

## Impact of Employee Decision Making Styles on Organizational Performance: In the Moderating Role of Emotional Intelligence

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**Abstract:** The primary aim of the present study is to determine the impact of employee decision making styles on organizational performance. Study also investigates the moderating role of emotional intelligence on the relationship among decision making styles and organizational performance. Data is collected on random sampling basis from 187 banking sector employees. Findings of the study determine that employee's different decision making styles influence organizational performance differently. Major findings include that rational and dependent decision making styles have high positive impact on organizational performance while avoidant decision making styles has negative impact on organizational performance. Study further determines that emotional intelligence moderates the relationship among decision making styles and organizational performance.

**Key words:** Decision making • Decision making styles • Organizational performance • Emotional intelligence

### INTRODUCTION

Organization's performance is measured considerably based on their financial achievements and growth. None of any organization wants to have losses and low future growth. Thus managers in the organizations have urge to craft performance in the line of business operations. This performance achievement approach makes the benchmark for the top management to recognize their manager's efforts and intellectual abilities in making productive business. In order to get sustainable organizational performance, managers have to make decisions in framing their organization's path towards the achievement of organizational goals. Managers needed substantial information to make sound business decisions thus; managers must have substantial information before making decisions. As the decisions based on small information are not effective and this poor business decision making are reflected in the organizational performance. However, manager's decisions affect the organization daily [1, 2]. Astley and Ven (1983) [3] argue that decision makers have significant influence on a firm's performance. Holt and Jones (2002) [4] found that

emotional intelligence has an impact on organizational performance. Consequently, the focus of this paper is to evaluate the employee different decision making styles and the impact of these decision styles on organizational performance. Study also investigates the moderating role of emotional intelligence on the relationship among decision making styles and organizational performance.

**Literature Review:** There is an emerging body of knowledge devoted to define the individual decision making styles. The innovation of individual decision making styles and group decision rules have a significant inferences for organizations [5]. Researchers have explored a wide range of individual decision making styles [5]. Such as, Scott and Bruce (1995) [6] define decision making styles as "the learned habitual response pattern exhibited by an individual when confronted with a decision situation." Based on this definition, Scott and Bruce (1995) [6] categorize individual decision making style in to five major categories which deals in turns with rational, intuitive, dependent, avoidant and spontaneous decision making styles. Authors defined decision making styles as.

Rational decision making style is characterized by thorough search for logical evaluation of alternatives (B) Intuitive decision making styles is characterized by reliance upon hunches and feelings (c) dependent decision making styles is characterized by search for advice and direction from others (d) avoidant decision making style is characterized by attempts to avoid decision making and (e) spontaneous decisions making styles is characterized by taking sudden and impulsive decisions.

However, an individual decision making practices can also be determined in terms of decision rules that generate alternatives for individual decisions [7]. Researchers found that individual try to apply specific rules while making decisions under any circumstances [8]. Beatty (1986) [8] define these decisions rules as an alternative that provide maximum payoff based on all future conditions. Author further explained that an individual examine each alternative and select the option providing highest payoff. By considering these decision rules, Baum and Walley (2003) [9] found that fast strategic decision making have an impact on organizational performance in terms of corporate reputation, financial performance, employee commitment and growth of organization. March and Sutton (1997) [10] enlighten firms' performance as the evaluation in terms of profits, productivity, debt ratios, market share, sales and stock prices.

Bolat and Yılmaz (2009) [11] defined organizational performance on the basis of seven performance categories. These performance categories include profitability, organizational effectiveness, continuous improvement, productivity, quality, quality of work life and social responsibility. Antony and Bhattacharyya (2010) [12] explained organizational performance in a broad sense and define it as the excellent measure of association of all performance variables which influence the organization's functioning. There is wide range of literature available on the discussion that whether to measure firm performance subjectively or objectively. The core reason behind this phenomenon is that objective measures are used to be more real but are often restricted in scope to financial data. Subjective measures on the other hand lack concreteness, but equip the researcher with a richer description of the efficiency of an organization as compared to competitors [13, 14]. We used subjective measure in this study for organizational performance because objective measures are more fine-grained than quantitative measures [15]. Many researchers explored the link between decision making and organizational performance. Amason (1996)

[16] founds that top management teams make decisions which influence the organizational performance. Allen, Amason, David & Schweiger (1994) [17] founds that strategic decision making influence organizational performance. Irene, Abdul and Rasheed (1997) [18] further found that rational decision making have a positive association with organizational performance. Rehman (2011) [19] propose a theoretical model and argue that decision making styles have an impact on organizational performance.

