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Leaders' Risk Propensity and Delegation of Critical Decision-Making Authority

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Abstract

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Abstract

A leader's unwillingness to delegate critical decision-making authority to subordinate managers and employees negatively impacts the performance of a firm. There is a lack of research that measures a leader's willingness to delegate critical decision-making authority to subordinate managers and employees based on their individual risk propensities. The purpose of this study was to provide empirical evidence of the influence risk propensity has on a leader's willingness to delegate critical decision-making authority. Specifically, this study examined the extent that risk propensity of leaders affect delegating critical decision making authority to subordinate managers and employees. The research design was a quantitative cross-sectional, correlation study that involved 56 questions. The study participants (N = 102) were presidents, CEOs, corporate executives, and chairpersons. The Stimulating-Instrumental Risk Inventory measured risk propensity and the Delegation Decision Instrument measured the willingness delegate critical decision-making authority. Both instruments showed to be reliable in terms of internal consistency for the measurement tests. Survey results revealed a significant negative correlation between a leader's risk propensity and the willingness to delegate critical decision-making authority. These findings suggested that leaders who retain primary responsibility for critical decision making have high risk propensity while those who delegate decisions have less risk propensity. These findings may equip theorists of risk propensity and decision-making on the relationship between delegation behaviors, risk propensity, and organizational performance. This research and the resulting analysis provides decision makers a window into their individual risk propensity preferences.

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Dedication

I dedicate my dissertation work to my family and many friends. A special feeling of gratitude to Dorothy Frances Doctor and Peterine Lois Doctor, for without their affection, love, encouragement and push for tenacity this achievement would not be possible. To my sisters and brothers who have always loved me unconditionally and whose good examples have taught me to work hard for the things that I aspire to achieve. I also dedicate this dissertation to Francesca Lawrence who has inspired me to pursue my dreams. I am truly thankful for having you in my life.

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Chapter 1: Introduction to the Study

Background

Business enterprises are social entities that are goal directed with deliberately structured activity systems (Brown, 2011; Daft, 2015). When business enterprises are successful, value is created for owners, investors, customers, employees, and other stakeholders. Businiess enterprises bring together resources to accomplish specific goals, whether those goals are strategic, such as international expansion, or operational, such as improving production capacity. High-performance enterprises produce goods and services utilizing innovative processes, techniques, and modern manufacturing technology for competitive pricing and sustaining or improving market capitalization. Enterprises are never completely static and they do not exist in isolation of other entities. They have continuous interaction with external forces, including competitors, customers, governments, stockholders, suppliers, society, and unions (Brown, 2011; Daft, 2015).

Leadership is a crucial dynamic of business success. Leadership drives business effectiveness through strategic and operational application of critical decisions. Critical decisions are decisions that match the strategic competencies of an enterprise with its operating environment (Denis, Kisfalvi, Langley, & Rouleau, 2011; Papadakis & Barwise, 2002). Critical decisions are strategic, operational, and administrative decisions that improve an oganization's future, keep it competitive, and address imperative needs directed at the current and envisioned future state (Denis et al., 2011; Papadakis & Barwise, 2002). Critical decisions are infrequent decisions formed by top leaders that drive performance, negatively or positively, and an organization's survival in its

operating environments. Critical decisions shape the cause of an organization; in other words, the decisions which are paramount, in terms of actions taken, resources committed, or precedents set (Janczak, 2005). Critical decisions drive capacity and capability, establish quality dimensions, influence change, shape direction, operationalize mission, vision, and ethics, and exemplify the selection of the most appropriate market entry strategies and problem solving solutions.

The role of leadership is to evaluate and select strategic options, formulate strategic processes, and direct the implementation of selected options (Bass, 2008; Northouse, 2012). Leadership professionals are responsible for directing the organization towards process improvement and operational efficiency. They are responsible for making critical decisions regarding an enterprise's competitive positioning, vertical integration, process technology, operational capacity and capabilities, and facility utilization. Additional critical decision areas may include supply chain management, change management initiatives, strategic usage of information systems, quality and regulatory control systems, asset investments, financial risk, and risk management systems. These critical decisions are a part of the organization's strategic development processes. Leadership professionals formulate critical decisions that ultimately place the enterprise in positions to succeed or fail in every facet of operations (Hitt, Ireland, & Hoskisson, 2012; Kriger & Zhovotbryukh, 2012). The execution of critical decisions rest with organizational leadership unless responsibility is delegated.

The leadership team is responsible for directing businesses to achieve strategic purposes for which it exists. This position is entrusted to formulate critical decisions

directly affecting the nature and success of the enterprise. These decisions are those concerned with both internal and external affairs. Critical decisions influence strategy formation and implementation, change, information technology, knowledge management, product and service diversification, competitive positioning and marketing presence, global expansion, rules, regulations, and policys. The process of making a critical decision is both complex and time consuming. To utilize their time effectively, leaders delegate critical decision tasks to subordinate managers and employees. Delegation of authority is a system that transfers task authority to another person to perform functions on behalf of the former (Chevrier & Viegas-Pires, 2013; Yukl, 2012). As leaders continue to seek innovative ways to maximize productivity and increase business performance, it has become progressively necessary to understand characteristics and motivations of delegating critical decision-making authority (Chevrier & Viegas-Pires, 2013; Sengul, Gimeno, & Dial, 2012).

There is a considerable amount of risk associated with making critical decisions. Risk is defined as a deviation of one or more results of one or more future events from their expected value or outcome (Chen, Wang, Herath, & Rao, 2011; O'Neill, 2001; Renn, 1998; Spulick, 2015). O'Neill (2001) argued risk is the uncertainty of outcomes. Risk is inherent to critical decision making because these decisions are often made in environments of uncertainty. Uncertainty in environmental forces, project risks, and unforeseeable accidents affect the probabilities of risk which could result in financial loss or fundamentally undermine the marketplace position of an organization. Another risk probability that affects the critical decision development and selection is the decisions

maker's risk propensity. Risk propensity is defined as a tendency to take or avoid risks (Chen et al., 2011; O'Neill, 2001; Spulick, 2015). Risk propensity impacts the options a decision maker is willing to chance when making a decision, to include delegating the authority of critical decision making. Risk preferences and values affect the position of whether leadership chooses to delegate critical decision-making authority. Critical decisions are the result of several decision formulas which include the risk propensity of the decision maker. Delegation of critical decisions making authority involves taking risks (Sengual et al., 2012). Risk is an inherent element of critical decisions (Bodnar, Giambbona, & Harvey, 2014).

Problem Statement

While previous research has explored risk propensity (Chen et al., 2011; Keil, Wallace, Turk, Dixon-Randell, & Nulden, 2000; Macrimmon & Wehrung, 1990; O'Neil, 2001; Renn, 1998; Spulick, 2015), delegation of authority (Chevrier & Viegas-Pires, 2013; Håkonsson, Burton, & Obel, 2012; Harris & Raviv, 2005; Lee, 2010; Sengul et al., 2012;Yukl, 2012), organizational leadership (Bass, 2008; Daft, 2015; Denis et al., 2011; Kriger & Zhovotbryukh, 2012; Northouse, 2012; Tichy & Cardwell, 2004; Yukl, 2012), and critical decisions (Janczak, 2005; Kriger & Zhovotbryukh, 2012, Papadakis & Barwise, 2002; Wilburn & Wilburn, 2011), there is a lack of research that combines these theories in measuring a leader's willingness to delegate critical decision-making authority to suborndinate managers and employees based on their individual risk propensities.

The question addressed in this study is how much does risk propensity influence a leader's willingness to delegate critical decision making authority to subordinate

managers and employees. This study sought to determine a leader's willingness to delegate critical decision making authority based on the effect of their individual risk preferences. Although previous research has explored critical decisions (Denis et al., 2011; Hitt et al, 2012; Janczak, 2005; Kriger & Zhovotbryukh, 2012; Papadakis & Barwise, 2002; Wilburn & Wilburn, 2011) and delegation of authority (Chevrier & Viegas-Pires, 2013; Harris & Raviv, 2005; Lee, 2010; Sengul et al., 2012; Yukl, 2012), this study includes the creation of a research instrument combining both theories to measure a leader's decision to delegate critical decision making authority to further explore the relationship between risk propensity and a willingness to delegate critical decision making authority. Delegation of critical decision making based on risk preferences remains relatively unexplored despite evidence of its importance to enterprise effectiveness.

Research

The focus of this study is delegation of critical decision-making authority as it is executed by leaders with various risk propensities. Delegation of authority empowers specific decision making criteria in the execution of the task assignment. It is a shift of decision-making authority from one organizational level to another. However, the leader who delegates decision making authority remains accountable for the outcome of the delegated responsibility.

Researchers have shown that effective delegation of authority to subordinate managers and employees is essential to increased productivity and successful business enterprise performance (Yukl, 2012). There are serious disadvantages when a small

number of top leaders personally formulate or approve most decisions. The focus of this study is the delegation of critical decision-making authority by leaders with various risk propensities. The question, then, is to what extent, if any, the risk propensities of leaders affect their delegation of critical decision-making authority to subordinate managers and employees.

According to Bass (2008), it is common for leaders to experience difficulty with delegating critical decision making authority, thus becoming hesitant in transferring authority for critical decision making. Delegation of authority involves trusting the individual assigned said authority. Trusting another person to accomplish a task at a specific standard comes with degrees of risk. Entrusting subordinate managers and employees with authority and establishing accountability for results are pivotal elements of effective delegation of critical decision making authority to accomplish enterprise goals. According to Bass (2008), risk propensities affect the leadership that emerges during opportunities to delegate authority. Leaders take some degree of risk, knowing that it goes hand and hand with success and failure. All risks are not equal and there are situations where the best choice is not obvious (Chen et al., 2011; Gollier, Hammitt, & Treich, 2013). During these situations a leader's risk propensity determines the degree of risk he or she willing to assume.

Purpose of Study

The purpose of this study was to investigate the relationship between delegating critical decision-making authority by leaders with various risk propensities levels in order to identify and describe, through quantitative research, assumptions drawn upon leaders

with various risk propensities. This study details, documents, and explains the ways in which risk propensity influences delegating critical decision-making authority to subordinate managers and employees. Specifically, this research explored both the willingness of a leader to delegate critical decision making to subordinate managers and employees based on their risk propensity and to what extent, if any, there exists a willingness to delegate critical strategic decisions more or less than delegating critical operational decisions.

This research provided new information available to leadership theorists, researchers, universities, business enterprises, leaders, and leadership development program administrators. This research illustrated a range of delegation behaviors based on risk propensities of leaders. With this available research, business enterprises, leaders, and leadership development administrators can better identify and keep current on the influence risk propensity in delegating critical decision making authority.

Futhermore this study provided quantitative evidence through a structured questionnaire to a sample of 102 leaders that provided data of the influence of risk propensities on the willingness to delegate critical decision making authority, provided support to the existing body of knowledge with regard to leadership, delegation of authority, critical decisions, risk propensity, and added another dimension to the understanding of specific leadership phenomena, specifically in the assignment of delegating critical decision-making authority to subordinate managers and employees. Questionnaires was sent to 1040 potential participants. This study investigated how

significant a role leader's risk propensity has in delegating critical decision-making authority subordinate managers and employees.

Few things in organizations are as persuasive as leadership. Leadership is seen from the boardroom to the battle fields of war. Leaders guide nations as well as religious congregations. Leadership is exercised throughout organizations all over the world. The health and growth of all business enterprises rises and falls on leadership (Bass, 2008; Daft, 2015). The wellbeing of all firms primarily rests upon the leadership factor (Yukl, 2012). According to Bass (2008) , Daft (2015), and Northouse (2012), other factors such as resources, location, personnel, and opportunities are also important, but these factors will be impacted by competent or inept leadership.

Theoretical Framework

A theoretical framework is presented which provided guidance for exploring the existing extant literature for establishing a theoretical base. The theoretical models involved in this study are leadership, strategy and critical decisions, delegation, and risk taking. Researchers in leadership have advocated that leadership provides the vision and direction an organization is to pursue (Bass, 2008; Daft, 2015; Gregoire & Arendt, 2014; Kriger & Zhovotbryukh, 2012). Daft (2015), Northouse (2012), and Tichy & Cardwell (2004) argued that leadership provides sufficient support to stakeholders while executing an organizations vision. The theoretical model of leadership suggests its purpose is to motivate and inspire organizational personnel and stakeholders effectively with purposeful vision and strategic direction. Further explanation of the leadership theoretical frame will be explored in Chapter 2.

Researchers in critical decisions have advocated the exploration of the dynamics of strategic and operational decisions to develop a greater understanding of how top leadership in organizations utilize these decision dynamics for the sole purpose of furthering the mission of the enterprise (Janczak, 2005; Papadakis & Barwise, 2002). The theoretical model of strategy suggests organizations survive and prosper through effective utilization of critical decisions. Further explanation of critical decision theoretical frame will be explored in Chapter 2.

Researchers in delegation of authority have advocated delegation of authority literature is built on the observation that delegation of decision making authority can lead to beneficial outcomes (Daft, 2015; Lee, 2010; Sengul et al., 2012). According to Sengul et al. (2012), delegation, or empowering one to act on behalf of another, is a sine qua non of the modern firm. The general theoretical model of delegation of authority suggests delegation of decision making to subordinate managers and employees is efficient when they allocate resources, including their own efforts, in ways that do not divert from the organization's objectives. Based on the review of the delegation of authority literature, existing research is categorized by the emphasis on different dimensions of the delegation process: (a) the selection of managers or agents, and (b) the allocation of decision rights and organizational design. Studying delegation of authority directs theorists and researchers understanding of how leaders, staff and organizations flourish through effective usage of delegating decision making authority. Further explanation of delegation of authority theoretical frame will be explored in Chapter 2.

Researchers in risk propensity have advocated the study of risk has been of interest to academics for hundreds of years (Kuzniak, Rabbani, Heo, Ruiz-Menjivar, & Grable, 2015); however, most attempts to understand risk tolerance are relatively recent (Dohmen et al., 2011). Risk tolerance revolves around four methodologies: choice dilemmas, utility theory, heuristic judgments, and subjective assessment. Gollier, Hammitt, and Treich (2013) and O'Neill (2001) argued the study of risk taking explores and measures an individual's risk propensity in decision processes. Risk taking is measures the willingness or unwillingness of an individual to make a decision based on situational dynamics (Dohmen et al., 2011). The theoretical model of risk taking suggests there are two ends of the risk taking spectrum, risk seeking and risk averse, with risk neutral as the median risk preference. Risk taking emerged in the early part of the twentieth century as a means to predetermine individual actions. The purpose of risk taking studies is to determine through exploration an individual's behavioral and emotion patterns when presented a decision situation involving calculating unknown outcomes. Risk taking research evolved in the field of psychology. Studying risk taking directs theorists and researchers understanding of how individuals perform in decision processes under conditions of risk and uncertainty. Further explanation of risk propensity theoretical frame will be explored in Chapter 2.

Research Questions/Hypothesis

Question/Hypotheses

Over the past three decades, the role of risk in decision making has been the topic of extensive research (Renn, 1998). Researchers who study leadership, risk propensity,

critical decisions, anddelegating of authority have underscored the importance of acknowledging influence of risk propensity as a foundation. This foundation assists in understanding how leaders delegate critical decision making authority within organizations (Bass, 2008; Daft, 2015; Hitt et al., 2012 Keil et al., 2000; Janczak, 2005; Lee, 2010; Papadakis & Barwise, 2002; Renn, 1998; Tichy & Cardwell, 2004; Yukl, 2012; Wilburn & Wilburn, 2011). However, there has been little examination of the level and determinants of risk propensity's relative influence on a leader's willingness to delegate critical decision making authority to subordinate managers and employees. Additionally, Renn (1998) found that individuals vary in their perceptions between reality and the possibility of adverse effects. Therefore, this variation results in the courses taken and outcomes achieved in human decision activities.

Researchers who have previously studied risk propensity have not distinguished the relationship between risk and delegating critical decision authority to subordinate managers and employees. Leaders who make critical decisions give organizations the capability to compete across industries by improving organizational efficiency and effectiveness (Papadakis & Barwise, 2002). Hitt et al. (2012) and Janzcak (2005) argued critical decisions are risky decisions that influence the capability to manage significant firm resources than may lead to creating or sustaining competitive advantages. However, there is no empirical evidence showing to what extent risk propensity influences delegating critical decision making authority to subordinate managers and employees.

The importance of studying these issues is increasing, given the nature of organizations, the effects of critical decisions on organizational performance, and the

consequent demands for efficient usage of organizational resources to remain effective in national and global landscapes. Because strategic and operational critical decisions affect the capabilities of organizations differently, these two dynamics within the critical decision umbrella should also be studied to give organizations, leaders, and research the capability to understand the implications and lead to these differences when necessary.

