ABSTRACT

As the title suggests, we develop a model where decision making mediates between environmental uncertainty and financial performance of small entrepreneurial firms. We examine the role of technological sophistication, a set of activities that firms proactively undertake to address their competitiveness. We present decision making as consisting of four distinct components, and these components act in a certain sequence. The decision making components are: (1) speed, (2) analysis, (3) participation, and (4) consensus. This research tests the various hypothesized relationships by developing and testing a path model. A representative sample of 153 small firms is used to test the research model and the associated hypothesized path relationships. Environmental uncertainty and technological sophistication strongly and directly impact financial performance. These two variables also impact some components of decision making as hypothesized. Decision making acts as a mediator variable and it explains 31% of the variance of financial performance. The model also explained 10.2% of the variance of technological sophistication, 4.3% of decision making speed, 16.4% of decision making analysis, 12.5% of decision making participation, and 42.9% of decision making consensus. The results of the empirical analysis indicate overall strong support for the research model. The conclusion section of the paper addresses limitations of this research and discusses implications for decision makers and researchers.

Keywords: Environmental Uncertainty; Decision Making; Mediator; Financial Performance.