

The impact of mood on decision-making process

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Abstract

Purpose – The purpose of this paper is to explore and analyze relationships between contextual factors, and micro-cognitive, emotional and relational factors, influencing the strategic decision-making process.

Design/methodology/approach – The relative roles of “rationality,” “intuition” and “political behavior” in five recent and critical strategic decisions have been explored using 16 semi-structured interviews with senior decision-makers in three Middle Eastern Arabic commercial banks.

Findings – Context specific macro-factors were found to influence the emotional state of strategists, leading them to adopt a rational approach, rather than use intuitive judgment, to making all five decisions.

Research limitations/implications – The study was limited to one contextual situation and business sector in order to maintain these variables relatively constant, with proposals for extending studies to other business situations and contexts.

Practical implications – The paper provides evidence for the impact of micro emotional and relational factors on decision-making practice, which should lead to increased recognition for strategists, and organizations, of the importance of these influences on strategic decision practice.

Social implications – A social implication is that organizations should build a level of awareness of the impact of the mood of strategists who are involved with strategic decisions, perhaps through appropriately designed social processes of organizational learning.

Originality/value – The paper examines the little-researched influence of the mood of strategists on the nature of decision-making process, and demonstrates the importance of including emotional factors in future studies. An explanatory framework is developed which is consistent with an interpretation that places the emotional state (mood) of “concerned attention” which existed within the senior management groups as the dominant factor driving the nature of process. A generalized research framework is proposed to aid future studies of strategic processes.

Keywords Emotion, Rationality, Intuition, Strategy-as-practice, Mood, Strategic process

Paper type Case study

Introduction

In this paper we review related literature, and present the results of an industry case study, conducted in three Arabic commercial banks, with the aim of understanding the nature of the strategic decision-making process (SDMP). This paper aims to assist in understanding the nature of the SDMP, through a case study of three Arabic commercial banks, supported by a review of the relevant literature. The case study provides empirical evidence for the influence of mood that arises from the type of decision task and its context on the decision-making process. This type of influence is known as the “integral affect,” to differentiate it from incidental influences of mood on decision process, and from the regret associated with a decision, whether such regret is antecedent to a decision and/or is an anticipation of regret (Lerner *et al.*, 2015; George and Dane, 2016).



Most empirical studies of SDMP (rather than the quality of decision making output), have been concerned with the degree of rationality, and rationality's relationship with contextual features such as decision type, company size, decision-maker characteristics, and the internal and external environment (Elbanna, 2006; Elbanna and Child, 2007a, b; Dean and Sharfman, 1993; Brouthers *et al.*, 2000; Papadakis and Barwise, 1998; Goll and Rasheed, 2005). These studies have quantified the factors deemed to influence the nature of the decision process, and usually employed factor and/or regression analysis based on survey data. A problem with these survey-based research methods is the difficulty of addressing the micro-practices, personal and inter-relational, which form an integral part of any strategic decision making.

Here, there are two contributions to knowledge. The first is to highlight the relevance of studying the mood (emotional state) of strategists as an aspect of strategy-as-practice (s-as-p); second, to highlight how qualitative interviews with strategists, rather than survey-based research approaches, can provide understanding of the factors influencing mood, as well as of the effects of mood on decision-making processes.

These aspects of praxis reveal themselves through employing and interpreting a series of interviews with senior managers in one business sector. These practice elements relate strongly to the notion of strategy development. The "s-as-p" perspective presented in Chia and Mackay (2007) offers theoretical insights. Hodgkinson and Clarke (2007) proffer a model to aid the profiling of the cognitive characteristics of strategists, and Narayanan *et al.* (2011) have reviewed the associated concept of "strategic cognition."

The present study explores the impact of contextual and task-related features on mood, and on how managers strategize. It addresses one of the "research priorities of a s-as-p perspective that emphasizes a micro 'activities-based' approach to understanding strategy and how managers strategize" (Chia and Mackay, 2007, p 218). Data from 16 personal interviews with senior managers, each directly concerned, and involved in making, five recent strategic decisions, each of which was critical to organizational survival are presented and interpreted.

The study addressed two research questions:

RQ1. What was the relative importance of "rationality," "intuition," and "political behavior" in the s-as-p approach?

RQ2. How and why did contextual features influence the SDMP?