Based on the notion that risk propensity affects the willingness of leaders to delegate critical decision-making authority to subordinate managers and employees, it is relevant for social science researchers, practitioners, universities, and senior leaders to develop an understanding of the influence risk propensity has on leaders within the organization.

The research questions for this study are:

Research Question 1: To what extend does risk propensity of leaders affect delegating critical decision making authority to subordinate managers and employees?

H1-0 (ρ ($R \infty D$) $\geq$ 0): Leaders with high risk propensity are equally or more likely to delegate critical decision making authority to followers than those with low risk propensity.

H1-a (ρ ($R \infty D$) $<$ 0): Leaders with high risk propensity are less likely to delegate critical decision making to followers than those with low risk propensity.

In mathematical formula,

H1-0: ρ ($R \infty D$) $\geq$ 0

H1-a: ρ ($R \infty D$) $<$ 0,

Where ρ, *R*, *D*, ∞ refers to correlation, leader's risk propensity, leader's delegation of decision making authority, and between the two variables, respectively.

Research Question 2: To what extent does risk propensity of leaders affect delegating critical decision making authority for operational and strategic decisions?

H2-0 (ρ (R∞DO) $\leq$ ρ (R∞DS)): Leaders with high risk propensity are equally or more likely to delegate critical decision making authority for operational decisions to followers than strategic decisions.

H2-a (ρ (R∞DO) $>$ ρ (R∞DS)): Leaders with high risk propensity are less likely to delegate critical decision making authority of operational decisions to followers than strategic decisions.

In mathematical formula,

H2-0: ρ (R∞DO) $\leq$ ρ (R∞DS)

H2-a: ρ (R∞DO) $>$ ρ (R∞DS)

Where DO and DS refers to leader's delegation of decision making authority for operational decisions, and leader's delegation of decision making authority for strategic decisions, respectively.

Definitions

The variables used in this research merit defining since many of the constructs can have more than one meaning or intended definition. For this study, the dependent variable is delegation of authority. For this study, the independent variables are critical decisions, leadership, and risk propensity. This study will examine the relationship

between a leader's propensity for risk taking and his or her willingness to delegate critical decision making authority and their propensity for risk taking.

For the purpose of this study a critical decision is defined as decision matching strategic, operational, and administrative competencies of the business enterprises with its operating environment. Critical decisions are utilized to develop the future of a business enterprise, sustain or advance its competitive position, and address critical needs directed at its current and envisioned future state (Hitt et al., 2012; Papadakis & Barwise, 2002). According to Hitt et al. (2012) and Janczak (2005), critical decisions are those fundamental decisions that shape the purpose of a business enterprises, in other words, the decisions which are important, in terms of actions taken, resources committed, or precedents set. Critical decisions drive capacity and capability, establish quality dimensions, influence change, shape direction, operationalize mission, vision, and ethics, and exemplifies the selection of the most appropriate market entry strategies and problem solving solutions. Critical decisions are risky and significant decisions made by top leaders of a business enterprise that affect its performance, negatively or positively, and its survival in its operating environment.

For the purpose of this study leadership is defined as the ability to influence the behavior and outlook of enterprise stakeholders by persuading them to follow a particular course of action and achieve a particular future. According to Northouse (2012), leadership executives are responsible for the strategic vision, mission accomplishment, resource allocations and acquisitions, and internal and external affairs of a business enterprise. Leadership involves formulating strategies that extend beyond enterprise

boundaries into the external environment (Hannigan, Hamilton III, & Mudambi, 2015; Hitt et al., 2012; Spulick, 2015). According to Men (2012) and Ryan (2012), leadership is a symmetrical relationship of influence, where one actor guides or directs the behaviors towards a certain goal over a certain period of time. Leadership theorists Bass (2008) and Northouse (2012) explain leadership as a function that employs analytical tools and frameworks that surfaces data required to make critical decisions concerning a firm's vision, direction, and performance to achieve operational excellence.

For the purpose of this study delegation of authority is defined as both and art and a science (Daft, 2015; Donnell, Yukl, & Taber, 2012; Yukl, 2012). According to Harris and Raviv (2005), delegation is an authoritative decision that transfers decision making authority away from a leader to subordinate managers and employees. Delegation of authority is the practice of transferring proper authority to complete task assignments (Hoque, 2011). It is the assignment of specified authority to execute delegated activities. This transfer of authority authorizes subordinate managers and employees to make critical decisions in performance of business tasks (Daft, 2015; Northouse, 2012). However, leaders remains accountable for the ultimate outcome regardless of decision making authority granted.

For the purpose of this study risk propensity is defined as an individual's propensity to take or avoid risks (O'Neill, 2001; Renn, 1998). An individual's risk propensity may have significant impact on delegation of critical decision making authority under conditions of risk and uncertainty. For the purpose of the study risk must also be defined to better understand risk propensity. Risk is the uncertainty of outcomes.

According to risk theorist O'Neill (2001) and Renn (1998), risk is the deviation of one or more results of one or more future events from an expected value or outcome. Technically, the value of those results may be positive or negative. Uncertainty in environmental forces, project failures, and unforeseeable accidents affect the probabilities of risk. During times of high risk alternatives individual risk preferences and values affect the leadership that emerges. Degrees of risk go hand and hand with degrees of success.

Assumptions

In this study, it is assumed that respondents will be truthful in answering survey questions. It is also assumed that the samples to be used for this study are representative of risk propensities of leaders. While the majority of the research found addresses leadership traits, risk propensity, critical decisions, and delegation of authority, risk propensity both positively and negatively affects the willingness of leaders to delegate critical decision-making authority to subordinate managers and employees.

Scope and Delimitations

The scope of this study is the delegation of critical decision making authority based on the risk propensities of leaders. This study investigates the significance of a leader's risk propensity in relation to their willingness to delegate critical decision-making authority to subordinate managers and employees. This study considers the perceptions of others within the leadership circle concerning the usage of delegation and the influence of risk propensity.

Delimitations of this study are the boundaries of the question and inquiry, the case studies and scholarly literature to be studied, and the setting of the study. A second

delimitation is this study is a mail survey of current senior management and executive rank personnel in various industries globally, excluding individuals who do not currenttly hold critical decision-making authority.

Limitations

This is a cross-sectional survey study of a leader's behavior based on risk propensity. It is assumed that causality exists and using one group to test causality. Survey study is used for testing relationships and associations amongst variables in a study, not causality. Therefore, a limitation of this study is that it does not necessarily confirm causality. A second potential limitation is the generalizability of the findings. Respondents varied in range of critical decision responsibilities or work within a tight controlled enterprise which regulates risk for top leaders. A third limitation is the response rate of the survey. The respondents included for this study are in the senior management category that generally filters the email messages from senders whom they do not recognize and therefore may ignore the email invitation to participate in the survey.

Significance of the Study

This study is significant because little research has been conducted with regard to the relationship of delegating critical decision making authority by leaders with varying risk propensities for improved understanding of delegation and decision processes. This study sought to extend the knowledge, skills, values, and attitudes needed by individuals in the leadership category. The trend of leadership research in the past has been based on broad application of transactional, transformational, visionary, situational, and

charismatic leadership styles (Daft, 2015; Dionne, Gupta, Sotak, Shirreffs, Serban, Hao, & Yammarino, 2014; Gardner, 2010; Northouse, 2012). This study of the variances in execution of delegating critical decision making authority in relationship with leaders' risk propensities provides exploratory research on how this relationship influences firm productivity and performance. This cross-sectional study of delegating critical decision making authority employed by leaders with various risk-propensities adds to the knowledge base and provide further direction for leaders aspiring to be successful at increasing firm productivity and performance by properly delegating critical decision-making authority.

This study highlights the complexity of the affect risk propensity has on the willingness of leader to delegate critical decision making authority to subordinate managers and employees. There exists a need to better interpret the relationship between risk propensity and delegating critical decision making authority to increase our understanding of leadership behaviors in order to understand what affect this relationship has on delegating critical decision making authority to subordinate managers and employees. Leadership skills require continuous learning and feedback in order to improve its effectiveness and utilization. The findings in this study adds to the pool of leadership and decision-making knowledge that will benefit leaders in their ability to leverage future business enterprises, and future research projects.

The impact of this study on social change directly addresses the need for broader leadership and subordinate professional development. As the global marketplace has become the dominate marketplace business enterprises continue to seek innovative ways

to strengthen performance and productivity. The global marketplace influence makes it increasingly necessary to increase our understanding of and improve upon leadership performance and inclusion of subordinates in critical decision making. The social benefit of professional development is it improves the skill sets of leaders, subordinate managers, and employees. When leaders improve their skill sets other employees benefit from their actions. Delegating critical decision-making authority empowers subordinate managers and employees to participate in important business decisions. This inclusion and trust is a powerful motivator for subordinate managers and employees. The consequences of leadership development initiatives directly affect the lives of so many stakeholders, far beyond those who participate in leadership development efforts. Effective leadership designs a workplace where as many individuals as possible have the opportunity to make critical decisions important to the success of the firm and their professional development. As competition increases between business enterprises, the need for superior quality, increased capacity and capability, and competent workforces necessitates effective delegation at all levels. In this study I examined the impact risk propensity has in delegating critical decision making authority to subordinate managers and employees. This will impact positive change by preparing professionals for leadership in business and society by developing their professional competence in the context of developing themselves and subordinate managers and employees. This study will also assist in developing an academic and theoretical understanding of business leadership; and to promote this understanding in the development of staff through mentoring, pursuit of scholarship, and engagement with the broader business community. Finally, this

researcher brings to the forefront the importance of understanding differences and similarities between delegation of critical decision making authority and risk propensity.

Summary

Many studies, books, and articles address the importance critical decisions, leadership, risk propensity, and delegation of authority. Critical decisions carry high level risks which leads to various conditions of comfort and discomfort when delegating. By design, leaders utilize resources to formulate solutions for business problems and opportunities, rather than go it alone. Effective leadership understands that including staff in critical decision making improves business decision results. Effective critical decision making entails simultaneous activity by individuals at multiple levels of the business enterprises. When properly approached, the process of delegating critical decision making authority to subordinate managers and employees is an invaluable tool for organizational leadership. Increased productivity and organizational performance hinge on subordinate involvement through participative critical decision making that effective delegation advances.

Chapter 2 includes the literature search strategies, theoretical foundations, and a review of the literature of the key definitions and theories regarding critical decisions, leadership, risk propensity, and delegation of authority.

Chapter 2: Literature Review

Introduction

The central theme of this study is based on the belief that a leader's willingness to delegate critical decision making authority to subordinate managers and employees is affected by their risk propensity. The purpose of this study is to provide quantitative evidence of the influence risk propensity has on delegating critical decision making authority by leaders to subordinate managers and employees, provide support to the existing body of knowledge with regard to leadership, delegation of authority, critical decisions, and risk propensity, and add another dimension to the understanding of specific leadership phenomena, specifically in the assignment of critical decision making authority to subordinate managers and employees. This study investigates whether risk propensity plays a pivotal function in delegating authority to execute critical decisions. The literature review completed for this study discusses relevant research associated with independent and dependent variables. Research on leadership, critical decisions, and risk propensity are reviewed with regard to the elements that are used to define the construct for measurement purposes. Delegation of authority, as a dependent variable, is reviewed with regard to the elements that are used to define the construct for measurement purposes based on its effect on a leader's willingness to delegate authority to subordinates and groups.

The first section discusses the independent variable, critical decisions, with the purpose of defining the construct of this study. The construct of critical decisions is taken primarily from the work of Denis et al. (2011), Håkonsson et al. (2012), Hitt et al.

(2012), Janczak (2005), Jayaram, Choon Tan, and Laosirihongthong (2014), Kim, Sting, and Loch (2014), Kriger and Zhovotbryukh (2012), Magretta (2012), Millett (2012), Nooraie (2012), Papadakis and Barwise (2002), Paiva and Vieira (2011), Salih and Doll (2013), Sakas, Vlachos, and Nasiopoulos (2014), Slack (2015), Slack and Lewis (2011), Tamm, Seddon, Parkes, and Kurnia (2014), Uhl-Bien and Marion (2011), Upton (2012), and Wilburn and Wilburn (2011). The second section discusses the independent variable, leadership, with the purpose of defining the construct of this study. The construct of leadership is taken primarily from the work of Battilana, Gilmartin, Sengul, Pache, and Alexander (2010), Bass (2008), Daft (2015), Gardner, Lowe, Moss, Mahoney, and Cogliser (2010), Goldman (2012), Gregoire and Arendt (2014), Hannigan et al. (2015), Hughes, Beatty, and Dinwoodie (2014), Kriger and Zhovotbryukh (2012), Lord and Shondrick (2011), Lunenburg (2011), Men (2012), Northouse (2012), Ryan (2012), Schoemaker, Krupp, and Howland (2013), and Yukl (2012). The third section discusses the dependent variable, delegation of authority, with the purpose of defining the construct of this study. The construct of delegation of authority is taken primarily from the work of Bass (2008), Chevrier and Viegas-Pires (2013), Daft (2015), Donnell et al. (2012), Håkonsson et al. (2012), Harris and Raviv (2005), Kimemia (2011), Kuzniak et al. (2015), Lee (2010), Mayer, Davis, and Schoorman (1995), Sengul et al. (2012), Sengul and Gimeno (2013), Tichy and Cardwell (2004), and Yukl (2012). The last section discusses the independent variable, risk propensity, with the purpose of defining the construct of this study. The construct of risk propensity is taken primarily from the work of Abdellaoui, Diecidue, and Öncüler (2011), Bass (2008), Bleichrodt, L'haridon, and

Van Ass (2014), Chen et al. (2011), Dohmen et al. (2012), Gollier et al. (2013), Hancer, Ozturk, and Ayyildiz (2009), Kuzniak et al. (2015), MacCrimmom and Wehrung (1990), Mishra and Lalumière (2011), Nicholson, Fention-O'Creecy, Soane, and William (2005), Nieß & Biemann (2014), Nobre and Grable (2015), O'Neill (2001), Outreville (2014), Renn (1998), Riabacke (2006), Schumann, Furman, and Shooter (2010), Spulick (2015), Tversky and Kahneman (1992), Verbano and Venturini (2013), and Xue (2014).

Literature Search Strategy

This researcher conducted literature reviews of leadership, risk propensity, strategic management, operations management, delegation of authority and critical decision making from 2009 through 2015. Through the utilization of critical decisions, operations management, and strategic management research this researcher developed a delegation of critical decision making authority instrument to test the hypotheses of this study.

Literature review research for this study was achieved through the usage of peer-reviewed journals, business school presses, professional conference papers, and practitioner books. Example of peer reviewed journals utilized in data collection for this research are *Academy of Management Executive, Strategic Management Journal, Journal of Management Science, Journal of Applied Psychology, Academy of Management Journal, Journal of Risk Research, Organizational Dynamics, International Journal of Operations and Production Management, Operations Research, Journal of Leadership Studies, Behavior Research Methods, Journal of Operations Management, Administrative Science Quarterly, Organization Science, Risk Analysis, Journal of*

Risk, Journal of Risk Research, Stochastic Environmental Research and Risk Assessment, Risk Management: An International Journal, Journal of Risk and Uncertainty, Climate Risk Management, Journal of Risk and Insurance,.and Journal of Behavioral Decision Making. Examples of business school press papers ulitized in data collection for this research are *Harvard Business Review, London School of Business, Sloan Management Review,* and *Cornell University Press.* Examples of conference papers ulitized in data collection for this research are *International Institute for Management Development and Osaka Semicentenial International Symposium*. Example of practitioner books ulitized in data collection for this research are Bass and Stodgills Handbook of Leadership, Boals Encycopedia of Leadership, Executive Leadership, Mail and Internet Surveys, Qualitative Inquiry and Research Design, and Organization Design and Theory.

Search terms utilized for critical decision making literature review are decision theories, strategic decisions, operational decisions, administrative decisions, decision analysis, and executive decisions. Search terms utilized for strategic management literature review are theories of strategic management process, strategy defined, competitive strategy, strategy formulation, strategy development, strategic implementation, strategic planning, environmental analysis, growth and expansion strategies, business process management, global business strategy, corporate strategy, corporate governance and corporate finance. Search terms utilized for operations management literature review are theories of operations, capacity planning, capabilities planning, vertical integration strategy, product and service diversification strategy,

business operations, facilities planning, strategic outsourcing and information technology investment strategies. Search terms utilized for leadership literature review are leadership defined, executive leadership, strategic leadership, change leadership, corporate vision, chairman of the board, board of directors, leadership development, top executives, organizational leaders, chief executive officer stewardship, leading in a global marketplace, leading in the 21st century, leading in a technological age, excellence in leadership and leading high performance organizations. Search terms utilized for risk propensity literature review are theories of risk taking, risk defined, risky decisions, prospect theory, ulitity theory, risk management, risk and uncertainty in decision processes, risk propensity, managerial risk taking, organizational risk taking, and trust propensity. Search terms utilized for delegation of authority literature review are theories of delegation, effective delegation, delegation of authority, delegation and power, strategic delegation, delegation strategies, executive delegation, delegation and empowerment, employee empowerment, employee development and delegation and organizational performance.

