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Role of Personality and Psychological Attributes of Financial Managers in Capital Budgeting Decisions: Case of Spinning Industry of Pakistan

Abstract

The current study aims to investigate the role of personality and psychological attributes of finance managers in the success of their capital budgeting decisions in the industrial sector of Pakistan. For said purpose, we employ a sequential explanatory mixed-method research design. First, the MBTI scale is used to explore the personality traits of the managers working in spinning firms. Then based on the result of the MBTI scale, ten financial managers were selected for semi-structured interviews. NVIVO 11 was used to perform qualitative data analysis. It is established from the results of thematic analysis; the commander is the most effective personality trait of managers for the successful capital budgeting decisions followed by executive, defender, virtuoso, and logistician. Further, the present study also establishes a significant connection between the personality traits of successful managers and their Psychological attributes.

Key Words: Personality and Psychological Attributes of Managers, Capital Budgeting Decisions and Sequential Mixed Method Research

Introduction

Capital budgeting is indispensable for the continuous running and expansion of the business (Fehrenbacher, Kaplan, & Moulang, 2020). The decision made about the increase in capital budgeting has a remarkable contribution to the business success in the long run due to sizeable investment of time and money (Brüggen & Luft, 2016; Cheng & Mahama, 2011). Several studies have been available in the literature that explores the determinants of capital budgeting decision (Brunzell, Liljeblom, & Vaihekoski, 2013; Ma'aji & Barnett, 2019). Such as financial factors, economic, societal, industrial, political and many others. However, scarce evidence available in the literature studied the role of human behavior in making decisions regarding capital budgeting. As Peterson and Fabozzi (2002) said, the process deals with analyzing and assessing potential investment opportunities in long-term assets with the expectation of gaining benefit.

In the existing literature, several studies provide evidence on the role of personality traits of finance managers in making effective capital budgeting decisions. For instance, (e.g., Bornay-Barrachina & Cabrales, 2019) explored the role of human qualification, (Ma'aji & Barnett, 2019) emphasized the effect of technical skills, (Fehrenbacher et al., 2020; Kushwah & Mathur, 2019) highlighted the effect mental ability of finance managers on the success of capital budgeting decisions. (Kushwah & Mathur, 2019) pointed out the role of personality traits of finance managers in deciding on capital expenditure. Despite the indispensable role of personality traits of finance managers in the success of long-term investment decisions, limited evidence is available in the existing literature on the role of personality traits and psychological behaviors, i.e., Positive Psychological Capital and Vitality at work (Malik, MacIntosh, & McMaster, 2015).

Therefore, due to little evidence on the personality traits and psychological attributes of finance managers, the current study has two objectives. One is to explore the Myers and Briggs (1962) personality traits of financial managers. Second, the role of Positive Psychological capital and vitality at work in making decisions regarding capital budgeting for enhancing the company's overall performance. The present unpredictable and complex world can be described as equivocal and

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unsure, prompting serious rivalry in the work environment ([Bennett & Lemoine, 2014](#)). So, the organization should need to indulge individuals in the organization with a strong and sustainable mental condition. The findings of the study will significantly contribute to strengthening the existing literature and improving the existing prevent working environment.

Literature Review

Expansion in capital budgeting is essential to increase the capacity of the business. The increase in capacity will increase business production ability, leading to higher profits and influencing long-term sustainability. However, it is essential to know about the personality traits of the individuals responsible for decision-making. [Myers and Briggs \(1962\)](#) personality traits are the more reliable personality traits. They categorized personality into four groups, i.e., a) introversion (I) vs extroversion (E), (b) sensing (S) vs intuition (N), (c) Thinking (T) vs feeling (F), and (d) Judging (J) vs Perceiving (P). They further classified these four categories into 16 different personality types, such as INTP, ESFJ, etc. The detail of the four categories is discussed below.

Introversion (I) - Extroversion (E)

The extraversion-introversion dichotomy is defined as the way individuals interact. Individuals who feel hesitant while interacting with others come under the slot of introversion. Whereas people who like socializing come under extrovert. Extroverts are termed as "outward-turning" and like gathering, and action-oriented activities. Extroverts gain energy when spending time in a social gathering. Introverts are named "inward-turning" and are more thought-oriented, enjoy deep and meaningful social interactions.

