

Executive Risk Behaviors Influence on the Decision Making Process

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ABSTRACT

Risk is an inherent characteristic of all strategic decisions in that there is some degree of uncertainty associated with decision outcomes, and some outcomes are more desirable than others. As evidenced in a broad-based body of research, risk affects decision makers behavior by influencing perceptions of decision situations, evaluation of alternatives, choices made, and other decision-related actions taken in response to risk.

Based on theory from risk literature, a set of hypotheses and a conceptual model have been developed. The executive risk model was used as a basis for specifying a structural equation model (SEM) that was used to test the hypotheses.

The data for this study was collected using a stratified random sample from the top executives of the banking industry. The survey instrument was collecting information pertaining to the executive's risk behavior preference. The analysis of the data was used to determine the affect of executive risk behavior impact on their decision making process.

Initial results indicate each hypothesis to be supported. This finding was important in that there were no other confirming studies done to test the hypotheses and there were no studies using an SEM approach in testing. The hypotheses tested indicated evidence supporting the proposition that risk propensity influenced risk perception and that risk perception influenced risk propensity. In addition, it was supported that both risk propensity and risk perception influenced risk behavior that influences the decision making process.

Key words:

Risk behavior, Propensity, Perception, Decision Process, Structural Equation Modeling

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