Linking Issue Labels And Managerial Actions: A Study Of Participation In Crisis Vs. Opportunity Issues

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Abstract

The way in which top level executives frame strategic issues is likely to affect how these executives go about resolving issues and deciding on a course of action. The particular label given to a strategic issue may alter how much information is processed in resolving the issue. Specifically, differences in the way strategic issues are labeled are believed to affect the amount of top level executive participation in deciding the issues (Dutton and Jackson, 1987), although there has been no empirical support of this claim. Data from high ranking executives in 21 defense contracting companies indicate that the participation of top level executives is significantly reduced when responding to issues labeled as crises than when responding to issues labeled as opportunities. Further, the absolute extent of these differences is modified by the information processing and participation climate in organizations. The results suggest that top level executives should be aware of the labels given to strategic issues, recognize the implications of such labels, and make special efforts to overcome the tendency to reduce information processing capacity when confronting crisis strategic issues.

Introduction

The way in which decision makers characterize or label organizational issues is believed to affect the resolution of these issues. Dutton, Walton and Abrahamson argued that decision-makers sort issues into organizational categories, giving the issues meaning as determined by the decision makers and thus "separating the wheat from the chaff in the field of issues" (1989, p.379). The meaning that is given issues is believed to affect both the selection of a course of action and the implementation of that action (Dutton and Jackson, 1987). Yet while considerable theory has been developed (Dutton and Jackson, 1987; Staw, et. al., 1981) little is known about the actual organizational response to differences in issue labels.

The purpose of this study was to determine empirically the connection between issue
labels and top level executive behavior. Specifically, the research included an examination of the degree to which participation in decision making varies when the decision to be made is viewed as a crisis versus when it is viewed as an opportunity. Also, addressed in this study was the inclination of top executives to seek information outside their own group when resolving crisis and opportunity issues. Finally, the authors looked at how the organization's normal information processing and participation climate moderates organizational responses to opportunity or crisis distinctions.

Theory

Strategic Decision-Making and Issue Labels

Organizational decision makers are confronted with a multitude of strategic issues, some of which are attended to and labeled and some of which are ignored. These labels alone, are believed to affect how the decision is made as well as the ultimate response an organization selects (Dutton and Jackson, 1987; Thomas, Clark & Goia, 1993). The labels that are given to events represent an interpretation of those events. Thus, events labeled as crises represent different meanings and frames of understanding than events labeled and interpreted as opportunities (Mintzberg, et. al.,1976; Dutton and Jackson, 1987). Moreover, these events are believed to invoke different kinds of behaviors (Dutton and Duncan, 1987; Dutton, et. al.,1983).

The relationship between an issue label and strategic decision making behavior has been conceptually developed in the literature (Dutton and Jackson, 1987; Jackson and Dutton, 1988), but not empirically tested. Dutton and Jackson (1987) argue that the meanings which get attached to events affect the way organizations respond to events. Based on an interpretive view of decision making and cognitive categorization theory they suggest that events categorized as opportunities will result in greater decision making involvement throughout the organization, and different kinds of organizational responses than events categorized as threats. A crisis is normally viewed as a threat, but in certain circumstances can lead to an opportunity. However, when first encountered a crisis normally has a negative connotation.

While Thomas and McDaniel (1990) examined the contextual factors that contribute to the label itself, we still have little understanding of how specific differences in issue labels result in variations in top level executive decision making behavior. Building on the work of Dutton and Jackson (1987), the authors propose that the label given to either a “crisis” or “opportunity” a strategic issue affects the way in which organizations attempt to process strategic information needed to select a course of action. Because participation is a critical aspect of an organization's strategic information processing capacity (Ashmos and McDaniel, 1991), the label of an issue influences the extent to which organizational members participate in processing information.