Schwartz (2000) and Vince (2001) have emphasized the potential importance of studies of these emotional states and their relationships to process as integral parts of "learning and deciding" activities in organizations. A framework for how contextual conditions determine emotional mechanisms, based on a four-fold classification, and shape decision-making practice was proposed by Pfister and Bohm (2008). They suggest that several emotional functions may be operating in a given context, leading to differences and ambivalence amongst decision makers.

Related literature

The topic of strategy development has received considerable attention, but there is still limited knowledge (Eisenhardt and Zbaracki, 1992; Papadakis and Barwise, 1998; Milliner, 2006). There are some contradictory results (Butler *et al.*, 1993; Rajagopalan *et al.*, 1997; Hough and White, 2003; Elbanna, 2006). Generalizations about the subject in varied contexts have not been possible. Some decision process research seeks the underlying mechanisms that can explain repeated decision related behaviors (Sminia, 2009; Blanchette and Richards, 2010). These research strands have covered a variety of influences, with each strand focusing (typically) on a single category of influencer, often in laboratory-based conditions.

Studies of relationships between emotions and decision making leave little room for doubt of the relevance of emotions to choice behavior, and vice-versa (Hertel *et al.*, 2000; Lerner and Keltner, 2000; Schwartz, 2000; Starcke and Brand, 2012; Hartley and Phelps, 2012; Peng *et al.*, 2014). The last paper reviewed key differences of constituent mechanisms on the effects of general feeling states, as well as those linked to the specific nature of the decision-related task (e.g. decision-task criticality), on individual behavior. Blanchette and Richards (2010) had concluded that anxiety increases risk aversion, and that anxiety may lead to more normatively “correct” responses, when reasoning about risky decision tasks.

The role of emotions in decision-making continues to receive interest, as evidenced by a special issue on affect and emotion in decision making (Peters *et al.*, 2006). Yiend (2010) reviewed the effects of emotion on attention. A review of the influence of discrete emotions on judgment and decision-making in laboratory conditions concluded that the effects on outcomes are moderate to large (Angie *et al.*, 2011). However, few studies have investigated emotional influences on decision making in “real contexts,” as opposed to laboratory conditions. The present paper addresses this gap in the literature. It provides empirical support for the influencing role of mood on decision-making process, when the nature of the decision task, and its context, give rise to the affect and emotional state. The mood state is integral and related to the decision task rather than incidental and unrelated (Lerner *et al.*, 2015).

Strategic decision process theory proposes that decision makers’ cognitions are moderated and constrained by their business environments, organization structures, resources, as well as their personal experiences and perceptions (Ramos-Garza *et al.*, 2011, p. 790). This view is supported by more “mainstream” literature (Dean and Sharfman, 1993, 1996; Rajagopalan *et al.*, 1993; Baum and Wally, 2003; Milliner, 2006; Elbanna and Child, 2007a, b; Zehir and Özşahin, 2008; Styhre *et al.*, 2010).

These studies emphasize the importance of exploring factors which influence the SDMP, including procedural rationality, political behavior, intuitive judgment, decision importance, decision motive, decision uncertainty, environmental uncertainty, senior staff characteristics, and specific features of the environment.

The relevance of cultural influences on decision-making has also been reviewed (Hofstede and Hofstede, 2000; Branine, 2011; Dimitratos *et al.*, 2011). Intuitive aspects of decision-making were also considered in several studies (Simon, 1987; Agor, 1989; Khatri and Ng, 2000; Kahnemann, 2002; Sadler-Smith and Shefy, 2004; Dane and Pratt, 2007). The wide range of decision-making influencing factors previously considered, as the literature shows, is considerable.

In the psychological literature there is a debate concerning the relationship between emotion and cognition, with some theories focusing on the effects of cognition on emotion, others on the reverse (Garcia *et al.*, 2015, present a review of theories). The present study adopts a view based on “appraisal theory” Lazarus (1991): affects (i.e. emotions) are based on personal evaluation of a given situation, the emotional stimulus of which causes the individual to react. Emotions are generated when a person is in a situation which compels their attention and requires a response (Gross *et al.*, 2011).

RQ1 follows directly from the research framework established by Elbanna and Child (2007a) for a hypothesis led survey-based study of Egyptian companies. The question is aimed at assessing the relative importance of rationality, intuition, and political activities during the SDMP in the selected Middle Eastern Banks. There is an ongoing interest in process research because inconsistencies remain regarding the degree to which strategic decisions are made rationally, or not (Dean and Sharfman, 1993; Goll and Rasheed, 2005; Elbanna, 2006; Mitchell *et al.*, 2011).