**Hypothesis 1: There Is an Impact of Decision Making Styles on Organizational Performance:**

Abraham (2000) [20] founds that an emotionally intelligent individuals have high organization commitment, high success rate [21] and use positive emotions to enhance their decision making capability. George (as cited in Gardner and Stough, 2001) [22] argues that emotional intelligence enhances individual ability to get solutions for the problems and to tackle issues and opportunities facing by them and by their organizations as well. Individual within this context, are able to enhance decision making capability through their knowledge and management of emotions and the leaders who are able to correctly recognize emotions are more able to decide whether the emotion is attached to opportunities or problems and therefore use those emotions in the procedure of decision making. The definition of emotions and its measurement changes with the passage of time. Salovey and Meyer (1990) [23] define emotions as an organized response which crosses the many psychological subsystems such as psychological, experimental, cognitive and motivational subsystems. At earlier stages, intelligence researcher measures emotions with respect to various subsystems such as occasionally emotions and social emotions (Gardner, 1983) [24] and consider emotional intelligence as a part of social intelligence (Salovey & Meyer, 1990) [23]. Salovey and Meyer (1990) [23] are the first who uses term "emotional intelligence" and define it as the "ability to monitor one's own and other's feelings and emotions to discriminate among them and to use this information to guide one's thinking and actions". Author further elaborate the concept of emotional intelligence by explaining it through three dimensions of adaptive abilities; appraisal and expressing the emotions, utilizing and regulating the emotions in solving problems. Later on, Goleman (1995) [25] expanded the construct of emotional intelligence by adding specific social and communication skills which influence by understanding and expression of emotions. Salovey and Mayer (1997) [26] give the revised

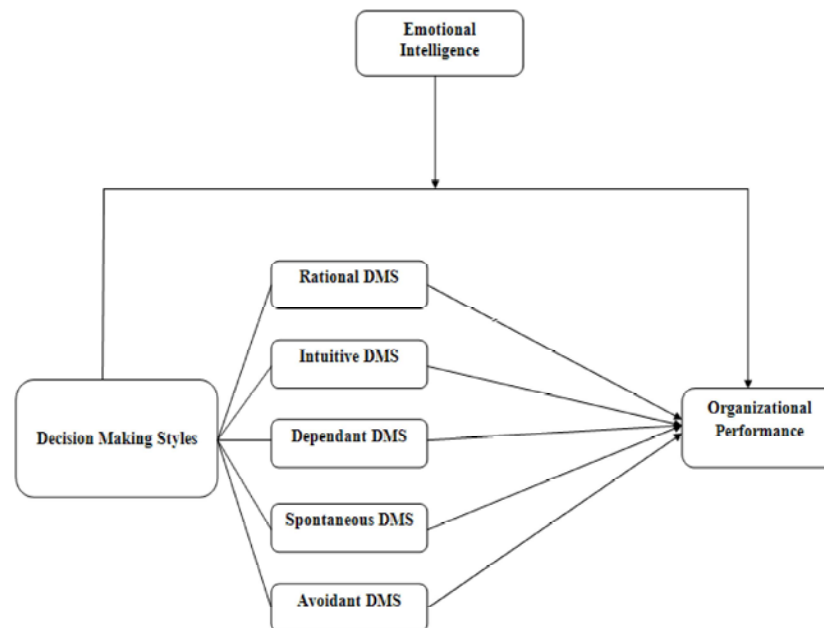


Fig. 1: Theoretical Framework

model of emotional intelligence by focusing more on the cognitive components of emotional intelligence. The revised model composed of four categories of emotional intelligence: perception appraisal and expression of emotions; employing and analyzing emotional information; emotional facilitation of thoughts and regulation of emotions for further emotional growth. Later on many researcher defines and measures emotional intelligence according to the scope of their studies such as GENOS EI Inventory which is specifically designed for workplace emotional intelligence, Bar-On emotional quotient inventory which deeply measures the emotional intelligence construct (Bar-On, 1996) [27] and Bernet (1996) [28] developed the Perception of Affect scale based on the basis that being able to focus rapidly, properly and effortlessly to feelings is the keystone of emotional intelligence.. Researchers founds that emotional intelligence also have impact on organizational performance. Holt and Jones (2002) [4] concluded that emotional intelligence has an impact on organizational performance. Druskut, Sala, & Mount (2006) [29] studied the various ways through which emotional intelligence affects organizational performance. Authors concluded that emotional intelligence have an impact on performance, helps in developing international business capabilities and affects many business outcomes. Melita, Ceasar, Gerald, Anthony and Ronald (2003) [30] founds that emotional intelligence training is an evolutionary means of organizational performance. Jordan & Troth

(2002) [31] founds that emotional intelligence influence the employee preferred style of conflict resolution which contributes towards the understanding of organizational performance and its determinants.

