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CONTENTS

ECONOMIC SANCTIONS AND THE SOURCE COUNTRY: HOW ECONOMIC SANCTIONS IMPOSED ON CHINA AFFECT THE U.S.

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ABSTRACT

We perform an event study to assess one potential effect of economic sanctions on source countries. Specifically, for publicly-traded firms in the U.S. that report China as a geographic segment, we examine the stock price reaction to the Tiananmen Square Massacre, which occurred on June 4, 1989. Such firms experienced an economically- and statistically-significant negative market reaction to the Massacre. This finding suggests that the event increased the probability of economic sanctions against China, and that this increased probability adversely impacted at least one segment of the source-country's population. Prior studies have examined the adverse effects to the target country (e.g., China), but have not been able to document systematic evidence of the effects to the source country (e.g., U.S.).

JEL: F51, G14

KEYWORDS: economic sanctions, Tiananmen Square Massacre, event study

INTRODUCTION

Economic sanctions are defined as deliberate, government-inspired withdrawal, or threat of withdrawal, of customary trade and official relations with a target country in an effort to change that country's policies. They have long been at the core of international relations in attempting to promote democracy and human rights, to end civil war, to fight terrorism, to combat weapons proliferation. Several studies have examined the economic impact (costs) on *target countries*, which is largely determined by the severity of sanctions imposed, and the extent of the target country's trade and investment links with the source country or coalition. However, there are costs to the *source country* as well. For instance, U.S. import restrictions will raise prices of its imports and reduce consumer welfare. Anecdotally, such sanctions can have economically-significant costs imposed on U.S. companies. But, "given the difficulties in compiling more systematic and comprehensive estimates of the impact of US economic sanctions, most analyses have been anecdotal." (Askari et al. 2003) Though the costs to the U.S. and U.S.-based firms may be quite large, no one has systematically quantified these costs. The goal of this study is to provide some systematic evidence.

The main research question of this study is: Do events that impact the likelihood of the U.S. imposing economic sanctions on target countries have an effect on the market value of publicly-traded firms located in the U.S. (i.e., *source country*)? In recent history, various political, economic, and social events have impacted the likelihood of the United States imposing economic sanctions on other (target) countries. For instance, the Tiananmen Square Massacre of 1989 increased the likelihood of the U.S. imposing economic sanctions on China for its human rights violations. Do events like the Tiananmen Square Massacre—that increase the likelihood of imposing economic sanctions on a *target* country like China—have an effect on the market value of publicly-traded firms located in the *source* country (i.e., the U.S.)? For instance, can we make any ex ante predictions about the short-window returns around this event for U.S.-based firms that conduct economically significant transactions with China? We investigate this question because, outside of general measures like GDP and anecdotal evidence about specific effects, the extant literature has not been able to systematically quantify the specific economic effects of economic sanctions on the source country. This study attempts to systematically document some of these costs.

IMMIGRATION EFFECTS ON ECONOMIC SYSTEMS THROUGH DYNAMIC INEQUALITY INDICES

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ABSTRACT

In this paper we propose a stochastic model to analyze the time evolution of inequality within an economic system. The classical inequality indices (Herfindahl-Hirschman, Gini and Theil's entropy) are thereby turned into a dynamic form. We show, by using a simulative approach, how it is possible to study the time evolution of inequality in a closed or open economy. We pay particular attention to immigration effects on the inequality. The model is able to manage different behaviors of the inequality indices and it may help decision makers calibrate the economic policies of inequality containment.

JEL: C63

KEYWORDS: Income distribution, Dynamic inequality index, semi-Markov reward processes.

INTRODUCTION

Relevant economic problems include the measure of changes in economic inequality. This measure can be examined by computing inequality indices. In this paper we propose a stochastic model that makes dynamic those classical inequality indices applied in a static framework. We simulate a model and compute the dynamic indices for different economic scenarios. Additionally we show useful of the model for analyzing the impact of immigration with respect to the concentration of wealth distribution in the economic system. We focus on effects caused by a population increase of 10% as a consequence of immigration. To this end we use computer code, programmed in the Mathematica language, to give results for any immigration level and economic scenario.

