

National Differences in Decision Making

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ABSTRACT

Decision making research has focused on North American firms, often assuming the findings can be generalized cross-nationally. The paper examines this assumption by reviewing research that considered national differences in decision making, comparing key findings with those of North American studies. International decision making cases will be used to reconcile these findings and suggest where research seems needed. The cases include Swiss Public TV bidding on soccer broadcasting rights, EADS selecting an assembly site for the Airbus 380, marketing strategy for a Thai paper company, and UBS investment decisions. Propositions suggest key research questions.

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I. INTRODUCTION

Papadakis et al. (2010) finds that decision making research often assume away national differences. Considering culture and related factors, generalizing such findings cross-nationally seems dubious (Schwenk, 1995; Papadakis and Barwise, 1997; Bower, 1997). Critics believe that differences in how decisions are made are apt to arise across national borders. Such views have sparked a renewed interest in national differences and whether these differences influence decision making practices (Nutt and Wilson, 2010). In an era of increasing globalization, a better understanding of such differences is essential. Looking across country boundaries, key questions include whether decision making practices vary, if best practices can be generalized, and whether the causes of success and failure generalize.

The paper begins by exploring research that has studied national differences in decision making. The paper then compares these conclusions with the findings drawn from the largest North American study to date (Nutt, 2002 and 2008). The analysis contrasts the findings from the cross-national literature with those uncovered for North American firms. The conclusions are then tested against four international decision making cases to identify universal and nation-specific decision making practices, and their predicted success. The findings suggest propositions for cross-national decision making research.

II. TRANSNATIONAL DECISION MAKING FINDINGS

A literature search of cross-national studies identifies decision making practices across national boundaries. Carr (2005) compared decision making for vehicle component companies in British, US, German, and Japanese firms. Decision making in German and Japanese firms differed from the practices in America and British firms. Martinsons and Davison (2007) observed decisions among American, Japanese, and Chinese business leaders. Both studies found Japanese leaders to exhibit a limited interest in data processing and stressed intuition. Chinese managers relied upon directives, showing less interest in large-scale data analysis, and made considerable use of power. Americans were highly analytical, relying on careful analysis of large volumes of codified data.

The Bradford Studies, following their initial focus on UK firms (e.g., Hickson et al., 1986), compared British companies with comparable foreign-owned subsidiaries operating in the Britain (Mallory et al., 1983). The Mallory study compares two American-owned manufacturing subsidiaries, making chemicals, foods, paints, and precision tools, with two British subsidiaries, making building contractors' equipment and automotive components. Five decisions involving products, marketing, business planning, and personnel were studied in four organizations, for a total of 20 cases. Managers in American firms were more inclined to be proactive and risk tolerant, and had a short term focus. British owned firms preferred formal interaction, such as standing committees, and followed standardized procedures. Decisions in British firms took twice as long (14 to 7 months), caused by lengthy periods to get key issues considered. Leaders in British companies contemplated for months to years before acting.

A parallel study of 50 decisions in 10 Swedish organizations found difference as well (Axelsson et al., 1991). Swedish decision making was found to have more influence and conviction, but less contention. Swedes had more information search and more negotiation, with a restricted group of participants. British decision-making involved more individuals, with little to no influence, who conducted reviews. Less effort was expended because *substantive* participation in the British decisions was limited. Swedish decision making took twice as long.

Studies conducted in Brazil interviewed six English-speaking Brazilian managers, working in the UK, and six British, Portuguese-speaking, managers who worked in Brazil to create a profile of each culture (Arruda and Hickson, 1996). Brazilian culture was described as exercising power, managing uncertainty through subordinates with formalized rules (Hofstede, 1991), considerate, and relying on well-developed interpersonal relationships. British culture made less use of power, tended to be risk averse, made change gradually, with greater individualism and competitiveness. Twenty Brazilian and 20 British decisions were collected, following protocols developed for the Bradford studies (Hickson et al., 1986). In both Brazilian and British decision-making, top management elites controlled action-taking through informal negotiation and interaction. Differences were found in how power was applied. British decision making was less power-driven and more participatory, whereas in the Brazilian cases all decision-making was concentrated in top management, dominated by the CEO. Differences in duration were noted as well. Comparable British decisions that took a year required 8 months in Brazil. Differences were also noted in self-perception and perceptions of the others' style. The Brazilians saw their decision approach as appropriate, even innovative; the British saw it as daring and risky. British managers saw one another as careful while this was seen as overly cautious by the Brazilians. The speedier Brazilian managers felt they had enough time, but the slower British managers wanted more.

Several conclusions can be drawn from these studies. Perhaps the most telling stems from implementation-related findings regarding power, participation, and consultation. American firms seem to occupy a position between some European firms and South American and Asian firms. Some European decisions require additional consultation (even though consultation was little more than tokenism) and use power sparingly. There were many differences in the degree of consultation deemed desirable in European countries. South American and Asian firms rely on power and do little consultation. This results in rapid decisions in the South American and Asian firms that appear to cut decision duration by half.

Extrapolating from North American studies (Nutt, 2002), using power in this way creates an edict-implementation that reduces success by fifty-percent. A key question for researchers is whether this finding extends to Asian and South American decision makers. Are decisions in Asian and South American firms blocked by the same factors that arise in American firms in which token compliance and pitched battles are provoked by unilateral action taking? In addition, Asian firms appear to use participation at lower levels, such as quality monitoring, but avoid participation when strategic decisions are taken. Do cultural differences explain these findings? It appears that Asian and South American leaders rely on power and expect to be successful. Do managers in Asian and South American firms use power in a similar way and have similar prospects of success? Do European firms realize a comparative increase in

success from their increased emphasis on participation? Again, studies done largely in North American firms find that participation more than doubles the prospect of success, compared to using an edict (Nutt, 1998). Does this extrapolate to European firms? In both American and European firms, participation extends decision making time. Does the extended time required for participation pay dividends in improved prospects of success? Finally, country differences in the degree of participation (consultation) were noted. Does an increase in the level of participation also increase success?

The desire for innovation appears to differ across national boundaries. European firms seem innovation adverse and Asian firms' innovation seeking, with North American firms falling between. This may be related to differences in the expected consultation across the national boundaries that introduce caution and conservatism. Studies of decisions in North American firms find little innovation, less than one in five decisions sought an innovative solution (Nutt, 2002). A similar finding was noted for European firms (Genmunden and Hauschildt, 1985). In European and North American firms, there was more information gathering than noted for Asian firms, in which leaders seemed to rely on intuition. Does information gathering increase conservatism? Or is information seeking a national trait associated with conservatism? Attitude toward risk appears to vary across national boundaries as well. Is this a national trait? If so, does risk tolerance promote innovation and risk aversion hold it back? There appear to be country differences in time horizon, which may connect with risk taking and innovation. As with many decision making studies, little is said about the benefits of innovation. Research into innovative decision making in North American organizations finds that innovation leads to more successful decisions, but only when objectives are clear (Nutt, 1992). Such qualifications are missing in the cited studies. Interestingly, none of the cross-national studies investigated the source of the alternatives or, indeed, whether more than one option was considered.

Finally, differences in the extent of analysis were noted. Decision making was classified as "analytical" and "information-rich," saying little about the "what and the how" of information collection and analysis. Using these definitions, North American and European firms were more analytical and information-dependent than South American and Asian firms. There were differences among the European countries in managers' desire for information as well. Tending to disregard information may stem from the added discretion available to South American and Asian leaders. North American managers seem to have less discretion compared to their Asian and South American counterparts but more discretion than European leaders. Limited discretion may lead to using analysis as a defensive reaction carried out to justify a choice, instead of selecting one. If so, this would confirm the defensive evaluation behavior found in North American studies (Nutt, 2002)

None of the cross national studies considered if objectives were specified and said little about how (and what) intelligence was collected, how alternatives were uncovered, and how evaluations were carried out. Implementation seems to hinge on using participation or edicts, which is suggestive of practice. This parallels the literature on decision making. Few research efforts specify action elements (Nutt and Wilson, 2010). Instead, procedural features are classified, overlooking *how* action is taken. Classifications such as rationality, political behavior, power, or flexibility are offered (Dean and Sharfman, 1996; Eisenhardt and Zbaracki, 1991). Process descriptors such as sporadic, fluid, or constricted characterize what was done (Hickson et al., 1986). Others

classify according to coalition formation or social process control (Poole and Van de Ven, 2004). Classifications, such as rational, analytical, or political, fail to explain how decision makers act rationally, conduct analyses, or engage politically. Also missing are studies that link what is observed to outcomes (Papadakis and Barwise, 1998; Nutt, 2010b). To formulate prescriptions, practices must be correlated with outcomes (Nutt, 2008).