RQ2 concerns the factors influencing the SDMP in the context of Middle Eastern banks. Generalizations have not been possible due to the wide range and types of influencing factors (Pettigrew, 2013; Mitchell *et al.*, 2011; Elbanna *et al.*, 2013). *RQ2* seeks to uncover the

key influencing factors of the SDMP by means of an inductive, empirical approach in one banking context (Shrivastava and Grant, 1985; Sminia, 2009).

The study addressed these questions, as emphasized by Chia and MacKay (p. 222): “the practice perspective reorients strategy research towards the work, talk, activities and competencies of individual managers as strategists. Rather than focusing on the core competence of the organization as a whole, it looks at competence in terms of ‘how managers do strategy’”. The questions are posed in order to: “identify the key mechanisms connecting macro to micro, and a good deal of what happens is explained” (Seidl and Whittington, 2014).

Research approach

The integrative framework for this study represents a pre-understanding of the influences (1, 2, 3, 4) on the nature of the strategic decision-making process (5), in the banking context, as follows:

- (1) External environmental characteristics: environmental uncertainty, national and cultural influences.
- (2) Internal firm characteristics: company size, performance, and senior staff experience.
- (3) Decision-specific characteristics: decision importance, uncertainty, and motive.
- (4) Emotional states and relational aspects among the senior management strategists.
- (5) Strategic decision-making process dimensions: rationality, intuitive judgment, and politically motivated behavior.

These aspects generally follow, and add to for point 4, the framework presented by Elbanna and Child (2007a, b). While exploring each individual perspective is important, combining them in one study is also important, because: each individual influence explains only a part of the process (Hitt and Tyler, 1991; Eisenhardt and Zbaracki, 1992; Rajagopalan *et al.*, 1993); and interactions between the influences may be included (Brouthers *et al.*, 2000).

The study adopted a social constructivist philosophy (Bryman and Bell, 2011). It was focused on gaining an understanding of individual and relational phenomena of senior managers in the banks. It viewed strategic decision-making from their perspective, using responses generated in face-to-face interviews. The aim was to explore the “how and why” of specific decisions, and what factors participants thought had an impact on the process.

This approach follows Pettigrew (1985, p. 22), who stated that studies of strategic management should adopt a contextualized approach allowing the researcher to view “The emergent situation and holistic features of an organization or a process in its context, rather than divide the world into limited sets of dependent and independent variables isolated from their context.”

Five strategic decisions taken in three banks were treated as a case study in the Arabic banking sector, allowing the analysis of each decision, as a separate unit of analysis (Blumberg *et al.*, 2005; Pettigrew, 2013). These five decisions were self-selected by the banks as being of critical importance to their survival and future success. The present study explored and analyzed each of five strategic decision processes, using interviews with sixteen key personnel, each closely involved with the decisions. The selected decisions were recent, strategic, and traceable (Miller, 1997), with major long term implications, as detailed in Table I.

The interviews used questions selected from those used in a survey conducted by Elbanna and Child (2007a). The questions were edited into a more open form for semi-structured interviews. The semi-structured instrument was translated into Arabic, and then back-translated to test consistency. Open questions gave the interviewer opportunities to request additional information relating to “how” and “why” a particular process of decision

| Decisions | Banks | Description of the decisions |
|---------------------------------|----------|--|
| Establishment of new technology | Bank (A) | The development of a new technology system for an automated clearing house, real time gross settlement, and automated check processing, which contributed to diversification, acceleration and the accuracy of various financial and banking services |
| Islamic Murabaha decision | Bank (A) | The Islamic Murabaha decision was one of the most important strategic decisions recently taken. Murabaha means that the bank buys and owns certain products, for example (cars, electrical appliances, electronic devices). The bank sells them after adding all costs, with a reasonable profit that the two parties agreed upon |
| Training decision | Bank (B) | The training decision represents one of the important decisions taken by the bank and available to the employees for training courses in all disciplines. The aims of the training decision was to improve the performance of bank employee in order to create a national cadre able to run and manage the bank and enable the Bank to keep pace with global developments in the banking industry |
| Islamic Murabaha decision | Bank (B) | The Islamic Murabaha decision was the most important decision taken recently by the bank. The Islamic Murabaha decision was a product of new banking business, to replace the interest system, accompanied by developments in society to establish investment and develop projects. The bank was suffering the problem of individuals refusing to deal with interest since it contradicts with the Islamic Sharia |
| Training decision | Bank (C) | The bank, during the past few years, put operational training and rehabilitation at the forefront, carrying many of the programs of training and familiarization in all areas related to banking, and in conjunction with the ongoing economic reforms at the level of the financial sector and monetary policy. The bank took this decision based on the requirements of banking reform and orientations by the Central Bank of Libya. The decision was made due to the bank suffering from several problems such as: poor banking services provided to the customer; mistreatment of customers by the employees; the lack of trained and qualified staff; not keeping up with the latest modern technologies |

