

# **A COMPARATIVE STUDY OF DECISION-MAKING AND RISK TAKING IN CHINA, PHILIPPINES AND USA**

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## **INTRODUCTION**

Risk taking is indispensable in several fields such as creativity, entrepreneurship etc. In spite of the fact that the consequences of risk taking can sometimes be catastrophic, humankind must continue to take calculated risks if it is to progress. Risk taking in its simplest form may be defined as involving actions taken when the consequences or probabilities of outcomes are unknown or only partially known. A review of the extensive literature reveals numerous references to the risk taking nature of individuals. There are now several validated scales which measure risk taking and various forms of the construct such as global risk taking, risk orientation at work, risk attitude and domain specific risk taking.

### **Risk Taking Across Culture**

Risk taking is a relatively stable attribute of personality that is learned early in life. Research has highlighted the role played by cultural differences that are apparent in the various assessments of risk made by different individuals and groups. For example, in 2000, Melissa Finucane found that among various American groups whites, in general, were less apprehensive about a set of nominated risks compared with non-whites, with white men being the least apprehensive and non-white women the most apprehensive. This disparity could be attributed to the socio-economic advantage experienced by white men making them less risk-averse compared to non-whites. Another study found that Chinese people were less risk-averse than Americans. This could not be attributed to the fact that China and U.S.A. are very different in the individualistic-collectivistic continuum, with China being a very collectivistic culture and U.S.A. a highly individualistic country. Collectivism refers to a society where social and individual ties are strong, with people being part of strong cohesive groups while individualism entails looser ties between individuals so independence is stressed. Elke Weber, Christopher Hsee and Joanna Sokolowska explained "collectivism acts as implicit mutual insurance against catastrophic losses" (1998, p. 174). Furthermore, they pointed out that although people from collectivistic cultures may be less risk-averse to material or financial risks, this will not be true for social risks, as social networks are given immense importance in such cultures.

Another study conducted by Larry Cummings, Donald Harnett and Owen Stevens, compared risk-taking behavior in five regional clusters with reported scores on a scale of 16-48 (with

lower scores indicating risk taking and higher scores depicting risk aversion). Americans exhibited the highest tendency towards risk taking, with the lowest score (31.9) followed by Spain (33.4), Greece (35.6), Scandinavia (35.7), and Central Europe (35.8). In addition to culture, risk taking may be affected by situational differences such as the countries' present economic, social and political environment.

### **Risk Taking and Decision Making**

Studies have provided empirical evidence that risk taking is an important predictor of creativity, entrepreneurship and more importantly on decision-making. The success of most enterprises depends on the capability of their leaders to evaluate risks and decide which path to pursue. Uncertainty has two components, risk and ambiguity, and decision makers' ability for tolerance of ambiguity and risk influence their choices. Successful high risk decision makers consistently tend to see more opportunities in risky situations and higher risk preference manifests itself in greater confidence in their decision.

### **SUMMARY OF THE SYMPOSIUM**

The proposed symposium will share the results of three studies, which are part of a larger cross-cultural multi-country study conducted in China, Philippines and USA. Although past research have found evidence for the relationship between risk taking behavior and decision making very few have done a comparative study of the East and the West. The three studies include will provide the comparative results of: (a) empirically testing a conceptual model relating to effect of risk taking behavior on decision making; (b) examining potential antecedents of risk taking—specifically cultural values and certain individual factors that influence risk taking and (c) empirically testing the mechanism (mediation/moderation) by which these factors affected the relationship between risk taking and sound decision making across the three countries. Additionally we will also include the results of effect of certain individual influences such as religion and ethics on decision-making and its implications across the three countries. We will conclude the session with discussing and seeking ideas for future research.

**References upon request**