



Does Emotional Intelligence Power Strategic Decision Making? A case of Private School Enterprises in Nairobi County, Kenya

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Abstract

Strategic decision making as a significant component of a firm's strategy outlines the projected achievement of organization goals. Firm managers are thus expected to possess strategic thinking skills and competency so as to articulate a firm's vision. While many researches have focused on antecedents of strategic decision making, there is miniature empirical evidence on emotional intelligence as key predictor of firm manager's strategic thinking. Many researches on influence of emotional intelligence on strategic decision making have also focused on emotional intelligence in marketing, military, finance, manufacturing firms with little reference to private school enterprises which engage in tuition pricing, social and production unit enterprise strategies to gain competitive advantage hence the need for this study that researched on the effect of emotional intelligence and strategic decision making in private school enterprise in Nairobi County, Kenya. The specific objective was to examine the effect of emotional intelligence on strategic decision making. The research was grounded on emotional intelligence theory, upper echelons theory and decision theories. The study employed explanatory research design and collected data using a structured questionnaire. The target population was 1130 respondents from which a sample size of 504 respondents was drawn. Stratified sampling technique was used to select school directors, principals, deputy principals and heads of departments then simple random sampling was used to select respondents that participated in the study. A pilot study was carried out in private school enterprises in Kiambu County, Kenya and all the instruments' reliability had a Cronbach's alpha above 0.6. Data was coded and entered into SPSS 20 program and analyzed using Pearson product moment correlation, Analysis of Variance and hierarchical multiple regression methods. Descriptive analysis was used to summarize data into meaningful forms. Factor analysis was done to ensure content, construct and discriminant validity. Multiple regression results indicated that emotional intelligence significantly influenced strategic decision making ($\beta = .312, p = .001$). In conclusion, emotional intelligence of a manager plays a prediction role in strategic decision making. The findings are vital to the private school enterprises in relation to development of emotional intelligence of the managers which play significant roles in strategic decision making in a firm. The findings as well inform practitioners and investors in the private school enterprises to utilize emotional intelligence models in the development of private school managers.

Keywords: Emotional Intelligence, Strategic Decision Making, Private school enterprises

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1. INTRODUCTION

The study of emotions in the workplace has seen a fresh resurgence following a long period of dormancy in the organizational sciences – partly because of the cognitive revolution (Bandura, 1997) -Although this resurgence may be partly the result of recent intense interest in emotions in general in the field of psychology, it is also partly because of knowledge that emotions experienced at work influence work attitudes, loyalty, employee commitment, job satisfaction, and decision making among others (Nashkanasy and Daus, 2002). The negative emotions that workers feel for instance distrust, anger, stress, have direct effects on organizational and employee productivity (Cascio, 2003). The ability to manage employees' emotions - as well as to motivate in the face of the new psychological contract - is a competency only recently explored by leadership scholarships. The need to manage one's emotions or express emotions contrary to one's true feelings characterizes most jobs to some degree or another and research in this area has shown that customer perceptions of service and of managers' attitudes are significantly related to managers' positive display of emotions (Pugh, 2001).

In a private school enterprise context, the principal as the firm manager has the duty and function as the *educator, manager, administrator, supervisor, leader, innovator, motivator and strategic thinker* (Pugh, 2001). As the holder of authority in the organization of the school enterprise, the principal needs to have a comprehensive understanding of the education process and the ability to have strategic decision making skills so as to enable the school attain its education goals plus financial goals in the case of private school enterprises. For instance, ineffective strategic decisions made hastily without involving line managers like heads of

departments will consequently lead to failure in strategic focus and inappropriate implementation of the strategic decisions since these line managers will not be committed to the school's mission and vision.

While many researches on strategic decision making have focused on many antecedents of decision making like diversity and group processes (Don *et al.*, 1999), there is miniature empirical evidence on emotional intelligence as key predictor of a leader's strategic thinking (Jewell *et al.*, 2009). More so, many researches on influence of emotional intelligence on strategic decision making have focused on consumer emotional intelligence in marketing; Holly, (2013), Kidwell *et al.*, (2008), Jewell *et al.*, (2009), military; Meltem *et al.*, (2011), finance; Enrico *et al.*, (2009), manufacturing firms; Kotler *et al.*, (2010), Asif and Asim., (2011), with little reference to private school enterprises (Hebert, 2011), (Ferda, 2013), (Nisha and Nidhi, 2013) which engage for instance, in tuition discounting and reduction strategies to gain competitive advantage. This study therefore researched on the effect of emotional intelligence on strategic decision making in private school enterprises in Nairobi County, Kenya. The null research hypothesis was stated as;

H₀: Emotional intelligence does not significantly influence Strategic Decision making.

2. MATERIALS AND METHODS

The study was carried out in Nairobi County, Kenya. Nairobi County was chosen because it has well established and mushrooming private schools which mostly operate as profit-making entities, hence are involved in strategic decision making to help them gain a competitive advantage over their competitors in private school enterprises located within the county and the satellite towns of the County. The research adopted explanatory design. The explanatory design is suitable for doing cause-effect relationships, which are conducted in order to explain any behavior or reactions of people to a given phenomenon in the society (Peshkin, 1990).