Table I.
The five strategic decisions

making was followed. The interviews were structured around four questions related to rational approaches, three questions concerning intuitive judgment and five about political influences.

The interviewer acted as a guide, providing the participants with a short list of the areas to be covered, so that the discussions did not lose focus from the main points of interest. Interviewees were encouraged to talk freely about events that affected their decisions. Each of the interviewees held a very senior post in one of the three Commercial Banks (identified as A, B, and C), as detailed in Table II.

Results

The paper addresses one of the central research priorities of a “s-as-p” perspective which emphasizes a micro activities-based approach to understanding how managers strategize, by interpreting semi-structured interviews with strategists. In particular, some relationships between macro elements of context, and their affects on micro elements of the mood of strategists, are inferred (Chia and MacKay, 2007; Seidl and Whittington, 2014; Fenton and Langley, 2011; Brown *et al.*, 2015):

RQ1. What was the relative importance of “rationality,” “intuition,” and “political behavior” in the s-as-p approach?

The analysis of the interviews was undertaken in Arabic, following transcription, using the themes and sub-themes from the interview structure. All three Arabic commercial banks had followed a similar approach to making strategic decisions. The participants indicated

| Interview | Bank | Position | Role and responsibilities | Impact of mood on decision-making process |
|-----------|------|---------------------------------------|---|---|
| P1 | A | Executive manager | Studying offers by foreign companies, attending informal meetings, maintaining the unity of a network server, preparation of monthly reports in accordance with the indicators of the plan and submitting them to the Director-General and follow-up to the level of implementation of the project | 247 |
| P2 | A | Manager: accounting department | Organizing the work in financial management, leading to the arrival of the correct information at the right time for decision-makers, analysis of investment opportunities, clarifying the financial implications of the decisions | |
| P3 | A | Member of board of directors | Attending regular meetings for the management committee members, developing plans and programs to serve the objectives of the Bank, and contributes to activities of the standing committees and special committees | |
| P4 | A | Manager: marketing department | Looking for investment opportunities and how to market goods, identify areas of problems, predicting them before they occur, review the bank's strategies in order to remain compatible with the market, and collecting and analyzing information about customers to identify the orientation and then the ability to satisfy their needs | |
| P5 | A | Member: board of directors | Attends regular meetings for the management committee members, reviews the data, information and statistics related to the decision, and study and evaluate technical and economic decisions | |
| P6 | A | Manager: accounting department | Assistance in financial planning long-term, medium-range and short-term, choose the appropriate information correctly, accurately and usefully from among the vast amount of information, and contributes to the necessary measures to provide new sources of funding | |
| P7 | B | Manager: accounting department | Organizing the work in financial management, leading to the arrival of the correct information at the right time for decision-makers, analysis of investment opportunities, attends periodic meetings within the bank, achieving financial and accounting settlements within and outside the bank, and assistance in financial planning for decisions-making | |
| P8 | B | Manager: marketing department | Contributes to taking the necessary measures to provide new sources of funding, reviews the bank's strategies in order to remain compatible with the market, and collecting and analyzing information about customers to identify the orientation and then the ability to satisfy their needs, contributing to the diversification and improving the quality of banking services | |
| P9 | B | Deputy manager: commercial department | The same duties as the general manager and helping him in his duties and deputy in his absence, taking the necessary action to conduct the bank business and to take administrative action to hold violators in accordance with the laws and regulations, Participation in making the decisions in the bank, and proposing all necessary means to develop and improve bank performance and its branches | |
| P10 | B | Manager: training department | Identifying the training requirements of the bank and preparing for the training plan, preparing the studies and research that would raise the efficiency of training, the statistics and data on programs and trainees, the manual training companies and trainers, studying and evaluating the offers and the nomination of companies that will assign them to implement the programs, follow-up and evaluate the implementation of training programs | |
| P11 | B | Manager: accounting department | Achieving a financial and accounting settlement within and outside the bank, preparing the budget estimates for the training plan, and clarifying the financial implications of decisions, and attending periodic meetings within the bank | |

