

Decision Making Styles and New Venture Performance

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Abstract:

The present study aims to understand the relationship of new venture performance with decision making styles among start up entrepreneurs. Scale developed by the researchers was used to collect data. Results reveal that there is significant positive correlation and difference between new venture performance and decision styles of startup entrepreneurs. This difference is reflected only for intuitive and rational decisions but not for cognitive decision making style.

Key words: *decision making style, new venture performance, startup entrepreneurs.*

Introduction

Performance of the organisation is measured based on their financial achievements and growth. In order to achieve performance top management plays an important role. The decisions taken by them help to achieve growth and performance. This is similar in the context of startup organisations also. To achieve sustainable organizational performance, managers have to make decision in framing their organization's path towards the achievement of organizational goals. The decision taken by top management effect the day to day performance of the business and while taking decision they cannot always rely only on particular decision making styles (Zaleznik 1989, Certo 2003).

Decision-making styles are conjectured to be constant, trait like patterns of approach to situations that call for a decision (Driver, 1979; Harren, 1979). Like personality traits, these styles do not have perfect analytical power but instead represent likelihoods of behavior across situations and domains. That is, a person scoring high on a particular decision-making style, when needing to make a decision can be expected to act in a spontaneous manner more often than in a thoughtful and deliberate one. The number of styles of decision-making is subject to debate. Decision styles were found to be associated with a variety of behaviors and attitudes, including life choices, such as career and health-related decisions (Crossley & Highhouse, 2005; Galotti, 2007; consumer behavior (Mitchell & Walsh, 2004) etc.

In this scenario it is necessary to understand the relationship between decision making styles of the start up entrepreneurs and new venture performance. For that below research questions has framed and hypotheses developed.

1. Is there any significant difference among the respondents and their decision making style?
2. Is there any relation between the decision making styles and new venture performance?
 - There is no significant difference between gender of the respondent and their decision making styles.
 - There is no relation between various decision making styles and new venture performance.

Literature review and definitions

Rana Rashid Rehman et al, (2012) conducted a study to determine the impact of employee decision making styles on organizational performance. Findings of the study determine that employee's different decision making styles influence organizational performance differently. Major findings include that rational and dependent decision making styles have high positive impact on organizational performance while avoidant decision making styles has negative impact on organizational performance.

Ranga raj 2011, in his research revealed that decision-making has been a well precipitated part of business activity though the periodicity or frequency of decision making is dependent on the nature of the problem put before the individual. The study also suggests that satisfactory performance of the organization is directly related to decision-making, but decision-making process is found to be lagging.

Rational Decision: Individuals engaging in rational decision making anticipate the need to make a decision and prefer for it by seeking relevant information about themselves and their environment.

Intuitive Decision: This style is based on the intuition and sense. One is acting upon his experiences and it is different from analyzing methods.

Cognitive decisions: stable attitudes, preferences, and habitual strategies which determine an individual's modes of perceiving, remembering, thinking and problem solving.

Methodology

Population for the study consists of all the startup entrepreneurs in south India. Random sampling is used to collect data from banking sector employees. The data was collected from startup entrepreneurs using online survey. Of the distributed questionnaires, 171 questionnaires were received back. 166 questionnaires were subject to further analysis after data cleaning. Data is collected from Entrepreneurs who are in the position to make decisions.

Results and discussions

Table 1: The Descriptive Statistics of Scores on Decision Making Styles

Dimensions ofDMS	Males(N=75)		Females(N=73)		Total (N=148)	
	Mean	SD	Mean	SD	Mean	SD
Rational decision making	6.41	2.08	6.63	2.28	6.52	2.18
Intuitive decision making	8.43	2.58	8.97	1.89	8.70	2.28
Cognitive decision making	6.36	1.91	6.18	1.82	6.27	1.86

The mean of rational decision making scores of the sample is 6.41 (SD=2.08). The mean score of the respondents in intuitive decision making style is 8.70 (SD=2.28). This mean is higher than the mean scores of all the decision making styles. This shows that the majority of the respondents prefer intuitive decision making styles than other two decision styles.

Table 2. There is no significant difference between gender of the respondents and decision making styles

	Mean	SD	SEd	t-value	Level of significance
Males	151.91	12.8			
Females	156.92	11.4	1.99	2.514	0.05
Male	153.78	12.28			
Female	155.04	12.46	2.04	-0.619	NS
Male	155.86	12.72			
Female	153.09	11.93	2.03	-1.36	0.04

NS: not significant.

From the table it is understood that the mean of males respondents in intuitive decision making is 151.91 and the mean of female respondents is 156.92. Here female respondents scored more on intuitive decision making than male respondents. This difference is significant at 0.05 level. So there is evidence that female respondents follow intuitive decision making styles compared to males. Similarly for rational decision making males respondents shows highest mean value and is significant at 5% level, whereas for cognitive style the difference is not significant.

Table 3: The correlation coefficients between new venture performance and decision making styles scores

	Intuitive	Cognitive	Rational	New venture Performance
Intuitive	1	0.161*	0.145**	0.251**
Cognitive		1	0.091	-0.041*
Rational			1	0.129**
New venture performance				1

*P<0.05

**P<0.01

It is observed from the table that there is significant positive correlation between intuitive decision making and new venture performance ($r=0.251$; $p<0.05$). However, it was found that there is no significant positive correlation between cognitive decision making and new venture performance. There was significant positive relationship between rational decision making styles and new venture performance.

Conclusion

The study threw light on some evidences regarding the decision making styles of startup entrepreneurs. New venture performance is associated with their decision making styles. Also the study revealed that entrepreneurs new venture performance is associated with intuitive decision making styles. To improve their decision making abilities startup entrepreneurs must be given opportunities to enhance themselves through training and simulations. Thus there is conclusive evidence in the study that the decision making styles and new venture performance are independent of external environment but purely depend on internal motivation and emotions.

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