The review suggests that findings may not generalize across national borders. Also, there were several national differences identified, but many unanswered questions about these differences. Perhaps the biggest failing of this work is characterizing decision approaches uncovered using generalities, such as analytical, and overlooking the practices followed and the success realized. Little is said about how action is taken or the value of this action. As a result, we have little to argue that national differences coax decision maker into following effective or ineffective practices. Next we will turn our attention to one such stream of research, done largely in North American firms.

III. DECISION MAKING IN NORTH AMERICAN ORGANIZATIONS

A series of North American studies investigated how key people in organizations go about decision-making and their success (Nutt, 2008 and 2010b). Four hundred decisions were studied to identify decision making practices, accounting for the situation confronted, and documenting success. Decision-making practices were correlated with success indicators, accounting for content and context, to identify best practices and practices to avoid. In this section, best practices and failure-prone practices found in North American firms, will be compared to the practices observed for managers in the four international firms, seeking similarities and differences in investment decisions by UBS, Swiss public TV bidding on coverage for the Swiss football league (SFL), EADS splitting manufacturing among Germany and France for the Airbus A380, and internet marketing by a Thai paper company (see Tables 1 and 2).

A. UBS's Decision to Invest in Subprime Mortgages¹

United Bank of Switzerland (UBS) is organized into wealth management, investment banking, and asset management divisions. The investment banking (IB) division had currencies and commodities, equities, and investment banking business units. IB sought to be the world leader in market share, following the company strategy to focus on high-growth client segments.

Company records show that the IB leader was appointed with "considerable speed and little time for review." The new leader inherited a division with depleted staff, an unrealized growth strategy, and little time to act. To cope, external consultants were hired who called for rapid growth in the fixed income sector to be met by securitized products, bought in the US. With a concrete business plan, new staff were hired and charged with securing high yield real estate assets, creating a huge work in the understaffed risk management and credit control departments. During 2006, UBS realized significant income, closing the market share gap. By 2007 the US housing market had peaked and home prices began to fall. At this point the subprime scandal was unfolding worldwide, but UBS believed their subprime positions were sufficiently hedged to limit exposure².

Table 1
Flow of events in the decisions

Events	UBS Invests in Subprime Loans	Airbus 380 Assembly Location	Swiss TV Bidding on Professional Soccer TV Coverage	Marketing Paper Products on the Internet
Before	<ul style="list-style-type: none"> • Set aim to stress growth, seeking to become the world leading investment bank (IB) in 7 years (2001). • Launch new investment management business (2004). • Key staff leave (2005) • New team hired for IB. • Consultant finds fixed income business lagging. Suggests high yield securities. 	<ul style="list-style-type: none"> • Consortium of European countries formed to compete with US manufactures for commercial aircraft business • Develop an aircraft to compete with Boeing 747 • Design (600 passengers, 9000 mile range, and improved fuel efficiency) well received. • Orders of 159 aircraft accepted from 16 customers. • Delivery promised by 2005 	<ul style="list-style-type: none"> • Coverage of professional soccer includes 10 live games and 170 highlights • Swiss competitor (TC) enters the picture offering to cover the 170 games live but at reduced quality of TV coverage • Professional Soccer league (SFL) asks for bids • TC and Swiss TV form a consortium and agree to share costs and coverage • SFL asks for production bids and agrees to let Swiss TV match any offer (180 games, 3 seasons) • German firm Plaza Media (PM) makes a low bid, below cost, to enter market. 	<ul style="list-style-type: none"> • Thai firm, Advanced Agro, develops Double A paper • Product develops a quality reputation and environmental recognition. • Expand market beyond Thailand. • Establish offices in 8 countries and presence in 150 others. • Target china market. Project huge demand realized in first year of operation. • Chinese Managers aware of distribution issues and internet preferences by regions
Pivotal decision	Purchase US real estate securities to acquire fixed income assets. (2006)	Divided manufacturing between locations in France and Germany	Swiss TV matches the PM bid	Use marketing program developed for Hong Kong and Taiwan
After	<ul style="list-style-type: none"> • Broker pay based on securities held on books. • Investments noted as AAA rated on books. • Close division after losses of 150 million in 2007. • Fired key leaders. • Losses of 726 million reported. More senior management changes. • Additional 10 billion in write-downs. • New chairman and CEO (2008). Losses put at 37 billion. 	<ul style="list-style-type: none"> • Incompatibility of wiring harness assembly at the French and German plants • German plant attempted to fix the wiring • When backlog grew to 26 planes, rewiring deemed infeasible • Delays made public • Orders cancelled • Customers demanded compensation • System software made compatible • Plants merged somewhat and production resumes • Losses estimated to be \$15 billion. 	<ul style="list-style-type: none"> • Find capacity to broadcast an additional 170 games with six-camera coverage. • Attempts to outsource to Swiss organizations found to lack both needed capacity and quality. • Restructuring unable to meet cost and coverage demands • Partnership with PM struck to produce 72 games, retaining 108 for Swiss TV. • Penetration of foreign competitor into Swiss football market realized. • Complaints about coverage quality registered with SFL. 	<ul style="list-style-type: none"> • Concerns about distribution and regional preferences not shared with Thai management • Aim to increase demand by 300% in first year • Monitor internet hits. • Sales level out at a 6.5% share. • Abandon program. Inadequate budget to launch another campaign.

Table 2
Profile of the failed decisions

Key Steps	UBS Invests in Subprime Loans	Airbus 380 Assembly Location	Swiss TV Bidding on Professional Soccer TV Coverage	Marketing Paper Products on the Internet
Claims	Become number one IB globally by closing the fixed income earning gap	New product needed to compete with Boeing 747	Foreign competitor producing games would erode image	Huge potential market for high quality paper products in China
Concerns				
a) Recognized	<ul style="list-style-type: none"> Investment areas that could close the gap 	<ul style="list-style-type: none"> National interests of consortium members 	<ul style="list-style-type: none"> Market control Keeping production team intact Future business Prospect of low quality coverage 	<ul style="list-style-type: none"> Market share at 5% below expectations
b) Hidden	<ul style="list-style-type: none"> Deterioration of markets Lack of expertise No risk management function in place Protection of reputation and image by leaders Level of risk Shareholder interests 	<ul style="list-style-type: none"> Autonomy of manufacturing Incompatibility of software among plants Delivery risk and potential for losses Protecting top management's stock options 	<ul style="list-style-type: none"> Where to find capacity Cost cutting prospects Matching apt to cause losses 	<ul style="list-style-type: none"> Assume brand awareness will increase sales, clicks translate into sales, and that quality prompt sales Marketing ignored cultural difference, best local internet servers, and creating adequate incentives. Distribution channels have competing interests and lack capacity.
Inferred Direction	Become market share leader	Allocate jobs among partners according to ownership stakes	Protect reputation	Increase sales by 300%
Options considered	Invest in US sub prime real estate mortgages packed as securities	Sharing manufacturing among the consortium members	Counter bid or not	Internet sales promotion program developed for Taiwan and Hong Kong. Selection of internet company.
Extent of search & innovation	None	None	None	None
Use of evaluation	Review growth of leading IB bank in their fixed income divisions	None	Costs of 4, 6, and 12-camera production determined. Needed production capacity assumed, not investigated.	None
Impact of evaluation	Suggested where competitors had realized growth. Validated only option being considered.	None	Magnitude of losses hidden by plans to cut production costs.	None

Table 2 (continued)

