

**14th IACCM Annual
Conference
and
7thCEMS/IACCM
Doctoral Workshop**

1-3 October 2015

Vienna University of Economics and
Business (WU Wien),
Vienna, Austria

**Contemporary Approaches
in Training & Education for
Cross-Cultural
Competence – potentials,
challenges and its limits**

**Legitimation
Management of
Industrial Investment
Decisions**

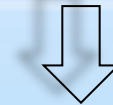
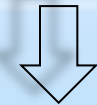
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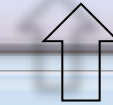
Legitimation Pressure and Power Relations

Decision Situation and Types of Decision

Factors Influencing Decision



Impact on Legitimation Pressure and Power Relations



Different Types of Legitimation

Possibilities to Reduce Legitimation Pressure

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Causes for Legitimation Pressure, Types of Decision

Industrial Investment Decisions...

... (Egger/Winterheller, 1994) **are characterized by strategic, long-term complex effects for various areas of the decision taking company and its environment usually made under time pressure and lack of information, in consequence ...**

... what is causing legitimation pressure?

Risk, Uncertainty, Changing Circumstances, Rules, Regulations, Laws, Power and Politics make a reasonable, transparent, comprehensible explanation necessary.

Decision Types and Situations

by Frequency: Operative/Regular, Strategic/Investment Decisions

by Stimulus: Triggered by Occasion, Systematic Analysis, Crisis

by Solution Type: Choice between Various Readymade Solutions, Development of a New Solution

by Content: Private, Public, Political, Economic, Technical, Military...

by Evaluation: (bounded) Rational, Emotional, Chaotic, ...

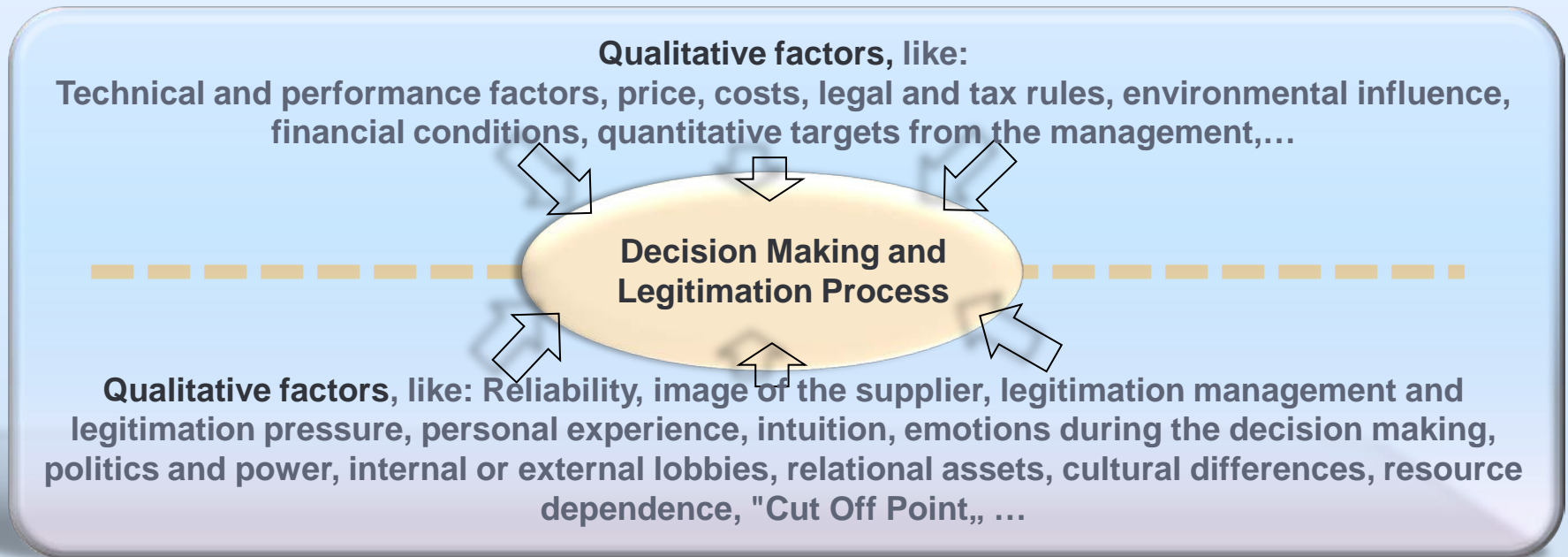
by Quorum: Democratic Decisions, Orders, Single

Central/ Decentralized, by others,...