While the examination conducted in this research contributes to the interpretive decision making literature, it is perhaps more important because of the current movement in organization science towards understanding how organizations as complex systems (Ashmos, Duchon, Hauge & McDaniel, 1996) successfully survive symmetry breaking events, which may be crisis or opportunity events (Gemmill and Smith, 1985). When events happen, such as crises, that suddenly jolt the organization away from equilibrium, i.e. a stable, balanced system, the potential for organizational unlearning/learning exists (Bettis and Prahalad, 1991). Events which create disequilibrium give life to the organization to the extent that the organization can grow and change and adapt. The ability to adapt is fostered by calling upon the relationships among organizational members, by enhanced and sometimes disorderly communication among people that can facilitate growth and new life. While the examination conducted in this research contributes to the interpretive decision making literature, it is perhaps more important because of the current movement
in organization science towards understanding how organizations as complex systems successfully survive symmetry-breaking events, which may be crisis or opportunity events (Gemmill and Smith, 1985). When events happen, such as crises, that suddenly jolt the organization away from equilibrium, i.e. a stable, balanced system, the potential for organizational unlearning/learning exists (Bettis and Prahalad, 1991). Events that create disequilibrium give life to the organization to the extent that the organization can grow and change and adapt. The ability to adapt is fostered by calling upon the relationships among organizational members, by enhanced and sometimes disorderly communication among people that can facilitate growth and new life. Participation in decision making is one expression of this richness of connections (Wheatley, 1993) and the relationships that exist in organizations. In the present study top level executives informed us of the way in which the organization would likely respond to such symmetry-breaking events, be they labeled opportunities or crises.

Participation

Participation is a term that has enjoyed multiple meanings (Cotton, et. al., 1988), although its most common manifestation derives from the human relations approach to management and describes joint decision making between a superior and subordinate (Leana, 1987; Locke and Schweiger, 1979; Vroom, 1960). From the human relations view, participation is a process in which power and responsibility are shared between hierarchical unequal (Wagner and Gooding, 1987; Locke and Schweiger, 1979).

At a strategic level, participation can be thought of as a way of increasing the organization’s capacity to process complex, nonroutine information. Participation is a mechanism for the exchange of information (Mia, 1989) that enables decision makers to obtain the information necessary to do their jobs (Galbraith, 1977). As the jobs and tasks change, the need to process information changes. Participation is also a mechanism for increasing the quality of interpretation and sensemaking (Weick, 1993).

Participation is often used interchangeably in the organizational science literature with the terms delegation (Leana, 1987) and decentralization (Connor, 1992). Distinguishing among these three concepts is important since the literature on organizational responses to crises sometimes uses these terms interchangeably. For example, participation is sometimes viewed as whether people low in the organization have input into decisions that affect them. Participation in strategic decision making is the process of joint decision making among near hierarchical equals in which authority and responsibility for decisions are shared. Delegation of strategic decisions is the process of relinquishing the authority and responsibility for decisions to lower level workers. Decentralization represents the degree to which decisions have been delegated formally to lower levels within the organization. Thus, CEOs typically are viewed as sharing strategic tasks and power with the top management team (Hambrick and Mason, 1984). Top management teams may from time to time relinquish the authority and responsibility to middle level or lower level managers (i.e., delegate specific decisions). When an organization formally delegates a significant number of strategic decisions to lower levels in the organization, the organization is viewed as relatively decentralized.

Crisis and Opportunity Issues

Strategic issues can be categorized as crises or opportunities (Mintzberg et. al., 1976; Jackson and Dutton, 1988). Strategic issues that are characterized as crises are those in which the organization believes there is pressure to initiate action and believes the consequences of acting or failing to act could have a negative impact (Mintzberg et. al., 1976). When facing a crisis issue organization members believe they have little control over the issue and envision a potential loss for the organization (Jackson and Dutton, 1988) and may perceive that the organization’s survival is at stake (Nathan and Mitroff,
Strategic issues that are characterized as opportunities result in actions "initiated on a purely voluntary basis, to improve an already secure situation" (Mintzberg et. al., 1976: p. 251). Opportunities are viewed as positive, possible to resolve, and likely to result in a gain for the organization (Jackson and Dutton, 1988). Decision makers perceive a high likelihood of being able to resolve opportunity issues.

One of the presumed benefits of broader participation in decision making, especially during a crisis, is that different points of view and more total information is brought to bear on the decision problem, thus insuring a more comprehensive decision making process. Huber and McDaniel (1986), for example, claimed that hostile, complex environments, such as a deregulated banking or airline industry or a shrinking defense industry, require high quality decisions and many kinds of expertise; the kind of situation which would suggest greater participation. Staw et. al. argued that participation during crisis issues is crucial because it enables an organization to have a variety of available responses to such issues because an organization "...cannot adapt (to a crisis event) by narrowing its input and response repertoire...only variety in input and diversity of response insures survival during radical change." (1981: p.517).