(continued)

Table II.
Interviewees and their duties in the three banks

| Interview | Bank | Position | Role and responsibilities |
|-----------|------|------------------------------|--|
| P12 | B | Deputy general manager | The same duties as general manager and helping him in his duties and deputy in his absence, responsible for assisting the Director-General in the supervision of the progress of work within the bank and its various branches, the responsibility of studying the draft reports on the progress of work at the bank, and his view before submission to the Director-General, as proposed by all necessary means to develop and improve bank performance and its branches |
| P13 | B | Manager: credit/risk | Risk identification, data analysis and information to identify different types of risks facing the bank, draw up action plans of various departments and the level of commitment to follow-up, in order to identify and categorize clearly all types of risk (financial, operational, market risk, liquidity and legal, etc., control the size of the risks to minimize their negative effects on the bank and by working to invent and activate mechanisms to reduce financial risk, and measure the risks and determine their effects on bank |
| P14 | C | Manager: training department | Identifying the training needs of the bank, preparing the budget estimates for the annual training plan, preparing the manual training companies and trainees in each area of specialization, review the design of training programs provided by the companies and third parties, and monitor and evaluate the implementation of training programs |
| P15 | C | Member of board of directors | Attending regular meetings for the management committee members, contribution to plans and programs to serve the objectives of the bank, and contribute to activating the standing and special committees |
| P16 | C | Manager: administration | Attending formal meetings of the bank, evaluation of proposals regarding the development, standardization, harmonization of policies, regulations and procedures that address affairs administrative staff or services, or public relations in the bank, preparation of development plans and administrative development of workers in the bank, the application of policies and procedures that promote public relations reputation of the bank at home and abroad, and providing management consulting for all departments in the bank, and contribute to the development and coordination of administrative relations |

Table II.

that they sought to use procedural rationality, rather than intuitive judgment: time and resources were expended gathering and analyzing information for each strategic decision. Executive and other staff cooperated and consulted with each other, often by virtue of friendship and personal relationships.

The Banks' senior managements adopted a careful approach in relation to the strategic decisions. The senior management groups responsible for making these decisions were relatively inexperienced in terms of these critical decisions. There was external pressure from the Central Bank to follow policy guidelines. These influences resulted in a high degree of personal concern to make a "good" decision. One major conclusion from this study is that the role of top management is a critical factor in the SDMP and the outcome of such process. This factor plays a major role concerning the extent of the use of procedural rationality, political behavior and intuition in the decision-making process. Also, it has a major influence on how the decision importance, motives and uncertainty of the decision elements of the SD are approached. This is also the case in relation to SD effectiveness and performance:

RQ2. How and why did contextual features influence the SMDP?

Organizational culture influenced the decision-making process through the cooperation and support among groups of decision-makers. This "interconnectedness" is a significant aspect of

the customs and traditions of kinship among Arabic people. Participants paid careful attention to each decision, especially as they lacked relevant experience. Rationality was prioritized over intuition in the SDMPs, because of the significance and importance of the decisions, and second to avoid the perceived risks of making mistakes.

A key driver of senior management behavior was the recognition (during analysis) of the emergent theme of “concerned attention” in the senior management group (see “Examples of quotations from interviews which support an interpretation of ‘concerned attention’ among senior managers”). The interpretation of the interviews is that “Concerned attention” within the senior management groups led to considerable care and thought being given to each strategic task. “Concerned Attention” is an emotional state, defined here as a mild form of anxiety, with several antecedent factors: the critical importance of the strategic decisions to the future of the banks; pressures for change imposed by the Central Bank; and the relative inexperience of the senior management groups in relation to the specific and crucial strategic decisions.

Examples of quotations from interviews which support an interpretation of “concerned attention” among senior managers:

Because this decision is very important, the Bank took careful steps. I believe, so far, every step concerning the decision has been well planned and followed (P2-A).

[...] We did not have the technology need and trained personnel for this strategic step the Bank tried to take (P2-A).

It was very important for us to be very careful in what we are doing (P3-A).

[...] The problem is that the bank is controlled with policies and regulations (P6-A).

[...] The Islamic Murabaha decision is a kind of radical change of the bank, and therefore we were worried that we would not achieve the goals that we sought (P4-A).

[...] the managers lacked experience in making this decision [...] (P7-B).

I believe that the required information was collected to make this decision, and the problem experienced by the bank was identified as the lack of staff for advanced training programs on mechanisms of banking business (P10-B).

To make sure that our training decision had any chance to succeed, we first analysed our internal environment to find out who needed what and where and how [...] (P12-B).

We still felt we had inadequate experience and this made us concerned about taking the correct decision (P12-B).

We have made many mistakes in the past [...]. We cannot afford to make mistakes in this decision, because it is very important to our future (P15-C).

[...] We were already very late making this decision, we were suffering from problems with the customers, for example, mistreatment of customers by employees and poor service provided to them [...] (P14-C).

The importance of this training decision to our bank is massive. Because of that we are investing so much into it as we are very sure that this step is unavoidable, and it will help the bank perform very well in the future (P16-C).

The importance of the decisions, coupled with inexperience, led to a second emergent theme: co-operative and consultative behavior among the top management groups (see Examples of quotations from interviews which support an interpretation of co-operative and consultative behavior). This conclusion does support some laboratory-based evidence which finds that negative mood states can prompt a more co-operative style of decision making in small groups (Hertel *et al.*, 2000).

Examples of quotations from interviews which support an interpretation of co-operative and consultative behavior:

I was a member of the Committee, we cooperated with each other to get information, and we acquired the assistance from other departments (P3-A).

I have got cooperation and the information from one of my relative's works who works in one of the Arab Islamic banks (P6-A).

[...] I believe all administrations cooperated with the Committee on gathering the necessary information by virtue of personal relationships [...] (P5-A).

[...] We have hosted one of the economic experts in Islamic banking from our brothers in Qatar to give three days lectures[...] (P5-A).

[...] As we have acquired the information through our personal relationship with other managers in different departments in the bank, and by virtue of the friendship between staff and colleagues [...] (P2-A).

Our committee worked together, and the spirit of cooperation and collective construction of common ideas helped to create friendships among them [...] (P9- B).

[...] We met with the President of Board of the bank and we talked and decided to form an internal committee consisting of a number of the staff headed by the Director of training and management (P11-B).

[...] Some information was collected based on external sources. Formal visits were organized to Arab banks implementing the same system [...] (P8-B).

We received assistance by staff in different departments, and from other managers in other banks (P14-C).

[...] We held several visits to the Arab Bank of Qatar and the Bank of Jordan and Egypt before the start of making that resolution. We sent about 3 committees headed by the department to managers of these banks, [...] to identify the developed methods of training needs or the developed styles that we will rely upon in the training of staff [...] (P-16C).

The analysis of the interview data supports the development of a framework for the strategic decision-making process. This framework places the emotional state of concerned attention amongst the senior management group as the dominant influence driving the adoption of a rational approach, coupled with co-operative and consultative behavior. The interpretive framework, presented in Figure 1, offers an explanation of the empirical results.

The emotional state (mood) of "Concerned Attention" derived from the situational features. In particular, the crucial importance of the decisions loomed large in the minds of participants, as did their relative inexperience as a senior management group in relation to those decisions. Policy pressures from the Central Bank to change and modernize banking methods heightened their concerned attention. The senior groups adopted rational methods of analysis, as the groups had both the resources and time to do so; the rational methods served to reduce their degree of anxiety.

This interpretation is consistent with prior studies in political decision-making. These studies concluded that a degree of anxiety may cause an individual to review and analyze information more rationally and reach a more carefully judged decision (Marcus and Mackuen, 1993), or put pressure on them to demonstrably "analyze information" (Schildkraut, 2004).

Discussion and conclusions

The present study provides empirical evidence to further the debate concerned with the relevance of micro/macro studies which emphasize the decision makers in their contexts