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Influences on Decision Making and Legitimation Process



“Influence of Qualitative Decision Factors in the Field of Environmental Industrial Investments”

(M. Boskamp Alexandre, 2014):

40 quantitative/qualitative and internal/external factors of influence categorized into (bounded) rational, power and politics and “garbage can” factors (Eisenhardt & Zbaracki, 1992) were analyzed in an empiric study together with Sociological University Riga and WU Vienna

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Impact On Legitimation Pressure (results from interviews)



“Influence of Qualitative Decision Factors in the Field of Environmental Industrial Investments”

(M. Boskamp Alexandre, 2014):

- **4 Main Quantitative Factors influencing the investment/strategic decision:**

1st place: **Legitimation Pressure for quantitative factors** - business plan and feasibility study as legitimation (key Performance Indicators, Price and Management targets (were mentioned over proportionally by private investors)

2nd 3rd places: tax, legal aspects and environmental reasons

4th place: technical performance

- **3 Main Qualitative Factors influencing the investment/strategic decision:**

1st place: Politics and power external political influences

2nd place: **Legitimation Pressure for qualitative factors** (internal lobbies, political pressure)

3rd place: personal experience, good references, qual. technical reliability

- **Differences between public and private sector:**

over proportionally mentioned by **private interviewed: Legitimation Pressure**, targets by management, Key Performance Indicators, price, etc. and over proportionally mentioned by **public interviewed** : influence by politics and power, tax and legal reasons

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Types of Legitimation Process, Influences of Power Relations

Power Relations influencing the Acceptability of Legitimation Process:

	Politics and Power used for Common Interest	Politics and Power used for Own Interest by	
	Where resources are scarce, political issues or by application of power	Single Persons	Groups
Internal Political Influences	e.g.: Manager, Decision Makers in Companies, Operative Involved Employees that suffer the consequences of the decision in interest of their operative unit, in the interest of the company and their organization	e.g.: Manager, Decision Makers I n Companies, Operative I involved Employees that suffer the consequences of the decision in their own interest (e.g.: career, salary, conflicts with colleagues,...)	e.g.: Departments, internal units in companies and organizations in their interest for the unit , like investment decisions, restructuring decisions, etc.
External Political Influences	e.g.: politicians, external organisations, initiatives etc.	e.g.: single external persons influenced by the decision like neighbors, ...	influence by the competitors, political groups, external lobbies etc.

(Dougherty and Heller, 1994) **Quantitative Legitimation is accepted as “Hard Facts” and Qualitative Legitimation very often (de-)classified as “Soft Facts” and have to be interpreted with figures in order to make them acceptable to the legitimation process.**