Despite presumed benefits, several streams of research suggest that organizations do not seek a variety of inputs in the face of crises. The literature on organizational stress (Staw et. al, 1981) and decline (Cameron et. al., 1987a; Cameron et. al., 1987b) reported that organizational structures become more rigid and mechanistic in response to crisis issues. In the literature on crisis management, Smart and Vertinsky (1977) as well as Mitroff, Shrivastava and Ud- wadia (1987) suggested that in the face of an impending crisis an organization will utilize fewer sources of information. Organizations that constrict in response to a crisis become autocratic and mechanistic; power is centralized, authority contracts, and procedures are formalized (Khandwalla, 1972; Starbuck et. al., 1978; Cameron, et. al., 1987a, 1987b; Rubin, 1977). The threat-rigidity hypothesis (Staw et. al., 1981), concludes that top managers move decisions to the top of the organization during crises. In Leana's (1987) terms there is less power relinquishment (i.e., delegation) during crises. In addition to the studies mentioned above Gladstein and Reilly (1985) found partial support for the threat-rigidity hypothesis in their study which involved using MBA students in a simulation game. They observed a restriction in information, but did not find a constriction in control.

Not all researchers subscribe to the prescriptive intent of the threat-rigidity hypothesis, that is, that in a crisis environment it may be dysfunctional to constrict the flow of information. Fredrickson and Mitchell (1984) suggested that a comprehensive decision making process, which implies high levels of participation, is not appropriate for uncertain or threatening environments since they found a negative relationship between comprehensiveness and company performance.

The literature on environmental threat and organizational structure provides a conceptual foundation for this investigation but speaks to a general question of how organizational structures respond to changing conditions in the environment. Our inquiry is more narrowly focused on the concern for how the decision processes at the top of an organization change as a result of differences in the way an issue is labeled. The particular literature of importance is that on issue labeling (Dutton and Jackson, 1987; Jackson and Dutton, 1987; Dutton, et.al., 1989) which predicts different organizational processes for issues labeled as crises than for resolving issues labeled as opportunities.

In contrast to many of the predictions about the organization's rigid structural response to environmental threats, some researchers predict greater openness and participation at all levels throughout the organization in the face of an opportunity. Specifically, Dutton and Jackson...
hypothesized that a greater amount of involvement will occur in opportunities than in crises. When situations are labeled as opportunities, participation in the decision making process will be greater throughout the organization than when the issues are labeled as crises. Thus, we hypothesize:

**H1:** When decision makers are presented with strategic issues that have been labeled as crises, participation in the decision process will be less than when issues are labeled as opportunities.

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

Glick (1988) described climate as a broad class of variables "that describe the organizational context for individuals' actions," including subjective developed meanings that result from organizational sensemaking practices. Climate is a cognitive representation of an organization's environment which evolves from perceptions of events, objects, processes and structures of the situations in that people find themselves (James and Jones, 1974; Jones and James, 1979). Multiple climates exist in an organization and these multiple climates represent an aggregate or shared view of the organization's context (Joyce and Slocum, 1984). One such climate within organizations is the information processing/participation climate (Stinchcombe, 1990).

Organizational information processing theory suggests that organizational behavior can be understood by examining the information flows within organizations (Knight and McDaniel, 1979; Galbraith, 1973; Stinchcombe, 1990). From this perspective information processing -- which involves the gathering, transmission and use of information (Saunders and Jones, 1990) -- is viewed as the central activity of organizations. Information climate is thus a cognitive representation of the nature and character of these information flows. Information processing climates vary across organizations. That is, organizations differ from each other in the way information is seen to be processed, the nature of critical information (Egelhoff, 1982) and the degree to which organization structure and norms enhance or inhibit information processing behavior (Huber, 1990).

Eisenhardt (1989) described a two-tiered decision process in which effective organizations first become "rigid" in the traditional sense, but then practice participation within a smaller top management team. Her findings suggest that the information processing and participation climate may change during a crisis in the direction of less participation (second tier) but may not change within the top executive group (top tier). Eisenhardt (1989), while not concerned with the affect of labels on decision making, observed that advice and information needed for making strategic decisions of any type is actively sought in the second tier, but not from everyone. Rather, the process engages those who "are likely to have the most useful advice" (p.570) or those who are the "best sources but not from everyone..." (1989:570, 522). Eisenhardt's (1989) two-tiered model suggests that whether an organization is seen as "threat-rigid" or as participative during a crisis depends on the level of analysis used to observe the behavior. In a larger organizational frame a crisis does seem to induce a threat-rigid response. Within a top management team (a different level of analysis), however, the response may not be so much threat-rigid as it is *focused participation*. That is, top level executives are actively involved depending on the nature of the crisis. Thus, at the top executive level a perfectly mechanistic/autocratic model in the face of a "crisis" issue may not describe what really happens because there is focused participation.