Barriers to Action	<ul style="list-style-type: none"> • Cycles in housing market cause prices to fluctuate • Market becomes illiquid 	<ul style="list-style-type: none"> • Stockholder expectations • Interests of controlling members arrayed according to stakes in the enterprise • Management approach that limited initiative 	<ul style="list-style-type: none"> • Availability of local production capacity that maintains the Swiss image • Expected quality of game coverage 	<ul style="list-style-type: none"> • No one questions top managements decisions, voicing doubts unappreciated. Distributors represent competitors. • Distribution channels unable to handle projected volume. • Available budget. • Taiwan internet campaign was augmented by other media such as TV, magazines, etc.
Ethical Concerns	<ul style="list-style-type: none"> • Bank staff critical of subprime investments ignored. • Compensation scheme encourages risk. • Set aside stockholders interest in profit. 	<ul style="list-style-type: none"> • Stock sales by top managers when delivery times become problematic. • German partner hides knowledge of harness incompatibility. 	<ul style="list-style-type: none"> • Making a bid sure to lose money • Failing to consider concerns of several stakeholders • Parochial interests of image and retaining capacity given priority over obligations to the public interest • Ignoring other parties with legitimate interests 	<ul style="list-style-type: none"> • Balancing expectations with budgets. • Limited participation.
Barriers to Learning	<ul style="list-style-type: none"> • Aura of invincibility due to past successes • Corporate culture intolerant of failure • Risk managers had no standing in the decision making process 	<ul style="list-style-type: none"> • Commercial expediency • Union control 	<ul style="list-style-type: none"> • Unwillingness to challenge assumption and carry out due diligence. 	<ul style="list-style-type: none"> • Power-driven company culture. Discourages feedback. • Unaware of reasons for marketing failure.

By March 2007, the Subprime positions had to be marked down. Within in six weeks UBS CEO closed the IB division, fired its leader, merged its activities with another division, and began damage control. In July, for the first time in history, a quarterly loss amounting to 726 million (US dollars) was announced. Losses were set at 10 billion (USD), all due to holdings of US real estate securities. To strengthen its capital position, stock was sold to a state owned pension fund in Singapore and near-east investors, providing 13 Billion (USD) cash infusion. The write downs continued, with the UBS losses ballooning to 37 billion (USD). With retirements and firings, most of senior management was replaced, along with 5500 job losses.

A review of actions taken by UBS officials suggests the practices employed. Consultants identified a revenue gap. To respond, division leaders adopted a follow-the-leader strategy to grow market share by purchasing subprime mortgages. Consultants urged rapid action to catch competitors. The IB division head responded by putting this strategy in place, with little or no reflection. This paralleled the actions of company officials who appointed the IB division head with haste and little review. Due

diligence was missing, both in the appointment of leaders and the selection of a strategy. Instead of inventorying strengths and weaknesses and matching them to opportunities, the IB division merely did what their competitors were doing. Other ways to close the market share gap were never considered, although several were available, such as asset backed securities. Division leaders seemed oblivious to risk. The UBS strategy could work only if housing prices rose indefinitely. Cycles in housing prices are well known and many observers were warning that the housing bubble would soon burst. The division failed to have a risk management policy in place that could identify the prospect of losses.

When top management found the division to have fallen behind competition, they responded with unrealistic aims. The division was charged to become the number one fixed income business globally, in six years. Division leaders panicked and moved rapidly to close the gap. Key people had conflicting interests. With compensation based on revenue generated, staff was enticed to ignore risk. Traders kept Subprime positions on the books because their compensation was based on acquired positions.

The division's risk management failed to identify risk. The Market Risk Control department applied "stress tests" using historical data plugged into mathematical models that had little relevance to subprime mortgages. After the company experienced losses in early 2007, exposure was explained as "adequately hedged." No senior manager attempted to assess company holdings.

The company's "top down" management approach shut off input from staff. UBS stressed strong leadership that brought with it strong egos and little faith in participation. Consultation could have helped. A focus on profitable areas, instead of market share, would have revealed divisions and activities within divisions to divest. Many of these activities had significantly different revenue prospects and risk. Top management seemed oblivious to the risk. No one considered building a new strategy by careful appraisals of company strengths and market niches. Instead, officials chose a "me too" strategy, mimicking Goldman Sachs and rejecting innovation.

Past successes blinded company officials' to market risks. An aura of invincibility led senior managers to create a culture in which subordinates do not question. Senior officials wanted to become the world-wide leader. Division leaders were aware that another, more realistic, aim or even a more realistic time frame was not acceptable. Growth became an unquestioned expectation, ignoring market realities. The pressure to act prompted a follow-the-leader strategy of investing in Subprime mortgages. In fact, investors withdrawing from this market in 2005 allowed UBS to step in. The wisdom of this was never questioned, even when the level of risk became known. Decisions were expected to be successful so information to the contrary was hidden. Staff knew they were to support, not question, top management. Staffers pursued personal aims. Together these actions resulted in write offs that depressed UBS stock from \$55 to \$25 a share by 2007.

B. Swiss TV Bidding on Coverage for the National Swiss Football League (SFL)

Swiss National TV is governmentally funded, with a wholly owned subsidiary production company that provides and edits TV signals for televised events³. Until 2006, Swiss TV had exclusive rights to broadcast professional soccer games in

Switzerland. The Swiss Football League (SFL) has 10 teams and plays 36 rounds of 180 matches in a season. Swiss TV produced 10 games live and covered the remaining 170 with highlights. The 10 live matches were televised with 12 live cameras and graphics, costing 50,000 CHF per match. The highlights used 4 cameras and no graphics requiring smaller production teams, costing 26,000 CHF per match.

Late in 2006, a Swiss competitor entered the picture. Teleclub (TC), owned by Swisscom (a domestic pay channel provider), decided to branch out into sport to increase broadcasting revenues. This was thought to be possible if content could be offered to broadband and digital phone product lines as well as TV coverage. Swiss TV, hoping to avoid competition, negotiated an agreement with the SFL and TC. Under the agreement, Swiss TV and TC were granted coverage for all 180 matches and were to form a consortium to work out production agreements. Swiss TV and TC agreed to split production costs, with the party broadcasting live to bear the cost of live coverage (50,000 CHF). TC proposed to broadcast 170 matches live (all but the 10 historically given to Swiss TV) on their three platforms. TC proposed a *reduced six camera coverage* for the additional matches. With the agreement in hand, Swiss TV got the SFL to allow them to match any offer from third parties for all 180 games for 3 seasons. Their bid was: four cameras at 26,000 CHF for highlights and for live coverage, 35,000 CHF for six cameras.

A request for proposal was launched by the SFL. Plaza Media (PM), a German production company, became a surprise bidder, offering to produce at a rate of 17,000 CHF for 4 camera production for highlights and 26,000 CHF for the six camera live production. Swiss TV was taken by surprise by the bid and was convinced that such pricing was infeasible. No offer was made for the previous 12 camera production so this level of quality was to be discontinued. Accepting a significant decline in quality, a six camera broadcast was possible. Because of the right to match, Swiss TV was given the Plaza Media offer by the SFL. After review, it was clear that PM was bidding below cost in the hopes of penetrating the Swiss market. Swiss TV had to match the offer or drop out of soccer coverage. Company officials decided to match the offer, knowing they would lose money for 2 of the 3 contract years. SFL awarded the contract to Swiss TV.

Swiss TV officials identified several concerns when making this decision. Production of SFL soccer games produced 5 million CHF, making SFL coverage an important source of revenue. However, the officials expected 2 years of losses if they matched the bid from PM. Furthermore, loss of the contract would put their production team in jeopardy. Material and equipment (vans, cameras, etc.) would be underutilized. Know-how and experience would be lost, putting future efforts at risk as they would no longer be seen as a player in the soccer broadcasting market. Similarities were drawn to the Austrian public broadcaster ORF that lost broadcasting rights for Austrian professional soccer to a German pay TV firm, Premiere. Premiere contracted with PM to produce all the games, resulting in ORF losing its production capacity. Swiss TV feared a similar outcome. Even so, Swiss TV lacked the capacity to produce 180 games. Image also played a role; broadcast quality would slip with 6 cameras.

Some believed national reputation was at stake. The quasi monopoly of Swiss TV was being threatened by foreign competition, making the success of future bidding problematic. Blocking foreign competition seemed warranted, although the fallout from opening up the market was not clear. Swiss TV was committed to keeping its position

as host broadcaster for the important professional league in Switzerland. To do so, Swiss TV would have to carry 180 games produced by companies lacking experience with local stadiums and markets. This could lead to an inferior product being delivered. Managing their own production posed quality issues as well. Officials were unsure if production cost could be cut with restructuring, whether funds could be pulled from elsewhere in the organization, if the extra capacity could be found, and whether production quality would suffer.

