

FEATURES OF THE DECISION-MAKING IN SMEs

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Abstract: This paper is a literature review on the decision-making issues in a small and medium enterprise. The first part proposes an overview of the main theories and approaches regarding the managerial decision and the decision-making process, in general. In the second part, it tries to identify some specific elements of decision-making processes within SMEs, having as support the elements of the first part.

JEL classification: L26, D81

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1. INTRODUCTION

Every success, every mishap, every opportunity seized or missed by an organization (large or small) is the result of a decision that someone made or failed to make. The assumption of good decisions and their fast implementation determine essentially the performance of an organization (Roger, Blenko, 2006).

The present period brings new challenges concerning the organizational decision-making processes. On one hand, it is talked about a tendency of accelerating the rhythm of the decision. Speed is a characteristic of the modern world, the factors which affect the internal environment and the external environment of an organization that the decision-maker must take into account, being very unstable, each of their changes urging a very quick reaction from an organization that wants to be performant.

This approach brought and will inevitably bring changes in the configuration of decision-making processes in an organization. Alvin Toffler “preached” these mutations ever since the beginning of the 70s: “Managers are forced to count on the experts’ advice more and more generally (n.n. – experts in human resources, in information technology, production engineers, jurists, accountants etc.). On these people now devolves the role of decision-making. Until recently, the managers only consulted them, reserving the right of decision-making. Nowadays the managers are about to lose their monopoly on decision-making. Because there is no time for the decisions to follow their way at leisure top down on the hierarchy scale, «counselors» stop making only recommendations and start making decisions themselves” (Toffler, 1973, p. 149).

Concurrently, apart from the tendency of accelerating the rhythm of the decision, the innovation, the unedited of the events also originate a change of the character of the decisions with which the individual confronts in modern organization. Alvin Toffler also noted that “the delicate in-going of innovation in the environment

disturbs de delicate equilibrium of the «programmed» and «non-programmed» decisions from various organizations and from private life”.

Taken together, these pressures entitle A. Toffler to talk about a crisis of decision-making in techno-societies, about a “decision overload” which affects the individual of the present society.

Most of the works in the economical literature concerning the decision and the decision-making process are circumscribed to the large company. Although the SMEs and entrepreneurship are an in vogue theme in the economical literature, the decision inside the small business is an extremely less approached theme. The researches in this interest area are focused on the decision of creating an enterprise or becoming an entrepreneur and are less interested in the decision-making processes interfered after creating the enterprise, in its daily activity. Also, many authors underline different characteristics of the decision-making process in the SMEs (the non-rigorous foundation, the time pressure, the individual character etc.).

The present article proposes a personal synthesis of the few works concerning the decision-making process in the SMEs. The approach will start from a large framework, concerning the decision and the organizational decision-making process, abridged in the second part to the area of SMEs.

2. LITERATURE REVIEW ON THE THEORY OF DECISION-MAKING

From Chester Barnard (in „The Functions of the Executive” published in 1938) the concept of decision is associated with the notions of freedom and choice in a opposite view of the F.W. Taylor’s deterministic principles within the scientific management.

In the works published after the 60s to 70s, the decision-making is associated with bounded rationality. Contrary to previous approaches, showing that organizations seek every time, optimal solutions, J.G. March and H.A. Simon shows that, in fact, organizations involved in finding satisfactory solutions, not necessarily optimal.

Decision-making approaches in terms of bounded rationality, respectively rational process, were followed by the model of garbage can initiated by M.D. Cohen (used in the conditions of a not very strong strategic management).

A third model outlined in the specialized literature is the incremental model (developed from the research of Charles Lindblom) who argues that managers are concerned to reduce the problem to be solved at a tolerable level. The decision-making processes, in this case, aimed at achieving a palliative objective for solving a problem more on short term then on long term.

Another way to approach the decision-making, quite well known in the literature, was developed by A. Etzioni. It has long been perceived as a third approach, opposed to the rational model and to the Incrementalism. In 1989, A. Etzioni believed that, next years, the decision-making would be more an art and increasingly less a science (Etzioni, 1989, p. 120). The model proposed by him, the mixed scanning model involves several levels of decision, respectively a higher level encompassing fundamental decisions (regarding the mission and the strategy of the organization, its policies) and a lower level, aimed at adopting incremental decisions that contribute / prepare the establishment of the first ones. Namely, more the issues are complexes and the choice involved is strategic, more the rational approach is appropriate; but more the issues are concrete, practical and operational, more the incremental approach seems to be appropriate (Miroiu, 2008).

More recently, it was developed a new model of decision-making approach: the naturalistic one. The model has its origins in the work of G. Klein, J. Orășanu, R. Calderwood and C. Zsombok, published in 1989, and assumes that any decision is taken in a certain context, and its analysis and understanding cannot be done if this specific context is ignored.

The conditions that may be applied to this model are: changing environment, truncated and ambiguous information, shifting and competing goals, ill-defined and ill-structured goals and tasks, time pressure, experienced decision makers. In addition to these general conditions, we can also speak about specific features of the model (Simpson, 2001, p. 4): it is suitable for a continual series of decisions, rather than a single, one-off decision; first option chosen is usually reasonable and workable, rather than semi-random generation and selective retention of many options; satisfactory options and outcomes rather than optimal ones; evaluation through mental simulation, rather than maths, statistics or comparison analysis; focus on situation assessment, rather than decision events (such as option ranking); decision maker is primed and committed to act, rather than waiting for a complete analysis.

Also, in recent years, were developed non-rational approaches of the decision-making process, based on the decision makers' intuition and creativity.