Theoretical Foundation

The theoretical models involved in this study are leadership, strategy and critical decisions, delegation of authority and risk taking. Bass (2008), Daft (2015), Northouse (2012), and Uhl-Bien and Marion (2011) proposed leadership provides the vision and direction an organization pursues. Leadership provides sufficient support to stakeholders while in pursuant of executing an organizations vision. The theoretical model of leadership suggests its purpose is to effectively motivate and inspire organizational

personnel and stakeholders with purposeful vision and strategic direction. Studying leadership directs theorists and researchers understanding of the leadership function in modern organization and particularly its role in leveraging organizational strengths in pursue of long term sustainability and profitability.

Janczak (2005), Kriger and Zhovotbryukh (2012), and Papadakis and Barwise (2002) summarized strategy as a long range planning method utilized for the sole purpose of planning and executing decisions to sustain an organizations future by top leadership. The theoretical model of strategy suggests organizations survive and prosper through effective utilization of critical decisions. Critical decisions are made in an effort to direct a business enterprise through the usage of allocated resources to a state of marketplace or industry advantage. Studying strategy directs theorists and researchers in understanding how organizations formulate its vision and analyze its operating environment while creating long term sustainability, profitability and stakeholder value.

Daft (2015), Lee (2010), and Sengul et al. (2012) summarized delegating authority of decision making to direct reports to execute tasked responsibilities with sufficient authority to perform responsibilities effectively. The purpose of delegating decision-making authority is for beneficial outcomes of the organization and the individuals delegated authority. The theoretical model of delegation of authority suggests that leaders gain both time and influence from delegating to subordinate managers and employees, the subordinate manager or employee gains in professional development through task accomplishments and the organization gains in both an increase in professional competence among staff and completion of task. Specifically, the leader

gains more time to directly oversee more critical responsibilities and the delegated individuals gain in development of competencies and incentive to become more committed to the organization's vision and mission. Delegation decisions may be both externally oriented to shape competitive interactions as well as internally oriented to achieve efficient strategy formulation and implementation. Studying delegation of authority directs theorists and researchers understanding of how leaders, staff and organizations flourish through effective usage of delegating decision making authority.

According to Sengul et al. (2012), delegation of authority itself is a two-step process. First, leaders first decide whether he or she will delegate the responsibility for some decisions to a subordinate manager or employee. Secondly, when a leader decides to delegate, then he or she will determine how the delegation should take place. Typically, these two steps are highly interrelated. But in most settings, and in most firms, decisions are normally delegated from shareholders to professional managers and from top management to unit or division managers. Thus, the central aspect of the delegation of authority decisions is its design, in particular to whom authority will be delegated and under which organizational structure and with what extent of authority the delegate will operate (Sengual et al., 2012).

After 75 years of study in the United States, the assessment of risk tolerance has tended to revolve around four methodologies: choice dilemmas, utility theory, heuristic judgments, and subjective assessment (Renn, 1998). Choice dilemmas, a once a popular method of evaluating risk, are scenarios where respondents ask asked to make a risk choice for themselves or someone else regarding an everyday life event. This method was

proven to yield minimal results regarding the nature of risk. Utility theory, currently a popular measurement of risk, fails to measure risk accurately because the magnitudes of potential loss and gain amounts, their chances of occurrence, and the exposure to potential loss contribute to the degree of threat (versus opportunity) in a risky situation (Kuzniak et al., 2015). Kuzniak et al. (2015) argued individuals tend to be consistently more willing to take risks when certain losses are anticipated, and are more willing to settle for a sure gain when absolute gains are anticipated.

Heuristic judgments are commonly used to assess and predict risk tolerance. But heuristic judgments often fail to adequately explain or predict actual investor behavior. In many cases heuristic judgments are little more than commonly accepted myths; providing limited insight regarding risk tolerance. Research findings related to choice dilemmas, utility theory and heuristic judgments have led some researchers and practitioners studying risk-tolerance theory to conclude that these methods are not entirely appropriate when attempting to assess an individual's risk tolerance (Kuzniak et al., 2015). Designing assessment instruments specifically to assess subjective risk tolerance using multidimensional scenarios and situations will yield a more accurate measurement of individual risk tolerance.

Critical Decisions

For the purpose of this study a critical decision is defined as decisions matching strategic, operational, and administrative competencies of business enterprises with its operating environment. Critical decisions are utilized to develop the future of a business enterprise, sustain or advance its competitive position, and address critical needs directed

at its current and envisioned future state (Papadakis & Barwise, 2002). According to Janczak (2005), critical decisions are those fundamental decisions that shape the purpose of a business enterprise, in other words, the decisions which are important, in terms of actions taken, resources committed, or precedents set. Critical decisions drive operational capacity and capability, establish quality dimensions, influence change, shape direction, operationalize mission, vision, and ethics, and exemplifies the selection of the most appropriate market entry strategies and problem solving solutions. Critical decisions are risky and significant decisions made by top leaders of a business enterprise that affect its performance, negatively or positively, and its survival in its operating environment.

Critical decisions are strategic, operational and administrative in nature. Strategic decisions are long term decisions. Examples of strategic decisions are new marketplace entrance and business acquisition for enterprise growth strategies. Operational decisions are technical decisions which execute intermediate and short term day to day activities. Examples of operational decisions are process technology investments or capacity strategies for creation and delivery of goods and services. Administrative decisions are routine decisions that facilitate the smooth governance of business enterprise policies. Examples of administrative decisions are labor negotiations or downsizing to meet future labor needs. Strategic, operational, and administrative decisions function as interrelated and interdependent parts. Strategic decisions facilitate operational and administrative decisions. For example, reducing overall labor cost is a strategic decision which is achieved operationally through reducing the number of employees associated with non-

functioning business units, and administratively by how the reductions are achieved through appropriate legal procedures with employees.

Critical operational decisions are distinguishable from broad critical strategic decisions in that its central focus is guiding a business enterprise in formulating operational capabilities that enables it to pursue its chosen competitive strategy over the long-term. According to Slack and Lewis (2011) and Slack (2015), operational decisions are centered on the ability to deliver winning products and services. According to Slack and Lewis (2011) and Slack (2015), operational decisions seek to advance the functional dynamics of vertical integration, process technology, capacity, facility utilization, sourcing, supply chain management, and capabilities. In an effort to maximize creation and delivery of goods and services operational concerns center on performance dimensions of cost, quality, availability, innovativeness, and process performance. Demester, DeMeyer, and Grahovac (2014) pointed out critical operational decision concentration involves the direction, control, and evaluation of a range of processes transforming inputs such as capital, materials, land, energy, information and customer feedback, into finished goods or services.

Leadership formulates and directs implementation of critical decisions that ultimately place business enterprises in position to succeed or fail in every facet of operations (Kriger & Zhovotbryukh, 2012; Wilburn & Wilburn, 2011). The role of leadership is to evaluate and select strategic options, formulate strategic processes, and direct the implementation of selected options. Critical decisions are decisions concerning competitive positioning, environmental forces, change management initiatives, strategic

usage of information systems, vertical integration, process technology, enterprise capacity, facility utilization, sourcing, supply chain management, enterprise capabilities, control systems, investments and financial risk, and risk management systems. Critical decisions are required in executing specific strategies in developing specific capabilities called competitive performance dimensions such as cost, quality, time, availability and flexibility. Critical decisions are the platforms in which organizations launch strategic, operational, and administrative performance and productivity processes. The risk of ineffective critical decisions may result in ineffective internal and external performance, or even worst, catastrophe. The events of the Columbia Space Shuttle and Three Mile Island Nuclear Power Plant tragedies are examples of ineffective critical decisions resulting in life changing circumstances.

Janczak (2005) argued one of the many functions of leadership is to arrive at policy-making decisions, that is, critical decisions that drive the survival of a business enterprise. He stressed critical decisions involve creating and implementing chosen key strategies that embodies successful ventures. According to Daft (2015), Denis et al. (2011), and Hitt et al. (2012), policy-making decisions are multidimensional decisions which impact the future of the business enterprise. To ensure firms operate successfully in its multiple environments leadership focuses on addressing the most relevant critical issues in which its future hinges. The responsibility of senior leadership is shaping critical objectives while defining how firms function in its operating environments. Thus, policy-making decisions act as an important determinant of enterprise performance outcomes (Janczak, 2005).

According to Janczak (2005), the responsibility and task categorization of critical decisions differ from routine decisions. The responsibility for critical decisions rest with senior leadership unless the responsibility has been delegated. Critical decisions fall into several task categories. One task involves the definition and execution of the firm's mission, vision, and existence. Another task involves shaping the character of the enterprise which includes establishing culture and embodiment of purpose, and creating a structure that achieves the desired end.

According Sengul and Gimeno (2011), critical decisions are selected consequential alternatives that are implemented solely for the purpose of keeping the enterprise competitive in their operating industries and marketplaces. When an enterprise's competitive position is in misalignment with its strategic and operational visions critical decisions to effectively realign its competitive position as envisioned are necessary and are formulated and implemented by enterprise leadership. Hitt et al, (2012) suggested that senior leadership continuously monitors and evaluates the organizations' current state against its operational environment. When its operational environment signals negative influences critical decisions are needed to effectively counter adverse pressures. According to Hannigan et al. (2015 and Sakas et al. (2014), a dynamic of being competitive is continuously updating product and service portfolios to support critical organizational goals. In this way a firm ensures product and service relevancy as it continues to place itself in positions of successful industry and marketplace performance. Competitive positioning also includes making critical decisions in the development of the firm's value chain, to include both qualitative and quantitative techniques.

Business enterprises operate in industries and marketplaces in which specific external factors are beyond the control of its leadership (Hitt et al., 2012; Wang, 2013). Such factors belong to what is categorized as the external environment. An external environment consists of competitors, and systems such as social, economic, political, legal, and monetary. Examples of external factors are regulatory and compliance, the availability of credit and capital, emerging markets forces, industry consolidation, and global financial shocks. The influence of these external factors on a business enterprise's strategy and operations varies from positive to negative, depending on the circumstances and time-sensitive critical decisions of leadership. To effectively counter external forces critical decisions must be formulated to affect challenges or take advantage of opportunities facing the business enterprise. According to Millett (2012) and Wang (2013), external factors drive leadership to constantly create or revise enterprise strategies. For instance, governments can impose new restrictions and fees for marketplace operations. New regulations require critical decisions to better align strategies and operations to comply with regulations. The risk of noncompliance can result in government penalties and additional restrictions on business enterprise operations.

According to Adebisi (2015), Magnetia (2012), Millett (2012), and Wang (2013), critical decisions are born of and reflect the firm's desires to interact and excel within its external environment. These decisions are based on two criteria: long term needs and immediate threats of a business enterprise A firm's external environment has a tremendous influence on the state of operations, which keeps enterprise leadership in

constant critical decision mode while assessing the impact of external influences. From the results of the impact assessments critical decisions are formulated and implemented based on the anticipated influences of the external environment on the future of the firm's operations. If these risky decisions are mishandled due to poor evaluation or adversely affected by the risk propensity of the decision maker, this may result in lost market share.

Enterprise capabilities are instrumentally strategic and operational in nature. Critical decisions are formulated to build enterprise capabilities through a stream of investments over time. According to Hitt et al. (2012) and Wang (2013), central to an enterprise's competitive advantage is its capability to transform and deliver goods and services equal to or better than the competition. Examples of capabilities advantages are superior marketing channels, logistical prowess, and advance information processing. Operational capabilities are treated as deployment assets that facilitate addressing critical areas as needed in response to consumer demand and competitive forces (Slack, 2015). The more specialized the enterprise capability the more likely an enterprise produces a sustainable advantage since specialized capabilities are difficult for competitors to duplicate.

Another external factor influencing enterprise critical decision making is the rapid speed of technology. Newer technology enables an organization to achieve greater efficiency in operations, market penetration and promotion, financials and asset management, supply chain management, product and service development, quality and delivery, R&D, employee training, and customer relations. Newer technology presents situations where enterprise leadership weighs the pros and cons of the cost of upgrading.

The risk of underutilization is falling behind competitors in operational efficiency, time to delivery, quality, relevancy of products and services, R&D, and customer relations. For example, the risk of ineffective customer relations management is a lack of understanding what the customer values therefore under-performing to customer expectations. When an enterprise's competitors have a better understanding of what the customer values they are better prepaid to quickly alter products and services to deliver what's preferred in the marketplace.

Information systems are a critical function of an organization's strategy. Strategic use of information management, information technology, the Internet and intranet, and business unit integration is essential to achieving organizational performance goals and objectives. New information system technologies are increasingly changing industry and marketplace dynamics. The successful business enterprise of the future will be those that make timely critical decisions in aligning its strategic and operating models to new and updated information systems. Engaged leadership understands the complexity and essentiality of aligning information systems with enterprise strategies. According to Hitt et al. (2012) and Tamm et al. (2014), underutilization of information systems as a strategic tool will result in a loss of competitive advantage or a decrease in competitiveness through inferior performance in process conversion, time to market dimensions, wasteful operations, and quality of goods and services. Additional risks include slow firm transformation, ineffective asset management, average supply chain management, unsustainable change strategies, and inefficient control systems.

According to Hitt et al. (2012), critical decisions seek to enhance quality, efficiency and responsiveness of business processes that lead to the creation of outputs. It is through these decisions competitive advantages are gained, sustained, or lost. Dimensions of quality are both strategic and operational issues. Critical decisions establish where to position the enterprise along the various dimensions of quality, ensuring products and services are reliable and function as expected. Organizations succeed or fail on the quality of its conversion process systems and satisfaction of its customers. Enterprise's which provides higher quality than its competition for identical prices is more attractive and responsive to customers. Higher quality leads to better efficiency in that it lowers waste levels and operating costs, thereby deriving a competitive advantage. Efficiency decisions are formulated to successfully achieve design to delivery processes profitably by capitalizing on operational capacity while minimizing waste. Organizations achieve lower cost and minimize wasteful activities when its operations are efficient. Therefore, the amount of input to produce a given output is carefully calculated to leverage efficient processes. Less input for a given process lowers cost and waste. Improved efficiency leads to lower costs and better performance.

Responsive decisions establish how effectively an enterprise responds to operational conditions. Responsiveness is the cornerstone of operational excellence. An enterprise's ability to respond successfully is significant in effectively competing in their marketplaces. Responsiveness hinges on an enterprise's flexibility in responding to market demands and meeting or exceeding reliability and performance expectations of its

goods and services. Flexibility in responding to customer demands builds and sustains the solid relationship needed for success. When organizations become inflexible, failing to match demands with supply or customer performance expectations, it stands to not only lose short-term revenue but long-term market share. Take Compaq in 1995 for example, Compaq estimated it lost $0.5 billion to $1 billion dollars in sales in 1995 because it failed to provide laptops when and where needed. This failure resulted in its inability to regain market share, thus leading to a forced merger with HP. Reliability and performance of goods and services is fundamental to an enterprise's prosperous relationship with customers. Matching reliability and performance with customer expectations is pivotal to success and marketshare.

Change strategy is a critical part of sustaining operations. Effective change initiatives are essential to the future of business success. The change formulation, whether based on a continuous or discontinuous strategy, is the most critical and risky piece of a change initiative. Another risky dynamic of business change initiatives is implementation. According to organizational change theorists Manduca (2012) and Slattery (2013), implementation of organizational wide or business unit change involves a high risk component of ensuring successful and sustainable change, second only to the formulation of the strategic initiative. These organizational change theorists argued that it is here within the implementation that dynamic resistance to change is encountered. If resistance strategies dealing with resistance is not decided on prior to implementation the risk of failure is greater. According to Brown (2011) and Slattery (2013), the final critical piece of business change transformation is follow-up. If, during follow-up evaluations,

the outcome of change is not achieved critical decisions are required to counter the effects of incomplete change outcomes. Without these counter decisions the change initiative will result in failure.

Enterprise leadership establishes control systems for business activities, resource allocation, and reporting compliance. Firms succeed or fail based on established control systems. Without control systems in place the possibility of excessive misuse of resources, lack of quality assurance of good and services designed and delivered, and continuous missed target deadlines increases. For instance, an instrument of control establish by leadership is an internal audit. Internal audits review the activities designated for evaluation, such as financial and accounting soundness, information system integrity, process conversion systems, facility utilization, and quality assurance. According to Artz, Homburg, and Rajab (2012) and Upton (2012), the risk of not establishing a viable internal audit system results in the inability of improving efficiency, effectiveness, and overall control of activities. Without internal audits leadership is limited in formulating solutions to avoid or solve for identified weaknesses or problems. Another form of control is corporate governance. This form of control involves the evaluation of activities such as management performance, codes of ethics, regulatory compliance, and SEC regulatory compliance for traded enterprises. The risk of non-compliance with the SEC is substantial civil fines, trading restrictions, and criminal proceedings. According to Artz et al. (2012), the risk of not evaluating the performance of management leads to the inability of solving critical business issues that befalls managerial incompetence.

