

3rd International Conference on Leadership, Technology and Innovation Management

Difference of Crisis and Opportunity as Issue Labels in Managerial Participation

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Abstract

Top level executives decide to resolve the issues in light of strategic issue labels. Especially differences in the way strategic issues are labeled are likely to affect the amount of top level executive participation in decision making process. An important thesis might be the information sharing and participation climate within an organization affects the managerial responses too. This claim should cover empirical support. To answer the need the survey of this study is conducted on 121 middle and senior managers of 48 randomly chosen out of top 500 high performing firms operating in different industries in Turkey, between the years of 2012-2013. The obtained data from the questionnaires are analyzed through the SPSS statistical packaged software within a reliability level of 95%. Analyses results strongly supported the moderating effect of information sharing and wide participation either in strategic decisions for opportunities or strategic decisions for crises.

Keywords: Participation, Information sharing, Decision making, Issue labels.

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Peer-review under responsibility of Uluslararası Stratejik Yönetim ve Yöneticiler Derneği (usyyd) (International Strategic Management and Managers Association).

1. Introduction

The purpose of this study is to determine empirically the relation between issue labels and managerial executive behavior of the organizations. Particularly the research included an examination of the degree to which participation in decision making varies when the decision to be made is viewed as a crisis versus when the decision is viewed as an opportunity. In the main time another focus on top executives who seek information outside their own group when resolving issues. Finally, it is estimated if organization's normal information processing and participation climate moderate organizational responses to opportunity or crisis distinctions.

The issue of executive capacity is at the heart of the governance phenomena. It has been argued that in focusing on the fluid and dynamic exchanges of power within an organization, theories of governance, have overlooked the ways in which managers have actively sought themselves upon governance networks (Matthews, 2011). Dyer and Singh (1998) identified four sources of competitive advantage, which are embedded in inter-firm relationships: (1) relation-specific assets, (2) knowledge-sharing routines, (3) complementary resources, and (4) effective governance (Yousif

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Arsham, 2012). The closer World have come with cyber-industrial sabotage activities, such as hacking or boundary spanning usually relate to industrial secrets that have commercial value to competitors (Hafer and Gresham, 2012). Despite the ‘information sharing and participation in strategic issues towards the mission of an organization’ is considered amongst physiological needs of Abraham Maslow, a manager should be careful (Mears and Voehl, 1997).

2. Literature Review And Hypotheses

2.1. Strategic Labels

A manager, who is able to read the signals of looming crisis using governance networks and understands how to harness the exigency brought on by the situation, can diminish the potential dangers and take full advantage of the resulting opportunities.

Since a crisis can be broken down into three unique phases, crisis lifecycles can be understood and utilized for the benefit of the organization (Prewitt et. al., 2011). In the first phase of the lifecycle, the organization finds itself mired in a static phase which equates to a comfort zone. In this first phase leaders struggle when they attempt to introduce change or learning due to the organizations preference to avoid conflict and maintain stasis. When a crisis engulfs an organization then the stasis that envelops the organization evaporates and gives rise to the second phase or the disaster phase. The disaster phase often threatens the very existence of the organization. When the organization successfully eliminates the immediate organizational threat, the organization is able to enter the adaptive phase of the crisis lifecycle. In this third phase, the leader has the undivided attention of the organization and the underlying urgency to solve the issues that led to the crisis in the first place. Regrettably, many leaders don’t take advantage of this golden opportunity and push the organization back toward the status-quo which ensures that the crisis will return in force. Crises brings challenges as well as opportunity for change, therefore with enhanced competence, explicit mission and establishment of strategic plans, the leadership can be remarkably improved in crisis (Junjie et. al. 2012). The key to turn crises into opportunity lies in how to identify and improve the pivotal competence, build a mission shared by all and implement strategies that fit specific environment. Previous research on the impact of acute stress, for example, indicates that people will revert to their dominant response instead of a recently learned behavior in those circumstances (Hadley et. al., 2011). This implies that simply knowing and practicing crisis response plans may be inadequate to ensure that leaders are ready to effectively assess information and make decisions in a crisis. The way in which decision makers characterize or label organizational issues is believed to affect the resolution of these strategic issues. Dutton and Jackson (1987) hypothesized that a greater amount of involvement will occur in opportunities than in crises. When situations are labeled as opportunities, participating in decision making process will be greater throughout the organization than when the issues are labeled as crises. In the light of the literature, it is possible to predict decision making process alter by the labels of issues and to propose the Hypothesis 1as following:

H1: When decision makers face strategic issues that have been labeled as opportunities, participation in decision making process will be more than when issues have been labeled as crises.

