

DECISION MAKERS IN SMALLER SIZED FIRMS

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Abstract

The impact of decision makers in smaller sized firms is investigated. Contrary to frequent assumptions, most firms were found to have more than one decision maker.

Introduction

Reaching the right person may mean the difference between success and failure of one's intent. Whether or not this has been achieved is often difficult to gauge. Particularly the researcher using mail questionnaires faces this problem, particularly when using Attitude, Interest and Opinion (AIO) questions. The issue becomes even more complicated as organizational size increases. Reaching the "right" individual, is a function of the organizational size and decision area. However, it is not here, where the complexities end. When dividing the decision process into: 1. The basic decision to engage in an activity; 2. Initiation of the activity; 3. Implementation of the activity; 4. Evaluation of the activity; it becomes evident that the input and impact of the individuals may also vary depending upon the stage in the decision process.

Particularly for small sized firms, researchers have avoided this complex issue by either implicitly assuming that a firm has only one decision maker or by explicitly stating the same assumption as (an unproven) fact. Although occasionally the need to consider various decision makers has been recognized, such infrequent consideration is insufficient to insure quality findings.

Investigating the Decision Makers

To narrow the scope of the research and obtain results generalizable to similar populations, only small and medium sized firms were investigated. Using sales volume as a proxy for size, firms were grouped into these categories if they had annual sales of \$50 million and below with medium sized firms having sales between \$5 million and \$50 million and small sized firms having sales below \$5 million. The use of these cutoff values was based on testimony in congressional hearings and interviews with businessmen. The data were gathered via a questionnaire mailed to 1,004 firms in three industries (SIC's 353, 372, 382). The overall response was 30%, yielding 198 usable responses for purposes of this analysis.

The questionnaire was mailed to the chief executive officer of each firm. In the cover letter the recipients were asked to have the person responsible for, or most familiar with the decision area under study fill out the questionnaire. Within the instrument, the recipients were asked to indicate the percentage of influence each one of several possible decision makers had on the decision process. To control for decision area, the questions focused only on the export decision process which had been partitioned into the previously mentioned four areas. The results indicate that the president of the firm is a principal decision maker at all stages of the export decision process, followed by the vice president for marketing. While the basic decision to engage in an activity is mainly taken by the president, his relative role declines in the initiation, implementation, and evaluation phases. Compared to the president and the vice president of marketing, the chairman's role seems

to be a minor one, with most influence being noted in the basic decision phase. The international manager has very little input initially, but his role grows in the implementation stage. This may be due to the fact that, unless the basic decision to export has been made, a firm is unlikely to have an international manager. When comparing the roles of decision makers in small and medium sized firms, the specific decision input of the president seems to be less in medium sized firms with more influence being assumed by the marketing manager-- probably reflecting a delegation of authority. Such delegation seems to be especially strong in the initiation and implementation, but it is also evident in the evaluation phase.

It is also of importance to determine whose opinions are actually obtained, since the decision input of a particular jobholder, e.g., the president, may be perceived differently by the president than by the vice president-marketing. Therefore, the respondents were also asked to identify their own positions. The data indicated that, compared to their actual decision participation, a very large proportion of questionnaires was answered by company presidents. While the low percentage of responses coming from the positions of chairman, vice president-finance and vice president-production are somewhat reflecting their low decision input, the picture changes for other positions. Clearly overproportional responses are obtained from persons falling into the categories of executive vice president and "other".

Implications

The results of this research show that that the assumption that only one decision maker exists within the firm is not always reasonable. Particularly in the context of the export decision, it seems that aiming at the highest level (the chairman) is not necessarily best, and that aiming only at the president of a firm may often not reflect the significant impact of other executives in the initiation and implementation phases of a decision, which appears to grow with the size of the firm. In terms of the respondents it seems that there is a relatively high response rate of nonparticipants in the particular decision process, such as the executive vice president and the category of "other". Many of these respondents may be only second guessing the opinions of others, and may therefore, although in good faith, provide misleading data.

Further research should be conducted investigating other major decision areas within the firm in order to obtain results generalizable to all areas of the firm. It would also be interesting to investigate the relationship between firm size and influence distribution more closely. Overall, it should be kept in mind, that more than one significant decider are likely to exist in an organization. These individuals need to be considered in both the data collection and the information dissemination process, and should be aimed at through a "routing" request in the cover letter.