According to Slack and Lewis (2011) and Slack (2015), process decisions establish how enterprises structure it conversion systems. Enterprise operations hinge on its conversion process systems. Through process systems inputs are acquired, converted, and disposed. The actual rate of acquired inputs converted to outputs is the capacity of production and direct services delivery (Slack, 2015). An organization's capacity is realized through several formats: manufacturing, direct services, and a combination of the manufacturing and direct services. It's common in several industries for operations to be divided into manufacturing and service business units. For example, separation of process systems is common in auto and aerospace industries where manufacturing is interdependent but standalone from direct services. The healthcare industry exemplifies direct service processes. For example, Healthcare inputs are doctors, nurses, hospitals, medical supplies, equipment, and laboratories. The processes of conversion are examinations, surgeries, monitoring and aftercare, medication, and therapy. The output is healthy patients through preventive or corrective medical activities.

According to Hitt et al. (2012) and Upton (2012), financial decisions are critical to the attainment of domestic and global business enterprise goals. Financial decisions include managing financing requirements such as short and long-term decisions, tax positions, investments in information and process technology, financial stakeholder relationships, inflation and exchange rates, cost of capital, investment risk structure, cost of implementation of investment projects, mergers and acquisitions, demergers, sourcing, growth strategies, divestments, capital rationing, and working capital. When formulating critical financial decisions, leaders must take into account various possible constraints

(Hitt et al., 2012; Upton, 2012). These constraints develop from the interrelationships between investment choices, financing and dividends, impact of regulations, cost of operations, growth into domestic and foreign markets, and diversification of product and service portfolios. Control systems are essential to formulating sound financial decisions. Without control systems evaluation of current performance is not accurately monitored because elements of internal and external factors are not identified. There is also the risk of uninformed financial forecasts due to unforeseen elements of economic and business factors ineffectively taken into account.

Summary

In conclusion, the literature on critical decisions reveals several concepts and practices. Critical decisions, of a strategic, operational, and administrative nature, drive the success of the business enterprise. Critical decisions are those that are concerned with both internal and external affairs of the organization. These decisions influence strategy formation and implementation regarding organizational change, utilization of newer technology, information systems, vertical integration, process technology, facility utilization, supply chain management, knowledge management, product and service diversification, competitive positioning and marketing presence, global expansion, rules, regulations, and policys. Examples of these decisions involve determining what markets the organization should and should not enter or remain, defining vision, mission, and values, and capitalizing on the opportunities of tomorrow.

Other key points include critical decisions are more risky, affect more stakeholders, commit more resources, and have wider-ranging consequences in both

space and time than do noncritical decisions. Critical decisions are required in executing specific strategies in developing specific capabilities called competitive dimensions such as cost, quality, time, availability, and flexibility. Critical decision makers can take an organization to a desired state, such as through the selection of products and services, and market diversification (Hitt et al., 2012; Schaap, 2012)). Lastly, according to Janczak (2005), critical decisions involve the structuring of organizational design and cultivation of effective cultures.

Leadership

For the purpose of this study leadership is defined as the ability of a superior to influence the behavior and outlook of enterprise stakeholders by persuading them to follow a particular course of action and achieve a particular future. According to Northouse (2012) leadership is responsible for the strategic vision, mission accomplishment, resource allocations and acquisitions, and internal and external affairs of a business enterprise. Leadership involves formulating strategies that extend beyond enterprise boundaries into the external environment (Goldman, 2012; Northouse, 2012). According to Men (2012) and Ryan (2012), leadership is a symmetrical relationship of influence, where one actor guides or directs the behaviors of others towards a certain goal over a certain period of time. Leadership theorists Bass (2008), Daft (2015), and Northouse (2012) described leadership as a function that employs analytical tools and frameworks that surfaces data required to make critical decisions concerning a firm's vision, direction, and performance to achieve operational excellence.

Leadership is the influential force over routine and nonroutine directives of an business enterprise (Men, 2012; Ryan, 2012). It identifies and develops strategies, structures, and processes that facilitate stakeholders achieving the goals of the firm. According to Denis et al. (2011), leadership is consequential for the success of a business and the wellbeing of its stakeholders. According to leaderthip theorist Yukl (2012), leadership is the ability to see the possibilities and the realities of any given situation. Leadership is the driving force behind the collective pursuits of a business enterprise (Hughes et al., 2014; Yukl, 2011). Leadership creates shared vision by involving key stakeholders in building, articulating, and implementing a vision. Another dynamic of leadership is inspiring stakeholders to innovative ways of thinking, approaching, and doing things through interaction with various types of stakeholders, experiences, and ideas.

Researchers from a wide variety of academic disciplines have discussed the concept of leadership. Bass (2008) argued that leadership is one of the most studied phenomena in social sciences. Leadership is a complex phenomenon that has been defined and redefined in many theories. According to Bass (2008) and Northouse (2012), there are theories of leadership concerned with leadership of a business enterprise or personal styles such as transformational, transactional, visionary, servant, level five and charismatic. According to Daft (2015) and Northouse (2012) leadership theories are concerned with the evolution of the business as a whole, including its changing aims and capabilities.

The roles and responsibilities of leadership make it an indispensable function that facilitates business efficiency, effectiveness, and excellence. Leadership executives are responsible for creating and communicating clear direction for the firm's present and future, for implementing changes to structures and processes, and for evaluating critical success factors (Lord, Hannan, & Jennings, 2011). According to Bass (2008) and Northouse (2012), the foremost responsibility of a leader is formulating a vision for a business enterprise and then building the capacity of realizing the vision. Leaders are responsible for executing high-impact strategy in mission-driven firms. Leaders look within and beyond the organization to determine strategic direction. According to Bass (2008), the function of the leadership team extends beyond driving operational excellence; it requires an appreciation of the external environment, managing the future, constantly seeking innovation, establishing and reestablishing culture, and leading change.

Leaders establishe clear standards and performance expectations for a business enterprise. Through inspiration and inducement it drives a firm to achieve tasks and duties to a level of excellence (Daft, 2015; Northouse, 2012). According to leadership theorist Northouse (2012), leaders align structure, vision, resources, and change. This implies communicating direction to those who can create coalitions that understand the vision and are committed to its achievement. Through the influence of the leadership team, stakeholders adequately capture and support the direction of the business enterprise (Hughes et al., 2014; Yukl, 2011). This influence evolves through continuous

collaboration and dialogue with leadership that results in inspiring and enforcing accountability of strategic accomplishments.

According to organizational leadership theorists Bass (2008) and Daft (2015), leaders are responsible for the performance of firms and influences several hundred to thousands of stakeholders. It establishes organizational structure, allocate resources, and communicate strategic vision. Leader performed in unpredictable environments of highly complex problems that affect and are affected by events and organizations external of its control. Daft (2015) proposed that one critical function of the leadership team, is to operate in short response times. There are those critical situations that require leaders to facilitate processing information quickly; developing and accessing alternatives based on incomplete data, and making critical decisions within shorten timespans while generating decisional support. A leader's risk propensity contributes both negatively and positively in this decision cycle.

Leadership is the mobilization of stakeholders in a way that unleashes the potential for excellence in performance at all levels of the business and associated external stakeholders. It ensures everyone understands the organization's vision, mission, values, goals, objectives, and plans. Leaders foster an environment where desired behaviors and results emerge naturally (Bass, 2008; Daft, 2015). It facilitates collective achievement; nothing gets done without deep commitment and coordinated action from a diverse set of stakeholders. According to Northouse (2012), connecting with and involving stakeholders in the formulation and implementation of enterprise strategies is a

critical facet of leadership. In order to achieve high performance, leadership must facilitate collective activities.

Lunenberg (2011) and Wang and Shaver (2014) proposed that one role of leadership is the ability to build and maintain a business enterprise that performs well compared to the competition. According to Sakas et al. (2014) and Wilburn and Wilburn (2011), sustainable competitive advantage is a critical responsibility of leadership. A business enterprise external environment consists of competitors, social, economic, political, legal, and monetary systems. Hannigan et al. (2015) stated that leaders evaluate the impact and influence of the key external factors affecting business strategies based on the needs of the firm leadership develops strategic approaches critical to sustaining and or gaining competitive advantages.

According to Sakas et al. (2014), leaders creates and evaluates strategic processes. These authors further add leaders are responsible for strategy deployment and follow up evaluation. Strategic positioning of the business enterprise is critical for successful operations. Leaders evaluate strategic options and creates roles and responsibilities for senior management teams and employees. Leaders evaluate the tools and techniques used in strategy formulation. Hitt et al. (2012) proposed that through strategic analysis, leadership implements appropriate changes to product portfolios and business units to better align with the firm's strategic goals. It is this role that leads to producing and sustaining the organization's value chain.

Leading change is a critical to the success of an enterprise. Leadership is responsible and accountable for all facets of change processes. According to Manduca

(2012) and Northouse (2012), leaders continuously develop and implements change initiatives. Effective implementation of changes requires highly inclusive approaches. The ability for change initiatives to thrive and reach sustainability is dependent of the stewardship of leadership. Leaders formulate critical strategies that include goals and objectives that direct change initiatives. According to Northouse (2012) and Slattery (2013), leaders assess critical enterprise readiness for change that facilitates change sustainability. Leaders provide clarity regarding delegated authority and structure for producing change, while redesigning structure and reinforcing that authority as needed.

According to Northouse (2012) and Yukl (2012), leaders establishe appropriate business control measures and contingencies. Control measures are utilized to monitor processes of business performance. Contingencies are developed for alternative purposes when operational performance is lower than expectations. Monitoring performance activities through a systemic process is essential for controlling quality and waste in enterprise wide functions. It is through control measures leaders assess the state of unit or organizational performance and moves to implement contingencies when necessary to produce positive results.

Leaders are responsible for strategic and efficient usage of information systems (Tamm et al., 2014), Leaders evaluate the strategic and competitive impact of information systems in order to achieve and sustain high performance. Leaders direct changes to information systems appropriate to the organization's strategic environment. It is essential proper investments are made to the firm's information systems platform. According to Engel et al. (2015), leaders develop strategies for knowledge management

and information technology that support enterprise critical objectives. Firm learning and knowledge management are essential competitive advantages when utilized effectively. Firm learning and knowledge management have been proposed as fundamentally critical processes and integral internal sustainable competitive advantages of the future (Engel et al., 2015),

Summary

In conclusion, the literature on leadership reveals several points. The main point is that leadership directly affects the nature and success of a business enterprise. According to leadership theorist Bass (2008), leadership is the key to the success of any firm. It is often regarded as the single most critical factor in the success or failure of a business enterprise. Leadership has always been the key differentiator between successful and unsuccessful businesses (Bass, 2008; Daft, 2015; Northouse, 2012). The concept of leadership is relevant to any function that drives excellence in business activities. In firms without sufficient strategic direction, the probability of mistakes increases and the probability of success decreases (Hitt et al. 2012; Wilburn & Wilburn, 2011).

Other key points are leadership is responsible for framing enterprise success. According to Yukl (2012), leaders create and articulate to stakeholders what success looks like for a firm. Leaders are the driving force in achieving business success. Leaders focuse on the relevance of accomplishing missions and acquiring resources that drive operational excellence (Magretta, 2012; Slack, 2015). Leadership involves discovering new and effective ways to create even greater opportunities for growth and success for the firm through change strategies. Implementing successful change initiatives with the

appropriate resources and strategies is critical to a firm's survival. Lastly, business leadership is responsible for developing and implementing alternative solutions to problems of inferior performance whenever necessary.

Delegation of Authority

According to Harris and Raviv (2005), delegation is an authoritative decision that transfers decision making authority away from a leader to subordinate managers and employees. Delegation of authority is the practice of transferring proper authority to complete task assignments (Hogue, 2011). It is the assignment of specified authority to execute delegated activities. This transfer of authority authorizes subordinate managers and employees to make critical decisions in performance of business tasks (Kimemia, 2011). Firms are continuously engaged in critical decision related activities, such as research, development, manufacturing, marketing, sales, or service. Also, they often are in multiple industries and markets, such as multiple regions, products, or segments. To effectively achieve firm activities leadership delegates critical decision authority to selected subordinate managers and employees. However, leadership remains accountable for the ultimate outcome regardless of decision making authority granted.

According to Sengul et al. (2012), delegation of authority itself is a two-step dimensional process. The first dimension of delegating authority involves the selection of subordinate managers or employees and the specific criteria for selection. Sengul et al. (2012) argued the strategic direction of a enterprise plays a large role in the delegation decision process of senior leadership. The second dimension of delegating authority involves the allocation of decision making rights. The level of authority granted takes on

greater importance when many critical decisions are, of necessity, pushed down in the organization rather than retained by leadership. The central aspect of delegating decisional authority is its design, in particular to whom the decisions will be delegated, and under which organizational structure and with what extent of authority the delegate will operate (Sengul et al., 2012).

According to delegation theorist Yukl (2012), delegation of authority is a complex, multifaceted process that includes assigning important new tasks to subordinates, giving subordinates responsibility for decisions formerly handled by leaders, and increasing the amount of latitude and discretion allowed to subordinates in how they do their work, including the authority to make critical decisions without prior approval. Delegation of authority is widely acknowledged to be an essential dynamic of effective leadership and when thoroughly utilized provides a number of benefits for leadership, subordinate managers and employees, and the organization (Chevrier & Viegas-Pires, 2013; Yukl, 2012). When utilized competently, delegation of authority improves speed, reduces leader overload, enriches both job scope and job satisfaction, increases intrinsic motivation, and provides professional development.

Delegation of authority is a leader's leverage. It's the leverage by which leaders achieve organizational results while utilizing their time effectively and efficiently. According to Hoque (2011), delegation of authority provides leverage that enables leaders to accomplish critical goals through stakeholders, and in effective delegation of authority, the leader utilizes both prescriptive methodologies as well as personal experience and environemtnal knowledge. The process of delegation of authority is also

called the *life blood* of a business (Bass, 2008). Lee (2010) argued that advantages of effective transfer of authority are increased flexibility, increased productivity, increased stakeholder commitment, effective critical decisions outcomes, higher employee morale, and improved performance. Delegating greater authority to subordinate managers and employees creates a more horizontal or flatter business structure that usually acts to shorten business response times.

Authority is the power to influence or direct an action of others. For example, senior leadership has the authority to influence or direct the actions of their subordinate managers and employees. According to delegation theorist Lee (2010), when leaders delegate decision making authority they provide subordinate managers and employees the necessary power to complete tasks. Delegation of authority is the act of giving appropriate decision making power given to subordinate managers and employees. Delegated authority transfers power and permission to make decisions within the scope and boundaries of the task assignment and authority assigned. In the case of critical decision making authority, said boundaries and scope reflect the firm's vision, high performance factors, and targeted outcomes. Without appropriate authority subordinate managers and employees tasked with decision making situations lack power and permission to completely execute and exhaust all options regarding delegated tasks. According to Bass (2008), delegating appropriate decision making authority improves the rate of independent accomplishments by subordinate managers and employees.

Harris and Raviv (2005) proposed that delegated authority allows a subordinate to make critical decisions, i.e. it is a shift of critical decision-making authority from one

level to another. Allocation of authority translates to leadership conferring upon subordinate managers and employees the right and power to act, to utilize specific range of resources, and to make decisions within predetermined or prescribed limits. Granting of authority is highly effective when clarity is provided about its usage and limits (Kimemia, 2011). It's essential for leadership to provide clear instructions and guidance as to the scope, expectations, and level of authority granted for the effective completion of delegated tasks.

Bass (2008) and Northouse (2012), argued authority is the legitimate right or power to make decisions and direct others to perform assignments or reframe from executing an activity. This transferred power includes the right to take disciplinary action in the event of a refusal to carry out a delegated task, legitimate request, or address unethical and unlawful activity. Delegation of authority is essential to a business enterprise's development and operations. Delegation of authority is the *energy flow* of effective leadership into the business enterprise.

