Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

Emotional Processes in Strategic Management: The Role of Positive and Negative Affect in Biasing Perceptions of the Organisational Environment

A thesis presented in partial fulfilment of the requirements for the degree of

Master of Arts in Psychology

Ian Galley

2000

ABSTRACT

Effective strategic-level planning and decision-making are vital processes for an organisation's long-term success. Strategic decision-making is difficult to perform effectively due to both the density of data contained in the strategic environment and the often ambiguous and incomplete nature of this data. Daniels (1998) found evidence for a link between perceptions of aspects of the organisational environment germane to strategic decision-making and managers' trait negative affect. The present study sought to replicate this finding and extend this line of research with positive affect. The present study employed a cross-sectional, correlational design. A total of 150 managers employed in a range of businesses in New Zealand returned questionnaire forms mailed out to them. The hypothesis that positive affectivity could influence perceptions of the organisational environment was supported. A systematic relationship in the hypothesised direction was found between Positive affectivity and managers' perceptions of their organisational environments. Contrary to the findings of Daniels (1998), no support was found for a relationship between negative affectivity and managerial perceptions of their organisational environments. Some evidence was also found for an interaction effect between negative and positive affectivity and managerial perceptions of the environment. The implications of the results obtained are that positive affectivity may work to bias the cognitive processes of the strategic decision-maker when he or she is scanning the strategic environment for relevant data. It is concluded that emotion must be considered a substantive factor for future strategic planning research.

ACKNOWLEDGEMENTS

My thesis year proved a more difficult journey than I ever anticipated, and without the help and guidance of many people I would never have made it. I would like to collectively express my thanks and gratitude to everyone who was there for me, in whatever manner.

Thanks and respect got to Doug Paton (for the supervision of my work, and for showing me I/O and snow), Kylie Harper (my angel, my all, my very self), Steven Thomas (thousands of miles away yet closer than most), Wayne Turner (for being there over the Massey years – a constant amongst the chaos), Josh Ogilvie (nice one, bruvva), John Spicer (über-statistics legend), Ross Flett (statistics legend and font of pragmatic advice), Keith Tuffin (for waking me as I slept), the Psychology department admin team of Robyn Knuth, Melanie Robertson and Anne Niko (for putting up with my petty studential demands), the graduate study room gang (for showing me I wasn't alone), Jane Young (winner of my long-service medal for friendship), Mum and Dad (for the support over the past five years – guess I'll have to start repaying you now), Gordon McIvor (the funniest right-wing, authoritarian personality type I've ever met), Jessica Beer, Rock and Jared Cahan and everyone at the Massey fencing club (for allowing me to blow off steam at the point of an Epée) and to everyone I've missed – you know who you are!

'Education made us what we are'

(Helvétius, 1715-1771)

TABLE OF CONTENTS

ABSTRACT II

ACKNOWLEDGEMENTS III

TABLE OF CONTENTS IV

LIST OF TABLES VI

LIST OF FIGURES VII

INTRODUCTION 1

Strategic Planning and Organisations 3

Decision Making and Organisations 6

Scanning the Environment 9

Cognitive Processes - Schemas and Biases 12

The Place of Emotion in the Strategic Decision Process 15

Organisations and Emotions 19

Emotion and Affect 22

Emotion and Cognition 24

Emotion in Assessments of Probability and Evaluations of Risk 28

Affect and Work-Related Distress 33

Job Satisfaction 35

Positive Affectivity and Prosocial Behaviour 36

METHODOLOGY 41

Participants 41

Measures 42

The PANAS scale 43

The Organisational Environment Measures 45

Perceived Internal Environmental Uncertainty Measure 45

Perceived External Environmental Uncertainty Measure 47

Perceived Competitive Strengths Measure 48

Demographic Variables 48

Procedure 49

Statistical Analysis 50

RESULTS 52

DISCUSSION 63

Interpretation of the findings 64

Placing the findings in a context 73

Implications of the findings 76

Limitations of the study 78

Future research directions 83

REFERENCES 86

APPENDIX A COVER LETTER TO PARTICIPANTS 97

APPENDIX B RESEARCH QUESTIONNAIRE 99

APPENDIX C REQUEST FOR A COPY OF THE RESULTS FORM 107

LIST OF TABLES

Table 1	Bivariate correlations, means, standard deviation and reliabilities	52
Table 2	Six hierarchical Multiple Regression Analysis with the affectivity (positive or negative) entered on step two	56
Table 3	Moderated Multiple Regression Analysis of potential interaction effects between negative and positive affectivity	58
Table 4	Correlations, Partial Correlations, and Variance Reduction Rates	60
Table 5	Independent (two sample) t-test for NA->DV correlations from present study and Daniels (1998)	67

LIST OF FIGURES

Figure 1 Mintzberg et al's (1976) three primary decision steps with cognitive processes involved in all three decision steps and social influences impacting on cognitive processes. Affective state is shown impacting on cognition directly, or indirectly through social influences. 23

Figure 2 Schematic representation of the positive x negative affect interaction in the perception of internal environmental uncertainty 59