As a result of these very different approaches, there is a large spectrum of definitions for decision. The most frequently, the decision-making is defined as a process of choosing between two or more alternatives. Somewhat in another register, the decision-making is often defined as an act of information processing: "the transformation of knowledge and information into managerial actions" (approach found in the works of authors such as J.R. Galbraith, J.G. March, K.E. Weick) (van Riel et al., op. cit). A third trend is that of the authors who define the decision-making as related the allocation of resources.

During the recent years, several authors have shown that the decision-making is a much more complex process than it emerges from previous definitions. Thus, H. Mintzberg and J.A. Waters (1990, p. 16) show that the decision is not always preceded by an intention to act. Also, very often the intention that precedes the action is vague and confuse. In these circumstances, the traditional rapport between intention and action is disturbed, and it cannot be understood and explained any more. The two authors raise the following question: Is there always a precise moment, identifiable of the decision? I answer to this question that, frequently in large organizations, especially when a group decision, there may be problems in identifying the exact point where the decision is taken. Many times the decision can be communicated later then its real adoption in the authorized decision maker's subconscious. In their opinion, is more naturally to study "streams of actions, and then go back and investigate the role of decision, if any, in determining these actions". Although H. Mintzberg and J.A. Waters favor the action over the decision, they do not give up the idea that the decision should be a precondition for the action. Action should be preceded, however, according to the two authors, by an intention to act, not necessarily a final decision.

D.R. Hickson, R.J. Butler, D. Cray and D.C. Wilson (Butler, 1990, p. 11) in the so-called studies at Bradford, have extensively studied the topic of defining empirical analysis of 150 decisions. A first finding was that the link between decision and action is problematic. If one accepts that a decision is an intentional act, it must be borne in mind that some intentions are translated more or less precise in action. In other words, the way of implementation becomes a variable of decisional process, whose importance

deserves a special attention. A second finding of the authors is that the locus of decision-making can be diffused. J.D. Thomson (Butler, 1990) considers that for very few decisions in an organization can be accurately identified the responsible person. Such a precise demarcation is possible only under conditions of low complexity. When the degree of complexity, uncertainty or ambiguity of a decision-making situation is increased, the decision is shared by many specialists, among several subdivisions of an organization.

A third finding refers to the action without a decision. In biological organisms there is the so-called reflex action. In social organizations, to describe a relatively similar process, it is used the concept of programmed decisions.

A fourth finding is that the action in the organization can occur without consensus. In this context it is not necessary that all members agree on a course of action for it to be done, but it just need a so-called "sufficient consensus".

Fifthly, a number of exogenous events can trigger decisions. For example, desires, interests of a class of partners capable of a certain pressure on an organization (supplier in a monopoly situation, very important clients) can make significant decisions within it. Last but not least, the decision is adopted in a particular context and may influence the context for future decisions.

3. MAIN ELEMENTS OF THE DECISION-MAKING PROCESS

In specialized literature there are several approaches regarding the components of the decision-making process. N. Rajagopalan, A.M. Rasheed and D.K. Datta (quoted by Simons and Thomson, 1998), by monitoring the literature published during 1981-1992, have identified three categories of factors that can influence decision-making process characteristics: environmental factors, organizational factors and specific factors for the decision. R.H. Thomson and W.B. Simons consider that these three factors can add the managerial features and individual values of the decision maker.

The trend in the study of environmental factors outside the organization is the focus on national culture, national economic conditions and specific conditions for the activity sector. The studies on organizational factors focus on the organizational structure, the organizational culture, the structure of the decision-making process and the employee involvement. Specific decisional factors refer to time, risk, complexity and political issues (issues arising from convergences/divergences between the interests of stakeholders).

H.A. Handley and N.J. Heacox (2004) constructed a decision model with four components: organization, process, culture and decision-maker. Organizational component is the arrangement (position), the hierarchy of people in the organization. The decision-maker assumes roles in work processes depending on its location in this structure, location that also determines the decision-making situations for which he is responsible. Decision-maker's parameters that affect the decision-making process are: the set of personal values, specific training and experience in decision-making process. Processual component is represented by the series of steps or nodes (key points) required for the proper execution of a work process. Cultural component can be described by the values shared by most members of an organization.

4. STRUCTURE AND ANALYSIS OF DECISION-MAKING PROCESSES

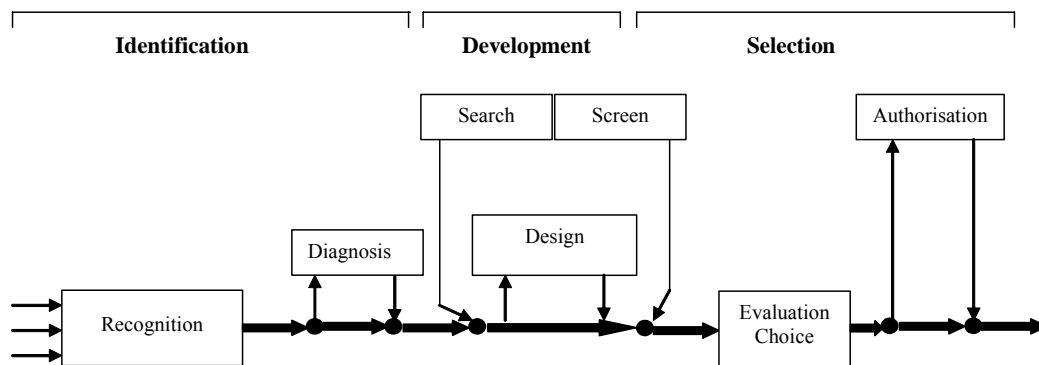
The most widely accepted representation of the decisional activities is that of a sequential process in several phases and was proposed by H. Simon. The origin of this

idea is somewhat old, respectively J. Dewey, in his work „How We Think: A Restatement of the Relation of Reflective Thinking to the Educative Process” published in 1910, was the one who presented the decision making process as sequence of stages which converge towards a solution. The initial model consisted of three main phases, namely: intelligence gathering, design and choice.