Trust & Risk

Entrusting others with authority to achieve delegated assignments is a crucial dynamic of effective delegation. According to leadership theorist Bass (2008), leaders become hesitate to delegate authority for critical decision making assignments that accomplish high performance goals for various reasons. Typically, at the base of their hesitation is an absence of trust that subordinate managers and employees will complete tasks while meeting or exceeding their expectations. According to Tan and Lim (2009) trust is the investment one places in a subordinate. Bass (2008) proposed one delegating

hesitancy is the subordinate manager or employee's critical decision outcome will be unsuccessful in equaling or exceeding the criteria and expectations commensurate with high performance. Another hesitancy regarding delegation of critical decision making authority is the competency level of their subordinates managers and employees. The inabilities of both entities leads to a higher probability of marginal or inferior results that is too risky for leaders with low risk propensities to pursue. Harris and Raviv (2005) added hesitancy for delegating of authority to manufacture critical decisions is a lack of trust that subordinates (managers or employees) will remain responsible and committed to high performance results. Leaders in this risk category possess minimal confidence and faith that delegated authority for critical decision making assignments will be completed on time and within scope and boundary parameters. The lack of trust provides for limited faith. According to Tichy and Cardwell (2004), one final hesitancy concerns possible employee and group push back. Leaders in this risk category are distressed that subordinate managers and employees lack the conviction to embrace authority delegated to formulate critical decisions. This mentality leads to a refusal to delegate authority, thus increasing their workload through personally executing the critical decision making task.

Summary

In conclusion, the literature on delegation of authority reveals several basic points. The main point is delegation of authority is a decisive means in achieving business goals (Lee, 2010). Delegation of authority directly affects the nature and success of a business enterprise. Delegation of authority is the act of empowering subordinate managers and employees to make critical decisions (Bass, 2008; Daft, 2015; Northouse,

2012). When leaders delegate authority, they entrust others with authority to achieve specified results. When leaders delegate authority they become vulnerable to trusted employees for achievement of specified results. In the process of delegation, authority is distributed throughout various subordinate levels of the firm, flowing downward from the source of authority atop of the business enterprise. In addition, delegation of authority means transferring sufficient power to subordinate managers and employees so they can perform within prescribed limits.

Other key points are delegation of authority describes a category of leadership behavior that entails assigning new responsibilities to subordinate managers and employees and appropriate authority to carry out task assignments. Delegating greater authority to subordinate managers and employees creates a more horizontal or flatter business structure with fewer management layers and usually acts to shorten response times. Delegation of authority is empowering subordinate managers and employees to take responsibility for certain activities (Bass, 2008); Bass's (2008) conclusions are aligned with the studies of delegation theorists Yukl (2012) and Chevrier & Viegas-Pires (2013). Chevrier & Viegas-Pires (2013) and Yukl (2012) informed effective delegation of authority facilitates subordinate managers and employees in formulating critical decisions within specific boundaries set by leadership or policies. Effective leadership successfully utilizes delegation of authority to achieve critical goals. An outcome of a poorly achieved or executed critical decision leads to ineffective utilization of firm resources and temporary alters the direction and progress of it; outcomes that could take months to years to recover from.

Risk Propensity

For the purpose of this study risk propensity is defined as an individual's propensity to take or avoid risks. A leader's risk propensity may have significant impact on delegating critical decision making authority under conditions of high consequence and uncertainty. For the purpose of the study risk must also be defined to facilitate understanding risk propensity. For the purposes of this study, risk is the uncertainty of outcomes. According to risk theorist O'Neill (2001) risk is the deviation of one or more results of one or more future events from an expected value or outcome. Technically, the value of those results may be positive or negative. Uncertainty in environmental forces, project failures, and unforeseeable accidents affect the probabilities of risk. During times of high risk alternatives individual risk preferences and values affect the leadership that emerges. Degrees of risk go hand and hand with degrees of success and failure.

According to risk theorist Renn (1998), risk has always been part of human existence. The field of risk research started as early as when human beings started to reflect the possibility of their own death and contemplated actions to avoid dangerous situations (Renn, 1998). Risk is therefore the possibility that of an undesirable state of reality. According to Hancer et al. (2009), risk is the degree of uncertainty and potential loss which may follow from a given behavior or set of behaviors. Decision theorist Riabacke (2006) stated all risks are unequal and there will be those situations where the degree of uncertainty is unknown. During these decision situations an individual's risk propensity determines the degree of risk they will assume.

O'Neill (2001) and Riabacke (2006) argued that risk propensity is a character trait, i.e., as determined by the leader's personality rather than the particular situation being faced. O'Neill (2001) illustrated this position with an example of gamblers to further explain risk propensity phenomena. He argued that someone who prefers to gamble over a probabilities face value is risk-seeking (high risk propensity), and choosing the face value means that the party is risk-averse (low risk propensity). O'Neill's (2001) risk propensity explanation illustrated the gambler's face value in a crucial way. A risk-averse person seeks a sure thing rather than gamble with the odds. A risk seeking individual seeks the odds in association with a winning payoff rather than look for a sure thing.

According to Keil et al. (2000), a leader's propensity to take or avoid risks may have a significant impact on determining a course of action when faced with conditions of risk and uncertainty. Keil et al. (2000) argued it has been commonly observed individuals differ in their willingness to take risks, but there is disagreement about the nature of individual risk taking, the determents of selecting a course of action, and the impact it has on leading a decision process. One possibility is risk propensity is a general personality trait which causes leaders to demonstrate consistent risk-seeking or risk-averse tendencies across a variety of situations. Another possibility is leaders have a general risk propensity which guides their decision-making under high conditions of risk or uncertainty. An additional possibility is risk propensity is a situational-specific variable, meaning a leader's risk propensity will not fluctuates per business impact of every challenge or opportunity. A large number of researchers have found no evidence of

a general risk propensity across situations. Rather, the bulk of the evidence shows more support for the importance of situational factors than support for the notion of risk-taking propensity as a stable trait (Keil et al., 2000).

According to O'Neill (2001), decision theorists have explained with uncertainty comes risk. Riabacke (2006) argued that decision making under uncertainty is different from making risky decisions. According to this view, the term risk is associated only with situations in which the objective probability distribution of various possible outcomes is known; all other situations are to be treated as decision making under uncertainty. Contemporary decision theory argues, however, that a subjective probability distribution can be constructed. Thus, as long as the possibility of more than one outcome exists, the decision making situation must be regarded as involving both uncertainty and risk. Alternatively stated, to be effective, leaders in charge of more uncertain task situations should be willing to take greater risks (O'Neil, 2001).

Attitude toward risk, a taste for it or an aversion to it, is an attractive way to explain risk taking is decision situations as the formulation and selection of alternatives links to psychological conceptions of choice. Psychological of choice portrays leaders as calculating goal-seekers that facilitates different decision-making styles. O'Neill (2001) argued that risk propensity varies across significantly dissimilar decision contexts in that decision making captures the individual leader's willingness to take risk. A study by Hancer et al. (2009) suggested risk taking is a major dimension which has been linked both intuitively and experimentally with entrepreneurs having high risk taking propensities. The authors reveal risk taking is too often assessed in the literature on

entrepreneurship by comparing entrepreneurs to self-employed workers rather than leaders making risky decisions linked to their risk preferences. The literature states the main difference between an entrepreneur and a self-employed individual is the propensity of risk levels. The entrepreneur is willing to take risks the self-employed individual is not (Hancer et al., 2009).

Determining risk is crucial because occasionally leaders have to take calculated and uncalculated risk using the limited information and time windows available to them. According to leadership theorist Bass (2008), risk seekers are more influential in critical decision making situations than risk avoiders. Bass (2008) observed high risk takers were more persuasive in problem solving than low risk takers. High risk takers have a higher tolerance for ambiguity than low risk takers. Bass (2008) emphasized the generalist executive must be prepared to take such risks if he or she is to take the lead in the perilous, problematic and participatory climate for strategic direction in today's competitive world.

Risk taking has been the concern of researchers regarding decision-making tendencies in application of prospect and utility theories. According to the prospect theory, a decision maker compares the possible outcomes with some reference point before committing to an alternative (O'Neill, 2001; Tversky & Kahneman, 1992). The reference point often depends on factors that a typical utility theory application would call irrelevant, such as how the decision is framed in the decision maker's mind. A "value," which the prospect theory's analogue for an outcome's utility, is attached to each degree of change from the reference point, such as gaining $5 or losing $10. Further

postulates are that the loss side of the value function is steeper than its gain side and that sensitivity to losses or gains marginally decreases with the amount lost or gained (O'Neill, 2001; Tversky & Kahneman, 1992).

In defining and measuring individual risk taking the prospect theory is descriptive rather than prescriptive as it illustrates several phenomena observed in experiments and in life. On the other hand, it is less specific than utility theory in that it lacks a good account of how someone sets a risk reference point, and it does not predict well for decisions that mix gains and losses (O'Neill, 2001). The prospect theory is often presented as a psychological alternative to the rationalism of utility theory. Prospect theory studies have been more empirically-based than utility theory's, and the deeper risk researchers have analyzed historical cases, the more they have been criticized on conceptual grounds and the more ambivalence has arisen about the applicability of the theory (O'Neill, 2001). Prospect theorists reservations has been stated as involving the practical issue of finding leaders' decision parameters, but this misidentifies the problem.

Assigning risk requires a standard; the rejected course of action. According to O'Neill (2001), when measuring risk values a common approach is to describe an historical case involving a leader choosing between two courses, one with a predictable outcome and the other with an uncertain one. This argument involves interpreting the sure choice as showing risk aversion and the uncertain probabilities choice as risk acceptance. If a decision maker selects a different road, this illustrates the opposite risk acceptance. It might seem obvious that opting for the uncertainty shows risk acceptance and vice versa, but utility theory and prospect theory argue against this position. O'Neill

(2001) pointed out the choice with the higher expected utility (or in prospect theory, the higher weighted value) will be selected, whether the decision maker is averse or acceptant of risk. For a risk averter this may be the uncertain choice and for a risk seeker it may be the certain choice; in either case the determining factor is the expected utility or in prospect theory the weighted value.

Studies by Gollier et al. (2013) and Spulick (2015) defined a decision-maker as risk-averse if he/she tends to avoid choices with unclear probabilities in favor of those with specified probability values, like a coin with a known rate of coming up heads. A decision maker has an unclear probability if he/she possesses a wide probability distribution over the true probability value, so it's common the risk-averse are those that prefer low variance in their distributions over the probability of the important event. A study by Shapira (1995) reported the association between risk propensity and traits like openness, sensation seeking, impulsiveness, age, and position in a company are attributes of the person rather than the situation. In contrast, O'Neill (2001) argued that risk propensity depends on how the decision is stated, so it cannot be intrinsic to the person. This is in line with the economic definition of risk, which is risk is largely dependent on the situations decision makers are presented with, even on arbitrary aspects of how the decision is stated, therefore taking risk cannot be seen as a personality trait.

Leadership and senior management teams (SMT) are constantly confronted with the need to answer one key question: how much risk is too much risk? How much risk to take is central in determining risky the course of action. This deceptively simple question is remains very complex to answer. Assumed risk depends on a wide range of related and

connected factors, some of which are internal to the decision-makers as individuals and groups; and others which exist externally and independently of the decision makers. In addition, some factors are influenced or determined by risk preferences of additional decision makers in the process, whereas other factors exist independent of human choice. The phenomena of assumed risk has led in the past decade an emergent and extensive interest in the theory of risk propensities and its influence on organizational decision-making at all levels ranging from strategic to administrative.

Trust & Risk

Two articles published in the mid-to-late 1990s attempted to clarify some prior research on trust and its association with risk. Mayer et al. (1995) defined trust as the willingness of a trustor to be vulnerable to the actions of a trustee based on the expectation that the trustee will perform a particular action. Similarly, Rousseau, Sitkin, Burt, and Camerer (1998) defined trust as a psychological state comprising the intentions to accept vulnerability based on positive expectations of the actions of the trustee. Both definitions have two primary components. One component is the intention to accept vulnerability, and the other component is the outlook of positive expectations.

According to Tan and Lim (2009) and Zhang and Bartol (2010), trust is an expectation of the trusting party that the trusted party will perform a particular action in a specified manner. Tan and Lim's (2009) research focused on one broad outcome of trust: risk taking. The authors posit that several scholars have equated trusting with behaviors corresponding with risk taking. The correlation between trusting and risk taking reflects the correlation between a willingness to be vulnerable and actually becoming vulnerable.

Risk taking therefore stands as one of the most proximal behavioral outcomes or expressions of trust (Tan & Lim, 2009).

Summary

In conclusion, the literature on risk propensity reveals several basic points. The main point is risk propensity is an internal factor (i.e. it is held within people and can only be seen through external expressions or behaviors). Risk propensity is a tendency dependent of human choice. Risk propensity exists in relation to an external situation which is perceived as both risky and important, and which demands some sort of response by individuals and groups. As a result the situation triggers a risk response.

Other key points are tasks with moderate risk are satisfying to those who have a great need to achieve. A risk-free task will lack challenge and a highly risk task harbors the likelihood of failure. However, a higher level of risk failure will be entertained if the risk is inherently interesting. Risk propensity indicates a willingness to take risk and shows a tolerance for failure (Hancer et al., 2009). Trust directly affects the willingness to take risks in individuals and groups. A willingness to trust is closely associated with a willingness to take risks. What's common in risk-taking behaviors is that trusting leaders maintain longer feedback time spans in contrast to non-trusting leaders, who in turn press for quick solutions and immediate feedback. Clearly, a willingness to trust others is required for meaningful delegation of authority to subordinate managers and employees. Leaders with a high risk propensity and high trust relationships delegate more commonly than those with low risk propensity and low trust relationships.

Chapter 3 presents the specific research design used in this dissertation. An explanation of population and sample, data collection, and statistical analysis is provided. Data is gathered from electronic survey questionnaires of 102 leaders from various industries.

Chapter 3: Research Method

Introduction

The following chapter provides an overview of the research methodology and design that is utilized to test the hypotheses outlined in Chapter 1. The aim of this study is to provide evidence of the influence risk propensity has on leaders' delegation of critical decision making authority to subordinate managers and employees, provide support to the existing body of knowledge with regard to leaders' delegation of critical decision making authority, and add another dimension to the understanding of delegating critical decision making authority leadership phenomena, specifically in the assignment of delegating critical decision making authority to subordinate managers and employees based on specific levels of risk propensities. This study investigates whether specific levels of risk propensity play a significant role in a leader's delegation of critical decision making authority.

This chapter describes the research methodology applied to the research model to test the supportability of the hypotheses. A one group cross-section, correlational design is utilize to test the hypotheses. This chapter also describes the research design, population and sample from which the data is obtained, the survey questionnaire that is utilize to generate the data, and the procedures that is utilize in the analysis of the data. Finally, data collection collected by electronic data sampling and data analysis imported into SPSS software application for analysis are documented.

Research Design

Research methodology is the terminology that represents how scientist and researchers seek knowledge about worldly phenomena. Research methodology is the system of methods followed in a particular discipline. The selected research methodology becomes the approach for the classification, gathering, and measurement of sample data to be studied. This researcher brings his own beliefs and attitudes based on past experience in business enterprises and leadership phenomena. This researcher believes in positivist detached approach to conducting research in the area of leadership to give an objective justification for causes of changes in the leadership phenomenon using cross-sectional research designs to minimize errors and bias. Consequently, quantitative approach will be used in this study. The research model is operationalized using theoretical constructs in a latent variable model. The following sections describe the motivation and justification for using this approach.

This researcher utilizes survey methodology as the research design and a software statistical package, SPSS, as the statistical procedure in this study to test the hypotheses. Leaders who are responsible for critical decision formulations are the unit of analysis in this study. This research is a quantitative study using a one group measurement cross-sectional correlational design completed through the use of an electronic survey questionnaire. This study is concerned with assessing relationship among the variables of study: critical decisions, leadership, delegation of authority, and risk propensity. Analyses will be made to independent variables leadership, critical decision and risk propensity and its effect on the dependent variable delegation of authority. The research sought to

establish a cause-effect relationship. Reasons for choosing a cross-sectional, correlational design is the hypotheses of this dissertation require a descriptive study to establish correlation between dependent and independent variables.

Cross-sectional, correlational design is perhaps the most predominant employed in the social sciences and is most identified with survey research design. It is used to structure research processes for eliciting useful information particularly where data must be collected from a defined population to describe the present condition of the population's use of the variables under study (Creswell, 2013). Cross-sectional correlational designs have been widely used in the study of leadership. Studies of styles, behaviors, and skills have been analyzed in correlation studies since the 1960s (Creswell, 2013).

Leadership research has employed a vast variety of research designs, within both quantitative and qualitative methodologies. Depending on the research question, numerous methods can be utilized. For researching leadership constructs within closed and open systems, quantitative designs such as case studies and survey questionnaire provide benefits in this type of research. Qualitative designs provide a descriptive window of a phenomenon without direct cause and effect analysis. Survey research, although widely used in social science (Creswell, 2013), gathers data of individuals' overall beliefs about subjects but this form does not provide a direct cause and effect relationships between variables.

Risk propensity research has been the subject of both theoretical and empirical investigation. A number of theories and empirical studies on risk propensity have been

published, but with little consensus about its conceptualization and measurement of risk propensity (Nicholson et al., 2005). The concept of risk propensity has important implications for the theoretical modeling of risk behavior and for practical insights into the motives underlying individual choices about engaging in risk taking situations (Nicholson et al., 2005).

