EMOTIONS AND STRATEGIC DECISION-MAKING

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ABSTRACT: *Organizations are open systems that interact and adapt to the external environment. The relationship between the organization and the environment is increasingly characterized by a high degree of uncertainty. Uncertainty means that managers do not have enough information to anticipate changes and make good decisions. The unpredictable environment increases the degree of complexity especially for the strategic decisions. Organizations that operate in a dynamic environment face rapid technological changes, short life cycles products, the entry of powerful new competitors, frequent maneuvering of competitors to consolidate their position, rapid evolution of demands and expectations of customers. It should be emphasized that the prediction of these changes is difficult as a result of the increased level of turbulence. Decisions made in the past will be encountered less in the future, so any previously procedures or rules used will lose value. Strategic decisions are new and unstructured, so they will be taken on the basis of emotions and intuition. The impact of emotions on the decision-making should not be underestimated. The fact that strategic decisions are long-term and the use of intuition make us believe that strategic managers are more affected by emotions.*

The main goal of the current research is to understand if there are differences in the emotions due to age or gender. The results obtained show that adults feel less strong and less concentrated when faced with a decision. On the other hand, women reveal that they have often felt nervous and less enthusiastic when they have to make a choice. But anyway, unlike men, they feel less guilty for a decision made.

Key words: *strategic decision-making, emotions, intuition, age, gender*

1. INTRODUCTION

The impact of emotions on decision-making should not be underestimated. It has been proven that positive feelings provide greater effectiveness and efficiency. Emotions particularly affect the first stage of the decision-making process, where processing of information assumes an important role [1]. Thus, if the decision-maker is under the influence of good emotions, he will be prone to overestimate the probability of positive outcomes, while the opposite would occur if he is in a bad mood. The influence of emotions on the information processing is in different directions. Thus, anxiety as a negative emotion directs the attention of the decision-maker to the processing of negative information that includes threats and obstacles to a good decision. Regret is another negative emotion, which appears after a decision is made. It is related to loss or failure in achieving the objectives, so it orients the decision-maker to analyze the information previously available and understand the causes.

Positive emotions lead to optimistic judgments, while negative ones make the individual pessimistic throughout the decision-making process. But what are the effects of a specific emotion in the decision-making? In the case of fear the decision-maker assesses the risk associated with a situation as high and shows risk avoidance in the choice he makes. But if we

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are dealing with an angry decision-maker, he values the risk as lower and therefore chooses a risky alternative. Moreover, an angry decision-maker uses more heuristics and cognitive biases. Being angry refers to an unsatisfactory situation and the decision-maker is certain about what is happening or will happen. Fear is related to an undesirable situation, but the decision-maker is uncertain about what is happening or will happen. In general, emotions such as being angry, contentment, happiness are related to certainty, while emotions such as fear, sadness, being disturbed, astonishment or being surprised are bound to uncertainty.

2. AIM OF THE STUDY AND RESEARCH QUESTIONS

The current study tries to understand the impact of emotions on the strategic decision-making. Because of the characteristics of strategic decisions and some contextual factors, top managers feel more the emotional load that accompanies the choices made. Thus, today, managers are increasingly compelled to make decisions in conditions of lack of information, uncertainty and ambiguity. Often in making predictions and in distinguishing the various courses of action they have to rely on past experiences. Under the conditions listed above, the intuition prevails over the analytical techniques. The fact that strategic decisions are long-term and the use of intuition, make us believe that strategic managers are more affected by emotions.

The main goal of the current research is to understand if there are differences in the emotions due to age or gender. The intention is to identify variables and elements and to discover possible relationships between them, so as to be able to define some general reflections about the emotions impact on strategic decision-making. To support the main purpose, the research questions are as follows:

1. What is the age impact on the emotions that accompany strategic decision-making?
2. Are there important differences between men and women regarding the emotions in the strategic decision-making?

In consistency with the main goal and the research questions, the hypotheses to be tested are formulated as below:

H_1: There is a positive correlation between emotions and age in the decision-making.

H_2: Referring to the decision-making women are more susceptible to emotions than men are.