In 1977, H.A. Simon came back to this structure, discussing about four phases: intelligence – focuses on the decisional problem formulation and consist in the collection of data on the led system status and the evolutions occurred or predicted to spend in his environment, always taking into account the objectives pursued by the decider; design - which seeks to understand the problem of decision-making, generation of some possible ways of action, called alternatives, the evaluation of the feasibility and their consequences; choice - aims to select one of the alternatives to move to action; review of the obtained results after the effective implementation of the decision.

Later the model was completed and many authors use and vary this approach. Among these authors may be mentioned H. Mintzberg, D. Raisinghani and A. Theoret, who in „The structure of unstructured Decision Processes” published in 1976 suggested, on the base of an empirical study, a pattern largely consistent with that of H.A. Simon.

This model (figure no. 1) contains a total of seven routines, which are steps in the decision-making, namely: recognition and diagnosis of the problem, searching the necessary information, design of possible alternatives, the alternatives screening, evaluation/choice, the authorization (including persons responsible for implementing the decision).



Source: Mintzberg et al., 1976

Figure no.1 A general model of the strategic decision process

Furthermore, the running of sequential decision-making process in which can appear a series of „disturbances”. Thus, E. Witte (quoted by Hansson, 2005) considers that: “human beings cannot gather information without in some way simultaneously developing alternatives. They cannot avoid evaluating these alternatives immediately, and in doing this they are forced to a decision. This is a package of operations and the succession of these packages over time constitutes the total decision-making process.”

J. Corner, J. Buchanan and M. Henig conducted another debate about the order of two phases present in the quasi-totality of decision-making models, namely the establishment of criteria and the search for alternatives. Summarizing the literature in

this domain, the three authors have identified two possibilities: the alternatives are sought taking into account certain predetermined criteria or, conversely, by studying possible courses of action are identified specific values and limitations that must be taken into account in the selection of a course of action in fact decisional criteria. In our opinion, it cannot be done a universally valid answer. We believe that, in the case of some planned, routine decisions, the establishment of the criteria should precede the establishment of alternatives, while in the case of the decision which were not planned, the situation should be inverted. The mentioned authors also talk about another third possible report between the two stages, namely a dynamic and an interactive one. Thus, starting from certain predetermined criteria are identified some decisional alternatives, through the study of which new decisional criteria are added, or, in the other situation, firstly are identified the possible alternatives through analyze of which there are selected the decisional criteria, which taking into account lead to supplementary alternatives. This is a potential case of reversing the order of certain stages. But there are stages whose order cannot be changed. For example, in any case, the problem formulation should not be after the formulation of alternatives.

In the last approaches, it is considered more often, that decision-making should be regarded as a nonlinear process, recursively. Many decisions are made by repeated pendulum between objectives, alternatives and criteria. This iterative behavior of the decision maker, with recovery and revisions can be more clearly understood when it is used a systemic representation for decision. This is, regularly, specific to the researchers who define the managerial decision by linking it with the processing of the information. The inputs and outputs of such a system are primarily informational flows (plus a number of particular factors in the decision-maker – the values, beliefs, experience, etc., or organizational level), while the „black box” of this system includes cognitive processes and social interactions due to the decision-making.

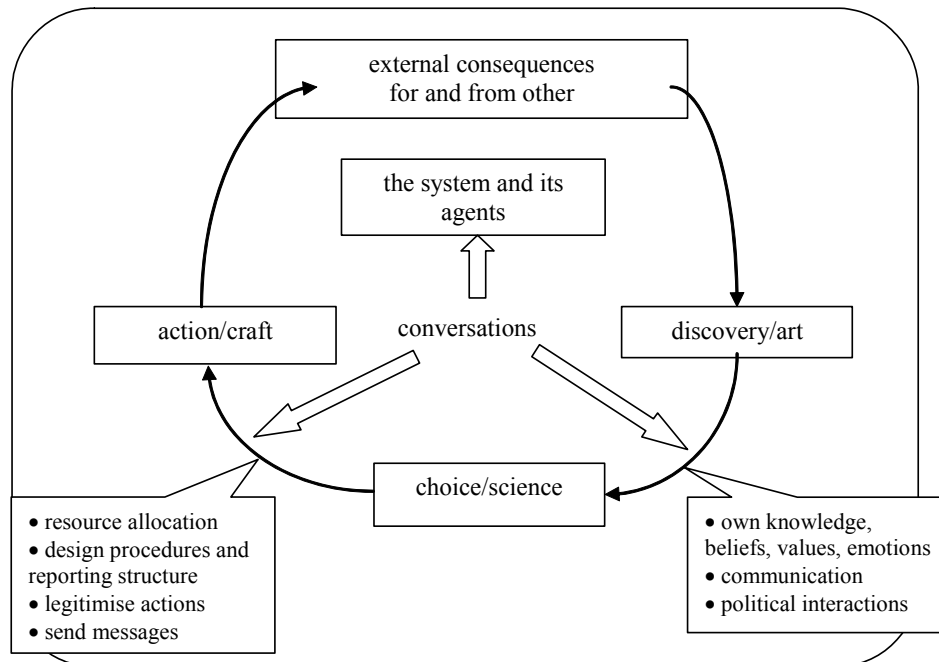
Another approach of the decision-making mechanism, similar to the model system for decision-making, was initiated by C.W. Holsaple (1995). It proposes a model of decision-making based on knowledge. The Holsaple model represents the decisional unit as consisting of a storehouse of knowledge and a set of cognitive skills, which can modify and exploit this knowledge. Holsaple considers that: “Regardless of decision context, type, maker, or strategy, there are certain common knowledge handling activities in which decision makers engage. These include interpreting observations, assimilating knowledge to alter the inventory, recognizing decision needs, invoking additional knowledge from external sources, posing problems to itself, solving problems with available knowledge, storing problem-solving and decision-making results, and packaging the knowledge about what to do.”