A literature review for studies addressing delegation of critical decision making authority to subordinate managers and employees by leaders with various risk propensities did not yield a large outcome. There are limited studies that researched the relationship between specific levels of risk propensity and leadership delegation behaviors between the 1960s and now (for example: Adeyemi-Bello, 2001; Das & Joshi, 2007; Macrimmon & Wehrung, 1990). These three delegation studies varied in research designs.

While a qualitative study may provide information on the interaction of leaders and followers, the ability to see whether specific levels of risk propensity has an impact on delegating critical decision authority can be completed efficiently through quantitative non-experimental cross-sectional observations and statistics. Qualitative design would not provide adequate number of samples to objectively describe a relationship between various levels of risk propensity and delegation of critical decision making authority by leaders.

By measuring the independent variable risk propensity, a robust outline can be made of the interrelationship of risk propensity and its influence on delegation of critical decision making authority to subordinate managers and employees by leaders. The main

subject of this dissertation posits that there is a relationship between various levels of risk propensity and delegation of critical decision making authority by leaders.

This study employs a cross-sectional, correlational design method to address the research question. Cross-sectional designs involve a collection of data at one point in time (Creswell, 2013). As such, they are useful for describing relationships among phenomena at a fixed point in time. Cross-sectional studies can be designed so that phenomena developing overtime can be inferred; that is, a phenomenon is measure at the same time in subjects at several levels development and the results inferred to demonstrate change over time. For this study data is collected in a confidential setting at this researcher's collection center. The primary advantages of cross-sectional designs are that they are practical. The possibility that there will be at least one rival hypotheses for any observed difference found is a major disadvantage.

Population, Sample and Sampling Procedure

The population for this study is leaders with critical decision making responsibility in business enterprises including commercial aviation, investing & banking, information systems, defense systems, manufacturing & production, insurance, shipping, railways, higher education, energy, and technology located in the United States. Business enterprises in these industries are large enough to designate executives of key departments and functional areas. These enterprises operate in an environment of large revenues, heavy regulations and government oversight, fierce external pressures and competition in which requires senior leadership to execute critical decisions.

Senior positions within business enterprises are most commonly titled as Chief Executive Officers, Chief Financial Officers, Chief Operations Officers, Comptrollers, Chief Technology Officers, Production Managers, Marketing Managers, and Research and Development Managers. Each member is responsible for ensuring high performance in their respective span of control. Executives formulate critical decisions in pursuit of achieving organizational goals. For example, critical decisions regarding mergers and acquisitions, asset and resource allocations, product and service diversification, workforce outsourcing and offshoring, and corporate governance are formulated in pursuit of accomplishing organizational missions.

There is no unique answer to the sample size determination in studying the affect risk propensity has on delegating critical decision making authority. This researcher utilized a G Power3 statistical program (Faul, Erdfelder, Lang, & Buchner, 2007) in conducting power analysis to determine a target sample for the study. No more than three independent variables will be utilize in any given prediction equation. Therefore, three predictors with an alpha set at 0.05, power set at .91, and effect size set at 0.15 as the parameter for the analysis, results in a required sample size at N=100. The confidence level to be used for this study is 95% with an allowable margin of error of 5% (A = .05).

The participants considered for this study are vice presidents and above in the executive management ranks of business enterprises in directors, senior directors, vice presidents, senior vice presidents, general managers, chief executive officers, chief financial officers, chief marketing officers to be surveyed. Generally these potential respondents do not respond to survey requests. Some of these respondents have their

secretaries or special assistants apply email filters to minimize their incoming email. These respondent characteristics have to be taken into account in determining the number of requests to be sent to receive the appropriate number of completed survey responses for a full analysis. This researcher predicts an effective return rate, usable responses, of 33%.

This researcher followed Dillman's (2014) approach to develop and administer the questionnaire. All variables of interest is measured in two ways. The respondents' perceptual evaluation of the risk propensity instrument is measured on a five-point Likert-type scale, which are anchored by 1 (Strongly Disagree) and 5 (Strongly Agree). The respondents' perceptual evaluation of delegating critical decision making authority is measured on a ten-point scale, which are anchored by 1 (Strongly Disagree) and 10 (Strongly Agree). The survey and data collection is delimited to business enterprises and respondents located in North America. The measurement items is developed in English and the questionnaire is conducted in English as well. I administered questionnaires to 1040 leaders whose email addresses were obtained from Cint research online business directory database of 9000 leader participants.

Emails requests were sent to directors, senior directors, vice presidents, senior vice presidents, general managers, chief executive officers, chief financial officers, chief marketing officers to participate in this researcher's survey voluntarily. In the email request this researcher stated that all information collected is confidential. The questionnaire will be made available online through the online survey website of

http://www.surveymonkey.com. As an incentive to increase the response rate, this researcher enticed the participants with an executive summary of the research results.

Critical leadership for this study involves leaders expressing the strategic vision for their organizations, or a part of their organizations, and motivating and persuading stakeholders to acquire that vision. This direction and influence includes giving purpose and meaning to a firm through envisioning and creating a positive future. A letter of intent was given to each participant before the questionnaire was taken. Upon receipt of the letter of intent participants were given directions for completing the questionnaire as well as restating the confidentiality of their responses. For each questionnaire the sequence of events is identical.

Measures

The following section presents the operationalization of the three major variable constructs of the theoretical model. This researcher utilize executives in organizations as subjects in the study. Survey questionnaire sampling is utilize to draw a sample. The process of questionnaire sampling has been used in numerous studies. Leadership samples from organizations provide a ready source of participants for research. The sampling frame is leaders various risk propensity profiles. The risk propensity instrument was developed by risk propensity theorist Zalaskiewicz (2001). All of the items in the delegation of critical decision making authority were adapted from various published books, articles and studies which make up the critical decision and delegation of authority literature review in Chapter 2. The questionnaires included in Appendix A and Appendix

B were submitted to the Walden University Institutional Review Board (IRB) and approved for this study.

This researcher utilize two instruments to measure the relationship between specific levels of risk propensity and delegation of critical decision making authority to subordinates. The two instruments utilized to collect data for this study are: (a) a Risk Propensity questionnaire, which is used to measure the risk propensity of leaders in a critical decision making role; and (b) a Critical Decision Delegation questionnaire, which is used to measure delegation of critical decision making authority by leaders in a critical decision making role. The critical decision delegation instrument was developed by this researcher to measure the delegation of critical decision making authority to subordinates by leaders with different risk propensities. A copy of both instruments can be found in Appendices A and B.

Risk Propensity Measurement

Part one of this instrument is a risk propensity questionnaire. The risk questionnaire was developed by Zalaskiewicz (2001) and adapted by this researcher to identify levels of risk propensity in leaders in a critical decision making role (see Appendix A). Zalaskiewicz's (2001) risk propensity research was used to formulate measurements of risk propensity levels and behaviors in individuals. For the purpose of this study risk propensity is defined as the degree to which an entity is willing to take chances with respect to the perceived probability of receiving the rewards or losses.

There are sixteen statements of risk propensity designed into the questionnaire. These items were taken from previous research by Zalaskiewizc (2001) on measuring risk

taking propensity. This questionnaire measures leader's risk taking propensities by means of a 5-point Likert type scale ranging from 1 = strongly agree to 5 = strongly disagree. Cronbuch's alpha was calculated to test the reliability to risk scale. The results showed that the alpha coefficient for the risk scale was 0.70, well above the minimum value of 0.5 as an indication of reliability (Creswell, 2013). Examples of risk items are "if there is a big chance of profit I take very high risks," and "I make risky decisions quickly without an unnecessary waste of time."

Critical Decision Delegation Measurement

Part two of this instrument is a critical decision delegation questionnaire developed by this researcher. This researcher developed this survey questionnaire designed to formulate measurements of specific delegation behaviors of leaders in this dissertation (see Appendix B). For the purpose of this study a critical decision is defined as significant and risky decisions that are concerned with the firm's operating environments, the strategic utilization of resources, the direction of staff, and the standards of enterprise interface between stakeholders. The source of the measurements originated from the Chapter 2 critical decision and leadership literature reviews along with additional sources included in the reference list.

There are 40 statements of critical decisions designed into two subscales of 20 statements each in the questionnaire. The first subscale is Strategic Decisions and the second subscale is Operations and Administrative Decisions. Critical decision items within the assessment were developed from the literature review in Chapter 2. This questionnaire measures delegation of critical decision authority by leader's in an critical

decision making role by means of a 10-point scale ranging from 1 = I leave my subordinates(s) to analyze the situation and let him/her (or them) decided to 10 = I make the decision solely on my own judgment. Examples of critical decision items are "modifying existing products and services," and "pricing decisions for key products and services." This researcher has carefully reviewed and cross-reviewed for face validity.

Demographic Measurement

Background information is collected at the beginning of the questionnaire. The background information will be used to measure the following general demographic: (a) information regarding gender.

Instrument Conclusion: Validity and Reliability

The questionnaires are designed to produce a degree of agreement or disagreement based on individuals' risk propensity. Variables measured by the instrument will include risk propensity, critical decision, and delegation. The delegation of critical decision making authority was developed by this researcher. Validity can be defined as the degree to which a test measures what it is supposed to measure (Creswell, 2013). This researcher has designed a construct of delegation of critical decisions based on the literature and own professional observation. This researcher seeks the Walden IRB to evaluate the construct of critical decisions for validity. The reliability of a research instrument concerns the extent to which the instrument yields the same results on repeated trials. Although unreliability is always present to a certain extent, there will generally be a good deal of consistency in the results of a quality instrument gathered at different times. The tendency toward consistency found in repeated measurements is

referred to as reliability (Creswell, 2013). The researcher's desired outcome is that readers agree that given the same set of data and circumstances the outcomes described make sense. Techniques used to assure reliability include detailing the researcher's position in the research process and creating an audit trail in detail as it emerged during the data collection period. Other reliability factors involve the description in the first chapter of the researcher's assumptions and the detailed choice of sampling method described in this chapter. A thorough research of relevant literature is also incorporated to ground this study.

Data Collection

Following approval by the University's Institutional Review Board, electronic survey questionnaires were distributed with directions to participants. Electronic questionnaires have been validated throughout the literature. The most common of electronic data collection noted are that electronic data sampling is more enjoyable and comfortable for participants, is less time-intensive for the participant and researcher (e.g., a researcher can gather a large amount of data in a short time-span), it provides participants with a sense of social distance (e.g., participants are more likely to be self-disclosing and less likely to respond in socially desirable ways), provides this researcher with the ability to focus on and recruit a specific sample, is more cost-effective, allows this researcher to observe behaviors without being obtrusive and influential, offers the ease of mining of archival data sources, decreased need for transcribing (which can lead to increased accuracy and decreased bias), and it allows for a degree of automation and experimental control that can be difficult to achieve without the use of computers (e.g.,

computerized instructions administer the surveys and the assignment to participants to various conditions) (Birnbaum, 2004).

The literature highlights the advantages to web-based data collection outweigh the disadvantages, as long as appropriate measures are taken to avoid risks to participants and to inform participants adequately about the nature of the study prior to participation. According to Singleton and Straits (2005), a self-administered web-based data collection method is efficient and effective when collecting data from a targeted population (p. 244). Specifically, advantages associated with web-based self-administered surveys include convenience, privacy, speed and significant cost savings (Singleton & Straits, 2005, p. 244).

The most common challenges and limits to web-based data collection include decreased control to access risk to participants, decreased ability to monitor/control environment, inability to answer questions about particular items on surveys, the sample may not be representative of the population as a whole, and the anonymous nature of web-based data collection may encourage some to participate for the purpose of damaging data (Birnbaum, 2004). Self-administered surveys have lower response rates ranging from 50% to up to 75%. The response rate for the proposed survey in this study is expected to be considerably lower due to the population comprised of senior level executives who are generally not responsive to surveys. Risk of non-response bias is another weakness of self-administered web-based surveys (Singleton & Straits, 2005). Although this could be a problem due to lack of access to computers, in the present study the population to be surveyed are senior executives which access to computers will not

present a challenge for this population. Therefore, nonresponse bias due to technology is not of significant concern to this researcher given the sophisticated and controlled population group of senior management personnel.

Data Analysis

The original instrument presented in the preceding sections, and shown in Appendix B, is utilize to collect data online at www.surveymonkey.com. Data collected by the www.surveymonkey.com system will be imported into SPSS software application for analysis. The instrument is tested using statistical techniques suggested by Byrne (2001). This ensures validity of the instrument and the model by examining the relationships between the constructs of the proposed conceptual model. Data analysis includes descriptive statistics and analysis of variance for hypotheses testing. Cronbach's Alpha is used to test for reliability and construct validity. The responses is considered ordinal data. The sample is taken from a normally distributed population; therefore, parametric tests will be used. A priori minimum significance level of .05 was selected to provide a 95% confidence level for hypotheses testing.

Using the SPSS software this researcher computed Cronbach's alpha value for each measurement scale in the questionnaire to evaluate the overall reliability of the survey instrument by reviewing its internal consistency (Cronbach & Shavelson, 2004).

The assessment tool contains items pertaining to the constructs used in the definitions of delegation of critical decision making authority and risk propensity. The questionnaire examines the relationship and role of leader's risk propensities and its effect on delegating critical decision making authority. By measuring and comparing the

group of participants risk propensity and delegation of critical decision making authority, analyses of the data determined whether specific levels of risk propensity influences the delegation of critical decision making authority by leaders who hold critical decision making positions. The dependent variable is measured by the mean score for each respective item in the questionnaire. The questionnaire measures the participants' willingness to delegate critical decision making authority through statements measuring their risk propensity.

Hypotheses

Research Question 1: Does risk propensity of leaders affect delegating critical decision making authority to subordinate managers and employees?

H1-0 ($\rho (R \infty D) \geq 0$): Leaders with high risk propensity are equally or more likely to delegate critical decision making authority to followers than those with low risk propensity.

H1-a ($\rho (R \infty D) < 0$): Leaders with high risk propensity are less likely to delegate critical decision making to followers than those with low risk propensity.

In mathematical formula,

H1-0: $\rho (R \infty D) \geq 0$

H1-a: $\rho (R \infty D) < 0$,

Where ρ, R, D, ∞ refers to correlation, leader's risk propensity, leader's delegation of decision making authority, and between the two variables, respectively.

Research Question 2: To what extent does risk propensity of leaders affect delegating critical decision making authority for operational and strategic decisions?

H2-0 (ρ (R∞DO) $\leq$ ρ (R∞DS)): Leaders with high risk propensity are equally or more likely to delegate critical decision making authority for operational decisions to followers than strategic decisions.

H2-a (ρ (R∞DO) $>$ ρ (R∞DS)): Leaders with high risk propensity are less likely to delegate critical decision making authority of operational decisions to followers than strategic decisions.

In mathematical formula,

H2-0: ρ (R∞DO) $\leq \rho$ (R∞DS)

H2-a: ρ (R∞DO) $> \rho$ (R∞DS)

Where DO and DS refers to leader's delegation of decision making authority for operational decisions, and leader's delegation of decision making authority for strategic decisions, respectively.

Participant's Role and Rights for Participation

All precautions were taken to assure that no participant was adversely affected by this research. Participants were informed of the complete anonymity of this study. Participants were informed of the voluntary nature of the study. Research data will be password-protected. The Web-based survey was hosted on a secure server managed by Survey Monkey www.surveymonkey.com. The researcher and the participants were given dedicated and encrypted access. Only the potential participants who receive an invitation to participate in the survey will be able to access the survey questionnaire. The survey data were downloaded to this researcher's personal computer which is password protected. No one has access to the researcher's personal computer except the researcher.

Data retention began from the date the data is downloaded from Survey Monkey's secure Web server for analysis and will be retained for a period of five years from that date. The data will be completely destroyed from this researcher's personal computer on the date the five year duration is attained. The targeted potential participants for this study are executives of business enterprises and are expected to be over the age of 18. The potential participants were invited through an invitation letter sent via email (see Appendix C) to participate in the proposed study with the explicit understanding that participation in the study is voluntary. Upon acceptance of the invitation and at the onset of the survey, the participants are advised in a consent form (see Appendix D) regarding their right to abandon their participation at any time during the questionnaire completion process. The completion of the survey by a participant is considered as consent acceptance. Maintaining confidentiality and protecting the rights of each participant are of paramount importance. Adherence to these guidelines were reviewed and certified by the dissertation committee members and by the Walden University's Institutional Review Board.