The paper is organized as follows. We start by describing the literature review in Section 2. Then we describe, in Section 3, the stochastic model and the way in which it is possible to compute the dynamic inequality indices. In Section 4 we present a numerical experience by showing the applicability of the model. Moreover we give some results with a particular attention to the immigration effects on the inequalities. Finally, we give some conclusions and further research suggestions in Section 5.

LITERATURE REVIEW

Income inequality can be measured by means of econometric indices. The most common methods are the Herfindahl-Hirschman index, the Gini index and the Theil's entropy. The Herfindahl-Hirschman index is used mainly in industrial economic as a measure of market concentration. It is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. Because the index measures market concentration, it is an inverse inequality measure. It takes into account the relative size and distribution of the agents in an economy. It approaches zero when the economy consists of a large number of agents of relatively equal size. It increases both as the number of agents in the economy decreases and as the disparity in size between those agents increases. This index has been proposed and studied by Hirschman (1964). Since then many applications appeared (see i.e. Kwoka, 1977;.Tirole, 1988; Kooleman and Van Doorslaer, 2004).

CONTEXT SENSITIVITY WITH NEURAL NETWORKS IN FINANCIAL DECISION PROCESSES

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ABSTRACT

Context modifies the influence of any trading indicator. Ceteris paribus, a buyer would be more cautious buying in a selling market context than in a buying market. In order for automated, adaptive systems like neural networks to better emulate and assist human decision-making, they need to be context sensitive. Most prior research applying neural networks to trading decision support systems neglected to extract contextual cues, rendering the systems blind to market conditions. This paper explores the theoretical development and quantitative evaluation of context sensitivity in a novel fast learning neural network architecture, Echo ARTMAP. The simulated risk and cost adjusted trading results compare very favorably on a 10-year, random stock study against the market random walk, regression, auto-regression, and multiple neural network models typically used in prior studies. By combining human trader techniques with biologically inspired neural network models, Echo ARTMAP may represent a new tool with which to assist in financial decision-making and to explore life-like context sensitivity.

JEL: G11, G17

KEYWORDS: Recurrent neural networks, context sensitivity, financial forecasting, investment decisions

INTRODUCTION

Stock prices refer to the latest mutually decided transaction price and time between a voluntary buyer and seller. If the stock prices over time are increasing, they indicate that the buying interest exceeds the selling interest. This signals a bullish or optimistic market context favorable to investment, all else equal. A successful trader (Schwager, 1994) often considers the underlying market sentiment when making decisions. This sensitivity to context in decision-making is one of the hallmarks of human intelligence (Akman, 2002).

Human subjects often treat similar tasks differently under different contexts (e.g. Carraher, Carraher, & Schliemann, 1985; Bjorklund & Rosenblum, 2002). Working memory allows features to be tracked over time to extract a context (Kane & Engle, 2002; Baddeley & Logie, 1999). Context sensitivity theoretically enables the decision-maker to disambiguate different feature inputs that may be identical at single points in time (Kane & Engle, 2002).

To better model human decision-making with context sensitivity, an automatic decision system must be context sensitive (see Figure 1, left). Tracking the price over time to determine whether the market is uptrending (bullish) or downtrending (bearish) intuitively provides contextual cues (Schwager, 1994). This paper introduces a context sensitive neural network decision system, Echo ARTMAP.

EVIDENCE ON THE IMPACT OF INTERNATIONAL FINANCE CORPORATION TOURISM INVESTMENT ON LATIN AMERICAN AND CARIBBEAN ECONOMIES

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ABSTRACT

The International Finance Corporation (IFC) as a member of World Bank Group is the largest multilateral source of loan and equity financing for private sector projects in developing countries. Particular focus of International Finance Corporation is to promote economic development by encouraging the growth of productive enterprise and efficient capital markets in its member countries. The purpose of this article is to show the correlation between International Finance Corporation investments and economic development of the region, country, national economies and private enterprises or companies that make partnership with International Finance Corporation. The main object is to evaluate in details the connection and difference between International Finance Corporation and investments in different projects and the difference if the Organization is not investing in some projects or in the specific country. The research objective is to determine the role and significance of International Finance Corporation investments in tourism and hospitality industry on the example of Latin America and Caribbean, and analyze interrelationship between investments and development of specific country in which investments are made, and development of its whole economy and to draw attention on need for stronger implementation and importance of International Finance Corporation as a source of investment funds.