Sensing (S) - Intuition (N)

The extent to which an individual think about an event or a situation. Individual uses five senses to predict or access any case come under the sensing ability. While individual thinks intuitively or considers elements other than reality or ground facts fall within the intuitive personalities.

Thinking (T) - Feeling (F)

The ability of individual decision-making based upon collected data. People who consider emotions and feeling while taking decisions are emotional and fall within the feeling. On the other side, people think facts and figures while making decisions are rational and make logical decisions.

Judging (J) - Perceiving (P)

The last scale is about the extent to which people want their surroundings. Individuals who want to see everything in the surroundings or outside the world appropriate, neat, clean and in a proper manner are termed as or fall within the category of Judging. On the other side, an individual with adaptive nature and flexibility are termed as high in perceiving. The two edges of any of the individual personality will make a combination with the other personality scales, as discussed above.

It is essential to know the exact personality characteristics. Once the type of personality is clear, then the next step is to observe the manager's mental and psychological state of mind. The current study uses two parameters to measure managers' cognitive ability, i.e., positive psychological capital and vitality at work. [Myers and Briggs \(1962\)](#) further classified these four categories into 16 different personality types based upon the four groups of personality characteristics. The sixteen personalities are a combination of four personalities characteristics as *The Advocate (INFJ)*; *The Performer (ESFP)*; *The Caregiver (ESFJ)*; *The Champion (ENFP)*; *The Giver (ENFJ)*; *The Debater (ENTP)* etc. ([Myers & Briggs, 1962](#)).

[Myers and Briggs \(1962\)](#) believe that all the people worldwide fall within these sixteen types of personalities. Based upon Myer and Briggs assumption, the current study assumed that the financial managers should belong to any character, as discussed in the last section. However, recent research is concerned about whether these personality types have some connections with individuals' mental state. The present study describes the individuals' state of mind using positive psychological capital

(PPC) and vitality at work (VAW). The detailed description of PPC and VAW are discussed in the next section.

Positive Psychological Capital

Positive psychological capital (PPC), as suggested by Luthans, Avolio, Avey and Norman (2007), is the dimension of positive psychology. Luthans et al. (2007) characterize PPC as the improvement condition of a person with four qualities. The qualities of PPC incorporate (a) practical methodology that alludes to the degree of positive thinking one feels towards difficulties identifying with the allocated assignments; (b) sentiment of assurance to accomplish objectives and constantly stick to achieve the goal, i.e., Hope, (c) fearlessness to prevail with regards to testing objectives and apply endeavors for future achievement, i.e., self-viability; and, (d) the capacity to get by in troublesome time and remaining back, i.e., flexibility.

The concept of PPC is based on the Theory of Positive Emotions. The theory of Positive emotions asserts individuals with high PPC levels tend to be more successful at the workplace by enhancing the quality of decision-making. The current study proposed and examined whether the managers possess all of the four characteristics of PPC or some other underexplored traits.

Vitality at work (VaW)

Vitality at work is defined as an abstract condition of energy and eagerness. People see themselves as completely working, genuinely and mentally, and are prepared to submit their capacities to work positively and empower climate. As per this definition, VaW has three components, i.e., sense of wellbeing, optimistic attitude toward work and availability of constructive and enabling environment. Sense of Coherence (sc) and Perceived Health and Energy (HE) measures individual sense of wellbeing; Organizational Commitment (OrC) and Goal Commitment (GoC) estimate the individual optimistic attitude towards work. VaW emphasizes that both individual and organizational level factors are essential. So the construct of Energizing Connections (EnC) measured the availability of constructive and enabling environment.

"Feeling of Coherence", which is characterized as "a worldwide direction that communicates the degree to which one has an inescapable, suffering, however powerful, the sentiment of certainty that one's inner and outside conditions are unsurprising and that there is a high likelihood that things will turn out to be just as sensibly be normal". At the same time, PHE catches people's abstract evaluation of their apparent condition of wellbeing and prosperity. Organizational commitment alludes to the degree to which an individual liable to relate to the name of the organization. GC characterized as the work mentality, alongside hierarchical responsibility, has been distinguished to address the authoritative wellbeing measurement. The presence of testing objectives is significant for inspiration, yet just testing objectives won't spur people except if there is an acknowledgement of such purposes, which is called objective responsibility.

