The students' responses on questions 12-14 were analyzed using cross-tabs for frequency count on each possible response by the three independent variables. Chi-square analyses yielded no significant results. Hence, those analyses are not being reported.

DISCUSSION

Our research questions examined whether or not the demographic variables of gender, years of work experience, and country/cultural background seemed to influence strategic decision-making choices in a manufacturing based case study.

For the variable of gender, few significant differences were noted for the factors of action orientation (AO), resource investment (RI), openness to external and formal analysis (OEF), and consideration beyond profits (CBP). Among these, significant differences were found only in the area of OEF. A lack of statistical significance in gender differences noted on the other dimensions did not come entirely as a surprise. These results would be consistent with those of Kahnweiler and Thompson (2000) who found few gender differences when examining five decision-making variables. Sonfield, et al. (2001) commented that, although research conducted

prior to 1980 strongly supported gender dissimilarities, recent findings provide much more mixed results and seem to tilt toward similarities in strategic behavior patterns.

To examine the factor of work experience, the subjects were categorized into one of four groups: 5 years or less, 6-10 years, 11-20 years, or more than 20. While no statistically significant differences emerged, more work experience correlated both with action orientation and openness to formal analysis and input from others. It could be that workers with more years of organizational tenure have learned with experience of the risks and costs associated with delaying action at an important strategic juncture in time. Problems often cannot be overlooked or avoided without serious consequences to the organization's competitive position in the marketplace. Their experience may have also taught them the value of using a more collaborative, systematic process when dealing with such critical decisions, rather than relying on a "knee jerk" reaction or the judgment of a single individual.

Examination of the results of strategic decisions made by Americans versus non-Americans yielded a number of expected results. Based upon findings in previous research, it could have been predicted that Americans would tend to be more action oriented, use more formal analysis, and give less consideration to factors other than profits than non-Americans. The literature examining cultural differences has rather consistently indicated that many non-American cultures approach decision making and business dealings at a much slower, cautious pace and seek consensus in arriving at conclusions. On the issue of consideration beyond profits, Americans have been widely reported (and often criticized) for emphasizing the "bottom line" and financial results at the expense of other variables, which might include those of a more long-term, strategic nature. Although differences were observed on these dimensions for Americans versus non-Americans, it is important to note that none was statistically significant.

Our findings might have been affected by the limitations of the study. As with all paper-and-pencil exercises, subjects were responding to a hypothetical case and conjecturing what they might do if faced with this situation. The similarity between these predictions and actual reactions in a real organizational dilemma is tenuous at best. Some of the respondents lacked much work experience and were not from a manufacturing background. These characteristics may have made it difficult for these individuals to relate to a strategic decision-making scenario based upon a manufacturing setting.

When considering future research efforts, using clearer cultural distinctions is recommended. The fact that the non-American group included individuals from a number of different countries could have clouded cultural differences. Also worthy of further exploration is whether or not a different set of questions or alternate factor loadings might have yielded different results.

SUMMARY

In summary, research studies are increasing in number in recent years examining demographic variables as they relate to and affect strategic decision-making. As strategic decision-making in organizations becomes more important and as workplace participants become more demographically diverse on a number of dimensions, interest in association among these factors should increase. Although this study did not produce many statistically significant findings of differences involving gender, years of workplace experience or cultural background, a different genre of research variables might yield other results. This area appears to offer fertile ground for further study.

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STRATEGIC DECISION MAKING – QUESTIONS

1. I would recommend that Tycon immediately proceed with plant modifications.
2. I would recommend that Tycon further study the situation.

The following questions deal with the way you would implement your decision either to make modifications or to further study the situation.

3. I would assign primary responsibility for directing the decision process to one individual as opposed to forming a special group of several people.
4. I would have Tycon rely primarily on its own employees in making the decision, and not seek significant help from “outsiders” (e.g., consultants, other customers.)
5. I would base the decision primarily on the “gut feel” and experience of key employees, and not on extensive, formal analysis.
6. I would limit the number of people that are directly involved in the decision process, as opposed to involving as many people as possible.
7. I would limit direct involvement to people who have significant expertise in a few key areas (e.g., production), and not try to insure that many areas are represented.
8. I would restrict the amount of direct out-of-pocket expenditures made during the decision process (e.g., for consultant fees), and not authorize significant expenses.
9. I would judge the decision of whether to modify the manufacturing facilities on its own merits, and not on whether it is consistent with other decisions being considered at Tyco (e.g., whether to incorporate a radical new technology into future products).
10. Since losing the multiyear contract would result in significant layoffs, Tycon should modify its existing facilities.
11. Tycon should modify only if the analysis shows that it would improve its profits.

For Questions 12-14, circle as many responses as applicable in your opinion.

12. In determining whether to modify their manufacturing facilities, I would want employees or outsiders directly involved in the decision process to have significant expertise in:
 - a. sales
 - b. marketing
 - c. production
 - d. research and development
 - e. accounting and control
 - f. finance
 - g. personnel
 - h. general management
13. I would contact the following “outsiders” to provide information or assistance in making the decision:
 - a. individuals from similar firms
 - b. industry consultants
 - c. suppliers

- d. customers
 - e. equipment manufacturers
 - f. financial experts
 - g. individuals from other industries
 - h. management consultants
14. In deciding whether to modify the manufacturing facilities, I would prepare written reports or summaries that:
- a. include proforma profit and loss statements.
 - b. include proforma budgets and funds flows.
 - c. address the feasibility of implementing the decision.
 - d. state the assumptions the evaluation is based on.
 - e. provide contingency plans for possible occurrences.
 - f. try to identify all possible consequences of the decision.