After the contract was awarded, Swiss TV attempted to mobilize production capacity. First, restructuring was attempted seeking to retain broadcast quality while dramatically expanding live game coverage at lower costs. Lower cost cameramen were hired, replacing long-time employees at lower salaries. Outsourcing was attempted via cooperative ventures with Swiss TV production companies. These companies were unable to deliver the desired level of quality. This prompted Swiss TV to seek a partner that could provide the missing capacity. After a lengthy search they entered into an agreement with their bidding competitor, Plaza Media. The agreement divided match coverage. PM was to produce 72 of the games with Swiss TV producing the remaining 108. The agreement provided production capacity but posed new issues. Using a German producer for so many games raised questions about the original aim to control the market. Future market share could be put at risk with the expertise gained by PM. The quality of the PM productions was lower, as expected, and produced many complaints, which were directed at Swiss TV. The decision resulted in Swiss TV losing money and its quality reputation *as well as* opening up a previously closed market to a foreign competitor.

To see what went wrong, let's revisit the decision. The executive board of Swiss TV delegated the decision to Sports Unit Management. The board saw the decision as inconsequential, given its 200 million CHF budget, and offered little direction. Sports Unit Management had little guidance in how to cope with the concerns uncovered. Customers (viewers and the SFL) were not consulted. Priorities were never set, resulting in conflicting directions. Insiders were left to speculate about aims. When aims conflict, the search for solutions becomes confused and wildly unrealistic options get hearings.

The decision to match PM's bid seemed based on image. Swiss TV wanted to protect their position in the professional soccer market, connecting market share to image. To protect their image, they were willing to lose money. As a public entity, a bid sure to lose money poses questions. To justify the choice, officials cited keeping the production team intact, but paid little attention to their capacity shortfall or how it was to be overcome. Had there been a clear aim, such breaking even or blocking foreign competition, note how the search for options would have changed. An image aim rules out cooperation. To break even, cooperation with PM during the bidding process would have allowed both bidders to charge higher fees and provide better quality. Also, this would have allowed the customer, The SFL, to help in trading off cost and quality.

Tax payer money was invested without considering the public interest. The bid was 25% below current cost, resulting in a 96,000 CHF annual loss that would have to be made up somewhere in the budget. The production unit claimed it could dramatically cut costs, suggesting that its management was aware of bloated operating costs in production. No due diligence was undertaken to see if such cuts could offset projected losses. If not, subsidizing the losses from other sources would be tantamount to asking

for a budget increase. Alternatively, colluding with PM during the negotiation poses price-fixing issues. As a public entity, Swiss TV was required to contract with *domestic* companies. The contract with PM ignored this commitment. Finally, key stakeholders were excluded from the negotiation so their interests were not considered. Customers, such as the SFL and viewers, had interests in the quality price trade off. Regulatory bodies, unions, and local firms also had interests that were not considered.

Sports Unit Management failed to challenge the information being offered at critical junctures of the decision making process. The production unit's assumptions about cost and capacity were never tested. The prospect of competing bids was not anticipated. The production unit failed to build alliances in the business community that could have shed light on the interests of outsiders in competing for sports broadcasting rights across country borders.

C. EADS Decision to Split Airbus A380 Manufacturing

Airbus SAS., a subsidiary of EADS, the European aerospace consortium, manufactures half of the world's jet airplanes⁴. Established in the late 1970s to compete with the US, EADS combined leading aerospace companies in France, Germany, Spain, and United Kingdom. French and German companies, Aerospatiale and Duetsche Airbus, have a 37.9% share, with British Aerospace at 20% and the Spanish firm CASA at 4.2%. The Stuttgart-based Daimler AG, the French government, and the Paris-based media company Lagardere were the dominant shareholders. The firm is headquartered in Toulouse, France, with significant activity across Europe.

In the early 1990s, Airbus developed an aircraft with 500 passenger capacity and a 9000 mile range to compete with the Boeing 747. The design was hailed as a competitive breakthrough with 35% more seats than the 747, better fuel efficiency, and ten percent additional range. This led to 16 customers placing 159 orders, with sales of 1440 aircraft forecasted through 2016. The manufacturing approach used for the Airbus 777, was to be repeated. At the time, jobs were migrating to low-cost Asian-Pacific countries and Eastern Europe. Consortium member jealously guarded against job loss in their country. As a result, the Airbus board reflected the political interests, with employees mirroring stakes in the company. France had 40% of the employees and 22.5% of the stock, Germany with 37% of the employees and 22.5% of the stock, the UK with 17% of the employees and a 20% stake, and Spain with 5% employment and a 4.2% stake.

Soon it was clear that no single plant in the consortium had sufficient capacity to assemble the aircraft. Officials saw two options – divide assembly among existing plants or build a new plant to do all the assembly. Catering to the interests of its primary owners, the board decided to co-assemble the A380 in Toulouse and Hamburg. This required building a highway and a mega barge to transport parts between the Hamburg and Toulouse assembly locations, bumping up costs. To satisfy interests of other consortium members' components, such as wings, fuselage, rudder, cockpit, etc., were to be designed and manufactured in eight separate locations scattered across Europe.

Dividing assembly proved to be disastrous. In a diverse corporate environment, coordination is essential. However, company culture dictated that sites in each country have autonomy. As a result, there was no design standardization. This was neither

considered during the design phase nor addressed as assembly began. The independent partners used different computer aided design and modeling tools. This had worked in the past because assembly was done at a single location⁵. Now different versions of software used in Toulouse and Hamburg created havoc. Change in electrical wiring made in Hamburg would not integrate with the digital models in use in France. Wiring in an aircraft is the key to integrating systems required to operate an airplane. Delays ensued as difficulties were identified and eliminated. To make matters worse, the Airbus 380 had a quantum jump in wiring complexity. Airbus 380 has 300 miles of wiring, compared to 170 for the Boeing 747. None of this was discovered in the design phase.

The Hamburg plant had to remove the wiring from planes delivered from Toulouse and reinstall it because the pre-assembled harnesses (bundles of wiring) would not fit. Production slowed as workers pulled wires from the harness apart to re-thread them through the fuselage. Some wiring was too short and had to be replaced. Others were incompatible with plane design. Design changes that reduced weight by switching from copper to aluminum power cables were overlooked. This made bends in the cables difficult owing to the increased bulk of the aluminum. Engineers resolved problems plane by plane, slowing production to a standstill. The first delivery was made in 2007, nearly two years late creating a financial disaster. Airbus paid compensation of \$310 million to SIA, Emirates, and Qantas airlines, to cost the company \$3.6 billion in pre-tax profit over the next four years. Delays created havoc for the freight model leading to cancellations by Emirates, UPS, FedEx, and ILFC worth \$8.1 billion in sales. Federal Express canceled 10 aircraft and purchased 15 Boeing 747s for \$3.5 billion. EADS's market value declined 26%. To respond, Airbus cut its workforce by ten thousand employees and mounted a cost reduction program. In the new business model, partners were to share development cost and engineering resources. Time to market was reduced by a year and a half and, using lean manufacturing, productivity increases of 16% were realized. Consolidating the supplier base streamlined the supply chain. Organizational changes were carried out to reduce overhead costs. Several of corporate functions in Airbus and EADS were combined, cutting 'excellence centers' from eight to four, with one center, Aero-structure, named responsible for subassembly and interior finishing. Some preparatory cabin installation work was transferred from Hamburg to Toulouse; with final assembly continuing in both locations. Despite all the difficulties, Airbus maintained its split assembly commitment.

Let's revisit the decision making practices. One would expect that a project manager would request information from the two sites that indicated progress. Instead, the manager followed historical company practices that gave the sites total autonomy. Rudimentary testing would have revealed different design software at each location. Company officials assumed the success of A318 and A319 build at Hamburg and the success of A320 built in Toulouse made it a simple task to cobble together production from the two sites. The German team quickly identified wiring installation problems, but kept quiet about them, fearing job loss. Top management might see the Hamburg plant as ineffective and reduce its influence. Furthermore, the Hamburg plant was involved in a difficult negotiation with trade unions, creating an incentive to protect its image as a premier site doing high quality work. To show their ability to cope,

Hamburg worked tirelessly to find a solution. Only after much effort with 26 planes still awaited rewiring was management made aware of delays.