JEL: F21; L83; O1; O16; P45

KEYWORDS: International Finance Corporation, investments, tourism, hospitality, economic development, Latin America and Caribbean

INTRODUCTION

Tourism, a vital sector of the world economy, accounts for over 25% of the world's trade in services. Since its foundation more than 50 years ago, the mission and vision of the International Finance Corporation is focused on the development of developing countries in the way to finance private sector projects, and maximally up to $ 100 million. Of course, it does not invest in projects without any criteria, but it has priority sectors or those who have a high impact on developing country economies. International Finance Corporation has developed for this purpose Development Outcome Tracking System, an instrument that serves to track properly the progress of the project in which it invests. This tracking System allows the feedback to invest better and more precisely where is needed in the future, without unnecessary wastage of financial resources. Just mentioned DOTS system allows tracking the indicators for development of the country, region or specific economic sectors. Tourism and hospitality industry is a part of industry of Global Manufacturing and Services, and to show the correlation between IFC investment and economic development of the region it is important to present data that show how much is the development outcome by region specifically for this sector.

The tourism industry has shown consistent growth over the past three decades with the developing world capturing an ever increasing share of tourism receipts. Continued growth of tourism is forecast although the rate of such growth varies significantly by destination. The financing of leisure-oriented hotels in

THE INFLUENCE OF ULTIMATE OWNERSHIP ON EARNINGS MANAGEMENT: EVIDENCE FROM INDONESIA

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ABSTRACT

Governance of public companies in Indonesia is concentrated in a particular group of controlling shareholder. The group is constituted in various ways like family, government, widely owned financial institutions, widely owned companies or others as a controlling shareholder. The controlling shareholder has two rights, control rights and cash flow rights. Differences between the two rights affect agency problems. Siregar documents that 99% of public companies in Indonesia have a concentrated ownership structure with a cut off of 10% control rights. Febrianto (2005) suggests that 92% of public companies have concentrated ownership structures in Indonesia at a cut off of 20%. Based on this phenomenon, the objective of this study is to investigate whether cash flow rights and leverage influence earnings management. This study collected data from Indonesian Stock Exchange regarding manufacturing companies during the period 2001-2007. There are 786 firms year at a cut off of 10% control rights. The results suggest that the cash flow leverage rights positively influence earnings management. The result indicates that larger differences between control rights and cash flow rights, imply it is easier for the controlling shareholder to manage earnings for his/her personal benefit. The controlling shareholder manipulates earnings to hide the acquired private benefits through expropriation.

JEL: G32; M41

KEYWORDS: Ultimate Ownership, Control Rights, Cash Flow Rights, Cash Flow Right Leverage, and Earnings Management

INTRODUCTION

The objective of this research is to investigate whether the cash flow right leverage of controlling shareholders influence earnings management. This issue is most important because ownership of public companies listed on the Indonesian Stock Exchange (IDX) is concentrated (Claessens, Djankov and Lang, 2000; Febrianto, 2005; and Siregar, 2006) and low protection for non controlling shareholders (Johnson et al., 2000; and Leuz, Nanda and Wysocki, 2003). Therefore, this condition is opportunity for controlling shareholder to manage earnings.

According to Claessens, Djankov and Lang (2000), most public companies in Indonesia are owned by a single controlling stockholder. A controlling shareholder ultimately owns the largest portion of the firm. Febrianto (2005) suggests that 92% of public companies are owned ultimately. The finding is consistent with Siregar (2006). He documents that 99% of public companies in Indonesia are owned ultimately at a 10% cut off of control rights. The concentration generates separation between cash flow rights and control rights. The separation is termed cash flow right leverage.