The impact of issue labels on top level executive decision making behavior is most likely moderated by the organization's information processing and participation climate. While other variables such as strategy and structure are likely to affect the way issue labels alter organizational responses (Thomas & McDaniel, 1990), we selected the organization's information proc-
essing and participation climate as a variable because we wanted to see if labels made any difference in how decision makers responded to issues in climates that were open and participative vs. those that are closed and nonparticipative. When organizations generally place a high value on openness and free exchange in order to solve problems, it seems likely that this value for openness would to dominate even in the face of differing issue labels. This is because organizational culture, and a predisposition towards openness could be considered a cultural characteristic, is a powerful phenomenon that affects many organizational processes and behaviors. For example, organizations with open flows of communication and generally wide employee access to day-to-day decision making will most likely maintain relatively participative approaches to resolving both crisis and opportunity issues. The information processing and participation climate of the organization likely moderates the differences in participation that occur as a result of the opportunity versus crisis label (see Figure 1). Therefore, we also hypothesize:

**H2:** Organizations with climates that encourage information processing and participation will continue to be relatively participative, even in response to issues labeled as crises.

**Method**

**Sample, Respondents, and Procedures**

The sample consists of 21 companies in the defense industry primarily engaged in the research, development, and manufacture of aerospace, missile, and electronic defense systems. Seven of the 10 largest U.S. defense contractors are represented in the sample, and the 21 companies are located throughout the United States.

The respondents are 60 top level, experienced executives from the 21 companies and include either the President, Group General Manager, and/or Vice-President of Engineering or Manufacturing of each company. The remaining executive respondents from each company include Vice-Presidents of Planning and Programs, Directors of Engineering and Manufacturing Divisions, and Program Managers of large R and D projects. Thus, respondents represent the most important decision makers in their respective organizations. Also, the mean of approximately three respondents per organization exceeds the acceptable average number of informants reported in other strategy making research (cf. Milliken, 1990; Miller, 1988; Miller et. al., 1988).

The total group of 60 respondents can be characterized as follows: the executives have, on average, worked in the defense industry 27.6 years (SD=9.2), been with their present company 22.6 years (SD=10.0), and held their current job for 3.9 years (SD=3.7). Some 11.5% of the respondents are in the 35-44 year old age group, 47.5% are in the 45-54 age group, and 41% are over 54 years of age. Some 59% of the respondents hold graduate degrees, 21% attended graduate school, 18% have undergraduate degrees, and 2% attended col-
lege without completing a degree.

Each executive respondent was individually interviewed on site at each of the 21 companies during a six-month period. This was part of a larger study by one of the authors concerning the implementation of a new Department of Defense technology transfer methodology. Each interview was structured to ask questions regarding the culture, philosophies, approaches to planning, and decision-making processes of each company. Each executive interviewed was asked to describe specifically his organization’s decision-making process including the strategic decision-making models used and was given a 6-page questionnaire regarding decision-making processes. Each participant was assured of confidentiality, and given a pre-addressed, stamped envelope in which to return their completed questionnaires. The questionnaire response rate was 100%.

**Measures**

Respondents were presented the descriptions of five decision-making modes, each mode representing different degrees of participation. The decision modes were based on the forms of decision-making participation outlined in the Vroom-Yetton-Jago model of decision-making (Vroom and Jago, 1974). Subjects were presented with a definition of strategic decisions and with definitions of crisis and opportunity decisions. These definitions were taken from Mintzberg et. al., (1976). We made the same assumption as Jackson and Dutton (1988) that top level executives in organizations are fairly comfortable with the distinction between crises and opportunities because these represent two schemas commonly used by strategic decision makers as they scan their environments and determine appropriate actions. Subjects were then asked which decision mode would typically be used when their organization dealt with crisis or opportunity decisions (See Appendix for a complete description).