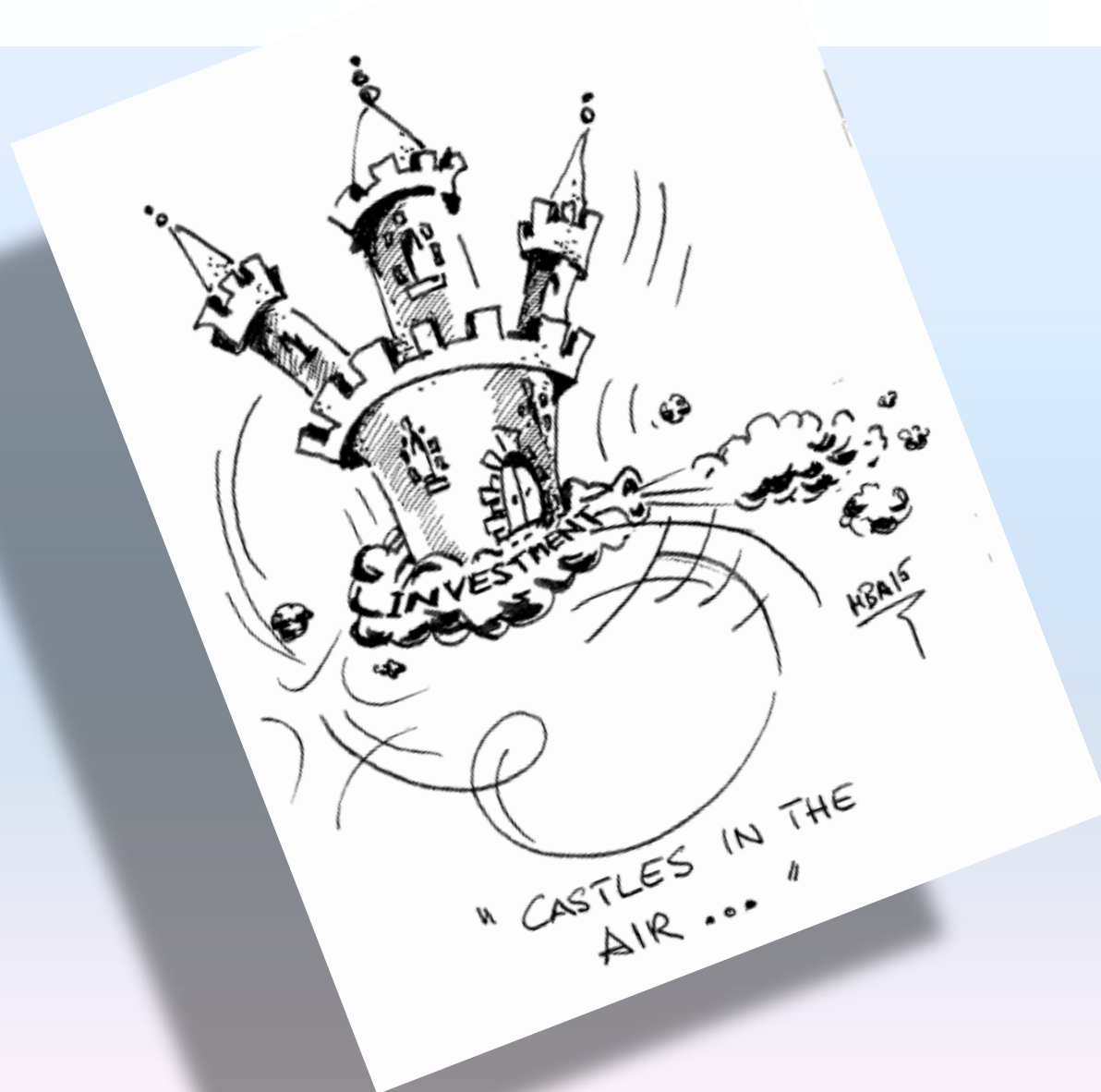
(Simon 1960) **'satisfice' ...[decision makers] will accept incomplete search, often use post-rationalization of the decision and exhibit a number of other aspects of behavior which 'good managers are not supposed to endorse.'**

