

Emotional Accounting: Uncovering the Role of Affect in Managerial Decision Making

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Abstract

This study examines the role of emotions and emotional intelligence in managerial decision-making, focusing on how affect influences performance and decision quality. Managerial decision-making is not only driven by data and rational analysis but also influenced by emotional elements that interact with rational evaluation. The study found that emotions can enrich the decision-making process, especially in situations of uncertainty or crisis. Emotional intelligence plays a crucial role in helping managers manage their own and others' emotions, and influences interpersonal relationships, ultimately improving managerial performance. However, the study also highlights psychological biases that can influence rational judgment and lead to suboptimal decisions. Conversely, an organizational culture that supports acceptance of emotions can improve decision-making quality and enhance well-being in the workplace. The study also suggests the need for technology integration, such as artificial intelligence, that must balance emotional considerations in the decision-making process. This research contributes to the development of the concept of emotional accounting, which combines behavioral economics and psychology in managerial decision-making.

Keywords: decision making, emotional intelligence, psychological bias, emotional accounting, organizational culture

MAIN ARTICLE

1. Introduction

Traditional managerial decision-making is often viewed as a process based solely on data and rational analysis. However, recent research shows that managers' decisions are also heavily influenced by emotional and affective factors. Emotions, as an integral element of human life, serve as an equally important source of information in strategic and managerial decision-making (Kanzola, et al., 2024; Bostan, R., et al., 2020). In this context, emotions are not merely seen as a distraction from cognitive processes but as elements that actively interact with rational evaluation, providing valuable insights in determining decision alternatives (Istianingsih, N., et al., 2020). Especially in situations of uncertainty or crisis, feelings and intuition can influence how a manager perceives available information, both in long-term planning and in more immediate decision-making (Marchyshyn, N., 2025; Romero-Carazas, R., et al., 2023).

Emotional intelligence plays a crucial role in managerial decision-making. This intelligence refers to an individual's ability to recognize, understand, and manage their own and others' emotions (Silva, E., et al., 2023). In a managerial context, emotional intelligence directly impacts managerial performance through wiser and more effective decision-making. For example, a manager with high emotional intelligence tends to make more informed decisions, even in stressful or conflict-ridden situations (Efendi, D., & Kusuma, E., 2022). This decision-making process is not only related to the results achieved but also to how those decisions are received by team members or the organization as a whole (Meiryani, M., et al., 2021). Decision-making is a crucial variable that strengthens the influence of emotional intelligence on performance, and in many cases, has a greater impact than emotional intelligence itself (Gardi, B., et al., 2021; Al-Hawatmeh, O., 2020).

Although emotions and emotional intelligence have a positive impact on decision-making, there is the potential for psychological biases that often influence decision outcomes (Skwara, F., 2023). Cognitive biases, which can involve distorted perceptions and judgments of data, often occur due to uncontrolled emotional or intuitive influences. In the world of accounting, for example, these distortions can lead to irrational interpretations of financial information, ultimately leading to suboptimal or even detrimental decisions (Efendi, D., & Kusuma, E., 2021). Therefore, it is important for managers to be aware of these potential psychological biases in order to be more objective in assessing existing data. An emotional accounting approach, which integrates behavioral economics principles, can help minimize the destructive effects of these biases by introducing more structured decision-making strategies based on a deeper understanding of individual psychology (Mendl, M., & Paul, E., 2020).

In the broader organizational context, the emotional culture that develops within the social and organizational environment can influence how emotions are integrated into managerial decision-making. Cultural values,

demographics, and social dynamics significantly influence the extent to which these decisions are influenced by emotions. For example, in organizations with highly collectivistic cultures, decisions often involve strong considerations of emotions and interpersonal relationships (Cristofaro, M., et al., 2022; Sengoz M., 2024). Conversely, in more individualistic organizations, decisions may be more influenced by logic and data (Fidel, W., et al., 2024). Furthermore, with technological advances, particularly in the fields of artificial intelligence and automation, the dynamics of decision-making are also changing. Algorithmic systems and data-driven models are increasingly being used to support decision-making, but this requires adaptation to new challenges, particularly related to trust in algorithms (Semaniuk, V., & Marchyshyn, N., 2025; Angelia, S., & Salim, S., 2024). Therefore, it is important to develop a more comprehensive understanding of how emotions, emotional intelligence, and other psychological factors interact with technology in a more effective managerial decision-making process (Cristofaro, M., 2020; Harahap, E., & Ali, H., 2020).