2.2. Moderating Effect of the Information Processing and Participation Climate on Response to Issue Labels

Organizational information processing theory suggests that organizational behavior can be understood by examining the information flows within organizations. While other variables such as strategy and structure are likely to affect the way issue labels alter organizational responses indirectly the effect of the degree of information sharing and participation climate within an organization should directly affect the treatment of issues (Thomas and McDaniel, 1990). When organizations generally place a high value on openness free exchange in order to solve problems, it seems likely that this value for openness would dominate even in the face of differing issue labels. This is because organizational culture and a predisposition towards openness could be considered a cultural characteristic. It is a powerful phenomenon that affects many organizational processes and behaviors. For example organizations with open flows of communication and generally wide employee access to day-to-day decision making will most likely maintain relatively participative approaches to resolving both crisis and opportunity issues. The information sharing and participation climate of the organization likely moderates the differences in participation that occur as a result of the opportunity versus crisis label (see Figure 1). In the light of the literature, it is possible to predict information processing and participation climate moderates decision making process and to propose the hypothesis 1as following:

H2: When information processing and participation climate prevails in organization participation will be relatively high even in issues that have been labeled as crises.

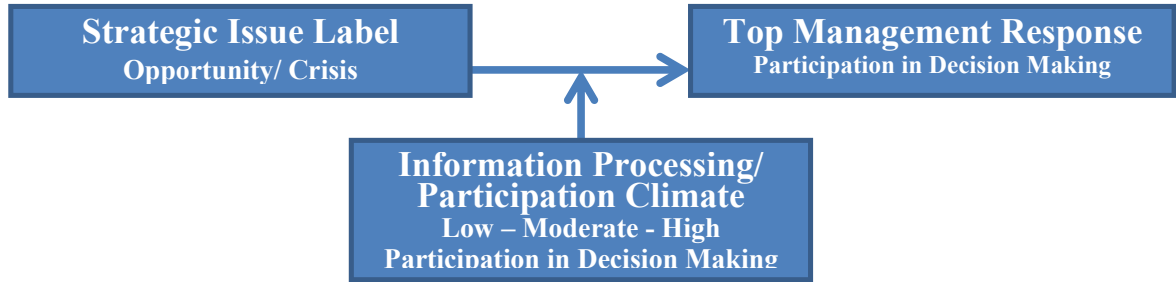


Figure 1. Top Management Response to Strategic Issue Labels

3. Methodology

3.1. Research Goal

This survey aims to identify the moderating effect of information sharing and participation environment within an organization on managerial treatment of strategic issues labeled as opportunity or crisis. To test the propositions, a field survey using questionnaires was conducted.

3.2. Sample and Data Collection

The sample derived from main group which consist of top 500 firms throughout Turkey according to Stock Exchange Istanbul (BIST) 2013 List. 361 companies' managers could be reached via electronic mails out of 500 commercial companies. The data compiled from the responses from top managers of 48 firms. The respondents are 15 Presidents, 44 Group General Managers, 44 Vice-Presidents of Engineering or Sales, 16 Chief Officers, 1 Vice-President of Planning and Programs and 1 Program Manager of research and development project in total of 121. Thus, respondents possess strongest positions of management in their respective organizations. Also, the mean of approximately three respondents per organization exceeds the acceptable average number of informants reported in other strategy making research (cf. Miller, 1988; Miller et. al., 1988; Milliken, 1990). The total sample of 121 informants can be characterized as follows: the executives worked in their respective company mostly between 3 - 9 years, and they have been working in the industry sector for 10 - 20 years (mean). Some 35% of the respondents are above 40 year old age group, 52% are in 30 - 40 age group, and 25% are 22 - 29 year old age group. About 19 percent of the respondents had more than 20 years of industry experience and 12 percent work in their respective firms for more than 20 years. Some 54% of the respondents hold master and doctorate degrees, 40% hold graduate degrees, and 6% have undergraduate degrees.

A questionnaire mailed first in March 2012. The questionnaire was pretested and professionally produced and distributed, and two follow-up mailings were carried out. In case of need to motivate managers, by telephone and face to face interview techniques had also been used during one year period. Each participant was assured of confidentiality, and to be informed about results. The response rates were 13 percent considering the firm accessibility, and 34 percent for manager returns. A comparison of respondents and non-respondents suggested they did not differ in such observable characteristics as firm size and industry and company experience.

3.3. Analyses and Results

Following Likert type scale respondents were presented the descriptions of five decision-making modes, in which each mode represents a degree of participation. The decision modes were based on the forms of decision-making participation outlined in the Vroom-Yetton-Jago model of decision-making (Vroom and Jago, 1974). Informants were

presented with a definition of strategic decisions and with definitions of crisis and opportunity decisions in questionnaire (Mintzberg et. al., 1976). Top level executives in organizations are assumed fairly comfortable with the distinction between crises and opportunities because these represents two schemas commonly used by strategic decision makers as they scrutinize their environments and determine appropriate actions (Jackson and Dutton, 1988). Informants then asked which decision mode would typically be used when their firm dealt with crisis or opportunity decisions.