Leverage entrenches controlling shareholder to expropriate non controlling shareholders. A case in point is Bank of Century. Tbk is an expropriation by controlling shareholder in Indonesia. Expropriation happened because the controlling shareholder has lower financial incentives compared with his/her control to the company. The situation indicates the agency problem between controlling and non-controlling shareholders. The controlling shareholder can make decisions exclusively for her/his benefit. According to Fan and Wong (2002) when the controlling shareholder is entrenched by a large separation of control rights

A ROAD TO FINANCIAL STABILITY

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ABSTRACT

This article provides a road map to financial stability. The roadmap is created by analyzing successive episodes of financial crisis at various points in time and the regulatory-cum-supervisory responses devised to reduce the chance of future threats to systemic stability. This article provides a glimpse of historical events that led to the establishment of Basel Committee and then critically evaluates committee's efforts to make financial markets more certain and secure. This article also highlights the efforts of supervisory authorities in creating an effective regulatory framework through the Basel Capital accords. A critique of the Basel accords is sketched showing how Basel I and Basel II did not help contain successive episodes of financial crisis. This paper also draws upon Basel III regulations currently under deliberation and highlights vulnerable areas that may continue to threaten systemic stability even after the implementation of Basel III.

JEL: G01, G15, G18, G28

KEYWORDS: Financial Crises, International Financial Markets, Government Policy and Regulation, Regulation of International financial Institutions

INTRODUCTION

The regulation of financial markets is a continuing task. As financial markets expand, new and innovative products continue to develop; therefore, it is always difficult if not impossible to apply a "one size fits all" formula in regulation and supervision of international financial markets and institutions. The history of financial crisis is as old as the market itself (C. Kindleberger, 1989). It depicts common patterns of behavior in aggravating crisis, including the lack of coordination between host and home country supervisors, the tendency of supervisory authorities to be more reactionary to the eruption of crisis rather than proactive in their approaches to predict issues and hence take appropriate measures in advance, and last but not least, ineffective enforcement mechanisms to secure implementation of financial regulations across the board between all sovereign state actors in an efficient way. The Basel Committee on Banking Supervision, hosted by the Bank for International Settlements (BIS), was constituted to fill in these gaps by G-10 Central Bank Governors for setting standards for international financial markets (G10 Governors, Communiqué, September 1974).

Over the past three decades, according to a range of reviews, there have been at least 42 systemic banking crises in 37 countries and there were at least nine major financial crises during the 1990s and 2000s in emerging market economies (Kawai 2010; Laeven & Fabian 2002). Such banking crises are becoming more frequent in the post-Bretton Woods period and are occurring on average after every 20 to 25 years in both industrial and emerging market countries, with the annual probability of crisis about 4-5%, according to a recent analysis (Stefan Walter, Secretary General, Basel Committee on Banking Supervision, 2010). It is safe to make an assumption from the frequency of repetition of crisis episodes that if the financial regulators remain unable to address the basic systemic problems swiftly and effectively, the world may continue to be traumatized by shocks from recurring episodes of financial crises.

EVIDENCE ON INTERNET COMMUNICATION MANAGEMENT STRATEGIES FOR LUXURY BRANDS

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ABSTRACT

Luxury brands and the Internet communication media seem to be inconsistent at first sight. On the one hand, luxury brands have to maintain the control of their elitism and their image; on the other hand, Internet is defined as a mass media of communication that is basically not selective. However, some years ago, all the luxury brands started to set up their own websites and some of them have gone as far as opening online shops. Then, regarding these paradoxes and a literature review, the purpose of this article is to analyze how luxury brands can manage scarcity and the use of Internet. To answer this question, a structural semiotic methodology on luxury brands and their communication is used. The purpose is to bring about a better understanding of how luxury brands use Internet in their communication strategy and how this media may or may not fit into a luxury brand's management of the values of rarity. The methodology analyses factors that can impact the success or the failure of Internet communication for luxury brands. The results show that Internet is not entirely incompatible with luxury. It all depends on how it is used. Internet can strengthen the core values of brands thanks to original and interactive applications. But sometimes if not enough attention is paid, Internet may dilute the brand values. So many precautions have to be taken to avoid the dilution of brand narratives and some managerial implications are developed in this article, especially concerning e-shopping.