EnC indicate strong ties that refer as connections of optimistic common respect, conviction, and dynamic commitment on the two sides and have been found to energizingly affect people (Dutton, 2003a), support work environment assurance (Dutton & Heaphy, 2003) and encourage hierarchical learning and development (Dutton & Ragins, 2006).

Research Design and Method

The current study used mixed methods research design to investigate the role of personality type proposed by [Myers and Briggs \(1962\)](#) and the state of mind of financial managers in company performance due to expansion in the capital budget. Creswell (2003) introduced six types of mixed-method research design strategies, i.e., sequential explanatory, sequential exploratory, sequential transformative, concurrent triangulation, concurrent nested, and concurrent transformative. The present research uses a sequential explanatory mixed-method approach consisting of two distinct phases, i.e., quantitative and qualitative. The objective of the Sequential descriptive design is two-fold. One is to use qualitative data to help explain quantitative results that need further exploration. The second is to use the results of quantitative analysis for the purposive selection of participants.

Phase I starts by collecting and analyzing quantitative data. As a follow up to the quantitative results, Phase II then collects and analyzes qualitative data.

In the first phase, data about the personality types of the financial manager was collected. Afterwards, we select financial managers of spinning firms who continuously grow in the last five years due to expansion in the capital budget using annual financial reports. Then we send Myer and Briggs survey to identify the personality type of the financial managers. A personality test was sent through email. Nowadays, several websites are available that assist in measuring personality type. You need to answer the question on the given anchors. We offer participants to fill the questionnaire send through email or web-based questionnaire. All the respondents choose a questionnaire. Then we calculate the personality types using Myer and Briggs personality calculation method. To enter the data collected and measure the personality type, we used Microsoft Excel (see Figure 2)

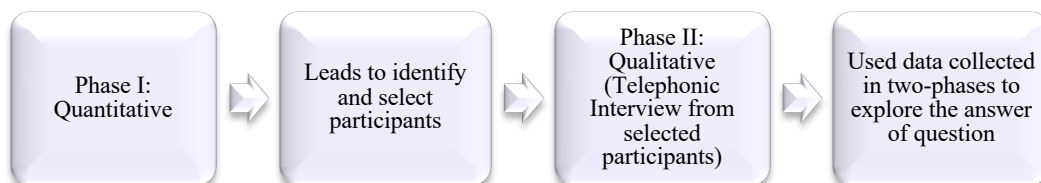


Figure 1: Research Design

The Second phases comprise the telephonic interview of financial managers to explore whether the personality type has some connection with their psychological attributes. Based upon phase 1, we select ten financial managers based upon the five types of personalities (one from each spinning firm). Once the participants have been selected, telephonic interviews were conducted. We used semi-structured interviews to explore the financial manager's state of mind using the two already established measurements, i.e. PPC and VAW. However, the current study aimed to explore whether the personalities identified in phase I have all the PPC sub-components (i.e. Hope, Resilience, Optimism and Self-Efficacy) VAW (Perceived Health & Energy, Energizing Connections, Personal and Organizational Goals) or have some standard connection. Therefore, PPC and VAW explore qualitatively. Semi-Structured interview comprised of five major questions with ten sub-questions. The duration of the telephonic semi-structured interview consists of 10-15 minutes. NVIVO 11 was used to perform qualitative data analysis. The NVIVO help to elicit themes and word clouds.

Results

A total of 442 spinning firms exist across Pakistan. Out of which, 124 units are considered larger in the form of capital and profit. Moreover, these 124 units enhanced the capital budget in the last five years. However, only 60 firms show significant upward trends in profit in the previous five years. The spinning firms' profitability was measured using two famous profitability ratios, i.e., return on assets and profit margins, controlling the other factors. The current study, Therefore, the present research purposively selects the financial managers of 60 firms. They continuously grow in the last five years due to expansion in the capital budget using annual financial reports. To collect data about their personality types [Myers and Briggs \(1962\)](#) scale was administered to all the firms using their emails.