Top management of EADS and Airbus failed to disclose their motives and personal stakes in the decision. When delays were recognized internally, two board members and the CEO of EADS sold stock options. Suspicions of conflict of interest arose, prompting allegations of insider stock trading. A probe by the French stock regulator Autorite des Marches Financiers (AMF) followed. After an 18 month investigation, the principals were held for prosecution. According to industry observers, dumping stock took precedence over identifying reasons for the delays and correcting them. Information about the delays was hidden fearing a wave of cancellations. Corrective actions were set aside as the French and German governments furiously lobbied to protect jobs. The lack of transparency prompted suspicions by the other partners and other key players, such as trade unions. The dual management structure had Co-CEOs, one from France and one from Germany, representing the two largest shareholders. A move to abandon dual management structure was met with skepticism by industry observers, who claim that EADS continues to be plagued by politics.

Company officials failed to identify the best way to build the A380. Instead, they set out to please their constituencies. Splitting production was a quick way to do this. No one considered how a history of autonomy would make cooperation difficult or how historical differences in the approach to assembly would hamper integration. Top management expected directives to be followed and allowed little leeway for managers to be head off problems. The absence of a collaborative culture made company-wide solutions difficult. The project manager was given few directives, with the exception of implementing shared manufacturing. The history of autonomous operations made it difficult to question the wisdom of manufacturing at two locations. Progress was limited until a new project manager was appointed and given a directive to merge the manufacturing, allowing the rivalry between the French and German plants to be managed. The two plants were directed to exchange key employees and find single design software. German engineers moved to Toulouse for 18 months. An assembly line was moved from Hamburg and 1000 German workers moved to Toulouse. The new Airbus CEO demanded periodic progress reports on the recovery to placate remaining customers and to insure them that specifications for the aircraft were being followed.

D. Internet Market by Thai Paper Company

Advanced Agro, based in Thailand, manufactures paper pulp products for high-end printing and writing paper used for text books, magazines, business stationary, newspapers, general printing, photo copy, and the like⁶. The products have a variety of thicknesses and produced in rolls and sheets which are further processed into cut size paper and sold under the brand name “Double A” paper. An environmental-friendly image was developed when R and D produced a farmable tree, which grows well locally and spares old-growth trees, grown by one million corporate family farmers. Advanced Agro extracts high-quality fibers from these trees essential for high-quality paper but historically available only in old growth trees. The company received ISO certification for these efforts and the Thai Prime Minister’s award for environmental conservation.

In 2000 the Double A product was launched locally as “Double A Double Quality Paper.” To establish commercial viability, the company sought to make Double A the first choice of Thai businesses, which meet with success. In 2003, Forbes gave Advanced Agro an award for product quality and sales success. This encouraged company officials to move into the global paper market. Branch offices were established in Singapore, Malaysia, Hong Kong, China, Korea, Australia, and the Netherlands by 2006. The next year saw expansion to Japan, Philippines, Vietnam, Germany, France and other for a total of 150 countries throughout the world. In each branch office, managers direct product distribution, promotion, and branding. Advanced Agro sought a premium price for Double A in both domestic and international markets.

The branch office in China was considered crucial to sustained growth. China is the second largest paper consumer in the world, with a lower than average per capita consumption. With this in mind, company officials projected a 10% per year growth for China. This coupled with the expected increase in Chinese advertising in the print media calling for high quality products suggested a market for AA products. Carving out a big chunk of this market seemed feasible as competitors had straw-based products. However, coaxing Chinese businesses to spend more on paper is a hard sell due to low brand differentiation and strong competition. And Asia Pulp and Paper Company (APP) recently built five plants in China. Seeing Advanced Agro’s success in Asia and the large potential in China, foreign competitors, such as UPM (Finland) and OnHing (Hong Kong) also entered the Chinese market and made inroads. With many competitors and no brand recognition, Advanced Agro had to convince local businesses to pay a premium price for its high-end paper.

To penetrate the market, company officials repeated practices that had been successful. These practices targeted a young audience, believed to be easily sold on new ideas. Office women 25-35 were pursued, assuming they made paper selection decisions for their companies. Advanced Agro sought to make things simple. “Double A” was thought to be easy to remember and easy to differentiate from other products in the market place because the paper was made in one thickness. (APP offered 60 types of paper with different features and different names, making recall of a particular brand challenging.) A sales message was tailored to make paper, a boring commodity, fun and attractive. Images showed robots telling women, thought to be like the target audience, how the paper allows smooth tangle-free printing. In 2005, a Taiwanese advertising company, Inspire Infinite Communication Ltd., sold Advanced Agro on an internet marketing campaign using the robot film. The campaign was carried out in the Taiwan and Hong Kong markets and appeared to create brand awareness, measure by an increase in sales following the campaign. This coaxed management to repeat the campaign in China. The advertising firm contracted with Sina.com, a homepage company that creates popup windows containing ads. When a visitor clicked on the popup, it connected them to an event page that offered games and the Double A video as well as downloads of MSN icons, fancy mobile ring tones, and the like. A total of \$62,500 USD was spent on the campaign, a comparatively small amount but half of the total marketing budget for China.

Due to its limited penetration into the Chinese market, Advanced Agro management believed tripling sales volume was a reasonable target. The advertising company set a 20% “click rate” from the internet to Advanced Agro’s home page by

the target audience as a target. The home page was set up to connect with the intended audience in a positive way, hoping to give Double A an edge over other paper products when purchases were made. Assumptions were piled one upon another. The target audience was assumed to have purchasing discretion. The film's features were assumed to have appeal and to translate into brand awareness. Finally, brand awareness was assumed to increase of sales.

Chinese managers were not convinced the marketing campaign was appropriate for their market. However, there was quiet acquiescence. After Thailand endorsed the campaign, the China general manager expressed no reservations although she had concerns that ranged from a mismatch of the internet program to regional markets to channels being poorly managed. In China, regional websites dominate due to cultural differences in Shanghai, Beijing, and Guangzhou. To be effective, regional differences must be recognized in promotions. MSN (with 40 million users) was selected as the messenger software, although QQ (with 100 million users) has 250% more users. Timing was poor. The campaign failed to coincide with Chinese Valentine's Day, which played to the theme of the ads and was apt to generate attention. The ads offered a lottery and gifts as enticements for the target group to go to the site and register. But the lottery and the gifts had limited appeal due to budget limitations. No one investigated whether the successes in Taiwan and Hong Kong were fortuitous or, if not, what factors in the program were key. None of these concerns were mentioned. Instead, clicks were dutifully recorded and sales monitored. An increase of 50% in sales was noted and tied to 75,000 recorded clicks. Sales declined to historical levels within a month and the internet program was abandoned.

Officials at Advance Agro overlooked distribution. The channels available in China had conflicting interests and lacked the capacity to serve the projected 300% increase in volume. Distributors also represent Advance Agro's competitors. Double A is but one of many brands serviced. The company overlooked developing incentives that would entice a distributor, such as better commissions. The quality product offered by Advanced Agro reduces jamming and cuts paper waste. Distributors' commissions are based on volume so distributors are not apt to push products with less waste. Officials failed to match channels with projected demand to identify whether more channels were needed and how to acquire them. Both distributor selection and contracting was overlooked. Growing market share would have been better served via distribution than creating product identity by branding.

Cultural differences posed additional dilemmas. The propensity of employees to dawdle on internet sites and play internet games varies by country. The leverage of an internet site depends on willing players, which may be more common in Taiwan and Hong Kong than mainland China. The Thai owners are separated from company managers, based in Taiwan, which in turn was divorced from marketing and sales located in mainland China. Chinese culture makes people reluctant to question authority, voice concerns, and take responsibility. Coupled with the power-driven management structure of Advanced Agro, feedback was non-existent. Participation was so limited that knowledge of local conditions played no role in the decision.

IV. DECISION MAKING PRACTICES ACROSS NATIONAL BOUNDARIES

The findings from North American studies suggest that success depends upon how

intelligence is gathered, the way interests and interest groups are managed, whether aims are set, if a search is conducted, how evaluations are conducted, the way ethical issues are managed, and whether learning is encouraged. Next, best practices and practices to avoid will be aligned with the practices followed in the cases as well as findings from cross-national studies. Conclusions will be offered as propositions.