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

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

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

It should be noted that the definition of crisis does not include a temporal dimension because we view crises as issues that can be ongoing and which, from a complex systems view, jolt the organization away from equilibrium, necessitating a new kind of adaptive response from the organization.

**Information Processing and Participation Climate**

Respondents were asked to assess the organization’s information processing and participation climate. Organizations that normally have a high degree of information sharing were expected to also be highly participative. Information processing/participation climate was measured with a scale in which respondents were asked questions about the degree to which the concept of participation fits into the overall strategy-making process (SMP) in their organizations. The scale, reported by Newport, Bodensteiner and Dess (1988), uses Likert-type responses in which 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree. The questions used for this information processing/participation climate scale are reported in the Appendix.

**Results**

**Aggregation Issues**

Organization level scores were needed to test the hypotheses, and these scores were achieved by aggregating individual responses.
Before aggregating the data, however, it was necessary to determine whether or not individual respondents from a given company essentially agreed on the decision-making mode used for crises and opportunities. We estimated agreement by using a modified percentage of agreement calculation.

Percentage of agreement is a common method for estimating inter-rater reliability (Suen and Ary, 1989) in terms of the simple presence or absence of a behavior, in this case participation. Our scale for decision modes, however, measures degrees of participation, not its presence or absence. Two raters who choose adjacent scale points (e.g., 3 and 4) are not in absolute agreement, but they are relatively close. Therefore, we modified percentage of agreement calculations to take into account "closeness" on the scale.

In each company we examined every pair of participation scores for each of the strategic issues. Raters exactly agreed 34% of the time; were 1 scale point apart 46% of the time; were 2 scale points apart 19% of the time; and were 3 scale points apart .4% of the time. Because raters were in perfect agreement or 1 scale point apart 80% of the time we concluded that, overall, they essentially agreed on participation modes. We then aggregated participation scores for each company by reporting means (see Table 1).

### Data Analysis

Hypothesis 1 predicted that a strategic issue labeled as a crisis will elicit less participation by strategic decision makers than one labeled as an opportunity. Table 1 reports the mean participation score for the two types of strategic issues. (See Appendix).

Paired T-Tests indicate that the mean participation scores are different as predicted in Hypotheses 1. Hypothesis 1 predicted greater participation in issues labeled as opportunities than in issues labeled as crises. The mean participation score for an opportunity is significantly greater than that for a crisis (3.90 vs. 2.94, t=5.19, p<.001).

Hypothesis 2 considers how an organization's "normal" information processing and participation climate may influence how much it utilizes participation in "special" circumstances and predicts that organizations with climates that encourage information processing and participation will continue to be relatively participative, even in the face of crisis issues. Scores from the Newport et al. (1988) scale for information processing and participation (see Appendix) were arrayed then trichotomized, thus allowing the identification of organizations which can be considered to be characterized as having low, moderate, or high degrees of information processing and participation in "normal" circumstances. These three groups average significantly different scores on the Newport et al. participation scale (F=46.93, p < .001).

The data reported in Table 2 show that organizations generally use a more participative mode when facing opportunities than when facing issues labeled crises, which supports H1. T-tests indicate significantly more participation for opportunities than crises for Low participation organizations (t=3.49, p < .05) and Moderate participation organizations (t=6.40, p < .001). The difference in participation

<table>
<thead>
<tr>
<th>Strategic Issue</th>
<th>Mean Participation *</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>2.94</td>
<td>.58</td>
</tr>
<tr>
<td>Opportunity</td>
<td>3.90</td>
<td>.63</td>
</tr>
</tbody>
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n=21. Respondent scores were averaged to achieve an organization's score.

* A higher number indicates more participation
Table 2
Mean participation score for different strategic issues for organizations whose participation climate can be characterized as low, moderate, or high.

<table>
<thead>
<tr>
<th>Strategic Issue</th>
<th>Mean Participation*</th>
<th>SD</th>
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</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>2.64</td>
<td>.48</td>
</tr>
<tr>
<td>Opportunity</td>
<td>3.47</td>
<td>.40</td>
</tr>
</tbody>
</table>

Low Participation Climate Orgs. n=6

<table>
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<tr>
<th>Strategic Issue</th>
<th>Mean Participation*</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>2.81</td>
<td>.18</td>
</tr>
<tr>
<td>Opportunity</td>
<td>3.88</td>
<td>.54</td>
</tr>
</tbody>
</table>