Possibilities to Reduce Legitimation Pressure

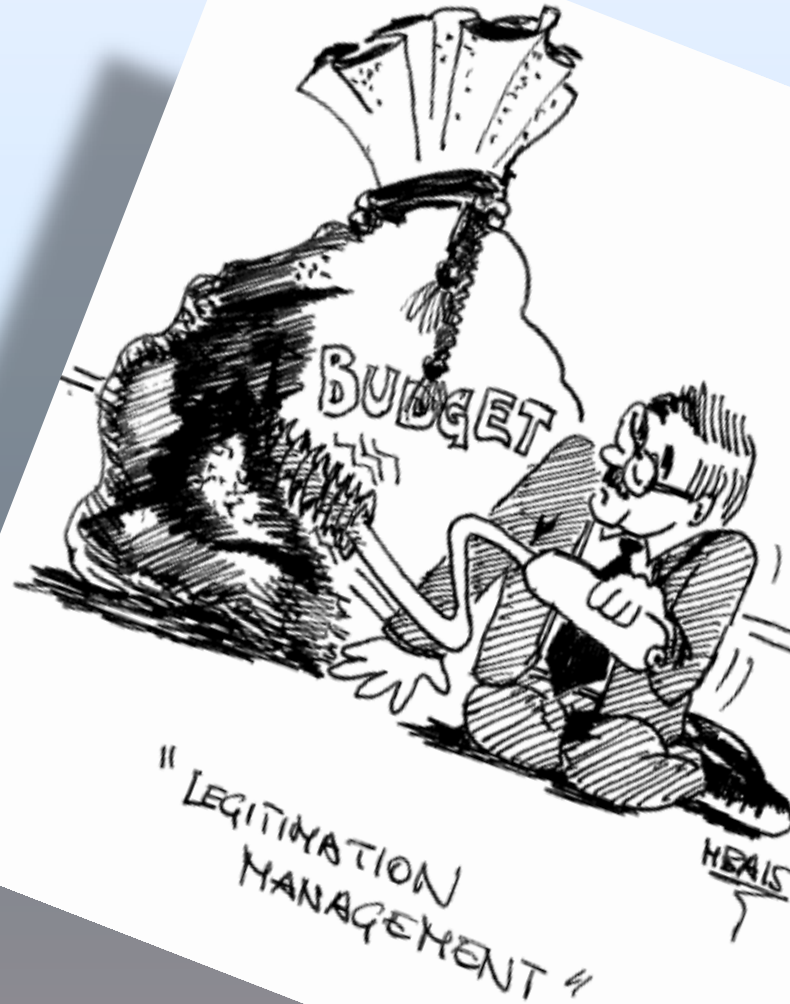
Avoid Errors in the Analysis of Industrial Investment Decisions Elbanna (2006)

- **Analyze the environment** of the decision, what is necessary information available, which information is not available,
- **Cultural differences** in the decision making process (e.g. whether decision are taken more centrally by official announcement of the big boss, or rather decisions made by a working group,...)
- **Personal and political interests** have to be considered, expected
- **Count with the complexity** of the decisions, it is not sufficient „just to calculate on Excel“, emotional and irrational influences can interfere
- Set up and Standardize a **methodical decision process** (incl. time plan decision “cut off point”)
- Make the **evaluation** and decision criteria ex ante and ex post **transparent**
- **Decision making level should be separated** from operatively working level preparing the strategically investment decision

The best possibility to reduce the Legitimation Pressure is to accept its existence and avoid errors in the evaluation by make reasonable, transparent, comprehensible explanation decision



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Backup

Wirtschaftsuniversität
Wien, 2. October 2015

Nach Art der Projekte – quantitative Faktoren Durchschnittlich pro Investition, für 5 private Projekte/ 9 öffentliche Projekte	Private Projekte	Öffentl. Projekte	Summe
Zielvorgaben; Quantitative Ziele der Investoren, Eigentümer, Anteilshalter, Preis (Begründung kaufmännisch vorbereiten, Legitimationsdruck)	14	8	
Steuerrechtliche und rechtliche Einflüsse	4	4	
Umweltschutz	5	3	
Technische Werte und technische Leistung; Begründung technisch vorbereiten (Legitimationsdruck)	8	3	

Ergebnisse nach vier wichtigsten quantitativen Faktoren

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Nach Art der Projekte – Ergebnisse qualitative Faktoren