Discussions and Conclusions

This study explores the influence risk propensity has on delegating critical decision authority to subordinate managers and employees. It is determined that the relationship is significant. In other words, the antecedents explain a large amount of the variance in delegating critical decision authority thereby confirming risk propensity instrumentality. After careful review of relevant literature and available research methods, this researcher decided a quantitative research method using one group cross-sectional design is well-suited to this study. A cross-sectional design allows for causality

to be established and variables to be closely controlled. By developing a new instrument this research can be replicated using other participants. While external validity is harder to establish from this initial non-experimental design, further reproduction will add to its validity. The research methodology selected remains congruent with previous studies while adding depth to the relationship of risk propensity and leadership. The results of this study suggest that the level of risk propensity is a deciding factor in the willingness of senior leaders to delegate critical decision making authority, which can both directly and indirectly affect a firm's performance. In conclusion, this study demonstrates that the theoretical model proposed in this study fits the sample data.

The following chapter presents the results of empirical evidence, descriptive statistics, hypotheses testing, and summary.

Chapter 4: Results

Introduction

This chapter presents the results and analysis of a correlational study designed to investigate the significance of the role played by risk propensity in predicting a leader's willingness to delegate critical decision-making authority to subordinate managers and employees. Risk propensity was assessed using the Stimulating-Instrumental Risk Inventory (Zaleskiewicz, 2001). Willingness to delegate critical decision-making authority was assessed using a researcher-developed questionnaire. Reliability analyses were performed to test for the internal consistency of the questionnaires. Correlation analyses were used to demonstrate the relationships between variables and test the first hypotheses proposed by the present research. A two-way analysis of variance (ANOVA) was conducted to assess the second hypothesis of the proposed study, which focused on determining if leaders with high risk propensity are less likely to delegate critical decision making authority of operational decisions to followers than strategic decisions. Data collected by electronic data sampling were imported into SPSS software for analysis.

Sample Description

Sample and Sampling Procedures

Survey Monkey, an online survey company, contracted with business leadership research consultant Cint to identify and reach the target population. Cint's database includes 9,000 business owners and partners, presidents, CEOs, chairpersons, and senior management and corporate executives who have agreed to serve as panelists and

prospective participants in survey research. Initially, 1040 contacts were made for participation in the present research. A total of 102 participants (58.8% female, 41.2% male) responded to invitations with an agreement to participate and subsequently completed the surveys yielding a response rate of 9.8%.

Data Collection

In June 2014, business leaders participated in an online survey through the partnership of Cint research group and Survey Monkey. Online surveys were used in a cross-sectional, correlational design project. All surveys were collected by Survey Monkey.

Every participant received an explanation that the survey aimed to examine their risk propensity levels and its influence on delegating critical decision making authority, and the consent form (see Appendix D) prior to its distribution. Cint research group provided individual links and passwords to enter the survey through Survey Monkey's database portal. Cint research group utilized Survey Monkey's web survey administration tools. The survey was administered electronically via http://surveymonkey.com.

First, participants were asked to rate their risk propensity behavior utilizing a Stimulating-Instrumental Risk Inventory developed by risk propensity theorist Tomasz Zaleskiewicz (2001) (see Appendix A). Second, participants were asked to rate their willingness to delegate critical decision-making authority to subordinate managers and employees utilizing a critical decision delegation instrument (see Appendix B). Upon completion participants exited the survey by selecting the submission option. Upon

submission, their information was stored in a confidential database for which only this researcher and Survey Monkey administrators have access.

The following section provides descriptive statistics, construct validity and reliability indexes of assessment variables.

Measures

Construct Validity & Reliability of Variables

Each scale was evaluated for reliability using Cronbach's alpha (see Table 1) to assess internal consistency. Validity was assessed using correlations (see Table 2) among total scores and sub-scales for each of the instruments used. The risk propensity measurement instrument (Zaleskiewicz, 2001) measured an individual's propensity to take or avoid risks. Risk is the deviation of one or more future events from an expected value or outcome. The Risk Propensity instrument consisted of 16 items. The items were initially assessed using a 5 point scale in which low scores indicated high propensity. Scores were recoded such that higher scores reflect higher risk propensity for ease of interpretation. Total risk propensity was calculated using the average of the 16 scale items. Additionally, subscale scores for stimulating risk taking and instrumental risk taking were computed based on the average of items specific to each subscale as defined by Zaleskiewicz (2001). As seen in Table 1, Total Risk Propensity and the risk propensity subscales yielded moderately high internal consistency similar to the reliability coefficient of .87 reported by Zaleskiewicz (2001). As seen in Table 2, Total Risk Propensity is highly positively correlated with the stimulating risk taking ($r = .94$) and instrumental risk taking score ($r = .84$) providing validation of the construct. The

moderate positive correlation between subscales (r = .59) indicates a significant moderate relationship that suggests some level of uniqueness being represented by each.

Table 1

Integrated Descriptive Statistics Summary Table

Variable	Mean	Std. Dev	Cronbach's Alpha
Total Delegation Decision	6.32	2.56	0.99
Strategic Decisions	6.32	2.54	0.98
Operational & Admin Decisions	6.32	2.66	0.98
Total Risk Propensity	2.98	0.61	0.83
Stimulating Risk Propensity	2.67	.67	0.77
Instrumental Risk Propensity	3.49	.71	0.72

Table 2

Correlations among variables

Variable	Str	Ops Adm	Total Risk	Stim Risk	Inst Risk
Total Delegation Decision (A)	.98*	.99*	.27*	.19	.32*
Strategic Decisions (B)	----	.94*	.29*	.22*	.33*
Operational & Admin Decisions (C)		----	.24*	.16	.30*
Total Risk Propensity (D)			----	.94*	.84*
Stimulating Risk Propensity (E)				----	.59*
Instrumental Risk Propensity (F)					----

*Correlation significantly different than 0 at $p < .05$

As discussed in Chapter 3, a new questionnaire was developed to assess willingness to delegate critical decision-making authority using items in constructs discussed by Papadakis and Barwise (2002), Janczak (2005), Lee (2010), and Sengul,

Gimeno, and Dail (2012) (see Appendix B). These items measured strategic decision delegation as well as operational and administrative decision delegation that develop the future of the business enterprise, sustain or advance its competitive position, and address critical needs directed at its current and envisioned future state. The 40-item instrument tracking delegation of critical decision-making authority included 20 items relevant to the strategic decision subscale and 20 items relevant to the operational and administrative decisions subscale. Total Delegation was computed using the average of the 40 item scale. Subscale scores represent the average of the 20 items relevant to that subscale. As seen in Table 1, Total Delegation and the delegation subscales yielded high internal consistency. As seen in Table 2, Total Delegation is highly correlated with the strategic (r = .98) and operational and administrative delegation (r = .99) providing validation of the construct. The high correlation between subscales (r = .94) indicates a significant and strong relationship that suggests redundancy between the subscales.

Descriptive Statistics

Table 1 presents an integrated descriptive statistics summary of variable measurements and Cronbach's alpha used in the analysis of the reliability indexes.

The risk propensity assessment contained responses by means of a 5-point Likert type scale ranging from 1 = strongly disagree to 5 = strongly agree. As seen in Table 1, the results indicate a moderate probability that leaders working in the capacity of making critical decisions have high risk propensity (M = 2.98). A comparison of the subscale means was assessed using a paired t-test which indicated that the average instrumental

risk propensity (M = 3.49) is significantly higher than stimulating risk propensity (M = 2.67), t (101) = 13.312, p <. 001.

The delegation of critical decision assessment contained responses by means of a 10-point scale ranging from 1 – "I leave my subordinates(s) to analyze the situation and let him/her (or them) decide" to 10 – "I make the decision solely on my own judgment." As seen in Table 1, scores indicate a higher likelihood of making their own decisions (M = 6.32) and consequently a lower likelihood that leaders in this sample will delegate critical decision-making authority to subordinate managers and employees. A similar trend was found for the strategic decision (M = 6.32) and operational and administrative decision (M = 6.32) subscales. Although obvious based on the equality of the subscale means, a comparison of the subscales using a paired t test indicated that the strategic decision and operational & administrative decision subscales were not significantly different.

Hypotheses Testing

The purpose of the present study was to explore two primary hypotheses. The first hypothesis predicted that leaders with high risk propensity are less likely to delegate critical decision-making to followers than those with low risk propensity. Therefore, there will be a positive correlation between risk propensity and total scores on delegation in which higher scores indicate a propensity not to delegate. Table 2 reports bivariate correlations for all total and subscale scores assessed. Correlations found to be significantly different than zero are asterisked in Table 2.

The results of the present study confirm this hypothesis. Results shown in Table 2 revealed a significant negative correlation between risk propensity and delegation of critical decisions (r (102) = .27, p = .007). Higher values indicate a lower probability that a leader will delegate critical decision-making authority to subordinate managers and employees. It is interesting to note that examination of the correlations between Total Delegation Decisions and each of the subscales of risk propensity indicate that instrumental risk propensity is a significant predictor (r (102) = .32, p = .001) although stimulating risk propensity is only marginally significant as alpha (level of significance) is not less than .05 (r (102) = .19, p = .055).

The second hypothesis predicted that leaders with high risk propensity are less likely to delegate critical decision making authority of operational decisions to followers than strategic decisions. In order to categorize participants as high versus low risk propensity, a median split was conducted for the Total Risk Propensity scores. Results of an independent t-test indicate that average Total Risk Propensity scores for the low propensity (M = 2.50, SD = .42) and high propensity (M = 3.43, SD = .37) groups were significantly different, t (100) = -11.85, p < .001, thus validating that the groups represent significantly different categories of risk propensity.

In order to test the second hypothesis, a paired samples t-test was conducted using high risk propensity participants only. Results indicate that the likelihood of delegating critical decision making authority of operational decisions (M = 6.64, SD = 2.27) is not significantly different than the likelihood of delegating strategic decisions (M = 6.65, SD = 2.00) and thus the second hypothesis proposed by the present research is not supported.

In retrospect, the present researcher realizes that elimination of the low propensity participants in the hypothesized findings prevents conclusions regarding the impact of level of risk propensity on delegation of decisions across the subcategories. Thus, in order to examine if strategic decision delegation and operational and administrative decision delegation differs across risk propensity categories, the resulting categorical risk propensity variable was used as the between-subjects independent variable and the type of decision delegation (strategic or operational and administrative) was used as the within-subjects independent variable in a mixed 2 X 2 ANOVA. In this way it was possible to assess whether the difference between delegation of strategic and operational & administration decisions was the same for low and high risk propensity business leaders or if the variables interact thus exhibiting a difference in delegation of decision subcategories for low and high propensity leaders.

As with any two-way factorial ANOVA, three hypothesis are explored: a) main effect of risk, b) main effect of decision delegation and c) the interaction between risk and decision delegation (described above). Results indicate that there was no main effect of risk, no main effect of decision delegation and no significant interaction. Table 3 summarizes the means assessed in the mixed ANOVA. In regards to the absence of the main effect of risk, this indicates that the overall decision delegation means for low risk propensity (M = 5.98) and high risk propensity (M = 6.64) were not statistically significantly different. Similarly, in regards to the absence of the main effect of decision delegation subcategory, this indicates that the overall strategic decision delegation mean (M = 6.31) was not statistically significantly different than the operational and

administrative decision delegation mean (M = 6.32). In regards to the absence of a significant interaction, as seen in Table 3, the pattern of results across risk category for strategic decisions is similar to that seen for operational & administrative. Thus, the impact of risk category is consistent for both levels of decision delegation.

Table 3

Delegation by Risk Propensity and Types of Decisions

	Low Risk Propensity (n = 50)		High Risk Propensity (n = 52)		Total (n=102)	
Types of Decisions	Mean	SD	Mean	SD	Mean	SD
Strategic Decisions	5.98	2.99	6.65	2.00	6.31	2.54
Operational & Admin Decisions	5.99	3.00	6.64	2.27	6.32	2.66
Total	5.98	2.99	6.64	2.13	6.31	2.60

Note: Dependent Variable is Delegation

Summary

The results of the survey support the first hypothesis which proposed a positive correlation between a leader's risk propensity and their willingness to delegate critical decision-making authority. These findings suggest that leaders who retain primary responsibility for critical decision-making have high risk propensity while those who delegate decisions have less risk propensity. The evidence points to the possibility that after leaders evaluate the risk associated with business decisions, they may conclude that they are more skillful in determining the best decision alternative and implementation strategy rather than trusting subordinate managers and other employees with decision alternatives and implementation. These findings can also suggest that business leaders

who are risk takers are less likely to delegate because they are more confident in themselves than their associates.

Analyses of the data did not support the second hypothesis that proposed leaders with high risk propensity are less likely to delegate critical decision making authority of operational decisions to followers than strategic decisions The results show that high risk leaders in critical decision-making capacities are equally likely to delegate operational and administrative decisions to subordinate managers and other employees as they are to delegate strategic decisions. Further, this trend is seen for leaders categorized as low as well as high in risk propensity. The lack of statistical significance shown in this study regarding the comparison of strategic and operational delegation for low versus high risk propensity leaders suggests that level of decision delegation is relatively consistent across risk and delegation type.

The following chapter provides a discussion of the potential uses of this information, further discussion on the influence of risk propensity on delegating critical decision-making authority, and recommendations for additional research.

Chapter 5: Discussion, Conclusions, and Recommendations

Introduction

The purpose of this study was to provide empirical evidence of the influence risk propensity has on a leader's willingness to delegate critical decision making authority to subordinate managers and employees; the study also investigates whether high risk propensity is more, less, or equally likely to effect a leader's willingness to delegate operational and administrative decisions as opposed to strategic decisions. This chapter reviews the results of the research study, interprets the findings, discusses limitations and the potential impact of the findings on social change, and provides recommendations and suggestions for further study.

The first hypothesis addressed the question of whether leaders with high risk propensity are more, less, or equally likely to delegate critical decision-making authority to subordinate managers and employees than leaders with low risk propensity. The results indicated that the higher the risk propensity the less likely leaders will delegate critical decision-making authority, and the lower the risk propensity the more likely leaders are willing to delegate critical decision making authority. The results indicate a stronger desire of leaders with higher risk propensities in critical decision-making capacities to remain in control of critical decisions.

The second hypothesis addressed whether leaders with high risk propensity are more, less, or equally likely to delegate critical decision-making authority for operational decisions than for strategic decisions. Table 3 reveals no statisical difference between the delegation of strategic decisions and the delegation of opeational and administrative

decisions to subordinate managers and employees. The results reveal leaders with high risk propensity delegate strategic decisions and operational and adminstrative decisions equally.

Discussion/Interpretation of Findings

This study added new literature to the correlation of risk propensity and critical decision-making behaviors. This researcher could find no published studies in which the risk propensity instrument was used to measure how risk propensity influences the willingness of leaders to delegate critical decision-making authority to subordinate managers and employees. The study concludes that leaders with higher risk propensity scores prefer making critical decisions and therefore are less willing to delegate critical decision making authority to subordinate managers and employees.

The results for risk propensity are consistent with the results of studies by Kuzniak et al. (2015), O'Neil (2011), and Renn (1998). They conclude that an individual's risk propensity level is the basis of how they decide to manage risk, which ultimately determines whether they seek to accept or avoid the risk situation. The author's argued risk propensity affects how individuals derive the comfort of taking risks and the value of the associated gains involved for both business and personal circumstances. Individuals are more willing to take risks when certain losses are anticipated and are more willing to settle for a sure gain when absolute gains are anticipated.

The results for delegation of critical decisions agrees with research completed by Håkonsson et al. (2012) and Hitt et al. (2012). Critical decisions, when made effectively,

lead to improved organizational performance. In this study it was shown that critical decisions are accompanied by increased complexity and pressure. Håkonsson et al., and Hitt et al., concluded that critical decisions in their very nature are high-risk decisions an organization routinely makes to complete its various missions while in constant pursuit of its vision. The results of critical decisions ultimately place business enterprises in a position to succeed or fail in every facet of operations.

The results for strategic and operational decisions agrees with research completed by Hitt et al. (2012), Janczak (2005), Slack and Lewis (2011), and Slack (2015). According to Hitt et al., and Janczak, strategic decisions are high-risk decisions designed to facilitate high-level goals such as competitive positioning, globalization, asset management, financial risk management, change management initiatives, strategic usage of information systems, vertical integration, process technology, and enterprise capacity. According to Slack and Lewis, and Slack, operational decisions include facility utilization, outsourcing, supply chain management, production capacity and capability, and quality management. The authors proposed leaders in critical decision making capacities view strategic and operational decisions in direct correlation with the overall success of the organization.

The use of Zaleskiewicz's (2001) Stimulating-Instrumental Risk Inventory to measure the risk propensity of leaders in critical decision making capacities was effective for this study. The Stimulating-Instrumental Risk Inventory showed to be reliable for risk propensity measurements. This researcher could find no published studies where the instrument was used in this manner.

The use of the Delegation Decision Instrument that measured the willingness of leaders to delegate critical decision-making authority to subordinate managers and employees was effective for this study. The model showed to be remarkably reliable in terms of internal consistency for decision delegation measurement tests. Based on the results of this study, a number of recommendations can be provided.