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3. RESEARCH METHODOLOGY

For the current study was adopted the quantitative research and for the data collection was used the questionnaire, which was designed to measure the emotional involvement in the decision-making. The model used is PANAS [2]. The questionnaire includes 20 different emotions (10 positive emotions, 10 negative emotions) that must be evaluated on the Likert scale 1-5. To test the hypothesis of the research is first used the Pearson correlation coefficient and after is calculated the correlation coefficient of Spearman. The analysis is made on equal-interval scales, based on the sum of the scores for all the section of the questionnaire, but also reporting the results for each statement when the correlations are statistically significant.

4. LITERATURE REVIEW

Adults tend to preserve positive emotions over time, while negative ones are few and short-term [3]. So, adults see problems or situations in a positive light compared to young people, and this makes them subjects of the bias of positivity. Moreover, adults are more inclined to remember elements that favor the options chosen compared to the options not chosen [4]. This result leads to the conclusion that adults are less affected by the phenomenon of regret.

Emotions are important especially when the outcomes of an alternative are assessed [5]. More recently it has been shown that adults are more influenced by affective factors, especially in the information processing phase [6]. Studying the relation between emotions and analytical decisions, it was argued that emotions and being analytical lead to different decision-making mechanisms [7].

Caution is another characteristic that distinguishes adults and young individuals. Adults are more cautious than young people [8]. Caution is characterized by the lack of variability of responses [9]. The authors argue that in general the lack of variable behavior is defined as stereotypical behavior. However, experiments have shown that both adults and young people show comparable levels of variability and stereotypical behavior, with the exception of decisions accompanied by anxiety. The stereotypical behavior of adults increases because of the greater anxiety. Furthermore, it was concluded that adults did not show caution in a sense that could be attributable to age. For the authors caution is a consequence of experience and not of age. Other empirical evidence didn't found correlation between age and caution [10], [11]. Stress leads to risk aversion in adults compared to young people [12].

But what can we say about the correlation between emotions and gender? The main explanations for gender differences in attitudes towards risk are emotions [13]. The authors concluded that women experience emotions more strongly than men do. Thus, in the attempt to avoid negative emotions women take less risk. Another explanation may be that men perceive risky situations as challenges that call for participation, while women perceive risky situations as threats and try to avoid them [14].

Women are more risk-averse than men are because in facing a risky situation they feel more nervous and fear [15], while men feel more angry [16]. Fear leads the decision-maker to take less risk, while anger leads him to greater risk [17]. Women are less angry than men and perceive it as a threat to their relationships [18]. However, the conclusions cannot be generalized. We must consider the age [19]. So, at the workplace, women around 40 years old show high levels of anger compared to other age groups and twice the amount of angry compared to men.

5. EMPIRICAL APPROACH

H_1: There is a positive correlation between emotions and age in the decision-making

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.553	3	.907
Likelihood Ratio	.559	3	.906
Linear-by-Linear Association	.119	1	.730
N of Valid Cases	247		

Table 1: Pearson coefficient for age-emotions

			The group of factors for Section 1: Emotions (summation at intervals)	Age
Spearman's rho	The group of factors for Section 1: Emotions (summation at intervals)	Correlation Coefficient	1.000	-.014
		Sig. (2-tailed)	.	.829
		N	247	247
	Age	Correlation Coefficient	-.014	1.000
		Sig. (2-tailed)	.829	.
		N	247	247

Table 2: Spearman coefficient for age-emotions

The results in Tables 1 and 2 show that there are no differences statistically relevant between adults and young people regarding the emotions in the decision-making (Sig.=p=0.829>0.05, r_s= -0.014)

H_2: Referring to the decision-making women are more susceptible to emotions than men are.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.363	1	.547
Likelihood Ratio	.359	1	.549
Linear-by-Linear Association	.361	1	.548
N of Valid Cases	247		

Table 3: Pearson coefficient for gender-emotions

			The group of factors for Section 1: Emotions (summation at intervals)	Gender
Spearman's rho	The group of factors for Section 1: Emotions (summation at intervals)	Correlation Coefficient	1.000	-.038
		Sig. (2-tailed)	.	.549
		N	247	247

	Gender	Correlation Coefficient	-.038	1.000
		Sig. (2-tailed)	.549	.
		N	247	247

Table 4: Spearman correlation for gender-emotions

As in Tables 3 and 4, we can conclude that there are no differences statistically significant between men and women (Sig.=p= 0.549>0.05).