JEL: M31, M37

KEYWORDS: Brand management, Internet, Communication, Luxury, Semiotic analyses.

INTRODUCTION

Brands are cultural imagery whose consumption is mainly based on desire and emotions (Belk and Askegaard, 2003). They are narratives and values shared by groups of consumers (Levy, 1981; Stern, 1995; Thompson and Holt, 1997). They represent the entrance into legends or myths. Their implementation is made through all kind of supports that help to give meaning, that is to say, through all their communication tools. Brand communication can be carried out through multiple channels and is not limited to advertising (Hasting, 1990). Particularly, it seems important to consider new media to follow socio-cultural changes. Brands have to stay in step with their times to avoid becoming outmoded. While evaluation of communication techniques has to be taken into account in both cases, the thinking, the strategies and the purposes are not the same for brands in the mass market and brands in the luxury market.Mass market is synonymous with profitability and effective values. It focuses on a large number of products and low prices. For brands in this mass market, the purpose of communication is visibility. Accordingly, the Internet appears to be the media that consumers use the most.

Conversely, the luxury market has to show an image of selectivity and rarity. The challenge of these brands is to appear to send a message accessible only to a very small part of the population (Vigneron and Johnson, 2004). The choice of the communication tools is very important and has to fit with that. Along those lines, the Internet, defined as a mass media, does not seem to be consistent with the luxury universe. However, for some years, all the luxury brands have set up their own website and some of them have gone as far as opening online shops.

DIFFERENCES IN TOURISM IMAGE AMONG CRUISE PASSENGERS ACROSS THE TAIWAN STRAITS

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ABSTRACT

This study conducts an investigation of cruise passengers across the Taiwan Straits in an attempt to compare travel destination features among the three major port cities of Shanghai, Hong Kong, and Taipei (Keelung), and to obtain findings regarding passengers profiles. Data were collected in two phases, 2006 and 2010; 163 statistically valid samples were obtained. The results show that up to 66% of cruise passengers have distinct impressions of these three cities. In addition, the cross table of indicators in this study shows that the 10 indicators of destination attractions are evaluated positively. However, differences exist. Cruise passengers put more emphasis on 'reasonable expenses', 'convenient transportation', 'sufficient fundamental facilities', and 'abundant cultural and historical landscapes' than on other impression indicators. 'Passionate and friendly residents', for example, is evaluated as relatively less important. The results of this study provide research findings for the shipping and tourism industries in both China and Taiwan. This study also hopes that some new directions be established for future studies of cruise passengers.

JEL: M31

KEYWORDS: Cruise Port, Cruise Passengers, Tourism Image

INTRODUCTION

This paper investigates the experiences of cruise passengers across the Taiwan Straits to provide research findings for the shipping and tourism industries in both Taiwan and China. Currently, Taiwan and China are in the process of negotiating policies on Asian cruise lines. Thus, studies of cruise lines across the Taiwan straits are still in development, and official statistics documenting the consumption and contribution of passengers from various countries of the world are difficult to obtain. This study systematically lists the data of the major cruise ports in Asian countries. Table 1 shows that China, Japan, Malaysia, and Singapore have finished establishing wharfs exclusively for cruise ships. From the statistics of all the international cruises that go through these ports, it is apparent that there is a tremendous gap of supply and demand between cruises anchoring and the tourists who visit these destinations.