Moderate Participation Climate Orgs. n=8

<table>
<thead>
<tr>
<th>Strategic Issue</th>
<th>Mean Participation*</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>3.35</td>
<td>.77</td>
</tr>
<tr>
<td>Opportunity</td>
<td>4.29</td>
<td>.71</td>
</tr>
</tbody>
</table>

High Participation Climate Orgs. n=7

<table>
<thead>
<tr>
<th>Strategic Issue</th>
<th>Mean Participation*</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis</td>
<td>4.03</td>
<td>.99</td>
</tr>
<tr>
<td>Opportunity</td>
<td>5.14</td>
<td>.80</td>
</tr>
</tbody>
</table>

* A higher number indicates more participation

scores for opportunities and crises for high participation organizations approaches but does not quite reach conventional levels of statistical significance (t=1.83, p < .12).

However the data in Table 2 also show that the lowest participation score is 2.64 (Low Participation organizations facing a crisis). Reference to the Appendix indicates that a score of 2.64 is about half way between decision making modes 2 and 3 which suggests a fairly high degree of participation among top managers. Also when considering the "normal" degree of participation as a factor, high participation organizations are significantly more participative than low participation organizations in response to a crisis label (mean score of 3.35 vs 2.64, F=3.45, p < .05) and opportunity label (mean score of 4.29 vs 3.47, F=3.32, p < .05). This supports H2. Further, the high participation organizations are almost as participative in response to a crisis label (score: 3.35) as the low participation organizations are in response to an opportunity label (score: 3.47).

Discussion

The results of this study indicate that top level executives view participation as differing according to the label given to the strategic issue. Our findings support Dutton and Jackson's (1987) hypothesis that issues labeled as opportunities will result in greater involvement of organizational members than issues that are labeled as threats, although the absolute extent is modified by information processing and participation climate in organizations. These results provide additional empirical support that the difference in organizational behaviors is related to the distinction between issues believed to look like crises and those which look like opportunities. The opportunity issues in our sample of defense industry contractors are associated with significantly higher levels of participation than crisis issues. Dutton and Jackson (1987) suggest that opportunity issues are the ones that decision makers feel are controllable. If decision makers believe that an issue is controllable they may be inclined to increase the participation of others in resolving the issue, saving less controllable issues for more exclusive participation. At the same time it is also possible that high levels of participation in opportunity issues make decision makers feel like they are exercising control. Further research should explore this issue more carefully.

The findings from this study represent the first empirical test of Dutton and Jackson's (1987) hypothesis. This study is limited, however, because it occurred in only one industry with a small number of organizational data points which precluded more sophisticated analysis.
We consider this to be an exploratory study which now suggests the need for further examination of the relationships identified here in a setting with more organizations.

Our data also support Eisenhardt's (1989) contention that recurring patterns of managerial interaction are important in strategic decision making. Just as Eisenhardt (1989) found that in high velocity environments top management "seeks advice from the best sources but not from everyone" (1989: 572) our results suggest the same may be true in the case of resolving crisis issues. The threat-rigidity hypothesis would lead us to believe that top level executives would experience less participation in the face of a crisis. Rather, what we see is that top level executives rely on focused participation in a crisis, minimizing wide scale organizational input, but nonetheless using a more limited set of advice outside the top level executive group.

When an organization responds to issues that are labeled as crises, our findings suggest that the total number of organizational participants in the decision will decrease. When faced with crisis issues the organizational "brain," to borrow Morgan's (1986) metaphor, will contract in size. However, when faced with an opportunity issue, the organizational "brain," expands in size, reaching out to less familiar, less conventional response patterns.

But in considering the expansion or contraction of the organization's "brain" it is important for managers and researchers to distinguish between characteristics of the organization's structure and processing behavior of the top management team. It is likely that a sense of severe time pressure which a crisis may, but not necessarily, impart precipitates a need to contract overall information processing and control by centralizing decisions, that is moving decisions up to the top management team. There may simply not be enough time to push decisions down through the hierarchy, regardless of the quality of information at the lower levels.

However, an organization can be highly centralized (i.e., important decisions are made high in the organization's structure), and still experience significant sharing of authority and responsibility among the handful of top management members. President Kennedy's decision process during the Cuban missile crisis may be an example of such a process. Clearly the decision was made at the top of the organization, but with high levels of participation and information exchange among the top government leaders (Janis, 1989). Strategic crisis issues are probably not best made at lower levels in the organization because necessary information for making strategic decisions is often unavailable and the ability to process that information is lacking by people at the lower levels. Nonetheless, crises still require the processing of information that is of high quality, is relevant and is timely. High quality, relevant information is likely not possessed solely by the Chief Executive Officer.