The analysis made for each emotion included in the PANAS model offers interesting results for both age and gender.

			Age	9. The frequency of occurrence of feeling strong in decision-making
Spearman's rho	Age	Correlation Coefficient	1.000	-.106
		Sig. (2-tailed)	.	.096
		N	247	247
	9. The frequency of occurrence of feeling strong in decision-making	Correlation Coefficient	-.106	1.000
		Sig. (2-tailed)	.096	.
		N	247	247

Table 5: Spearman coefficient for age-emotions (Emotion 9)

			Age	14. The frequence of feeling attention in decision-making
Spearman's rho	Age	Correlation Coefficient	1.000	-.114
		Sig. (2-tailed)	.	.074
		N	247	247
	14. The frequence of feeling attention in decision-making	Correlation Coefficient	-.114	1.000
		Sig. (2-tailed)	.074	.
		N	247	247

Table 6: Spearman coefficient for age-emotions (Emotion 14)

From Tables 5 and 6 we notice statistically important relationships between age and feeling strong (Sig.=p=0.096<0.1) and showing attention (Sig.=p=0.074<0.1). The correlation

coefficients of Spearman respectively r_s = -0.106 and r_s = -0.114 are negative and indicate that with age the presence of such feelings decreases.

			Gender	10. The frequency of occurrence of feeling nervous in decision-making
Spearman's rho	Gender	Correlation Coefficient	1.000	.104
		Sig. (2-tailed)	.	.103
		N	247	247
	10. The frequency of occurrence of feeling nervous in decision-making	Correlation Coefficient	.104	1.000
		Sig. (2-tailed)	.100	.
		N	247	247

Table 7: Spearman coefficient for gender-emotions (Emotion 10)

			Gender	11. The frequency of occurrence of feeling guilty in decision-making
Spearman's rho	Gender	Correlation Coefficient	1.000	-.113
		Sig. (2-tailed)	.	.076
		N	247	247
	11. The frequency of occurrence of feeling guilty in decision- making	Correlation Coefficient	-.113	1.000
		Sig. (2-tailed)	.076	.
		N	247	247

Table 8: Spearman coefficient for gender-emotions (Emotion 11)

Table 7 indicates a correlation statistically important between gender and nervousness for α = 10% (Sig.=p=0.100=0.1). Spearman's correlation coefficient is positive, leading to the conclusion that nervousness in decision-making is a characteristic for women more than for men (r_s = -0.104). Women can also be differentiated from men by the feeling of guilty (Table 8, Sig.=p=0.076<0.1). The correlation coefficient of Spearman determines that women feel less guilty about a decision compared to men (r_s = -0.113). In Table 9 we find another statistically significant relation (Sig.=p=0.008<0.05). The Spearman correlation coefficient indicates that

women feel less enthusiastic during the decision-making process or after a decision is made than men (r_s = -0.170).

			Gender	17. The frequency of occurrence of enthusiasm in the decision-making
Spearman's rho	Gender	Correlation Coefficient	1.000	-.170**
		Sig. (2-tailed)	.	.008
		N	247	247
	17. The frequency of occurrence of enthusiasm in the decision-making	Correlation Coefficient	-.170**	1.000
		Sig. (2-tailed)	.008	.
		N	247	247

Table 9: Spearman coefficient for gender-enthusiasm (Emotion 17)

6. CONCLUSIONS

The emotional burden before, during and after the decision-making can affect its effectiveness. Because of the characteristics of strategic decisions and some contextual factors, top managers feel more the emotional load that accompanies the choices made. Today, managers are increasingly compelled to make decisions in conditions of lack of information, uncertainty and ambiguity. Other studies concluded that are important differences in the affective strategic decision-making due to age and gender. The results obtained through the current research show that there are no differences between young people and adults, men and women regarding emotions in decision-making. Anyway, it should be noted that for some feelings have been found important relationships if the emotions included in the PANAS model are analyzed one by one. Thus, adults feel less strong and less concentrated when faced with a decision, so maybe is better for them the group decision-making. On the other hand, women reveal that they have often felt nervous and less enthusiastic when they have to make a choice. This can be explained by the fact that they may perceive a decision as a duty, part of their work, and they do not perceive it as a process that can improve personal and professional development. But anyway, unlike men, they feel less guilty for a decision made.

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