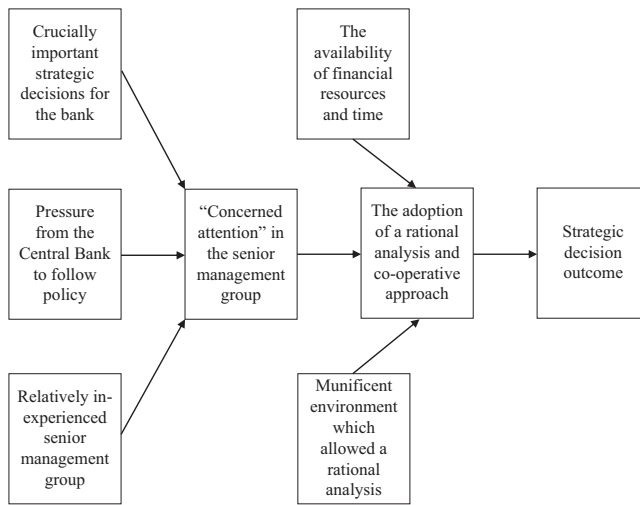


Figure 1.
An emergent explanatory model

(Bamberger, 2008; Hutzschenreuter and Kleindienst, 2006; Mador, 2000), and uncover generative mechanisms which explain regular patterns in event sequences (Sminia, 2009). The empirical approach proposed by Rajagopalan *et al.* (1993), enabled provision of a rich description of process and influencing factors and related individual (micro aspects) of emotional state with more macro views of influencing factors, leading to the integration of micro and macro levels of analysis (Fenton and Langley, 2011; Brown *et al.*, 2015).

These results contrast with multi-sector findings for Egypt (Elbanna and Child, 2007b). The Egyptian study found that decision type and firm type were the most significant influences shaping rationality, and that environmental features were less important influences. An empirical study undertaken in Greece shows a similar contrast to the present study; it too found no evidence to support a hypothesis that organizations in hostile environments would follow a more rational decision process (Papadakis *et al.*, 1998). A large empirical study of strategic decisions had previously indicated that managers in hostile environments made more erratic decisions (Mitchell *et al.*, 2011). Conversely, the present study has found that the availability of time and resource (in a munificent environment) supported and encouraged a rational, rather than intuitive, approach to analysis despite what might be seen as a hostile environment.

Senior management characteristics were an important influence in the Arabic context. Papadakis *et al.* (1998) also reported on the importance of such top management characteristics. Key amongst these characteristics was experience. The use of rational analysis by senior managers reduced perceived risks to both the individuals and the organizations. In the cases here, this was particularly so, as the groups lacked SDMP experience. The results here do support the suggestion, by Elbanna *et al.* (2013) from a study in Egypt that more experienced and confident managers appear to be more intuitive in reaching decisions.

During the interviews, there were several references to the influence of the Central Bank, requiring a more rational analysis of strategic decisions. This chimes with a factor identified by Shrivastava and Grant (1985). They examined organizational power structures by means of case studies, and found that the centralization of power was related to rational decision processes. Given the particular nature of the banking sector, it seems safe to assume that Central Banks effectively form part of the decision-making unit with the commercial banks, serving as a centralized, regulatory power. The consequent formalization of a power structure,

leading to greater use of rational processes, is consistent with several earlier studies in larger organizations (Rajagopalan *et al.*, 1993).

In the present study, the crucially important nature of each of the strategic decisions to each of the banks increased explicit rationality in the SDMP approach. This importance had a positive influence on the use of rational processes of data collection and analysis, consistent with other studies (Dean and Sharfman, 1993; Papadakis *et al.*, 1998; Elbanna and Child, 2007a). These studies suggest that the perceived magnitude of impact of a decision will strongly increase the degree of rational behavior.

A holistic interpretation of how certain factors dominated the process of strategic decision-making in Arabic commercial banks has been provided. The study focused on historical (retrospective) analysis of five critically important, recent, strategic decisions. There was a high level of agreement amongst respondents related to the processes of decision making, both within and between the banks. The open, semi-structured nature of the questioning allowed the development of an explanatory framework which relates contextual factors to the processes, with emergent themes of “concerned attention,” and “co-operative and consultative behavior.”

The research approach was based on interviews of senior staff in three Arabic banks, each closely involved in making the strategic decisions which were crucial to long term survival. Four limitations of the present study may be discerned. First, the results are dependent on interpretation of interviews from participants who may, themselves, fail to perceive the role played by intuitive judgments, perhaps at the concluding stages of otherwise rational processes. This may lead to an under-reporting of intuitive aspects of process. Second, the participants were (deliberately) not questioned about their agreement, or disagreement, with the strategic decisions which were made. Their level of agreement or disagreement may have biased their responses to interview questions. Third, there is likely to be a process of post-rationalization of past judgments. Conducting interviews with more than one participant for each decision may serve to reduce these limitations. Fourth, the interpretations are open to the influences, values and biases of the researchers themselves. We remain circumspect regarding what to conclude definitively, bearing these issues in mind.