Finally we make some references on how to decision-making under conditions of chaos and complexity that cannot be understood in view of linearity subdued contemporary logic and indisputable presence in any decision making process, the choice between various alternatives, but it requires a new approach.

In general, in everyday speech, words such as „chaotic”, „complicated” and „complex” are used interchangeably. In the specialized literature, however, there are a series of distinctions. In a very general way, the chaotic state of conditions refers to a state of general and particular elements whose coordinates cannot be understood; the complicated state of the conditions refer to state the details of which coordinates cannot be understood, but can be understood the particular items, parts and subsystems; the

complex state of the conditions refers to a state where individual items cannot be understood, but the whole is coherent, comprehensible (Lissack, op. cit).

Specific for the complex dynamic systems, the impact on decision-making processes within them is emerging. J. Goldenstein believes that the emergence involves “the arising of novel and coherent structures, patterns and properties during the process of self-organization in complex systems.” (Corning, op. cit.). The emergence cannot be imposed. It just happens as a result of complex interactions of energy gained.



Source: McKenna, Smith, 2005

Figure no. 2 A model of the chaotic dynamic cycle of the decision making process.

In these circumstances, in the specialized literature, was developed the concept of emergent decision, specific for the chaotic, complex contexts, opposite to the decision in the classical approach. Decision based on the choice the „adopted” decision, suppose fragmentation, division. The decision-maker must acquire the necessary information for the delimitation of the three constituents of the decisional situation: objectives, decisional alternatives and decisional criteria. After these constituents are analyzed through a process, it tries their optimum join. By contrast, emerging decision does not imply fragmentation. It depends mainly on the ability of the decision originator (the person or the group of persons that trigger the emergence of a decision) to use his experiences. Without experience „in vivo” decision cannot occur. Emerging decision has no relation with the past or with the future. In this case, the decision appears in the present moment - in line with experience, with crossover, experience of the decisional situation. For this reason, the vigilance, the constant state of alert is a vital factor for emergent decision (Corning, op. cit.). This kind of decision is not based on the analysis, there is not an emanation of logical thinking, it is a creative act. In

managerial decisions, like in all human decisions, external aspects of the situation (such as criteria, objectives, alternatives, procedures) become lower inner intentions of individuals/groups who actually initiates the act of emergence. Understanding the theory of chaos and complexity can enrich the understanding of the decisional context. Some authors have even proposed a decision-making model that lends itself to such environmental conditions (McKenna, Smith, 2005) (figure no. 2). The debate (communication, conversation) as the main symbol of ties between people play a central role in the model. Decision-making process is seen both as an expression of the cycle action-discovery-choice (presented by R.D. Stacey in the paper „Strategic Management and Organizational Dynamics” in 1993) and the cycle craft-art-science (Mintzberg, Westley, 2001).

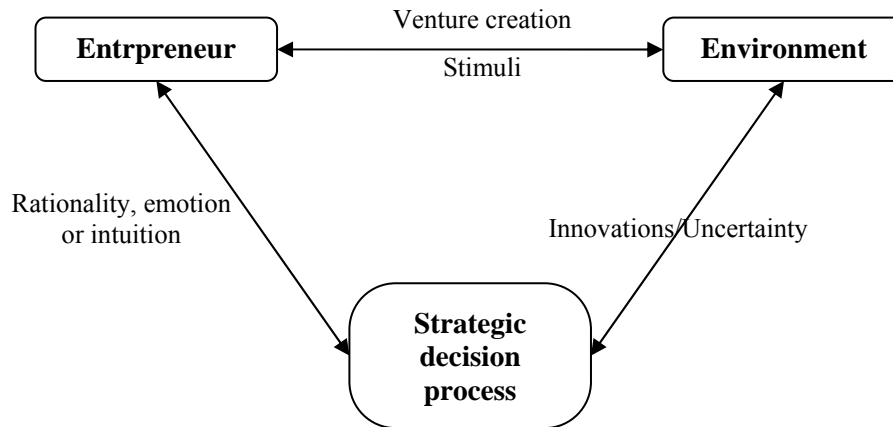
The classical decision-making process involves a rational decision-maker who uses processes, analytical and unbiased and who include moral and ethical standards in decision-making process. From this perspective, the decision-making process seems easy. But, real world involve non-linear and unpredictable processes, as we have characterized the conditions of chaos and complexity. The factors related to personality, motivation, decision-maker’s status, personal resources, such as time and attention are passed and complicates the decision-making process. This is not a simple cause and effect relationship but is a function of the complex, individual and group behavior, and many other factors.

5. DECISION-MAKING IN SMEs

For the beginning, relating to the theoretical elements presented in the first part of the article, we wonder to what extent the entrepreneurs are rational in the decision-making processes they develop. Busenitz and Barney (1997) consider that the entrepreneurs do not have time to go through a thorough, rational decision-making process. The same authors note that the use of some heuristic solutions can constitute an advantage for the firms that are in the start-up years.

Thomson (1967) suggests that under the conditions of an environment with a high degree of uncertainty (how the external environment is generally felt by the SMEs), the managers act inspirationally, neglecting any procedure or rule which was used previously. Relatively on the same coordinates, Van Gelderen et al. (2001) notices that a complex environment determines a behavior, planned actions, while a changing environment leads to opportunistic solutions (with a lower degree of rationality). Brouthers et al. (1998) shows that large companies (in terms of sales volume and employees) are significantly more rational than the small ones. Also, in their studies, it is shown that small enterprises gravitate around an average ratio of the rationality, an equilibrated point of view to which we subscribe.