Table 1: Asia Main Cruise Ports

Caters / Ports	Berth	Depth; m	LOA; m	Tonnage	Walkway	Terminal
Yokohama, Japan	4	12	900	70,000	yes	yes
Yangshan, China	4	15	880	110,000	yes	yes
Xiamen, China	2	17	460	110,000	yes	yes
Hong Kong, China	2	10	700	50,000	yes	yes
Port Klang, Malaysia	3	12	660	50,000	yes	yes
Singapore	2	12	580	110,000	yes	yes

Source: adopt from port's websites (Kelang, 2009; Singapore, 2008)

According to a study by Douglas & Douglas (2004), the Asia-Pacific region has experienced strong growth in the cruise markets, mainly because of its investments in Malaysia's Star Cruise Company. Star Cruises used to be a small and regional company. In 1993 they were able to afford to buy a Scandinavian

PERCEPTIONS OF EUROPEAN MIDDLE MANAGERS OF THEIR ROLE IN STRATEGIC CHANGE

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ABSTRACT

The middle management role in strategy execution remains a critical issue in the success of strategic initiatives. The management literature has viewed middle managers as 1) implementers of top-management defined strategic changes, 2) relationship managers in strategic-change programs and 3) key strategic actors in the emergence of the strategic change. The paper summarizes the development of these three views of the strategic implementation role of middle management. The perceptions of experienced European middle managers are used to validate and augment the three formulations. Conclusions are drawn that yield 1) insights into the middle-management roles in strategic changes, 2) a preliminary typology of these middle-management roles and 3) an exploratory test of the sufficiency of this typology in covering the breadth of middle-management role behaviors in strategic change initiatives. Implications for further research on the role set of middle managers in the implementation of strategic-change initiatives are drawn.

JEL: L25; M14

KEYWORDS: Strategy implementation, middle-management roles, middle management

INTRODUCTION

Management strategy development and implementation is facing unprecedented change from the adoption of new technologies, new interfaces with customers and suppliers, and industry consolidation. Other globalization drivers such as competition, customer and cost (Yip, 2003) are forcing the evolution of global strategies by most companies. In order to keep pace, top management needs to plan, motivate and lead these changes. However, Balogun and Haley (2008) found the failure rate of strategic change programs to be 70%. Little is known about the actual practices of middle managers (Rouleau, 2005) and how their activities can be facilitated (Balogun, 2007). Mayer and Smith (2007) conclude their role is often misunderstood and unsupported by top management. This paper focuses on the role of middle management as one of the key actors in strategic change implementation in order to uncover principles that will improve strategic implementation success. Middle managers face challenges in strategy implementation. They do not define the new strategy. They function in a complex environment where they manage the relationship with top management and face questions and resistance from their teams. They often manage the relationships with internal and external stakeholders. They may face issues and constraints that are often not aligned to the new strategy.

Recent research has expanded the understanding of this problem. Balogun (2007) and Rouleau (2005) point out the importance of managing the day-to-day functions of middle management. Johnson, Scholes and Wittington (2008) define three trends affecting middle-management focus on strategic change including 1) organizational decentralization of strategic initiatives, 2) increased middle manager confidence in the strategic domain due to improved training and 3) operational responsibility and knowledge being pushed onto the middle-management tier. This paper makes three contributions. First it summarizes models and tools used to study middle-management performance in strategic change

CONSUMER PERSONALITY-PRODUCT IMAGE CONGRUENCE: EVIDENCE FROM TAIWAN

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ABSTRACT

This study investigates the congruence between consumer personalities and product images based on the self-congruity perspective. In addition, consumer personality-product image congruence was examined to determine its influences on consumer product preference. Data were obtained from 335 respondents recruited from the customers of furniture stores such as IKEA and HOLA in Taiwan. A between-subjects experimental design was used, with t-tests and regression analysis. The finding showed that6 TABP consumers prefer products with a hard product image that gives strong, tough and strict feeling that is congruent with their own personality characteristics such as pressure for vocational advancement, aggressiveness, and desire for competitive achievement. In addition, TBBP consumers prefer products with a soft product image giving a mild, pleasant and gentle feeling, congruent with their own personality characteristics such as accommodating attitude, cooperativeness, and an easy going approach to life. In practice, determining how the consumer personality-product image congruence affects consumer product preference is helpful to manufacturers in designing products and stimulating product sales.

JEL: M31

KEYWORDS: Personality, product image, product preference, self-congruity.

