

# Emotion, Cognition, and Their Marvellous Interplay in Managerial Decision-Making



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Edited by

Matteo Cristofaro

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# PREFACE

MATTEO CRISTOFARO

*Human beings, decision makers:  
intentionally rational but spontaneously irrational.*

Stemming from Herbert Alexander Simon's studies in the second half of the twentieth century, the way in which decision makers have been conceived has drastically changed: the *homo oeconomicus* that knows everything and can maximize decision options left the stage in favour of the *administrative man*, featured by bounded rationality and oriented to satisfying choice alternatives. This opened up a new era of management thought.

Indeed, from that point onwards, a series of studies in management research advanced the debate of *how organizational agents really make choices*. In this vein, discoveries on the human deviations of rationality and their antecedents and consequences – such as heuristics, cognitive traps, the influence of personality traits, intuition, emotions, superstition, religious beliefs, etc. – have pervaded this stream of research. The resulting man is now different from the one postulated by Simon: s/he is no longer just affected *only* by bounded rationality, but s/he is increasingly pervaded *also* by irrational forces. Within this updated field, and mainly thanks to the cross-fertilizing advances in neuroscience studies (initiated by Antonio Damasio), the role of emotions – always considered as irrational forces – has continuously and increasingly gained momentum within decision-making research. This happened mainly because – according to psychology and management scholars interested in perception and sensemaking – emotions are considered as the first biological reaction to stimuli in a decisional environment, condensing the effects of all other irrational impulses. Emotional answers, however, not only may directly influence the initiation and/or the output of a decision path, but they can also influence the content and depth of thought within decision-making processes, at the individual and collective levels. From that, *emotions and cognition emerge as a meaningful interplay that directs decision-making processes*.

The aim of the edited book *Emotion, Cognition, and Their Marvellous Interplay in Managerial Decision Making* for Cambridge Scholars Publishing – to whom I am deeply grateful for the editing opportunity and professionalism – is to investigate *how rational and irrational forces concurrently factor in management decisions*. The final intention of this editorial work is to set the foundations for a new stream of studies that simultaneously look at both rational and irrational tensions in management choices; this is the main way through which management research on the human black box can be significantly advanced.

In pursuing this ambition, I have been in good company: 17 scholars from seven countries provided their excellent works for this challenging endeavour. I am deeply indebted to each of them, and to the 15 reviewers, for believing in my scientific direction and leadership. The variety of geographical origins and points of view, rooted in the common aspiration of the edited book, elevates the academic standing of the project at an international level.

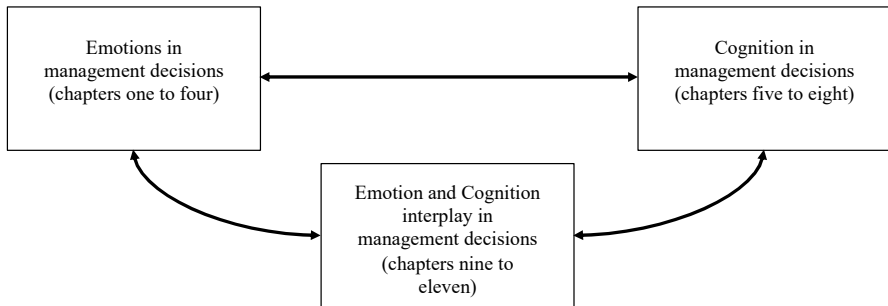


Figure 1: structure of the edited book

Source: own elaboration

The sequence of included chapters follows in the footsteps of the title: *i)* addressing the role of emotions in management decisions (chapters one to four), *ii)* investigating the role of cognition in management decisions (chapters five to eight), and *iii)* analysing the interplay of emotions and cognition in management decisions (chapters nine to eleven). In this regard, it is worth noticing that the chapters in the first two parts are not exclusively related just to one perspective (emotion or cognition); indeed, both perspectives are considered in their development, but, it happened that more emphasis is assigned to one side of the coin rather than the other.