Figure 2: Personality Types

Out of 60 questionnaires, only 24 were returned with a response rate of 40%. Among 24 participants, only five personality types were identified out of 16 personalities as identified by MBTI (Myers Briggs Type Indicators), see Figure 2. The personality type test result shows that most of the respondents (8) have the commander's character (ENTJ). Six respondents fall in Executive Personality (ESTJ). Four participants fall within Virtuoso Type (ISTP). The remaining six fell equally within Logistician (ISTJ) and Defenders (ISFJ), respectively.

Discussion

Based on Phase I results, five types of personalities were identified in the financial managers of spinning firms across Pakistan. In the next phase, we conducted semi-structured telephonic interviews with selected financial managers. The results of semi-structured telephonic interviews were surprising. We perform a thematic analysis of the data collected through interviews. The Thematic Analysis extracts four new themes. The extracted themes implicate that PPC and VAW elements fail to explain the financial manager's state of mind as designated in the previous study. The current study's findings employ that the financial manager's state of mind is connected with the personality type identified in Phase I. Moreover, the themes that emerged implicate that the financial manager's mental state combines PPC and VAW elements instead of four PPC elements and three sub-domains of VAW as a construct. The four themes that emerged are positive, energetic resilience, optimistic and energetic goal seeker, positive and energetic self-confident, and committed energizer (See Table 1). The following section discusses in detail each theme.

Thematic Description

Positive and Energetic Resilience

The thematic analysis of the current study implicates that individuals with the personality of commander (ENTJ) and virtuoso (ISTP) are called positive and energetic resilient. Commanders and virtuosos are best for the work performed. Both of them are bold and highly energetic, with an optimistic approach. Moreover, the thematic analysis characterizes the commander and virtuoso's personality as high in self-efficacy, resilient, and energizing connections. An individual with high self-efficacy tends to be more confident about their abilities to perform a task. The perception of the participant about self-efficacy at the workplace is as follows.

"I feel confident contributing to discussions about the company's strategy."

"I feel confident analyzing a long-term problem to find a solution."

Table 1. Thematic Analysis

S. No	Personality Type	Themes
1	Commander	Positive and Energetic Resilient
2	Virtuoso	
3	Executive	Optimistic and Energetic Goal Seeker
4	Logistician	Positive and Energetic Self-Confident
5	Defender	Committed Energizer



Figure 3: Positive and Energetic Resilient

On the other side, individuals with resilient characteristics can bounce back regardless of the severity of the situation. The perception of the participant about the resilient being at the workplace are as follows;

- "I usually take stressful things at work in stride (footstep to success)"
- "I usually manage difficulties one way or another at work."

Last, individuals with energizing connections can have robust, healthy and supporting contacts within the office. Moreover, commanders and virtuoso have a positive and supporting network that improves the mental state of mind at the workplace. The perception of the participant about the energizing connections at the workplace is as follows.

- "My boss (supervisor) has advocated (supported) my competencies and abilities in crucial situations, e.g. for promotion/sanctions/project approvals, etc."
- "While interacting with certain people at my workplace, I feel charged (exciting) and energized".
- "Talking to certain people at my workplace can make my problems look smaller."

Optimistic and Energetic Goal Seeker

The thematic analysis of the current study implicates that Individuals with an executive personality are optimistic and energetic goal seekers. Administrative nature is highly dedicated and goal-oriented. They prefer to arrange all things in order. The thematic analysis shows that executives are optimistic, committed to established goals (both personal and organizational. More importantly, executives prefer to establish energizing connections with their peers and subordinates.



Figure 4: Optimistic and Energetic Goal Seeker

Executives define optimism as;

- "I always look on the bright side of things regarding my job. I am optimistic about what will happen to me in the future, as it pertains (relates) to work."

Moreover, executives establish goals and stick with them. Also, they are loyal to their organization. Executives describe the commitment with personal and organizational goals.

- "I establish goals for my progress and put maximum effort to achieve it. Moreover, the organizational goals are aligned with my personal goals."
- "I have 'emotional attachment with my organization. I feel this organization like my own family'".

Positive and Energetic Self-Confident

The thematic analysis employs that Logistician personality characterized as energetic in establishing a connection at the workplace (energizing connections); have a subjective opinion about the mental and physical wellbeing (Perceived Well-Being), and high in self-efficacy. Therefore, the current study named Logistician personality traits a Positive and Energetic Self-Confident.