Stacey (1992), for example, suggested that organizations should move to a future in which hierarchy and control are methods for managing that which is knowable and self-organizing and participation are methods of managing that which is unknowable. For most organizations managing the unknowable is what managers are doing when they try to figure out what to do in the face of a crisis. Our study shows that managers approach the unknowable in ways that are more appropriate for managing the knowable - with less participation by informed organizational members.

**Implications for Managers**

For managers the results of this study have two significant implications. First, managers would benefit from realizing that the way in which they frame issues and the language they use to present issues to others in the organization have significant impact on how those issues will be decided and ultimately the kinds of problem solutions devised by participants. The frame that a manager gives to an issue alters the way the manager as well as others process information
related to making choices about that issue. An issue framed as an opportunity may, for example, free people up to “think outside the box” because there seems to be little danger in doing so. Thus, it seems crucial that managers seek out advice from others before they “label” an issue and create the potential for multiple interpretations of events.

The second implication from this study is that managers must work hard to overcome the powerful effect that issue labels have on how issues get decided. It is possible that crisis or threat-type issues are symmetry-breaking events that thrust organizations away from the state of system equilibrium. Such events are inevitable but a new sense of order will only happen if the organization aggressively unlearns old logic (Bettis and Prahalad, 1995) that no longer gives life to the organization. Enabling systems to self organize (Weick, 1979) and develop a new logic and new patterns is vital to organizational survival of these events. A major way organizations experience life and vitality is through participation of its members in decision making. Given the strong effect of issue labels on subsequent organizational behavior managers must work hard to create ways for participation, learning and shared meaning (Weick, 1993) to occur.

Suggestions For Future Research

In this research we focused on differences in participation due to the labels of crisis and opportunity. Future research should extend this work to other labels, other interpretations, and other differences in issue characteristics. Future research should also attempt to answer the question, “What difference does it make to the organization when there are differences in participation according to the label of the issue?” The inclusion of organizational performance variables in future studies is important in answering this question.

Endnotes

1. We asked respondents to inform about the general organizational information processing and participation climate. It is possible, of course, that our respondents’ subordinates may have perceived the climate differently. We relied on top level executives as informants because they are most likely to have the broadest outlook and best sense of behavioral patterns at the upper levels of the organization.

References


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Appendix

Decision Participation

Subjects in the study were presented with the following:

Consider that in a Strategic Decision for an organization in one that is non-routine, is precedent setting, and involves significant resources. Listed below are five decision making modes that are normally used in making strategic/important decisions. Please read carefully the description of these five decision-making modes.

Decision-Making Modes

1. The CEO makes the decision alone, without sharing the problem with anyone else.
2. The CEO and a few top executives make the decision, without sharing the problem with anyone else.
3. The CEO and a few top executives make the decision after considering input from a limited number of advisors.
4. The problem is widely shared throughout the organization and openly discussed. The CEO and top executives then make the decision.
5. The problem is widely shared throughout the organization and openly discussed. The decision is made by a group which includes the CEO, top executives, and other managers who have been actively involved.

From the list of the five decision modes above, indicate which mode your organization would typically use when dealing with and responding to "crisis" or "opportunity" strategic decisions. Indicate the decision mode by writing that mode's number in the space provided.

_____ Crisis Decision. This is a strategic decision in which the organization faces intense pressure, feels a threat and a poor decision could have substantial negative impact.
_____ Opportunity Decision. This is a strategic decision which involves a voluntary action to improve an already secure situation.

Participation Climate (Cronbach's Alpha = .75)

1. Product planning in our organization is ongoing, involving everyone in the process to some degree.
2. Most people in this organization have input into the decisions that affect them.
3. Conflict in this organization is often suppressed rather than dealt with openly (reverse scored).
4. Specific work roles and expectations are clearly defined in this organization.
5. Cooperation and collaboration across functional roles are actively encouraged.
6. People with unpopular views are given a fair hearing in this organization.
7. Working in this organization is like being part of a team.
8. Decisions concerning business strategy are made on a consensus basis, involving people from many departments.

1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree