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Iederan, O.C.; Curseu, P.L.; Vermeulen, P.A.M.

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EFFECTIVE DECISION-MAKING: THE ROLE OF COGNITIVE COMPLEXITY IN STRATEGIC DECISIONS*

Oana Cătălina IEDERAN¹, Petru Lucian CURȘEU², Patrick VERMEULEN²

¹ Department of Psychology, "Babeș-Bolyai" University, Cluj-Napoca, Romania

² Department of Organization Studies, Tilburg University, Room, P1.161;
Warandelaan 2, PO Box 90153, 5000 LE Tilburg, The Netherlands
E-mail: P.L.Curseu@uvt.nl

Abstract: The present study tests the mediating role of cognitive complexity in the relationship between a set of motivational attributes (self-efficacy SE, need for cognition NFC and tolerance for ambiguity TFA) and decision-making effectiveness. The model is tested using structural equation modeling in a sample of 59 Romanian entrepreneurs and the results support a partial mediation model. On the one hand, cognitive complexity partially mediates the relationship between self-efficacy and decision-making performance and on the other hand, cognitive complexity fully mediates the relationship between need for cognition and decision performance. The mediation hypothesis concerning tolerance for ambiguity is not supported.

Key words: cognitive complexity, need for cognition, self-efficacy, strategic decision-making, tolerance for ambiguity

INTRODUCTION

The success of entrepreneurial firms is to a large extent dependent upon strategic decision-making practices. Strategic decision-making is an intentional and goal-directed cognitive process of selecting one of several available alternatives when only incomplete information on the alternatives and their possible outcomes is available and the facts, variables and contingencies involved in the decision situation are highly complex (Curșeu, Vermeulen, Bakker, 2008). A distinctive characteristic of strategic decision-making in small and medium sized enterprises (SMEs) is that the

entrepreneur or owner¹ usually bears the responsibility concerning the decision and has to cope with its immediate consequences. Dispositional factors are therefore very likely to play a key role in the way entrepreneurs make strategic decisions.

Previous research has extensively explored dispositional factors (such as self-efficacy, tolerance for ambiguity and need for cognition) that influence entrepreneurial decisions and especially those that dif-

* Correspondence concerning this paper should be addressed to Petru Lucian Curșeu.

¹ Although we recognize the distinction between entrepreneurs and owners of small and medium-sized businesses, we use these interchangeably in this paper. In our empirical study, we studied the current founders and owners of Romanian SMEs that were actively engaged in strategic decisions regarding their firms' activities. Moreover, the respondents in our sample were the first group of entrepreneurs to start businesses in the post-communist era in Romania.