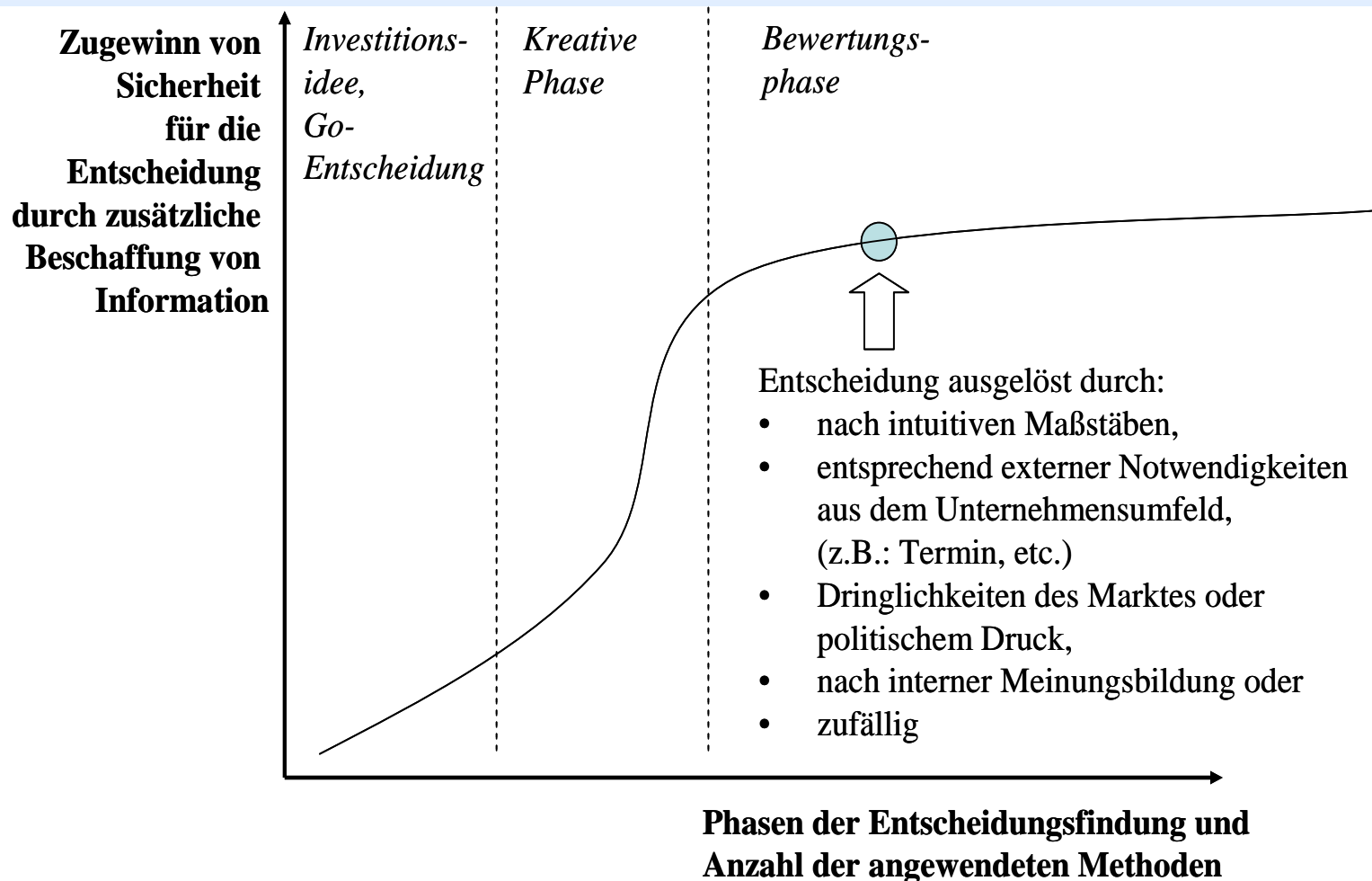
Nach Art der Projekte – qualitative Faktoren Durchschnittlich pro Investition, für 5 private Projekte/ 9 öffentliche Projekte	Private Projekte	Öffentl. Projekte	Summe
Politik und Macht	12	14	
Legitimationsdruck, aus qualitativen Gründen	9	6	
Bounded rationale Einflussfaktoren (z.B.: Berufliche Erfahrung der Entscheider, gute Referenzen, technische Verlässlichkeit,...).	5	3	

Ergebnisse nach drei wichtigsten qualitative Faktoren

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Darstellung Cut Off Point



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