**Hypothesis 2: Emotional Intelligence Moderates the Relationship Between Decision Making Styles and Organizational Performance:** Based on the above literature, following framework as depicted in Figure 1 is designed for the present study in which decision making styles serve as independent variable, organizational performance as dependent variable while emotional intelligence serve as moderating variable among decision making styles and organizational performance.

### Methodology

**Sample:** Population for the study consists of 151 branches of all public and private limited banks located in Gujranwala city of Pakistan. Random sampling is used to collect data from banking sector employees. Data is collected by using questionnaire method. Respondents consist of 16% top level managers, 59% middle level managers and 25% of low level mangers. In addition to this, participants include 83% of males and 17% females.

**Measure and Procedure:** Decision making styles of the employees were accessed using decision making styles questionnaire developed by Bass and Avolio (2000) [32]. The original decision making style questionnaire

composed of 25- items measuring rational, dependent, intuitive, avoidant and spontaneous decision making styles. Organizational performance was accessed using 7-items scale which measure organizational performance in terms of financial performance and growth of organization. GENOS emotional intelligence inventory is used to measure emotional intelligence which is specifically designed for accessing workplace emotional intelligence. Emotional intelligence scale consist of 15-items which measures the three dimension of emotional intelligence; emotional awareness of self, emotional awareness of others and emotional reasoning. All the responses are obtained on five point likert scale ranges from strongly disagree to strongly agree. A total of 300 mail or self administered questionnaires are distributed from which only 187 were received back with the response rate of 62% from the given sample.

**Statistical Analysis:** To examine goodness of measure, responses to items were subjected to factor analysis using principal component method. Factor loading is analyzed using varimax rotated component matrix. For final analysis purpose, the factor to retain in the final scale meet the two criteria; first, the Eigen value for each extracted variable should be greater than one and secondly, items must be 0.50 on one factor and less than 0.35 in other factors (Hair *et al.*, 1998). The extracted factors than subjected to final analysis which includes 21-items scale for decision making styles with a Cronbach's alpha of 0.739, 7-items scale for organizational performance with alpha reliability of 0.813 and 13-items scale of emotional intelligence with alpha reliability of 0.67. All the scales fulfill the minimum requirement of 0.50 of scale reliability suggested in the literature. [33, 34, 35].

## RESULTS

The researchers used SPSS 15 for data entry, descriptive and statistical analysis and Structural Equation Modeling (SEM) is used to test the theoretical model in this study. Correlations are calculated for study

variables to determine the linear relationship among them. As we can see from Table 1, that rational decision making style,  $r(185) = .862$ ,  $p < 0.01$  and dependent decision making style,  $r(185) = .719$ ,  $p < 0.05$  are high positively correlated with organizational performance. Similarly, intuitive and spontaneous decision making styles are weak positively correlated with organizational performance and avoidant decision making styles is weak negatively correlated with organizational performance,  $r(185) = -.193$ ,  $p < 0.05$ . Emotional intelligence is highly correlated with rational and dependent decision making styles, moderately correlated with organizational performance,  $r(185) = .566$ ,  $p < 0.05$  and weakly correlated with intuitive and avoidant decision making styles.

From Table 2, regression analysis is computed to study the impact of rational decision making style on organizational performance. Results found that rational decision making style has impact on organizational performance. 67% variance in organizational performance is explained by rational decision making style as  $\beta = .67$ ,  $t(185) = 10.632$ ,  $p < 0.05$ . In Table 3, regression analysis is calculated between intuitive decision style and organizational performance. Analysis found that intuitive decision making style have no significant impact on organizational performance as  $\beta = .141$ ,  $t(185) = 2.139$ ,  $p > 0.05$ .