INTRODUCTION

Functionality is not the end of product design; aesthetics are vital. Current trends in product design are moving toward the aesthetic aspects of products, such as their shape, color, and image (Krippendorff, 1995). Finn (1985) defined product image as the symbolic associations that are gathered into the product design. In terms of business activity, a primary task of product image design consists of attracting consumer preference. Researchers (e.g., Belk, 1988; Malhotra, 1988; Sirgy, 1982) indicate that based on the self-congruity perspective, consumers prefer products congruent with their self-concept. In addition, based on the self-congruity perspective, Govers and Schoormans (2005) found that consumers prefer brands and products whose product personality characteristics are congruent with their own personality characteristics.

Based on the above rationale, the purpose of this study is to explore the congruence between consumer personalities and product images based on the self-congruity perspective. For manufacturers, consumer personality-product image congruence may address consumer preferences at the product design stage. Thus, a secondary purpose of this research is exploring how consumer personality-product image congruence influences consumer preference. The findings of this study may provide suggestions for manufacturers creating product images as a way to attract a diversity of customers and stimulate product sales.

LITERATURE REVIEW

Allport (1937), who identified 50 definitions of personality, defined personality as: "…the dynamic organization within the individual of those psychophysical systems that determine his unique adjustments to his environment" (p.48). Personality is also defined as the consistent patterns of feeling, thinking, and behaving (Pervin & John, 1997).

PREFERABLE EXECUTIVES' COGNITIVE STYLE BY STAGE OF THE ORGANIZATION LIFE CYCLE

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ABSTRACT

There are too many different perspectives in strategic decision-making process within the literature. The rational normative model suggests that organizations, first, based on internal and external analysis determine some objective criteria to achieve value-maximization, and then based on those objectives make decisions. However, many research findings indicated that rational model is moderated by many individual-level and environmental-level factors. At individual-level, rational decision-making model has been found to be affected greatly, by the characteristics of executives. Among those characteristics, cognition has significant effects on decision-making process. Executives have different cognitive style that makes them follow steps of decision making process -including information gathering, alternative generation, alternative evaluation, and decision finalizing- very differently. From the other side, organizations at different stages of organization life cycle (Introduction, Growth, Maturity and Decline) have different administration needs and required types of decisions. The aim of this conceptual paper is to find out the desirable cognitive style for executives, at each phase of organization life cycle. Additionally, strategy, as the third construct that is related two both cognitive style and organization life cycle help us to explain the cognition-life cycle linkage with more confidence. Based on literature, executives with similar cognitive profile are more likely to follow similar type of strategies; and at each stage of organization life cycle, specific types of strategy is dominant. These findings implicitly support our proposition, indicating that at each stage of organization life cycle, executives with specific cognition profile will outperform. The proposed framework in this paper links strategy, organization life cycle and cognitive style of management.

JEL: M10

KEYWORDS: cognitive style, organization life cycle, executives' characteristics, strategic choice model

INTRODUCTION

There are too many different perspectives in strategic decision-making process within the literature. The rational normative model suggests that organizations, first, based on internal and external analysis determine some objective criteria to achieve value-maximization, and then based on those objectives make decisions (Hitt & Tyler, 1991). However, many research findings indicated that rational model is imitated and moderated by many individual-level and environmental-level factors (Eisenhardt & Zbaracki, 1992; Hitt & Tyler, 1991). One of these factors is the role of executives and top managers in the decision-making process. Based on this prospective, which is labeled strategic choice, objectives are not consistent and constant across people and over time; and in addition to environmental conditions, the choices that managers make are the critical determinants of organization structure, processes and decisions (Miles & Snow, 1978). Simon (1947) was the first one who challenged the validity of value maximizing approach in decision making process and claimed the limitation of rational model. He argued that decision makers rarely make decisions based on complete information. Uncertainty and lack of comprehensive information is one of the main reasons that cause managers to reach different decisions. According to Cyert and March (1963),"uncertainty is a feature of organizational decision making with which organizations must live" (p.118). In absence of adequate information, managers use different approaches to deal with uncertainty. Among all executives' characteristics, the one that has the greatest

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