The study targeted 1130 respondents comprising; Directors (private school owners), Principals, Deputy Principals, Directors of Studies, and Heads of Departments in private secondary schools in Nairobi County, Kenya from which a sample of 504 respondents was drawn. Stratified and simple random sampling was then used to select respondents that participated in the study. Data on emotional intelligence and strategic decision making was collected using Wolman's. and Greeff, (2001).] and [Don *et al.*, (1999) Questionnaires. Validity was determined using content validity, then principal component analysis was applied as the most appropriate and valid method of analysis of the two variables that is; emotional intelligence and strategic decision making. A pre-test of the questionnaires was done to ensure the items in the questionnaire are clearly stated and have adequate content to ensure content validity. To ensure reliability, a pre-test of the questionnaire was done and Cronbach's alpha calculated for the two variables; emotional intelligence and strategic decision making.

After dully-filled questionnaires were collected from the field, data was coded and entered into a computerized SPSS 20 program and cleaned for analysis. First there was factor analysis as a variable reduction technique and commonly used tool for constructing a measurement index (Field, 2000) was used to extract factors according to their Eigen values on emotional intelligence and strategic decision making. Descriptive statistics such as mean, standard deviations, frequencies and percentages were computed to summarize data; for variable associations/relationships, Pearson's product moment correlation coefficients was employed to analyze direct effects in the model while multiple regressions (explaining variance) used to compute multiple regression effect and then data presented in the form of tables. The researcher's conceptual mode formula was; $y = \beta_0 + \beta_1 EI + \varepsilon$; Where; y = Strategic Decision Making, EI = Emotional Intelligence, ε = error term and stated in a null hypothesis as;

H₀: Emotional intelligence does not significantly influence Strategic Decision making.

3. RESULTS

3.1 Response Rate and Missing Value Analysis

A total of 493 questionnaires out of 504 questionnaires were filled representing a response rate of 98%. A further examination of data using missing value analysis (MVA) revealed that 8 questions had more than 5% missing or un responded to questions and were therefore removed from the analysis. The remaining questions were subjected to further scrutiny to examine the pattern of the missing values. The outcome was found to be missing either at Random (MAR) or missing completely at Random (MCAR) and each was replaced with the series mean of item in question. The final response rate that was adopted for the study was 97% that is 488 which was used for data analysis.

3.2 Summary of Factor Analysis

Orthogonal rotation of variable set was done in order to reduce variable set. Orthogonal rotation preserves the independence of the factors, thus, geometrically they remain 90° apart.

Multi-dimensional scale set was used to measure a particular construct- the dimensions were assumed to be well defined and validated so that the error was not a problem. Construct validity, discriminant and content validity was measured using factor analysis. Therefore, components extracted from factor analysis were used to construct the indices that had several indicators measuring a single construct.

3.3 Tests of Normality for study Variables

All the study variables (Designation as control variable, Emotional Intelligence and Strategic Decision Making) satisfied the principles for normality since all skewness and kurtosis values were between -1.0 and + 1.0 (Hair *et al.*,2006) as summarized in table 1 below. Since the data set was found to be normally distributed, multiple regression was therefore appropriate for data analysis.

Table 1. Tests of Normality for Study Variables

Study Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Designation	-.210	.148	-.949	.295
Emotional Intelligence	.055	.184	-.733	.366
Strategic Decision Making	.038	.148	-.956	.295

Source; Survey data 2015

3.4 Test of Linearity of Study Variables

For the reason that a distinct construct in the questionnaires was measured by multiple items, the summation scores of the multiple items for each construct was computed and used in correlation analysis using Pearson's product moment correlation coefficient(r). Linearity was tested in order to check the actual strength of all relationships. This was necessary so as to identify any departures from linearity which were bound to affect correlation. Hair (2006) indicates that correlation coefficient value(r) ranging from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.5 to 1.0 is considered strong. Pearson two-tailed correlation statistic was used to correlate the variables in the study. Correlation results showed that associated variables in the study were significant at $p < 0.01$ levels. For instance, Designation ($r = .454$, $p < 0.01$) and Emotional Intelligence ($r = .323$, $p < 0.01$). All correlations were positive, indicating a positive relationship between the control variable (designation), predictor variable (emotional intelligence) and the criterion variable, strategic decision making.

3.5 Regression Results

To investigate how well Emotional Intelligence predicts Strategic Decision Making after controlling for employee designation, a hierarchical linear regression was computed. The Assumptions of linearity, normality and collinearity diagnostics were checked and met.

When employee designation, age, education level, gender and length of service were entered alone as shown in model I, table 2 below, they predicted strategic decision making; $F = 13.213$, $p < .001$, adjusted $R^2 = 0.185$, implying that only 18.5% of the variance in strategic decision making could be predicted by the control variables. The regression results further showed that only one control variable (designation) had a significant influence on strategic decision making confirming the upper echelons theory that employees in the top management team are the ones involved in strategic decision making. Age, education level, gender and length of service were not statistically significant hence dropped from subsequent analysis.