Hereinafter we shall focus our attention on the elements of a decision-making process. As we already specified, the literature concerning the organizational decision identifies three components of the decision-making process: the environment, the decision-maker (most frequently in the case of SMEs the owner-manager) and the strategic decision process itself. These three elements are in permanent interaction (figure no. 3).



Source: Vermeulen, Curseu, 2008

Figure no. 3 A framework for entrepreneurial decision-making

Starting from this framework, a first research direction concentrates on the entrepreneur, respectively on his positioning versus the management processes inside the enterprise he founded. In most of the works concerning the SMEs, the entrepreneur is the central element of the management processes, a decisional quasifactotum. The management type of the SMEs is considered as being, as a rule, a very centralized one, sometimes concentrated exclusively in the hand of only one person, the owner-administrator. Torres (1999) uses to this effect the term “egofirm” to define the small business.

Marchesnay (2002) specifies that “in large companies can be said that the decision-making is substantiated on procedures and interindividual and collective relations. His rationality is, as H. Simon would say, «procedural». In antithesis, in the small organizations, the decision-making is done by only one individual, although this is surrounded by counselors. Consequently, it is a mental process and we must talk about the bounded rationality, according to H. Simon’s terminology.

A second direction very important in the literature concerning the entrepreneurial decisions starts from the premise that entrepreneurs are different from the managers, including (and especially) about the assumption of the decision (for example Papadakis et. al., 1998; Brouthers, 1998; Beattie, 1999; Gilmore and Carson, 2000).

Grieco (2007) considers that managers are associated with routine decisions, the entrepreneurs with non-routine decisions. Busenitz and Barney (1997) state that entrepreneurs are more inclined towards a heuristic manner decision-making than the managers of large companies. Casson (1991) emphasizes the specific of the decision-making process of an entrepreneur and delimits his decisional action field and his rational capacities thus: “an entrepreneur is a person specialized in making (intuitively) the decisions (reflections) relative to rare resources”.

Sarasvathy (2001b) considers that “entrepreneurs are entrepreneurial, as differentiated from managerial or strategic, because they think effectually”. Sarasvathy (2001a) identified two reasoning models that the individual can apply when he adopts the business decisions: causation and effectuation.

The term “effectual” is counterbalanced with that of “causal”. The causal reasoning starts from a pre-established purpose and seeks the identification of the optimal alternative – for reaching the given goal. A more interesting variation of causal reasoning represents the creation of additional alternatives for reaching the established goal. This form of causal reasoning is often used in strategic thinking.

The effectual reasoning does not start with a pre-established goal. It starts from a set of beliefs and premises, through a quota emergence, in time, from the imagination and aspirations of those who take part into the decision-making process defending the goals.

The successful entrepreneurs obviously use both models. It is obvious that they prefer the effectual reasoning to the causal one. While the casual reasoning can assume or not creativity, the effectual reasoning is, in its essence, creative. Both the causal reasoning and the effectual one assume a preparation and certain abilities, the effectual one additionally urges imagination, spontaneity, risk assumption.

A third important current in approaching the decisions in the small and medium enterprise is built on the comparison between an entrepreneur and a non-entrepreneur, in terms of cultural differences or in terms of the personal and professional characteristics.

The entrepreneurs are assumed to have specific characteristics that are distinct from those of the non-entrepreneurs that may influence the decisional process (Brouthers, 1998; Mador, 2000). One of the main characteristics is the way of perceiving the risks; they have the tendency of generalizing very easily the experiences and of believing that they will succeed.

The decision-making style also differs among different categories of entrepreneurs (Gustafsson, 2006). The novice entrepreneurs adopt a more analytical, more systematic style of processing the information (Ucbasaran et. al., 2008) and, implicitly, assume a more rigorously validated decision. Habitual entrepreneurs, who have a very large experience, appeal more frequently to heuristic refinement of information. When conditions imply a decision in a complex, unknown situation, the decision-makers try to structure the initial data in proportion to previous experiences or knowledge. Therefore, the new circumstances are adjusted to the old decisional situations and the same techniques used previously are applied. Such an approach, although faster, can be rather risky under the conditions of the contemporary business environment when the characteristics of the market change rapidly and require a management of change. The tendency of over-generalization starting from a few elements of the decisional situation (Busenitz and Barney, 1997) can lead to a loss of ability of being proactive.

There are also important differences between the first generation of entrepreneurs and the following ones. Dyer (1986, 1988) (quoted by Alderson, 2009) shows that the decision-making in first generation firms is more centralized than the following ones, these passing ulterior to a more professional management style (unfortunately we cannot raise awareness, understand or study very rigorously these hypotheses in Romania because in the Romanian enterprises the first generation of entrepreneurs is still in the management position, in a few of them being realized the full transfer of management to the next generation). Alderson (2009) shows that although they sensibly differ from the first generation, the next generations of entrepreneurs (we talk especially about the family enterprises) orientate after the value

of the enterprise (ruled by the founder), which they use as a decisional instrument, when they confront with a difficult decision in which they have very few information.

The biggest part of the elements presented previously is synthesized in table no.

1. Within this, a synoptic regarding the specific elements of decision making by an experienced entrepreneur, a novice one and a corporate manager is presented.

Table no. 1

Issue	Entrepreneur	Novice	Corporate manager
Make decisions explicitly around building a long term business	Most	Least	Med
Incorporate prior experience in decision-making	Most	Least	Least
Expand decision-making beyond the boundaries set by the scenario	Most	Least	Med
Incorporate market research into decision-making	Least	Most	Most
Worry about money – either funds available or the cost of executing the proposed solution	Most	Least	Least
Focus on what "I can sell" versus what "they can sell" (personally selling versus hiring someone)	Most	Least	Least
Define cooperative partnership relationships	Most	Least	Med
Use of "Effectual" (trying to control or shape the outcome without the application of predictive information) approach	Most	Least	Med
Use of "Analytical" (using predictive information to inform decision making) approach	Least	Med	Most

Source: [56]

In the decision-making processes in which the entrepreneurs are involved, they confront with a series of restraints, which can narrow their range of choices. These restraints are connected to the limited resources (especially the financial ones) and those that come from the exterior environment (in terms of institutions, regulations, market opportunities, geographical location etc.).