Figure 5: Positive and Energetic Self-Confident

Energizing connection is the individual ability to establish and maintain supporting and healthy connections with peers, subordinates and seniors. The way logistician perceived energizing connections areas;

- "Interaction with certain people at my workplace enhances my motivation; I feel charged (exciting) and energized."
- "Sharing my issues with certain people at my workplace can make my problems look smaller. Also, it helps to enhance my competencies and abilities in crucial situations."

Perceived Well-being is the extent to which an individual feel him/her fit and healthy physically and mentally. The way logistician express their perceived wellbeing as follows;

- "I look and feel energetic."
- "I feel active and vital and will be able to live a long, healthy life."

Logistician expresses self-efficacy as follows.

- "I feel confident to present my ideas in front of higher management to improve company policies."
- "I feel myself to be more capable of analyzing and solving organizational problems that impact long-term decisions."
- "Talking to certain people at my workplace can make my problems look smaller."

Committed Energizer

Defenders' personalities characterize as highly committed (with both personal and organizational objectives) and energizing connections. The nature of defenders urges them to remain loyal to their organization and protect it from a negative agenda. Moreover, they establish and maintain long-term and healthy relationships within the organization.



Figure 6: Committed Energizer

Defenders' commitments describe as the affection toward the organization. The extent to which defenders feel love toward the organization drives them to set up goals aligned with the organization's objectives. Defenders demonstrate commitment as;

- "Whether being subordinates, colleagues or managers, I share the goal of putting good service and dedication above all else. Whether helping customers directly, helping coworkers get projects finished on time or helping teams keep organized and productive."
- "I always try to be kind and listen to other concerns and to find ways to resolve them. I prefer Win-win situations. I find pleasure in finding satisfying resolutions to day-to-day challenges."

Further, defenders express being energetic at the workplace to establish networking as;

- "I acknowledge the domestic responsibilities of peers, subordinates and tries to accommodate them where possible."
- "I feel charged (exciting) and energized when to listen to other concerns. It will help me to build a relationship with my colleagues."

Implications, Future Research Direction and Conclusion

The current study has a significant contribution to the existing literature. Moreover, it has several practical implications for higher management, ranging from hiring managers to establishing policies and rules for enhancing the performance of firms. The current study has a significant contribution to the existing theory. First, it identifies personality types. Second, it explores more themes from PPC and VAW. The current study's findings implicate that the state of mind is not limited to four sub-components of PPC and three factors of VAW. Instead, it is a combination of both elements that help understand financial managers' mindset.

The findings of the current study implicate the importance of personality type to understand the state of mind. Moreover, the emergence of four themes as a state of mind of managers implicates following suggestions for the management of the companies while devising policies for employees;

- i. Arrange motivational seminars to develop internal motivation
- ii. Provide special training to establish interpersonal connections within the office with subordinates and peers.
- iii. Make it compulsory to take a personality test at the time of employment.
- iv. Arrange back-to-back meetings to take follow-ups for further improvement in mental health.
- v. Offer special training programs that strengthen the mental state of employees.

The findings of the current study are not free from limitations. The first limitation is the purposive selection of only larger units of the Spinning Sector. Future research can overcome this gap by considered other industries. The next thing is the sample size. The sample size is small due to the lack of respondents' willingness to participate in the study and the current pandemic situation of COVID-19.

Second, due to the small sample size, only five personalities were identified, which impose a barrier in the current study's findings to explore the state of mind of all 16 types of characters as specified by Myer and Briggs. This gap can overcome in future studies by increasing the sectors and participants. Third, the study explores a qualitative perspective. However, future researchers should examine the themes emerging in the qualitative phase on a larger spectrum.

The current study identifies the personality traits of spinning firms' financial managers who earn a tremendous increase in profit due to expansion in the capital budget. Most of the managers are commanders (personality type), followed by executive, defender, virtuoso, and logisticians. Further, the present research explores the state of mind of financial managers belongs to different personality type and identify four new themes that depict financial managers state of reasons. i.e., positive, energetic resilience, optimistic and energetic goal seeker, positive and energetic self-confident and committed energizer.

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