Regression analysis is calculated by considering avoidant decision making style as independent variable and organizational performance as dependent variable in Table 4. Results conclude that avoidant decision making style has significant negative impact on organizational performance. About 16% variance in organizational performance is determined by avoidant decision making style as  $\Delta R^2 = .161$ ,  $p < 0.05$ .

Table 5 and 6 presents the results of regression analysis among dependent decision making style, spontaneous decision making style and organizational performance. There is an impact of dependent decision making style on organizational performance  $\beta = .631$ ,  $t(185) = 11.440$ ,  $p < 0.05$ . Similarly, from Table 6, regression analysis is computed between spontaneous

Table 1: Inter Scale correlation of all study variables.

Scales	1	2	3	4	5	6	7
1. Rational *DMS	—	.290*	.518**	.074**	.361	.862**	.813
2. Intuitive DMS		—	.269**	.049**	.330**	.141**	.221
3. Dependant DMS			—	.093	.121**	.719	.773
4. Avoidant DMS				—	.091	-.193	.097**
5. Spontaneous DMS					—	.221**	.221
6. Organizational Performance						—	.566
7. Emotional Intelligence							—

\*Decision making styles, \* $p < 0.05$ , \*\*  $p < 0.01$

Table 2: Regression Analysis of Rational Decision Making Style and Organizational Performance

Model	b	SE	$\beta$	t	p
Constant	1.927	1.128		1.629	
*OP	.402	.021	.862	10.632	.001

$R^2 = .696$   
 $F = 91.70$   
 $\Delta R^2 = .673$

Note. The p-value given in the table is the actual p-value, \*Organizational performance, \*p< 0.05

Table 3: Regression Analysis of Intuitive Decision Making Style and Organizational Performance

Model	b	SE	$\beta$	t	p
Constant	5.299	1.1728		5.628	
*OP	.213	0.31	.141	2.139	.147

$R^2 = .124$   
 $F = 14.54$   
 $\Delta R^2 = .094$

Note. The p-value given in the table is the actual p-value, \*Organizational performance, \*p< 0.05

Table 4: Regression Analysis of Avoidant Decision Making Style and Organizational Performance

Model	B	SE	$\beta$	t	p
Constant	7.773	1.227		6.6228	
*OP	-0.210	0.29	0.193	4.962	.006

$R^2 = .163$   
 $F = 26.823$   
 $\Delta R^2 = .161$

Note. The p-value given in the table is the actual p-value, \*Organizational performance, \*p< 0.05

Table 5: Regression Analysis of Dependant Decision Making Style and Organizational Performance

Model	b	SE	$\beta$	t	p
Constant	.133	.679		2.189	
*OP	.168	.031	.719	11.440	.000

$R^2 = .649$   
 $F = 82.08$   
 $\Delta R^2 = .631$

Note. The p-value given in the table is the actual p-value, \*Organizational performance, \*p< 0.05

Table 6: Regression Analysis of Spontaneous Decision Making Style and Organizational Performance

Model	b	SE	$\beta$	t	p
Constant	4.553	.178		4.323	
*OP	.097	.019	.221	3.277	.037

$R^2 = .201$   
 $F = 21.74$   
 $\Delta R^2 = .191$

Note. The p-value given in the table is the actual p-value, \*Organizational performance, \*p< 0.05

Table 7: Moderating Effect of Emotional Intelligence on the Relationship between Decision Making Styles and Organizational Performance

Model	b	SE	$\beta$	$\Delta R^2$	F	t	p
Step 1							
Constant	19.423	1.918				9.573	.000
*OP	.588	.071	.594	.527	122.78	13.861	.001
Step 2							
Constant	19.173	2.981				7.777	.000
*OP	.334	.149	.662	.591	109.60	3.896	.002
*EI	.379	.157				3.676	.000

Note. In Step 1, the Predictor variable is decision making styles (TLS) while in step 2, Predictors are decision making style & emotional intelligence (EI) and dependant variable is organizational performance in both cases., \*Organizational performance, \*Emotional intelligence, \*p<0.05.

decision making style and organizational performance. Results of the regression analysis determine that spontaneous decision making style also has an impact on organizational performance. A total of 19% variance in organizational performance is explained by spontaneous decision making style,  $\Delta R^2 = .191$ ,  $p < 0.05$ . Study partially supports the hypothesis 1.