The context of making the strategic decision in the SMEs distinguishes from that of the large companies out of various considerations: the entrepreneurs do not have access to solid information like the managers of large companies; they are confronted with a more hostile external environment (events considered insignificant for a large company can become important for an SME). On the other hand, confronted with repetitive decisions, the large companies often develop routines, which simplify in time the managers' activity. The entrepreneurs do not develop such routines. In the SMEs, the decisions are assumed in the order in which they appear in a reactive way, with powerful constraints concerning the resources (material, financial, human) (Varraut, 1999). The simple and functional structure makes the owner-manager to use his time for current and tactical decisions. The time spent inside the enterprise curtails the entrepreneur of a scanning of the external environment. Consequently, in the context of a very dynamic and very complex external environment, the rationality of the strategic decisional processes is very weak.

In another plan, the external environment exercises a powerful influence on the organizational decision-making processes (including on those within the small and medium enterprises) through the national culture. This can be defined as: “a common frame of reference or logic by which members of a society view organizations, the environment, and their relations to one another” (Geletkanycz, 1997) or “the traditions, the attitudes and certainties, the behavioral rules, the values that characterize a certain country” (Ionescu, Toma, 2001, p. 193). In the opinion of some authors (S. P. Robins, quoted by Huțu, 2003, p. 88), the national culture has “a greater impact on the employees than the organizational culture, it forms the cultural context for the organizational culture”.

The most known analysis system of the national culture was proposed by Hofstede (1980) and uses four dimensions: uncertainty avoidance, individualism, masculinity, and power distance.

Relapsing into the decision-making processes, of a very general manner, in the organizations placed in cultures rating high on power distance, the centralization of the decision is remarked, while in the organizations placed in cultures scoring low on the power distance, a decentralization of the decision is realized, in the important decision processes being co-opted all the categories of stakeholders. But this can slow down a lot the decision process. On the same line, in the organizations from the collectivist cultures, in the decision-making, especially of the important ones, with major implications at the organization level, the consensus is looked for (sometimes this is imposed through pressure). In the organizations from the individualistic cultures, the confrontation of ideas is specific and very frequently it arrives to voting for the selection of the best alternative.

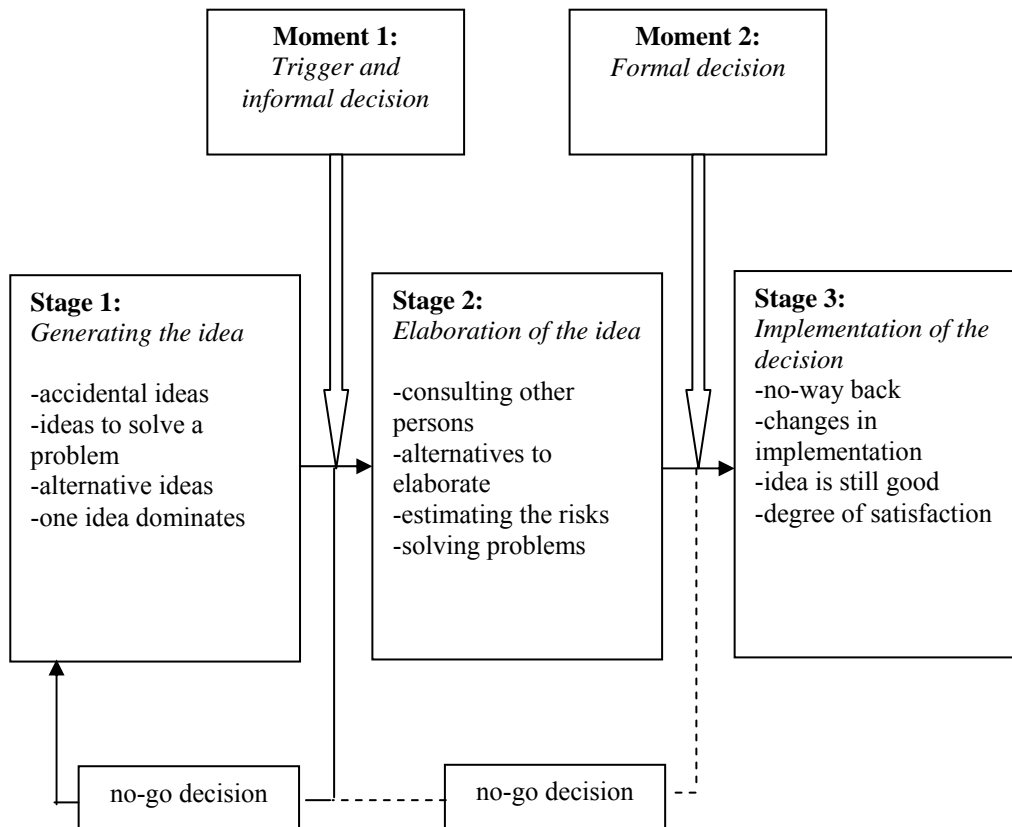
Focusing on the decision processes in the SMEs, the national culture can influence the starting a business decision-making, the risk assumption/disclaim, the criteria for selection decisional alternatives, the employees’ type of involvement, the joining in entrepreneurial teams.