A. Intelligence Gathering

Action is prompted when stakeholders make claims and seek endorsements (Nutt, 2002). The claim indicates what stakeholders believe the decision is about; its *arena of action*, which often suggests solutions. Cross national research said little about how or what kind of intelligence was gathered, but finds the urge to gather information varies across national borders. Assuming that some of this information was intelligence-related; some seek information about claims more readily than others. North American studies find opportunity-driven behavior, adopting solutions offered in a claim; increased the prospect of a failed decision (Nutt, 2002). Decision makers endorsed a claim to appease powerful stakeholders or the interests represented, which limits intelligence gathering (Starbuck, 1983; March, 1994; Nutt, 2002). A need directed effort was more successful than opportunity directed ones. The decision maker uncovers the claims and the concerns that prompt them from key stakeholders, thereby creating several views of the arena of action.

The international decisions were both opportunity driven and unsuccessful, supporting findings in North American studies. Advanced Agro's management claimed the marketing tactics developed for in Taiwan and Hong Kong markets could be used in mainland China (See Table 2). Staff in the Chinese office saw fallacies in such an approach but concerns about distribution, internet selling, and regional differences were not voiced. Swiss public TV managers claimed organizational image would erode if a foreign producer offered SFL games. To avoid this, officials matched a bid sure to lose money. Concerns about priorities and securing the needed funds to cover losses were never recognized. EADS leaders' (implicitly) claimed that national interests of the consortium members were paramount. Concerns about multi-location manufacturing were never explored. The leaders of the IB division of UBS claimed that market share could be grown by acquiring Subprime mortgages being sold in the US securities market. Concerns about the level of risk in the subprime market were overlooked.

Note how each claim's implied an opportunity that seemed timely and pragmatic, so intelligence about needs seemed superfluous. There was no attempt to analyze claims, uncover competing claims, or make the concerns behind claims and counter claims explicit, although this is often recommended (e.g., Simon, 1977). Instead, influential supporters make a claim actionable (Cyert and March, 1963; Pfeffer, 1992; Pfeffer and Salancik, 1974). This suggests:

Proposition 1: Collecting intelligence about needs increases the chance of success, regardless of country setting. Some countries are more reticent to collect intelligence than others.

Best practice calls for gathering intelligence about needs before committing to an arena of action and its implied opportunity. This is done by polling interested parties

such as top management teams, leaders of key departments, insiders with relevant experience, unions, suppliers, stockholders, creditors, customers, current and future alliance partners, supportive sister organizations, competitors, communities in which the organization operates, environment groups, and the general public. Claims and concerns are sought from each constituency. Decoupling claims and concerns and amalgamating them identifies a range of plausible claims and motivating concerns. This allows the weightiest concerns to surface, enhancing decision maker credibility and mobilizing support (Nutt, 2008). For example, was Swiss TV bidding about preserving capacity or providing service to a client? Was the internet marketing decision about market share or distribution? Did UBS want high or low risk growth? Was EADS driven by serving country interests or profit? This suggests:

Proposition 2: A viable arena of action is derived from the most compelling concerns of key constituents.

B. Implementation

The cross national literature finds edicts and participation to be widely used. In some national settings participation seem preferred and even over used. In other national settings, managers appear to use edicts indiscriminately. Cultural differences seem to dictate whether participation or edicts were used. Little was reported about the success of these practices.

North American studies find that decision makers often use position power to issue an edict (do this) or offer persuasion (do this because). Both implementation approaches were failure-prone because interests go unmanaged. Edicts produced token compliance in the powerless and outright resistance from others (French and Raven, 1959). For persuasion to work, interested parties must be open to rational arguments, which have little effect when a player has something to lose (Quinn, 1980; Huysmans, 1970). Edicts and persuasion are often linked; if the edict fails, decision-makers attempt to explain why a decision has merit (Churchman, 1975; Ginsberg and Schultz, 1987). In these studies, participation had twice the success of an edict and fifty percent more success than persuasion (Nutt, 1986 and 1998b).

Advanced Agro applied edict implementation when officials called for a previously developed marketing program to be used in mainland China. The board of EADS dictated that assembly for the A380 be divided between its German and French plants. The IB division manager of UBS authorized securities purchases. Swiss TV management matched the competing bid. This parallels the behavior findings noted in the cross national literature. Decision makers used edicts when position power gave them discretion, which was more likely in South American and Asian firms than in most European countries. In North American studies firms gravitated toward edicts as well, but were held back by position power limitations. Top managers were more inclined to use edicts than middle managers (Nutt, 1998b). Implementation barriers arise when the social and political concerns of interest groups are ignored (Hickson et al., 1986; Rodrigues and Hickson, 1995). Advance Agro management made it clear their directives were not to be questioned. This fashioned a culture of going along to get along, so concerns that ultimately derailed the decision were not shared with top management. Management at Swiss TV avoided consultation. As a result, they failed

discover that the capacity of Swiss production companies along with their production group was far short of that required to cover live events. The IB division manager at UBS consulted with no one and failed to see risks emerging in the market. EADS managers had consulted narrowly, failing to see what was prompting delays.

Decisions fail when decision-makers ignore such interests (Nutt, 2002). Uncovering interests can neutralize opposition, shifting critics from opposition to support or indifference (Beyer and Trice, 1978; Leavitt, 1967). Had management at Advance Agro consulted with people in their Chinese office about the plan to grow the local market concerns about distribution, concerns would have surfaced. Consultation would have informed the investment approach of UBS as well, uncovering risks and likely rewards. EADS managers assumed they must protect jobs but never consulted anyone about the dangers inherent in their plan to split assembly. Managers at Swiss TV assumed they could cover the 180 games live with local capacity, without knowing the extent of local capacity. Successful decision makers share power by asking people with interests in and knowledge of the decision to take on key aspects of a decision (Beyer and Trice, 1982; Downs, 1967; Eisenhardt, 1989). This suggests:

Proposition 3: Implementation failures are less likely with participation, but rates of success will be influenced by cultural expectations about collaboration.

C. Expected Results

The cross-national literature said nothing about expected results, but North American studies found them to be crucial. Failure was linked to decisions in which expected results were ambiguous or unknown (Nutt, 1993a and 1999). When expected results lack clarity, the desirability of a plan became contentious (Brunsson, 1982; Pounds, 1969; Locke and Latham, 1990). Officials in the Swiss TV bidding decision were silent about their expectations. What the aim to protect reputation, conserve capacity, grow image, or cultivate future business? Each could be inferred from the actions of officials. Insiders at Swiss TV had no idea what was motivating bids. Clarifying aims would have eliminated misunderstandings and focused a search for ways to respond to the emergence of competition. Aims for the Airbus 380 assembly location decision were clear to officials, but not revealed to key staff. The board sought to allocate jobs across the consortium according to stakes in the enterprise. Had key insiders been aware of this managing production compatibility across country borders would have become a priority.

Expected results for the other two decisions were set aside when a quick fix appeared. The implied merit of the quick fix became a stand-in for desired results. Insiders saw different merits in the remedy, enticing them to draw different conclusions about what was expected. Purchasing subprime securities seemed a quick way to grow the IB division of UBS, which matched company aims. Company officials at Advanced Agro connected internet traffic with sales. In each case, insiders saw the motivations for these actions differently. The failure to clarify aims prompts many such difficulties.

Best practice delays search until hoped-for results can be agreed upon. Decision makers suspend thinking about solutions, substituting thinking about desired results. Clarity here is a powerful force that prompts all involved to think deeply about possible solutions, which doubles the chance of success. This suggests:

Proposition 4: Making aims clear by specifying expected results increases the prospect of success, regardless of country setting.

D. Search and Innovation

The cross-national literature suggests that the desire to innovate varies across national borders. In Asian firms there was more use of intuition, which prompts innovation. As information gathering and consultation increased, innovation declined. The desire to innovate was not observed in the Asian company profiled here, but the link of innovation to factors such as risk tolerance and country differences may be important. Cross-national literature said nothing about how to search or the scope of search.

