

THE EFFECT OF MANAGERIAL INTERPRETATION OF THE ENVIRONMENT ON EXECUTIVE DECISION-MAKING: CONTIGENCY ANALYSIS OF THE BANKING SECTOR IN GHANA.

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Abstract

Strategic decisions determine corporate fates and perceptions of environmental uncertainty influence strategic approach. Executives adopt strategic behaviors as they confront uncertain conditions. Managers, thus, tend to adopt a schema to categorize information and reduce the complexity of their surroundings. First, they tend to label issues in the environment, permitting them to interpret those issues. Second, they formulate strategic responses to these issues. The research, therefore, aims at linking managerial interpretation to executive decision in the organizational context. The organizational context of a firm is determined by both internal and external conditions. The research assumes market orientation and technology orientation as the main external strategic factors influencing directly the managerial interpretation of the environmental uncertainty. Furthermore, it is assumed in the study that the effect of managerial interpretation on executive decision is moderated by strategic orientation and employee creativity orientation as the two key internal strategic factors. The study thus explores the conditions under which a manager would interpret an opportunity and enter into entrepreneurial opportunities or interpret a threat and keep the status quo; examine the relationship between managerial interpretation and executive decisions influenced by market and technology orientations; and, thirdly, examine the moderating role of the internal organizational strategies of strategic orientations and employee creativity on the relationship between managerial interpretation and executive decision.

The study adopted a descriptive survey research design and collected the sample data of 283 responses via a self-designed questionnaire using simple random sampling from middle-level and top-level executives of all the twenty-three (23) licensed commercial banks in Ghana. The research thus, concluded with recommendations for managers and firms accentuating on integrated behavior, definition and development of organizational culture identity, development of scenario-based framework tailoring strategy to different levels of uncertainty, extending of general management networks, and regular upscale of decision-makers to industry trends and new required expertise.

Keywords: managerial interpretation, executive decision, environmental uncertainty, organizational strategy, market orientation, technology orientation, strategic orientation, employee creativity.