The following definitions of crisis and opportunity were given to the respondents:

Crisis Decision: This is a strategic decision in which the organization faces intense pressure; manager feels a threat and a poor decision could have a substantial negative impact.

Opportunity Decision: This is a strategic decision which involves a voluntary action to improve an already secure situation.

The crisis definition apparently does not include a temporal dimension as crises are taken to be ongoing issues. From the complex systems point of view crises divert the organization away from equilibrium necessitating a new type of adaptive reaction.

Information Processing and Participation Climate: Informants were asked to assess the information processing and participation climate of organization. Organizations that have a high degree of participation are expected normally to have highly shared information. Information processing and participation climate was measured with a scale in which informants asked questions about the degree to which the concept of participation fits into the overall strategy-making process in their organizations. The scale reported uses Likert-type responses in which 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree.

Heaping up Issues organization level scores were needed to test the hypotheses and these scores are achieved by cluster sums of individual responses.

Before aggregating the data, it was necessary to determine whether or not individual respondents from a given company essentially agreed on decision-making mode used for crises and opportunities. Modified percentage of agreement calculation estimates the agreement in terms of simple presence or absence (Suen and Ary, 1989). However in this case the scale only measures degrees of participation instead of presence or absence. Two raters who choose adjacent scale points (eg. 2 and 3) are not in absolute agreement, but they are relatively close. So modified percentage of agreement calculations are used to take “closeness” on the scale into account (Ashmos et. al., 2011). In each company every pair of participation scores for each of crisis and opportunity issues were examined. Informants exactly agreed 24% of time; were 1 scale point apart 58% of the time; and were 2 scale points apart 18% of the time. Because informants were in unanimity and 1 scale point apart 82% of the time it is concluded that they essentially agreed on participation modes. Table 1 represents participation scores for each company by reporting means.

Table 1 Mean participation score reported for different strategic issues at organizational level

<u>Strategic Issue</u>	<u>Mean Participation*</u>	<u>SD</u>
Crisis	2.64	1.23
Opportunity	3.50	1.10

n=48. Respondent scores were averaged to achieve an organization's score.

* A higher number indicates more participation

Hypothesis 1 predicted that a strategic issue labeled as an opportunity will elicit more participation by strategic decision makers than one labeled as a crisis. Table 1 presents the mean participation score for the two types of strategic issues. Paired T-Tests indicate that the mean participation scores are different as predicted in Hypothesis 1. Hypothesis 1 predicted greater participation in issues labeled as opportunities than in issues labeled as crises. The mean participation score for an opportunity is significantly greater than that for crisis (3.50 vs. 2.64, $t=-6.32$, $p<.001$).

Hypothesis 2 considers how an organization's “normal” information processing and participation climate may influence how much it utilizes participation in “special” circumstances. Hypothesis 2 predicts when information processing and participation climate prevails in organization; participation will be relatively high even in issues that have been labeled as crises. The processing of information and participation scale scores were arrayed and trichotomized, thus allowing the identification of organizations which can be considered to be characterized as having

low, moderate, or high degrees of information processing and participation in “normal” circumstances (Ashmos et. al., 2011). 17 firms low (average score: 2.28), 8 firms moderate (average score: 3.15) and 23 showed high (average score: 4.09) participation levels in normal mood.

Table 2. Mean participation score for different strategic issues for organizations whose participation climate can be characterized as low, moderate and high

<i>Low Participation Climate Organizations n=17, Average participation: 2.28 (2.17-2.40)</i>		
<u>Strategic Issue</u>	<u>Mean Participation*</u>	<u>SD</u>
Crisis	1.65	.89
Opportunity	3.88	.89
<i>Medium Participation Climate Organizations n=8, Average participation: 3.14 (3.07-3.23)</i>		
<u>Strategic Issue</u>	<u>Mean Participation*</u>	<u>SD</u>
Crisis	2.90	.92
Opportunity	3.42	1.05
<i>High Participation Climate Organizations n=23, Average participation: 4.08 (3.97-4.20)</i>		
<u>Strategic Issue</u>	<u>Mean Participation*</u>	<u>SD</u>
Crisis	3.29	1.05
Opportunity	3.22	1.17

* A higher number indicates more participation

These three groups average significantly different scores on participation scale ($t=65.28, p<.001$). The data showed by Table 2 reports that organizations generally use a more participative mode when facing issue labeled crises dependent to the participation climate, which supports Hypothesis 2. T tests indicate significantly more participation for opportunities than crises for low participation organizations ($t=14.04, p<.001$) and moderate participation organizations ($t=2.33, p<.05$). The difference in participation scores for opportunities and crises for high participation organizations does not reach significance ($t=-.497, p<.621$). When considering the “normal” degree of participation as a factor, high participation organizations are significantly more participative than low participation organizations in response to a crisis label (mean score of 3.29 vs. 1.65, $p<.001$) but not in response to an opportunity label (mean score of 3.22 vs. 3.88). The participation of organizations with low participation climate has highest scores in this study. That finding may be subject to a wider investigation by further research.