Under these difficult conditions (high uncertainty, insufficient financial, human, information resources, rapid environment changes), successful entrepreneurs make decisions on the basis of a skill called “practical intelligence”. The concept was theorized by Professor Robert J. Sternberg (2004) from Yale University, as follows:

“Practical intelligence is what most people call common sense. It is the ability to adapt to, shape and select everyday environments. Intelligence as conventionally defined may be useful in everyday life, but practical intelligence is indispensable. Without some measure of it, one cannot survive in a cultural milieu or even in the natural environment. In our work, we have studied many aspects of practical intelligence, although we have concentrated on one particularly important aspect of it, tacit knowledge, namely the procedural knowledge one learns in everyday life that usually is not taught and often is not even verbalized.”

Practical intelligence allows making more quick decisions on issues and opportunities faced by an entrepreneur. Also, through practical intelligence decisions seemingly intuitive, non-rational can be properly understood and explained (Baum, 2005).

Hereinafter we will try to identify a differentiation of the decision-making process within an SME. In the specialty literature we identified such a model to Gibcus and van Hoesel (2004). The model assumes three stages and two moments (figure no. 4).



Source: Gibcus, van Hoesel (2004).

Figure no. 4 A. model of the decision-making process by SMEs

The callout of the model can help us understand many of the mechanisms of the decisional process that is specific for the SMEs.

The first stage – generating the idea – does not involve an illumination moment. Instead we can talk about an incubation process. In most of the cases, show the two authors, when they make a decision, the entrepreneurs do not think about alternative solutions. The first idea, sometimes with minor adjustments, develops into a decision. This is an indication of the predominance of emotional elements. Even if there is not a pressure in the decision-making, the entrepreneurs do not develop alternative solutions.

Before going to the next stage, a mediate step is needed – trigger and informal decision. The trigger is a stimulus that determines the entrepreneur to refine the idea. Depending on the intensity of the idea and the incubation period, the releaser must be more powerful or weaker, direct or indirect. The informal decision is not written, it manifests as an intention in the entrepreneur’s mind, a verbal agreement between the associates.

After making the informal decision, it is gone to the elaboration of the idea. Within this stage the alternatives are inventoried (the original idea remains unaffected, the alternatives being only feelers, shadings around this basic idea) and analyzed (almost exclusively in economical terms – of costs and benefits); the third parties are

consulted – bankers, advisors, employees (their role still remains significant); the risks and potential obstacles are identified (most of the times this activity is superficial; still when a relatively correct dimensioning is done, there can interfere an over-appreciation of the personal capacities, of the enterprise itself to overtop these problems).

After this stage another crucial moment intervenes in the decision-making process – the formal decision (unfortunately, in the small and medium Romanian enterprises, the informal dominates this moment, too, very rarely it can be talked about a written, institutionalized decision; sometimes the formality is realized indirectly, by concluding a sale contract, a contract of service; for the most part, and we do not talk about a situation specifically Romanian, the formal decision differs very little from the informal decision).

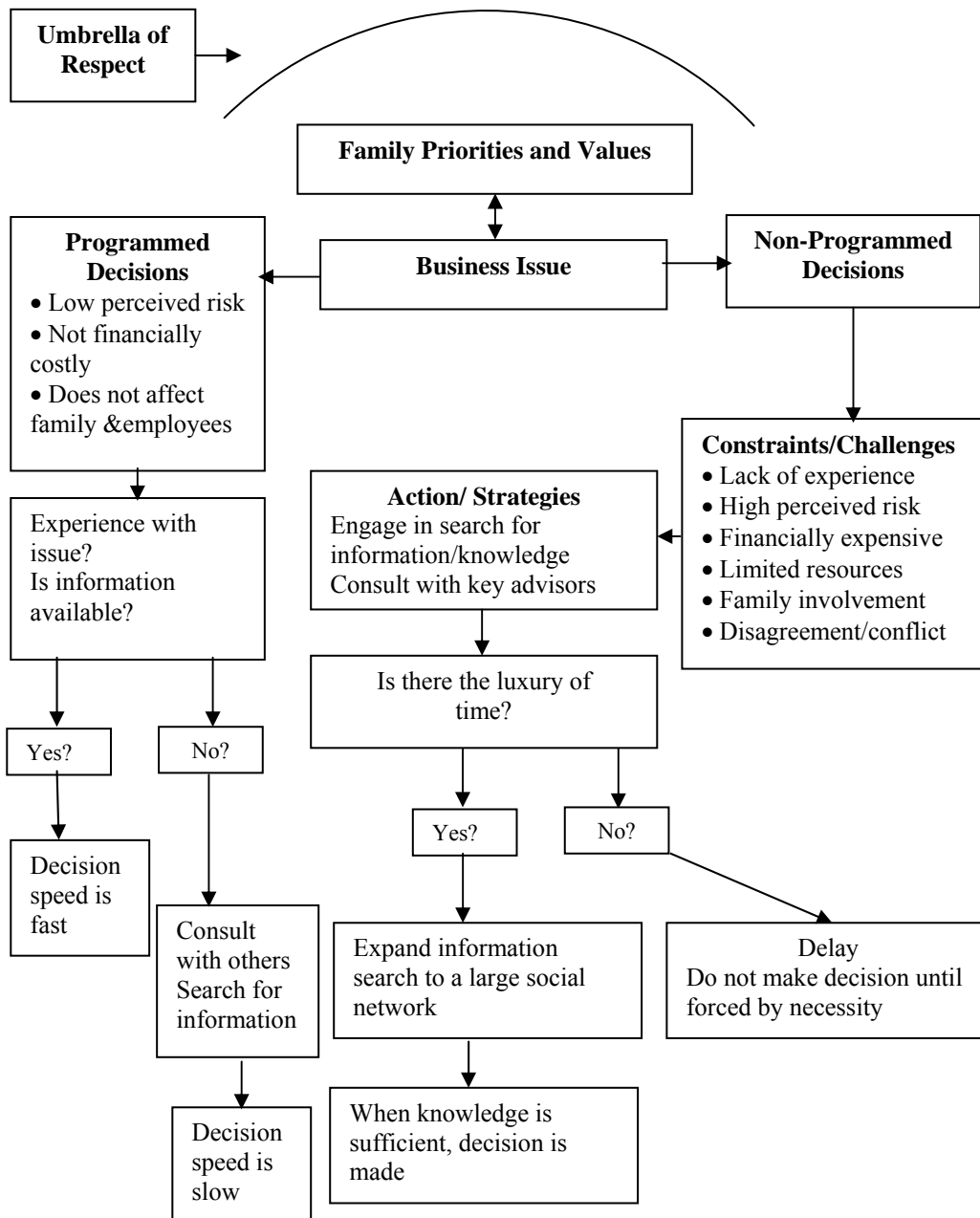
The third stage assumes the implementation of the decision. The main problems with which the enterprise confronts in this stage are financial. The difficulties they encounter do not discourage the entrepreneurs, do not determine them to revise their decision. The cessation of the implementation is done very rarely, although sometimes it might be justified, necessary (most of the times the main encumbrance in this intercession is the entrepreneur's hubris).