North American studies found that broadening the scope of search increased the prospect of success. An aim-directed search that encourages innovation improves the chance of success. Failure increases when decision makers embrace a single alternative and avoid innovation (Nutt, 1993b). In these decisions, remedies were plucked from claims or derived from existing practices. Both stifle search and innovation because the seeming remedy makes search seem pointless (Nutt, 2002 and 2004). As a result, there was no effort to look for other ideas, which could be better.

Decision makers in the cases neither mounted a search nor sought innovation. Officials in the UBS IB division latched onto purchasing subprime securities and Swiss TV saw matching a competitor's bid as their only options, preempting search and innovation. Remedies derived from minor adaptations of current routines also limit search (Pettigrew, 1985; Van de Ven et al., 1999). Past use offers a field test so adaptations seem workable, if not innovative (Starbuck, 1985). EADS officials split the new product's employment opportunities according to stakes in the enterprise, as was their policy, and Advanced Argo leaders repeated a marketing plan used in the past, which stifled innovation. This suggests:

Proposition 5: Decision makers in some national settings seem drawn to remedies found in claims and to adaptations of past practices, which limits success. Decision makers in other national settings seem drawn to innovation, which may increase the prospect of success if good search practices are followed. Increasing the pool of alternatives and seeking innovative solutions will increase the chance of success.

E. Evaluation

Cross-national studies find differences in the amount of information collection, which was linked to decision maker discretion. Decision makers with considerable discretion did little information collection. More limited discretion appeared to prompt evaluations that appeared defensive, carried out to justify a preferred choice. Discretion was country dependent. In North American studies, decision makers either ignored risk or were very risk-averse (Nutt, 2002). There was no middle ground in which risk was weighed and factored into the decision. In the four international cases, risk was ignored. The cross-national studies suggest that discretion may be a cause. Examining attitude toward risk and how this plays into using evaluation effectively seems an important research topic.

North American studies linked failed decisions to defensive evaluations, carried

out to support a preferred course of action (Nutt, 1998a and 2002). Vast sums were spent to demonstrate usefulness and feasibility (March, 1994; Starbuck, 1983). This created the appearance of a vested interest, even when there was none. To silence critics, decision makers were drawn into repeated evaluations. The remaining decision makers did little data collection beyond costing the preferred course of action, often ignoring benefits and risks. Objective-guided evaluations in which alternatives were compared using expected results are more successful (Nutt, 2002).

In the international decisions, evaluations were either superficial or ignored. The Airbus 380 assembly location decision and Advance Agro's decision to use an internet marketing approach developed for Taiwan were made without any evaluation. Perfunctory data were collected for the other two decisions. To estimate losses, officials at Swiss TV measured the costs for 4, 6, and 12 camera coverage of soccer games but failed to determine the feasibility of covering 180 games. Officials bid without knowing whether they had sufficient coverage capacity to keep it "Swiss." UBS's IB division collected data on the growth of subprime investing in its competitors but made no attempt to assess risks. In each case, information failed to determine benefits and costs. This suggests:

Proposition 6: Defensive evaluations are more likely when discretion is low. Replacing defensive evaluations with objective-driven ones increases the prospect of success, regardless of national differences.

F. Ethics

The literature noted little about ethics but the four cases suggest that decision makers with considerable discretion, due to country differences, ignore ethical issues. In contrast, North American studies find unresolved ethical issues in failed decisions (Johnson, 1993; Bardaracco, 1997). Ethical issues arose from value differences and from appearances. Unmanaged values differences and misalignment in who decides, benefits, and pays was linked to failure (Nutt, 2002).

Failure followed advocating contentious solutions while ignoring values provoking opposition. Critics' objections reveal little about their values. Swiss TV officials saw their actions as capturing broadcasting rights for Swiss firms, embracing a local control value. Critics saw preserving capacity and growing budgets, suggesting values of empire-building. Company leaders and their critics argued about the wisdom of the bids but not what motivated the bids. Leaders of the UBS IB division adopted market share and the rapid action imperative of corporate, seeing their actions as driven by compliant values. Traders saw an opportunity to keep securities on the books, maintaining their commissions, adopting a personal gain value. Critics saw both actions as self-serving, setting aside interests of stockholders in a sustainable profit. The values motivating each were hidden. Deciders at Advanced Agro set out to increase market share in China, embracing a corporate value of growth. Insiders went along to get along, embracing a compliance value, which was seen by officials as agreement. Corporate at EADS saw equity as the key value. Airbus managers were aghast at the willingness of corporate to ignore profit interests of stockholders. Corporate leaders interpreted silence as support for their plans.

In each case, the values of decision makers and other key parties were not

apparent to one another. Ethical issues arose when decision makers did not appreciate values motivating objections. This lack of understanding leads to whistle-blowing by insiders and contentious relationships with outsiders (Nutt, 2002). Outsiders who oppose an action were enticed to boycott products and insiders were motivated to leak. Even if boycotts and whistle-blowing are avoided, there is a loss of trust that taints future dealings. In the international cases, whistle blowing was not observed perhaps due to the power-driven decision making being practiced by higher ups. However, a loss of confidence and trust was apparent from the comments of informants about their superiors.

Appearances were also important. A misalignment in who pays, who benefits, and who decides often provokes ethical issues (Nutt, 2002). To preserve parochial interests, such as internal capacity, officials at Swiss TV used public funds to bid on a project sure to lose money. Critics noted that public input on the importance of retaining this capacity was ignored. The misalignment of the beneficiary, the payees, and the deciders posed an ethical issue. Deciding at EADS was a game of allocating jobs. EADS stockholders were expected to surrender profits to accommodate the job expectations of the French and the German governments. Critics were quick to point out conflicts of interest. The Chinese division of Advanced Agro saw their budget, such as it was, being drained by a dubious marketing scheme without being given the chance to mold the plan to local conditions. Security purchases in the IB division of UBS benefited the brokers, but posed a threat to the bank. They kept risk information close to avoid dumping the toxic securities and losing bonuses. In each case, misalignments between beneficiaries, payers, and deciders created ethical questions.

In North American studies, success improved when ethical issues were uncovered and managed (Nutt, 2002). Exploring value-based differences shifts discourse from the lowest to the highest denominator. Forums can be created that allow ethical questions to be voiced as claims and alternatives are uncovered. The forum allows a decision-maker to look for values behind the positions of people with concerns. Successful decision-makers affirmed these values by making minor modifications in a claim or a preferred course of action. If this fails - offer mediation. At best, new insights develop. If not a willingness to hear out critics boosts legitimacy. Companies with mediation win lawsuits involving whistle blowing. Companies without it lose them (Nutt, 2002). Finally, align who pays, benefits, and decides. If successful, this insures prerogatives are linked to payers and beneficiaries. This suggests:

Proposition 7: The prospect of success improves if ethical issues are identified and confronted as the arena of action is explored and as alternatives are uncovered, regardless of national setting. Ethical issues may be more important in some country settings than others.

G. Learning

The literature says nothing about learning, even though learning is required to identify decision making practices to promote and to avoid (Argyris et al., 1987). Studies find learning is often blocked when success is expected (Nutt, 2002). Requiring success is problematic because chance events lead to good decisions with bad outcomes and bad decisions with good outcomes (Nisbett and Ross, 1989). Best practice cannot insure

good outcomes due to chance events.

When success is expected, people caught up in a failed decision reveal as little as possible (Nutt, 1989 and 2002). A decision maker has but two options: own up or cover up. An own up makes atonement today; a cover up makes it tomorrow and, with some luck, never. Rational decision makers delay, which require acts of deception. Offsetting bad news with good news can sidetrack threatening questions. The cover-up is two tiered: the distorted good news and the creation of misleading information. The deception becomes “undiscussable” (Argyris and Schon, 1978). There is a cover up of the cover up to cover ones tracks, which becomes undiscussable in failed decisions.