When Emotional Intelligence variable was subsequently added as shown in model II in table 2 below, it significantly predicted strategic decision making confirming the fitness of the multiple regression model: $y_{SDM} = \beta_0 + \beta_1 X_1 + \epsilon$. That is, emotional intelligence variable significantly predicted strategic decision making, $F = 32.179$, $p < .01$, adjusted $R^2 = 0.352$. This implies that 35% variance in strategic decision making is significantly predicted by the emotional intelligence variable in the study.

Table 2. Regression Results for Emotional Intelligence Predicting Strategic Decision Making

Variables	Model I	Model II
(Constant)	4.432(.430)***	1.727(.445)***
Designation	.290 (.039)***	.314(.049)***
Age	.041 (.064)	
Education Level	.023 (.133)	
Gender	.021 (.103)	
Length of Service	.121(.080)	
Emotional Intelligence		.669(.118)***
R ²	.200	.359
AdjustedR ²	.185	.352
F Statistic	13.213***	32.179***

Values of unstandardized regression coefficients, with standard errors in parenthesis, * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$, Source: Survey data (2015).

The main hypothesis for the study postulated that, emotional intelligence does not significantly influence Strategic Decision making. As can be ascertained from the results displayed in table 3, the beta coefficient for emotional intelligence is $\beta=.669$; $P<.001$. The main Hypothesis is thus rejected because the results shows that emotional intelligence is positively related to strategic decision making and a unit increase in emotional intelligence, strategic decision making will significantly increase by 0. 669 units with a standard error of 0.118. This imply that a manager who is aware of his/her emotions will positively influence strategic decision making in the firm.

4. DISCUSSION

The central focus of this research was to test the effect of emotional intelligence on strategic decision making in private school enterprises. The results provided empirical evidence on the significant influence of emotional intelligence on strategic decision making, thus supporting existing emotional intelligence theories and researches. Study results showed that emotional intelligence variable significantly predicted strategic decision making, $F=32.179$, $p<.01$, adjusted $R^2= 0. 352$. This implies that 35% variance in strategic decision making is significantly predicted by the emotional intelligence variable in the study. The beta coefficient for emotional intelligence is $\beta=.669$; $P<.001$, that is, emotional intelligence is positively related to strategic decision making and a unit increase in emotional intelligence, strategic decision making will significantly increase by 0.669 units with a standard error of 0.118. The results are consistent with (Goleman *et al.*, 2002) emotional intelligence model which asserts that a person's emotional self-awareness, self-regulation, self-motivation, empathy and social skills really influence his/her behavior and decision making skills.

The study findings are also consistent with Hebert, (2011), Nisha and Nidhi, (2013), Syarif, (2014) who did research in education sector and found significant relationship between school manager's emotional intelligence and their leadership styles hence influencing their decision making for both short term and long term organization goals. The results also support Goleman, (1996) statement that self-awareness is a key dimension of emotional intelligence. That "*Self-Awareness as knowing one's emotions, recognizing a feeling as it happens-is the keystone of emotional intelligence.*" If someone knows their internal states of emotion, it allows self-control and leads empathy in others.

Therefore, developing managers' emotional intelligence, especially on self-awareness, through training and education is critical and necessary for organizations that aspire to engage in strategic decision making. Further, the results support Sumathy *et al.*, (2015) who confirmed the emotional intelligence with self-awareness among its key dimension influences transactional and transformational leader's decision making for both short term and long term goals.

In reference to theory, study results also back Bandura (1991) social cognitive theory which asserts that human behavior, hence, decisions are broadly motivated and regulated by self-influence. That is, self-regulative mechanisms operate through self-monitoring, self-reaction, efficacy and judgment of one's behavior in relation to personal standards and environmental circumstances. The study also confirms Schmeichel *et al.*, (2003)] assertion that self-efficacy really influences logical reasoning which consequently affects decision patterns of an individual in any given context. Goal setting theory is also vital in explaining the phenomenon of self-regulation (Locke and Latham, 1990). Its principal prediction is that goal properties, such as goal level and goal commitment, are direct determinants of purposeful actions and work performance; thus, require managers with emotional resilience to take up challenging strategic decisions in a firm.

5. CONCLUSION

The study provides a number of contributions to the theoretical debate about emotional intelligence and strategic decision making in business enterprises. First, the research addressed the gap in literature by examining the relationship between emotional intelligence and strategic decision making in private school enterprises. The research revealed that emotional intelligence is a significant predictor of strategic decision making in private school enterprises. The findings are thus contributory to the private school enterprises in relation to the development of emotional intelligence of the managers which play a significant role in strategic decision making in private school enterprises. The study therefore recommends that practitioners in the private school sector use emotional intelligence models in the selection, assessment, training and development of school managers and employees respectively.

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