To analyze H2, step-wise regression analysis is computed by taking decision making styles as independent variable, organizational performance as dependent variable while emotional intelligence serve as moderating variable. The value of the magnitude of the independent variable has been increased due to the presence of moderating variable [36].

As depicted in Table 7, from step 1 to step 2, the value of  $\Delta R^2 = .527$ ,  $p < 0.05$  increase up to  $\Delta R^2 = .591$ ,  $p < 0.05$  in the presence of moderating variable indicating that ( $R^2$  change = 0.064) 6% variance in organizational performance is defined by emotional intelligence. The entire results of the analysis conclude that emotional intelligence moderates the relationship among decision making styles and organizational performance. Study fully supports the H2 hypothesis.

The structure equation modeling (SEM) is used to test the theoretical model. The results of SEM analysis shows that the causal model has a Goodness of Fit Index (GFI) =.91, Adjusted Goodness of Fit Index (AGFI) =.89, Normed Fit Index (NFI) =.90, Comparative Fit Index (CFI) =.94, Incremental Fit Index (IFI) =.93, Relative Fit Index (RFI) =.83, Non-Normed Fit Index (NNFI) =.923, Root Mean Square Residual (RMR) =.029, Root Mean Square (RMESA) =.039 and chi-square value = 41.39 with a significance p-value =.037 concluding that theoretical model is good fit as depicted in Figure 2. The CFI, GFI, AGFI, NFI, NNFI and IFI values of .90 and Chi-square significance greater than  $t = 0.05$  showing a properties of good fit model.

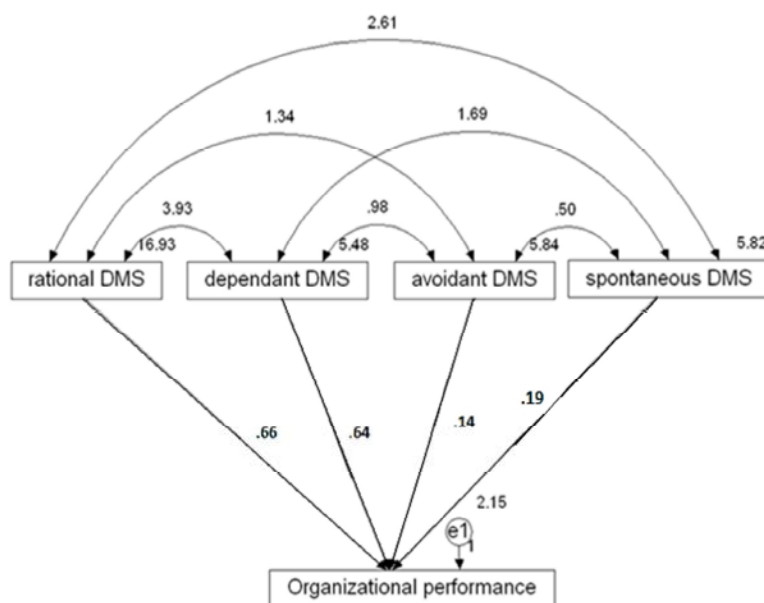


Fig. 2: Casual model summary

## DISCUSSION AND CONCLUSION

The aim of this study is to explore the link between decision making and organizational performance. The models further look at the moderating role of emotional intelligence in predicting this relationship among decision making styles and emotional intelligence. Study find out that employee diverse decision behaviors have different impacts on organizational performance. Results of the current study are in line with the finding made by Amason (1996) and Rehaman (2000) that management decisions influence organizational performance. Present research findings conclude that employee rational, dependent and spontaneous decision making style have positive impact on organizational performance where as avoidant decision making style have weak negative impact on organizational performance. No association is found between intuitive decision making style and organizational performance. The present study is in sequence with the previous literature findings that rational decision making have an impact on organizational performance (Irene, Abdul and Rasheed, 1997). Many researchers argue that emotional intelligence have an impact of organizational performance (Druskut, Sala, & Mount, 2006; Jordan & Troth 2002; Ronald, 2003). The current research paper further find out that emotional intelligence moderates the relationship among decision making styles and organizational performance which indicates that employee having strong

emotional intelligence makes strong decisions that result in high organizational performance. Findings of the study will be used by the dynamic organizations of the present era having huge workforce to mange their decision behaviors and for getting desirable organizational performance. Organizations should also consider the trainings regarding emotional intelligence to get more equipped and furnished workforce which contributes towards greater organizational performance.

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