In particular, the journey starts with van Hoorebeke (chapter 1), who studies the role of emotions in managerial computer-mediated collective decisions. Through a theoretical-based approach, she arrives at the conclusion that emotions also permeate computer-mediated collective choices, and cognitive biases typical of face-to-face relationships just leave the pace to others, which are not less influential, but, rather, specific to the computer-mediated environment. Dell’Orco and Ranieri (chapter 2) and Sarin (chapter 3) explore the biasing role of emotions with regard to risk, reaffirming that gains and losses in decision making are a balance between pleasure and regret for what is acquired and what is lost. In this process, gaining experience and training emotional intelligence help to master the emotional schemata to be applied in managerial and investment decisions. However, this requires a strong motivation to act. In this vein, Hendijani (chapter 4) deals with motivation theories that flourished in management research according to the focus on different phases of goal accomplishment (i.e., goal choice and goal striving). Due to the criticisms she made, motivation theories are not seen only according to a cognitive perspective that considers motivation as a purely rational act, but are interpreted according to an emotional standpoint. In this regard, positive emotions are seen as a means that can enhance goal pursuit, increase persistence towards achieving goals, and facilitate flexible thinking and problem solving.

Leoni’s chapter (no. 5) forms the beginning of the cognitive part of the book. She deals with a pivotal question of current inter-connected organizations: how do knowledge-sharing activities carried out at inter-organizational level influence the decision-making processes of these organizations? Her theoretical discussion arrives at the conclusion that developing an environment featuring trust and good management of conflicts enhances the shared cognition and values of involved parties, bringing inter-organizational decision-making processes that are characterised by superior decision quality. In a similar setting, Giardino (chapter 6) studies how the cognition of top decision makers influences Mergers and Acquisitions (M&As) through the adoption of game theory and, in particular, bi-cooperative games. In these cases, which feature a high level of uncertainty and information asymmetry, the experiences of executives – which are at the basis of the mental schemata that are applied to interpret events – are the main drivers of these important choices. However, being assisted with game theory tools may provide solidity to M&As’ choices and reduce biases. Zoltay-Paprika and Farkas-Kis (chapter 7), in contrast, while debating the mathematical and cognitive side of managerial decision making – emerging from the fact that every organisational problem pushes the consideration of the numerical side (the last defender of rationality) – highly criticise the

myth of maths. Indeed, due to the cognitive limits of our mind (e.g., heuristics and cognitive traps), the interpretations that emotions assign to numbers, and the use of numbers in proving what is suggested by emotions, emotions seem to be positioned at the same influential level as cognition. Similar cognitive limits and emotional pressures are at the centre of chapter 8 by Tangpong, Lehmborg and Pillai. This work concludes the second part by discussing the managerial cognition perspective of the effectiveness of Executive Stock Options (ESOs) – usually used to align the interests of managers with those of shareholders. In particular, due to the above limits, ESOs are undermined as a pay-per-performance instrument, and this practice can be partially restored only considering indexing ESOs against a reference group of comparable firms.

Kessler, Knetch and Marsch (chapter 9) begin the third and last part of the journey by dealing with the influence (and integration) of spirituality in decision-making processes. Through a study of the Salvation Army and Wycliffe Global Alliance faith-based organizations (FBOs), they analyse the different methods used by Christian and Protestant FBOs and identify some differences in their decision-making approaches. According to their analyses, these converge on the fact that decision-making process quality is positively influenced by escalation from the individual to the collective level, as well as the fact that the irrational and rational sides of decisions form a bipolar whole in which divine and human facets take shape reciprocally. In chapter 10, Patricelli Malizia and Mastrogiorgio start the discussion of raised reciprocity by looking at the advancements made in neuroscience studies. In particular, they begin by making some parallelisms between brain and mind areas, and undermine the established concept that these two are featured by emotions and cognition that act through distinct mental faculties (dual process theory emerges as being substantially damaged by these statements). Furthermore, by referring to neuroscience studies, they affirm that the cognitive system seems to regulate emotional responses and that this interplay is regulated through the influence over the brainstem neurotransmitter system. In sustaining it, the adoption of emotional regulating strategies, with a specific emphasis on reappraisal, can be beneficial for decision-making processes within organizations. This last assumption calls for a stronger connection between neuroscience and behavioural studies to explore the connection between emotions and cognition in managerial decision making, and this is better explained in the last chapter (chapter 11) by Cristofaro. In this regard, a new Affect Cognitive Theory of management decisions that can benefit from cross-fertilisation between neuroscience and management research is advanced and advocated to be developed in the near future. In this regard,

neuroscience studies are assigned with the role of feeding behavioural strategy studies without trying to directly inform practice. This would avoid creating confusing messages for recipients when asking for the usefulness and applicability of neuroscience results (that, however, are not exempt from limits and drawbacks). Finally, it is argued that, notwithstanding a holistic theory of human rationality – comprehensive of rational and irrational forces – which may work as a useful framework to understand human behaviour and reduce fallacies, this will not eliminate biases at all – which are part of inner human nature and, sometimes, lead to better results.