From our point of view there are various impediments that make the previously presented model able to be used in the understanding of the decision-making processes within a small and medium enterprise (although its valences are indisputable, predominant): the model was conceived for the strategic decisions; the elements connected to the personal values, the influences exercised by the family, the entrepreneur's experience are ignored; it does not highlight very clearly the influence of some constraints connected to the financial resources or the time factor.

Another model is presented by Alderson (2009) and regards the decision making within a family business, administrated by the second generation of entrepreneurs (figure no. 5). It is noticeable that the model does not come with a new structure of the decision-making process, with a new series of stages, but it rather brings up the stipulations that intervened during the decision-making process.

Approached complementary to the previous model, Alderson's model can facilitate the understanding of the decision-making processes of a small and medium enterprise.

Judged individually, in our opinion, the model exacerbates the entrepreneurs' preoccupation for information, documentation. The model presents, however, in our opinion, an advantage to the model previously presented, making distinction between the programmed and non-programmed. Relatively in the same lines, we believe that we should make a distinction between the decision-making configuration mode according to the problem on which it is centered (Ionescu et al., 1999, p. 28): crisis (serious difficulty requiring an immediate action), non-crisis (problem requiring solving the problem but which has not simultaneously the importance and/or "emergency characteristics" or immediate pressure of a crisis), opportunity (a situation which offers a strong bargain potential if appropriate actions are taken).



Source: Alderson, 2009

Figure no. 5. A model of second-generation family business decision-making

The current period, at global level (but more visibly in Romania), is characterized as an era of information and knowledge, reflected by shifts in the mode of approach and business administration. Do these shifts also affect the management of small and medium enterprises, namely, the way the entrepreneur makes decisions? Although scholarly literature is quasi-unanimous in giving an affirmative answer to this question, the references are not very generous in terms of the practical ways in which

knowledge-based society has influence over the management of SMEs, the adoption of entrepreneurial decisions.

Under these circumstances, Johannison et al. (1999) introduced the term of intellectual entrepreneurship in the scholarly literature. This concept must be understood as (Kwiatowski, Sharif, 2005): “business venturing undertaken by «intellectuals», and/or intellectual features of any successful venturing undertaken within knowledge dense environment”.

The intellectual entrepreneur (drawing on different constituencies, combining information screening and absorption capacities, etc.) also achieves an approach of decision-making processes different from the traditional one (Filinov, 2003). This is due, firstly, to the different character (compared to those in traditional economy) of the issues encountered (Table no. 2).

Table no. 2 Nature of Business Problems in Traditional vs Intellectual

Main Characteristics of Business Problems	Entrepreneurship	
	Traditional Entrepreneurship	Intellectual Entrepreneurship
Type of Management	Reactive	Pro-Active
Type of Problems	Typical, Repeating	Unique
Main Motivator	Profit	Realization of Creative Ambitions
Type of Choice	Based on Criteria and Expert Estimates	Holistic
Structure of the Problem	Good, Known Before	Ill, Unknown, Complicated

Source: Filinov, 2003

Based on specific elements of intellectual entrepreneurship, Filinov (2003) also establishes several features for structuring (on stages) the decision-making processes (Table 3).

Table no. 3

Stage of decision making process	Intellectual Entrepreneurship Feature as Enabler
Preparation	Broad and diversified knowledge base
Definition	High ability to abstract conceptualization, combination of information-screening and absorption capacities
Diagnostics	Ability to find alternative images of a certain phenomenon
Design	Intellectual is fascinated with problem-solving
Incubation	Integration of professional and private life
Illumination	High creativity potential
Enactment	High ability to identify action fields which are “enactable”. Interest in materializing concepts as contrast with pure intellectual
Decision	Entrepreneurial capabilities provide for resolute actions
Verification	Unattached behavior
Selection	Critical mind
Retention	High ability to abstract conceptualization, creation of a theory-in-use

Source: Filinov, 2003

The differences in the approach of decision-making processes within intellectual entrepreneurship, compared to the traditional entrepreneurship, should also be acknowledged in the Romanian academic environment. The programs of study (disciplines within them) that have entrepreneurship as specific should spur the formation of an intellectual decider, prepared for the knowledge-based society.

5. CONCLUSIONS

The decision-making process within the SME has many specificity elements (through reference to a large companies) and must benefit by a distinct, dissociate approach.

The understanding of the development of decision-making processes can help to formulate some solid, pertinent explanations and predictions regarding the entrepreneurial phenomenon.

The elements presented in the present material can only be constituted in a very general framework, the influence of the contextual elements determining a multitude of possible decisional situations that are hard to synthesize, systematize and present.

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