Recommendations

Utilizing Likert scale questions, the findings provided new research in risk propensity and delegation of critical decision-making authority. Correlations between risk propensity and delegation of critical decisions research are limited in the field of social science. To continue this research, theorists of risk propensity, delegation of authority, and critical decision-making should pursue further study to uncover additional correlations in an effort to advance knowledge in the field of social science. One recommendation is to expand the study beyond leaders in critical decision making positions. For example, a future study could investigate whether managers and supervisors encounter the same risk prosperity influences in delegating critical decisions. Future studies could investigate risk propensity differences between leaders, managers, and supervisors.

Limitations

The current study has a number of limitations that should be addressed in future research. The study did not determine how age could impact the willingness of leaders to delegate critical decision making authority. For example, it may be possible that older

professionals may average higher or lower risk propensities than younger professionals, which could alter the results of delegating critical decisions.

The survey process was initiated by a collaboration between the researcher, Survey Monkey, and data collection professionals from Cint research group. Confidentiality was assured for respondents, reducing the incentive to artificially inflate or disguise their responses. Considerable care has been taken in this research project to attend to concerns of reliability and validity. The validity and reliability of the assessment tools are addressed through the reliability coefficients within the present study. All coefficients were strong. The reader should remain aware that the data are derived from questionnaire surveys of participants who responded in an anonymous setting. The questions in the risk propensity instrument were personal. Distortion of data may increase when participants are asked personal questions. Possible distortion of risk propensity data can be verified with further research.

The respondents in this study share difficult critical decision-making responsibilities for their respective organizations. Measuring beliefs, perception and behavioral patterns remains a difficult task. In the area of risk propensity research, this difficulty is increased by an individual's unknown or unexplored evaluation of their comfort level in risk taking in regards to business goals and personal affairs.

The Delegation Decision scale, unlike the risk propensity scale, had no reverse-scored items in it. When all of the items measure in the same direction, it becomes likely that the respondent knows what's being measured and therefore how the researcher wants

them to respond. Therefore, a percentage of the results could be observer bias. To ensure validity the instrument can be constructed to where half of the items are reversed scored.

Implications for Social Change

Effective social change creates an atmosphere that makes a situation more conducive to a positive outcome and greater good. Social change includes service to others for their personal and professional benefit. Providing services to others is investing in their future, which is an investment in the well-being of the person and society. This study explores ways in which social scientist, researchers, and leaders can advance the understanding of how risk propensity impacts the delegation of critical decisions in organizations. This research and the resulting analysis could give decision makers a window into their individual risk propensity preferences. The information provided will allow decision makers to improve their delegation behaviors based on a new awareness of risk propensity influence. Increased awareness in delegation behaviors can lead to increased work productivity. This research and the measurement instruments could increase and improve the self-awareness of decision makers.

Critical decision making is a systematic set of processes designed to purposely advance the mission of the organization. Specifically, critical decision making in its very nature is a process of making high-risk decisions that an organization routinely enacts to complete its various missions while in constant pursuit of the realization of its vision. Delegation of critical decision-making to subordinate managers and employees advances their competency by increasing their repertoire of skills, thereby providing more valuable

contributions. This increase in individual competency leads to an increase in organizational competency (Bass, 2008).

Implications of the study

This correlational study has implications for the fields of decision-making and risk propensity for researchers and practitioners from multiple perspectives. Delegation of decision-making authority facilitates organizational effectiveness and efficiency. Organizational and personnel competency growth is enabled through delegating critical decision-making authority to the organization's lowest capable levels. Successful organizations leverage effective decision-making processes. As a result of this study, theorists of risk propensity and decision-making have available data with which they can educate decision makers on delegation behaviors that may result from high risk propensity, and possibly harm organizational performance. In turn, with this awareness, decision makers can become more cognizant of their behaviors during critical decision processes.

This study reveals the impact risk propensity has on a leader's willingness to delegate critical decision-making authority to subordinate managers and employees. It suggests the need for scholars to further consider the implications of individual risk propensity in delegating critical decisions. At higher levels of risk propensity, delegating critical decision-making authority to subordinate managers and employees tends to go lower. Analysis of the data reveals a degree of risk propensity leads to a decrease in delegation of critical decision-making opportunities, which is not conducive to subordinate manager and employee development.

On the basis of the results of the present study, it is possible that critical decision makers with higher levels of risk propensity may inadvertently neglect to develop subordinate managers and employees through the delegation of critical decision-making authority when opportunities arise. The analysis of the data reveals high risk propensity leaders with this level of responsibility prefer to achieve critical goals for the organization individually, and in doing so negatively influence organizational delegation practices and the skill and knowledge development of their associates.

Suggestions for Further Research

While this study provides just one snapshot of these factors, it can be used and replicated in other situations. New studies creating new data must be further investigated to develop a deeper understanding of additional variables in individual preferences regarding delegation of decision making authority in relation to risk propensity. Future researchers can build upon this study to determine whether a better understanding of risk propensity is more likely to improve delegation of critical decision making in organizations. As previously addressed, the framework and measurement of this study have not been extensively used within the social sciences and academic communities.

In order to add to the depth of knowledge, this researcher recommends that further studies be conducted with both a larger targeted population of critical decision makers to determine any harm to organizational performance and employee development. I recommend dividing the larger population of possible respondents to domestic and global organizations and expanding the survey instrument that measures critical decisions delegation to include open-ended questions such as “Describe and provide an example,”

which can be delivered in an interview component. A research project such as this would provide in-depth and invaluable data through which all research communities and interested practitioners can benefit from a rich repertoire of risk propensity and delegation of critical decision-making.

Summary

Chapter 1 presented the significant purposes of this study: (a) provide empirical evidence of the correlation between risk propensity and delegation of critical decisions; (b) provide empirical evidence of whether leaders in this sample in the capacity of making critical decisions have high risk propensity; and (c) investigate whether leaders with high risk propensity delegate operational and administrative decisions more, less, or equally to strategic decisions. The results and outcomes of this study fulfill these purposes. This study provides a new dimension to the understanding of risk propensity and delegation of critical decisions. The results of the study will assist decision makers in understanding the various impacts the influence of risk propensity on delegating critical decisions and its impact on organizational delegation practices and follower development.

This study provided new research regarding the correlation between risk propensity and delegation of critical decisions, and addresses the gap in research regarding risk propensity's influence on a leader's willingness to delegate critical decision-making authority to subordinate managers and employees. As a researcher the correlational method allowed me to better understand the theories of leadership, decision-making, delegation of authority, and risk propensity.

The results of this research validated its central premises: that there is a positive correlation between risk propensity and delegation of critical decisions, and that risk propensity influences a leader's willingness to delegate critical decision-making authority to subordinate managers and employees. The study offers empirical evidence that the higher the risk propensity the more likely leaders will retain control of critical decisions.

There are multiple benefits of this research that can be utilized by future researchers, educators, and practitioners of risk propensity and decision making. First, researchers can use this model to add additional understanding of the correlations of risk propensity and delegating critical decisions. Second, this study provides educators with a deeper awareness of various correlational determinants of risk propensity and delegation of critical decisions, which will facilitate enriched teaching in the field of both concepts. Third, this study provides researchers and educators with an understanding that the degree of which leaders in the capacity of making critical decisions are willing to delegate this responsibility to their subordinate managers and employees is based on levels of risk propensity. Finally, practitioners can use this study to understand their individual strengths and weaknesses and tailor their critical decision-making behavior towards broadening their willingness to delegate critical decision authority to positively support organizational delegation practices and follower development.

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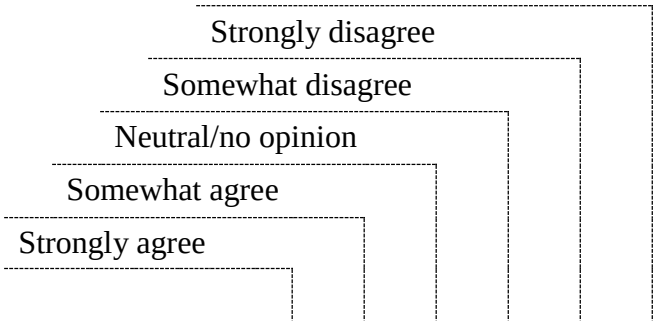
Appendix A: Risk Propensity Questionnaire

Please reflect your risk preference for the following risk situations and opportunities. Use the following scale (1-5) and indicate how much risk you're comfortable taking relative to what's at stake.



To gain high profits in business one has to take high risks	1	2	3	4	5
To achieve something in life one has to take risks	1	2	3	4	5
If there is a big chance of profit I take even very high risks	1	2	3	4	5
I make risky decisions quickly without an unnecessary waste of time	1	2	3	4	5
While taking risk I have a feeling of a very pleasant flutter	1	2	3	4	5
I am attracted by different dangerous activities	1	2	3	4	5
I often take risk just for fun	1	2	3	4	5
I enjoy risk taking	1	2	3	4	5
I willingly take responsibility in my work place	1	2	3	4	5

I avoid activities whose result depend too much on chance	1	2	3	4	5
In business one should take risk only if the situation can be controlled	1	2	3	4	5
The skill of reasonable risk taking is one of the most important Leadership skills	1	2	3	4	5
I take risk only if it is absolutely necessary to achieve an important goal	1	2	3	4	5
Gambling seems something very exciting to me	1	2	3	4	5
If I play a game (e.g. cards) I prefer to play for money	1	2	3	4	5
If there was a big chance to multiply the capital that I would invest my money even in the shares of a completely new and uncertain firm	1	2	3	4	5

Appendix B: Critical Decision Delegation Questionnaire

Please reflect on the many decisions you made the last six months or year, or imagine the situation in which you'd have to make the following decision. Who DID (or WILL) make the following decisions? Use the following scale (1-10) and indicate how much YOU decide relative to your DELEGATION to your subordinates.

10: I make the decision solely on my own judgment (100% of my input in making a final decision).

7: I consult with my subordinate(s) and come to my own decision (70% of my input).

5: I participate in the process with my subordinate(s) and come to consensus (50% of my input).

3: I offer my idea(s) to my subordinates, but I let him/her/them decide (30% of my input).

1: I leave my subordinate(s) to analyze the situation and let him/her (or them) decide. (0-10%).

You may use any number between 0 and 10 to best estimate the percentage of the amount of your input. Graphically, the amount of your input in the decision is:

0% 10% 30% 50% 70% 90% 100%

0 --- 1 –- 2 --- 3 --- 4 --- 5 --- 6 --- 7 --- 8 --- 9 --- 10

Strategic Decisions

____ 1. Establishing strategic objectives for improved organizational performance

____ 2. Determining corporate restructuring for improved performance

____ 3. Determining defensive strategies to protect competitive advantage

____ 4. Determining market expansion strategy for emerging foreign market capitalization

____ 5. Negotiating collaborative joint venture partnership for improved market presence and delivery of good and services

____ 6. Negotiating strategic alliance for improved market presence and delivery of goods and services

____ 7. Negotiating business acquisition for improved industry position and expansion of goods and services offered

____ 8. Determining merger implementation timeline

____ 9. Determining technological investment to create innovative value

____ 10. Establishing financial objectives to achieve corporate goals

____ 11. Allocating investment capital to maximize asset wealth

____ 12. Infrastructure investments for improved efficiency and effectiveness

____ 13. Determining objectives to promote a strategy-supportive culture

____ 14. Pushing corrective actions to improve strategy execution and overall organizational performance

____ 15. Determining forceful actions to flush out undesirable cultural traits

____ 16. Delayering management hierarchy

____ 17. Determining strategies keeping the organization responsive to changing conditions

____ 18. Determining strategy-critical value chain activities

____ 19. Leveraging organizational core competencies into competitively valuable capabilities

____ 20. Determining resource allocation priorities to enhance competitiveness and profitability

Operational & Administrative Decisions

____ 1. Establishing product and service capacity outputs

____ 2. Investing in new facility for increased production capability

____ 3. Establishing prices of product or services

____ 4. Determining how to align information technology and operations strategic goals

____ 5. Establishing outsourcing criteria for improved manufacturing and service capability

____ 6. Determining vertical integration strategies to extend an organization's competitive scope and responsiveness

____ 7. Selecting cross market subsidization alternatives for improved performance in under-performing markets

____ 8. Selecting process technology investments for increased production

____ 9. Determining the utilization of performance-based compensation systems

____ 10. Terminating employees

____ 11. Coordinating supply chain operations for optimum performance

____ 12. Establishing distribution structure for optimum efficiency

____ 13. Determining whether demand is met with a few large facilities or several smaller ones

____ 14. Determining whether facilities focus on serving certain geographic regions, product lines, or customers

____ 15. Determining target levels of quality for products and services

____ 16. Determining how employees will be involved with quality

____ 17. Determining how quality awareness is maintained

____ 18. Modifying existing products or services to create improved value

____ 19. Development of new products or services that create value

____ 20. Determining how operating systems execute strategic decisions

Appendix C: Participant Invitation Letter

To: john.doe@company.com

From: rcdoctor@waldenu.edu

Subject: 15 min Survey

Body:

My name is Reginald Doctor. I am conducting a survey as part of my doctoral dissertation for a PhD in management from Walden University (www.waldenu.edu). The survey will take 15 minutes (or less).

My dissertation examines the relationships between risk propensity and the influence it has on delegating critical decision making authority to subordinates.

You are being requested to participate in this survey because you are recognized in the Hebert Research database as a strategic member of your organization and your firm is publicly traded.

You do not need knowledge of any particular software or hardware; please just share your anonymous opinion for this academic research.

Again, the responses to this survey are confidential, and will be used solely for my academic research.

Please use this link to complete the 20 minute survey: http://www.surveymonkey.com/s.aspx This link is uniquely tied to this survey and your email address. Please do not forward this message.

Thank you very much for your participation!

Sincerely,
Reginald Doctor

Please note: This invitation is mailed through online survey system "surveymonkey.com". If you click the link below, your email will be removed from future

mailings through this system. However, this survey is part of my academic research for my sole use and I value your input. If you have questions or concerns, please contact me at rcdoctor@waldenu.edu or rcdoctor@gmail.com
http://www.surveymonkey.com/optout.aspx

Appendix D: Participant Consent

CONSENT
You are invited to participate in a study which aims to assess the relationship the relationships between risk propensity and the influence it has on delegating critical decision making authority to subordinates. You were chosen to participate in this survey because you are a senior leader in in your organization. This study is being conducted by Reginald Doctor who is a doctoral student at Walden University.

Study Background:
The study explores the level and importance of risk propensity's influence in leadership, specifically delegating authority. This researcher aims to gain a deeper understanding of the interplay between risk propensity influence and delegating critical decision authority within the business enterprise.

Participation:
Your participation in this study is voluntary. If you decide to participate, but want to withdraw from your participation later, you can do so at your own free will at any time during the survey. If you feel stressed while responding to the survey questions, you may stop at any time. If you feel a question is overly personal and you do not want to respond, you may skip the question.

Risks and Benefits:
No personally identifying information will be published, and all information will be maintained via a secure Web site that is accessible only by the researcher, thereby minimizing any risk. The researcher envisions benefits at the leadership development level. If the results of this study show a relationship between risk propensity influence and firm performance, it may be possible to draw conclusions regarding leadership development, capabilities & behaviors, approaches, and more.

Compensation:
The success of this research depends on your participation. Thank you in advance for your time and support and as a token of my appreciation I would like to offer you:

- an opportunity to win a Digital Camera or 160GB iPod Touch ($250 retail value)

  in a drawing;

- a summary report of the research analysis results so that you can identify the drivers of your relationships with your IT department and how it affects your firm performance;
    - Please note that the chances to win gifts are available only to those respondents who complete the entire survey.

Confidentiality:
Any information you provide will be kept strictly confidential. The researcher will not use your information for any purpose outside of this research project. Also, the researcher will not include your name, your company name, or anything else that could identify you in any reports of the study.

Contact Information:
The researcher's name is Reginald Doctor and his faculty advisor is Professor Lee W. Lee. If you have any questions at any time regarding this study, please contact the researcher at rcdoctor@waldenu.edu or his advisor at lee.lee@waldenu.edu. If you have any concerns that require immediate clarification before you begin this survey, please contact the researcher at (425)-750-2369 (mobile) or Professor Lee at 860-770-6302 (office). If you want to talk privately about your rights as a participant, you can call Dr. Leilani Endicott. She is the Director of the Research Center at Walden University. Her phone number is 1-800-925-3368, extension 1210.

If you desire, the researcher will provide you a copy of this form for your records, please contact the researcher directly. Alternatively, you may print this form from your browser (file+print).

Please provide your response to the 41 questions as completely as you can. Questions include assessment of your risk propensity and assessment of your willing to delegate strategic, operational, and administrative critical decisions, and some demographic questions. The survey will take approximately 20 minutes to complete.

Statement of Consent: If you are comfortable participating in the survey as described above, please click "Next" to begin the survey.