A few quarters of record profits coaxed officials in the IB division of UBS to think they had a winner, which blinded them to bad news. Officials refused to acknowledge the risk inherent in securities made up of loans with high interest rates in an inflated housing market. This may have stemmed from a desire to protect reputations or from an unwillingness to confront an out-of-control situation. Whatever the reason, a cover up was required. Once there is a cover up this must be covered up. Division officials could not admit to unwise investing and had to take steps to cover their tracks. Both become undiscussable to hide a failure to do risk assessments. Only 2-4% of the positions proved to be adequately protected. To create good news in the aftermath of incompatible wiring harnesses, Airbus managers in the Hamburg plant assured EADS officials all was well and worked tirelessly to fix the problem. Only when the fix proved to be far more extensive than expected did Hamburg acknowledge that delivery dates would be missed. By the time corporate became aware of the problem, delays were not manageable and cancellations inevitable. Officials at Swiss TV continue to believe their bids were justified and failed to connect them with a loss of local control of soccer broadcasting, the very thing that motivated the bids. Advanced Agro officials have no idea why their marketing plan failed. Insiders in the Chinese division are not likely to share their concerns or that these concerns were known long before the plan was launched. None of this was discussable.

Because decisions have a fifty-percent failure rate, no tolerance for failure creates a perverse incentive (Nutt, 1999). Some failure is inevitable but disclosing what happened and why would result in punishment, so nothing is disclosed. Subordinates at Advanced Agro covered up why things went badly, creating a perverse incentive that deterred learning. To remove the barrier, remove the perverse incentive. This suggests:

Proposition 8: Success improves when perverse incentives are removed to allow a culture of learning, regardless of national setting. High discretion decision makers may find it difficult to acknowledge perverse incentives; low discretion decision makers may find it difficult to remove them.

V. CONCLUSIONS

The conclusions offered can be nuanced by decision maker discretion, use of information, and views about innovation. Each offers qualifications in how national differences influence decision makers’ as they apply political, logical, ethical, and economic rationality during decision making.

Decision makers in all national settings collected little, if any, information about claims which often lead to endorsing misleading claims. High discretion decision makers act without information and low discretion decision makers seem oblivious to

the need to probe. Both fail to reflect on what is at issue in an issue to uncover needs. This denies them an understanding of what merits attention, which suggests what the decision is about, and provides a defense for the course of action ultimately selected. By failing to probe, decision makers closed a window on a landscape with useful insights into what needs attention.

North American studies find that participation facilitates political rationality, essential to cope with interests. However, the international cases and the cross-national literature suggest that interests are often ignored and edict-like implementation is preferred in many parts of the world. Countries with high decision maker discretion discourage, and may even prohibit participation. In other national contexts, participation is extensive, and even excessive, and edicts rare. To date there are no studies that document whether these different approaches influence success. National contexts, in which decision makers have considerable discretion, may not limit the success of edict-driven decisions. The four cases suggest otherwise. North American studies find that participation introduces decision makers to political realities, incorporating political rationality into proposed actions. In several national contexts participation seems ubiquitous, even excessive. Previous studies suggest that noting is lost by this but time: Decisions are apt to be adopted but will not be timely. Research seems needed to clarify here.

In all national contexts considered, missing aims can be linked to failed decisions. Directions that specify expected results before seeking an answer clarify expectations. This directs search and opens it up to new ideas. Clear aims also make evaluations more meaningful, easier to carry out, less subject to manipulation, and less costly. Inserting logical and economic rationality into the mix in this way ensures that decisions offer real benefits. National differences seem unimportant here.

Limited search was linked to failed decisions regardless of country setting. As in North American studies, decision makers in the failed decisions found a preferred course of action and pursued it single mindedly, which stifled both search and innovation. Differences across national borders seem to arise when innovation was considered. High discretion was linked with intuition, which encourages innovation. Country differences may prompt disparity in the tolerance for and promotion of innovation.

Defensive evaluations were linked to failure in North American studies. Here a ready-made plan prompted the decision maker to evaluate defensively. When clarity about hoped for results was missing, defensive evaluations were easy to mount. Defensive evaluations, prevalent in the North American studies, were missing in the literature and the international cases. Instead of defensive evaluations, decision makers with considerable discretion ignored information collection altogether. When discretion was low, considerable information was collected. But economic rationality was missing when data focused on cost but not on risk and benefits. The absence of defensive evaluations as well as the propensity to ignore risk and benefit cross nationally merits further study.

Ethical rationality posed issues for decision makers regardless of country setting. Empowering key insiders to apply their "standards of justice" to the decision, and how it is being made, would have been useful in the four international cases. Looking for values provoking sensitivities and incorporating these values into plans would have improved their prospect of success. This gives ethical rationality, as suggested by

standards of justice, equal standing with political, logical, and economic rationality. Considering peoples' values, given by their justice standards, offers leverage equal to logic and facts. Again discretion may be an important moderator. High discretion decision makers may be able to ignore ethical issues, with or without long term fall out. This merits further study.

Logical rationality also calls for learning. North American studies found a link between learning and success. The cross-national literature ignored learning. However, the cases mirror the North American studies in which a fear of failure triggers perverse incentives that block the information essential for learning. Discretion may influence the creation of perverse incentives.

ENDNOTES

1. The UBS decision to acquire subprime mortgages was reconstructed from interviews with current and former employees, the Subprime primer, a UBS internal document, Shareholder's report on UBS's Write-downs, April 18, 2008, History of UBS, June 2008, and UBS financial statements. Additional information was obtained from internet sources: Cox, C. letter to banking committee, 2008; Financial times on Lehman brothers and Bear Stearns, 2008; Merrill Lynch financial statements 2008: New York Times on Credit Suisse, February 20, 2008; Reuters on Bear Stearns, 2008; Tagesanzeiger on Credit Suisse, June 18, 2008; Timesonline on Goldman Sachs, August 13, 2007.
2. The Subprime scandal was brought about by relaxation of home mortgage lending rules to make home ownership more accessible. The term "Subprime" refers to mortgages granted to borrowers with poor credit, little cash for a down payment, and/or questionable earnings history. Higher interest rates were charged to offset the risk posed by such a borrower. Initially, the focus was on the low income borrower. Soon everyone was pushing the limits, buying homes with price tags previously thought to be beyond their means. With housing prices on the rise worldwide, risk seemed minimal. Expected increases in a home's value made a default by the borrower a windfall for the lender. The lender, though agents, could sell the home at more than the loan amount. The borrower had little risk as well. The high priced loan could be paid off and a new loan negotiated with a higher down payment, realized by the increase in assessed value over the original purchase price. A subprime market emerged to trade securities made up of Subprime loans. Historically, banks serviced their loans and kept them on their books. Securitization allowed banks to sell the loans to investors, allowing them to do more loan business. This gave rise to several new businesses that brokered mortgages as securities and sold them to investors, charging fees for every transaction. UBS bought loans from US banks and pooled them as Subprime bonds, which were sold to investors. UBS kept many on their books, being told they were AAA rated. When the US real estate bubble burst, prices began to fall and interest rates increased. It was no longer possible to refinance loans with a price increase due to inflation. The ballooned interest rate creating a loan payment beyond what borrowers could pay. Securities made up of such loans began to depreciate. Because these loans were widely held, banks could determine the magnitude of losses in sister banks and were reluctant to do business with an

institution that may have toxic assets. The ensuing crisis blindsided many holding these securities, including UBS.

3. The Swiss TV bidding decision was reconstructed from interviews with current and former employees. In addition, information was gleaned from public documents indicating policy positions of the organization.
4. The EADS decision to split assembly between plants in France and Germany was reconstructed from interviews with current and former employees. In addition, information was taken from online sources including: Power8 paves the way for "New Airbus," June 16, 2008; A380 hit by fourth delay, June 10, 2008; EADS shares hit by A380 reports, BBC June 20, 2008; Airbus job cuts, BBC, February 28, 2007; EADS and Airbus bosses both quit, BBC, July, 2007; Flightglobal, Airbus reveals latest delays, Forbes, Airbus in a spin over insider trading, 207; IATA, 2005, Passenger and Freight forecasts publications; IHT. 2007, EADS to end dual management system; NY Times, EADS executive calls his sale of shares coincidental, June 17, 2006; NY Times, Politics joins production as a problem for Airbus, July 4, 2006; Seattlepi, 2006 Airbus A380 delay; Spiegel, Germany's Airbus disadvantage, February 26, 2007; Warner, S., Airbus busted by Short circuits, Business and Economy, July 13, 2006.
5. Traditionally, subcontractors in the aircraft industry are required to use the same software as the prime. Independence among the partners made enforcement of this lax.
6. The internet marketing decision by Advanced Agro was reconstructed from interviews with current and former employees. In addition, company documents were consulted including the advertising agency proposal and the past project evaluation report.

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