Table 3 represents the case when considering the “normal” degree of participation as a moderator variable on managerial participation responses whether in crisis or opportunity strategic situations.

Table 3. Regression/ Correlation Results for Moderating Effects of Participating Climate on Managerial Responses

<u>Variables for Opportunity</u>	<u>Managerial responses</u>			<u>Pearson Correlations</u>		
	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Low</u>	<u>Moderate</u>	<u>High</u>
Average participation climate	-0.566***	-0.172***	-0.255***	0.313**	0.038	0.114
Participation climate x Opportunity (Managerial Participation in Opportunity)	1.281***	1.020***	1.055***	0.892***	0.984***	0.966***
				0.686***	0.206	0.350**
<u>Variables for Crisis</u>	<u>Managerial responses</u>			<u>Pearson Correlations</u>		
	<u>Low</u>	<u>Moderate</u>	<u>High</u>	<u>Low</u>	<u>Moderate</u>	<u>High</u>
Average participation climate	-0.241***	-0.162***	-0.282***	0.252*	0.427*	0.330**
Participation climate x Crisis (Managerial Participation in Crisis)	1.075***	1.078***	1.122***	0.964***	0.990***	0.968***
				0.459**	0.546**	0.546***

* $p<0.05$; ** $p<0.01$; *** $p<0.001$, two-tailed t- tests for regressions; one tailed t- tests for correlations.

As seen in Table 3 whatever the direction and power of the organization climate on managerial strategic responses by means of information sharing and participation in crisis or opportunities, the moderating effects of “normal” organization climate are clearly unclassified ($p<.001$). Though it might not be usual to give correlation results this way, the purpose was to present both regression and correlation results could be seen at a glance. It is subjected to

readers' consideration. Not only all regression results show that organizational climate of participation and strategic situations unite to be stronger descriptive variables, they also show lone correlation to dependent variable as generally expected from a moderating variable effect.

4. Conclusion

The results of this study indicate that top level executives view participation as differing according to the label given to the strategic issue. Our findings support Dutton and Jackson's (1987) hypothesis that issue labeled as opportunities will result in greater involvement of organizational members than issues that are labeled as threats, although the absolute extent is modified by information processing and participation climate in organizations. However this study is also a response to the study of Ashmos et al. (2011) which precluded sophisticated analysis and wider sample still has shortfalls. A future study would benefit from larger sample of firms with more participation.

Good decisions must be made quickly, despite the uncertainty, time pressure, and high stakes associated with such a crisis (Hannah et al., 2010; Pearson and Clair, 1998). It is likely that a sense of severe time pressure which a crisis may, but not necessarily, impart precipitates a need to constrict overall information processing and control by centralizing decisions, that is moving decisions up to the top management team. There may simply not be enough time to push decisions down through the hierarchy, regardless of the quality of information at the lower levels.

Crisis still require the processing of information that is of high quality, relevant and timely. High quality, relevant information is likely not possessed solely by Chief Executive Officer. There may be implication for managers derived from the results.

First implication of this study for managers is that the frame that a manager gives to an issue alters the way the manager as well as others process information related to making choices about that issue. It has an ultimate effect amongst organization members who organically creates solutions to problems. The language manager uses to present issues to others in the organization has been showed to have significant impact on how those issues will be decided. Frame a manager gives to an issue causes organization members to choose between the ways of processing information for resolution. For example an issue framed as opportunity the organizational "brain" expands in size reaching out to less familiar, less conventional response patterns with higher freedom comparing when labeled as crisis. Because opportunity causes people to feel free to create provided there is little danger comparing the climate produced by threat-type issues. Thus, it seems to be important for manager to take advice from others before labeling an issue and create the potential for predictions about the strategic decisions.

It is possible that crisis or threat-type issues are distorting events which thrust firms away from the state of system equilibrium. If the firm aggressively unlearns old logic that no longer gives life to the organization, a new sense of order will happen. Then, survival of firms depend enabling systems to self-organize, develop a new logic and patterns. It is clear by experience of firms a major way to life and vitality passes through participation of its members in decision making process. The second implication of this study given the strong effect of issue labels on subsequent organizational behavior is that the managers must work hard to create ways for participation, learning and shared meaning to occur.

The focus of this manuscript was on differences in participation due to the labels of crisis and opportunity. Future research should extend this research to other labels, other differences in issue characteristics and other interpretations. Another focus of future study on the label of issues might be the whole effect throughout the organization when there are different participation levels and flat organization types.

The inclusion of organizational performance variables in future researches is crucial to answer the questions about issue labeling.

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