Approaches to studying SDMP in organizations have usually employed factor analysis and/or multiple regression of data collected by survey (Elbanna and Child, 2007a, b; Papadakis *et al.*, 1998). Such statistical analysis usually involves the use of a closed form of questionnaire, distributed to a large sample of several hundred respondents. The samples cross boundaries, often including business sector, company type, size, profitability, etc., in order to generate sufficient data. In the present study, the nature of decision processes and the influencing factors have been studied in one context, with case studies of specific decisions.

The spread of contexts in survey data often make it unclear as to what type of organization the results apply. Also, the closed form of questionnaire precludes exploration of emergent, or hidden, mechanisms relevant to SDMP. A quantitative approach does highlight the relative importance of factors, and statistical relationships between variables. The problem of interpreting relationships between variables, in terms of cause and effect, remains with the researcher.

An in-depth approach to SDMP studies within specific contexts may well be a useful way forward. Limiting the complexity of (some) inter-linked variables and keeping the decision environment relatively constant means that factors such as decision motive and criticality, organizational size, business sector remain stable, in a way not possible in generalized surveys.

One potential future research hypothesis might be:

H1. In situations where contextual factors produce an emotional state of “concerned attention” (a form of anxiety), in the senior management group responsible for SDMP,

then that group will utilize a high level of rational, co-operative and consultative behavior, rather than intuitive judgment, provided that appropriate resources are available.

The present study has explored a socio-emotional perspective by gathering evidence related to specific decision processes and influencing factors from individuals. There is a need for studies to combine micro-studies with more macro socio-political studies (Rajagopalan *et al.*, 1993; Brown *et al.*, 2015). Laboratory and field-based studies both demonstrate the close relationship between cognition and emotion on the one hand and strategic decision-making processes on the other. This highlights the understanding to be gained by closer connection/ collaboration between these two types of study, a point well made by Schwartz (2000). Field-based studies could utilize a generalized model, as proposed in Figure 2, as a starting point.

The distinctive positions of strategic process research and s-as-p research have been discussed by several authors, including Whittington (2007) and Carter *et al.* (2008). Here the argument is based on the presented empirical study of this paper, that exploration and analysis of narrative experiences of strategizing and decision making in organizations can serve to break down the divide between macro and micro views of process and practice, respectively. Narrative experiences provide ways of studying together the micro and macro activities which emerge from sense-making studies (Fenton and Langley, 2011; Seidl and Whittington, 2014).

From a sense-making perspective in organizations, the divide between macro and micro-studies becomes illusory, allowing the study of discourse to investigate contextual features as well as social norms, power relationships, and the role of emotional states, and how these relate to decision-making and change (Brown *et al.*, 2015). "It is time to move beyond the mere documentation of behavioral results of emotions to direct tests of the proposed mechanisms underlying these effects" (Zeelenberg *et al.*, 2008, p. 24).

There is also a need to explore and analyze causal relationships between contextual, emotional, and process variables by means of longitudinal studies. The possibility of training individuals to overcome the processing tendencies associated with their cognitive style has been suggested by Hodgkinson and Clarke (2007). For this purpose, an approach based on "organizational learning," which includes the roles of individuals and groups in processes of decision making over time, may facilitate an exploration of group processes, biases, degrees of anxiety, relational, political and other socio-emotional factors.

For example, group support techniques could aid senior management groups in SDMPs to surface, explore, and address situated contextual and relational features, as well as emotional states (see Read *et al.*, 2012, for a discussion). From the perspective of management practice, interventions of this type, offering a practical approach to organizational learning in an organization, have the potential to enable personnel to develop insights into their own micro-processes, and increase understanding of how contextual and emotional states within a group or organizational setting are affecting their decision practices (Shrivastava and Grant, 1985).

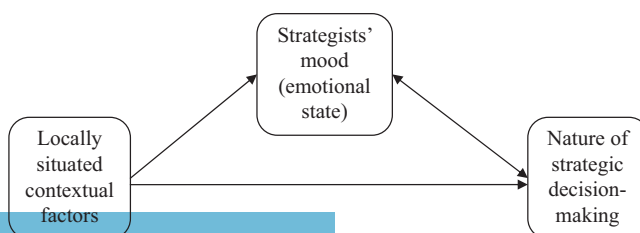


Figure 2.
A proposed
generalized
conceptual model

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