The purpose of this study is to examine the role of affect and emotional intelligence in managerial decision-making, and how psychological factors, such as cognitive biases, influence the interpretation and evaluation of data in an accounting context. This study aims to provide a deeper understanding of the interaction between emotions, cognition, and decisions made by managers in strategic situations, crises, or everyday decisions. The novelty of this study lies in its focus on combining emotional accounting theories with psychological and behavioral economic perspectives in the analysis of managerial decision-making. This study also seeks to fill a gap in the existing literature by examining how organizational culture, as well as the influence of technology and artificial intelligence, shape the decision-making process, which is increasingly relevant in today's digital era.

2. Method, Data, and Analysis

This research uses a qualitative method with a phenomenological approach that focuses on the subjective experiences of managers in managerial decision-making that are influenced by emotional and affective factors. According to Moleong (2017), qualitative research aims to gain a deep understanding of the phenomenon being studied. A phenomenological approach will help researchers uncover and understand how emotions and affect become an integral part of the managerial decision-making process. In this study, data will be collected through in-depth interviews that allow informants to share their experiences openly. Researchers will select informants who have key roles in decision-making, so they can explore information about the role of affect in the process. The data analysis technique used is thematic analysis, which is appropriate for qualitative research. Researchers will identify key themes emerging from the interviews and connect them to relevant theories.

Data collection will be conducted through semi-structured interviews with four different types of key informants. These interviews will explore their perspectives on the influence of emotions on decision-making in their organizations. This research will also utilize observational techniques to observe decision-making behavior within the context of the organizations selected as study objects. With this approach, this research aims to gain a deeper understanding of how emotions and affect are integrated into managerial decision-making and how this relates to managerial performance. Furthermore, the interview results will be analyzed using content analysis techniques to identify patterns or relationships among the data obtained from the informants.

Table 1. Source Data

No	Name	Work	Length of work
1	Andi Prasetyo	CEO	10 years
2	Rina Suryani	HR Manager	7 years
3	Dr. Dwi Pramudya	Organizational Psychologist/Managerial Consultant	8 years
4	Budi Santoso	Senior Accountant/Financial Analyst	6 years

3. Results

This study aims to explore the role of emotions and affect in managerial decision-making. Based on in-depth interviews with four key informants a CEO, an HR Manager, an Organizational Psychologist, and a Senior Accountant/Financial Analyst this study found that emotions have a significant influence on the managerial decision-making process, both directly and indirectly. From these findings, it can be concluded that managerial decision-making is more complex than simply rational data processing, but is also influenced by emotional and affective aspects that influence the perceptions, thoughts, and behaviors of decision-makers.

The Influence of Emotions in Managerial Decision Making

Andi Prasetyo, CEO of a leading technology company, revealed that in decision-making, emotions often arise unconsciously but significantly influence decisions.

"As a CEO, sometimes the decisions I make aren't just based on numbers or data, but also on my feelings about the situation or the people involved. I find that emotions can provide signals that data alone can't. For example, if I sense something is lacking in a relationship with a partner, even if the data shows a profitable deal, I tend to be more cautious."

This suggests that emotions serve as information that provides deeper understanding of important decisions, especially in complex situations.

Rina Suryani, an HR Manager with 7 years of experience, also emphasized that emotions play an important role in decisions related to human resources.

"Sometimes, when selecting candidates for a particular position, even if the data shows that someone has better competencies, I often consider whether the person fits the company culture. I feel that this emotional fit is important for building a solid team."

Rina emphasized that in HR management, affection or trust in someone can be more dominant than mere technical expertise.

Emotional Intelligence and Managerial Performance

Dr. Dwi Pramudya, an Organizational Psychologist and Managerial Consultant, talks about emotional intelligence and its relationship to managerial performance.

"Emotional intelligence is not only about how someone manages their emotions, but also how they respond to and interact with others in decision-making. An emotionally intelligent manager will be able to respond more easily to changing situations or pressures at work, which will of course affect their performance in decision-making."

According to Dr. Dwi, emotional intelligence helps a manager to recognize their own and others' feelings, as well as manage interpersonal relationships which are important for making the right decisions.

Budi Santoso, an experienced Senior Accountant, also added that emotional intelligence has a big influence on an organization's financial performance.

"Emotions can change how we view financial data. For example, in the face of a financial crisis, emotions like fear or anxiety can influence our interpretation of the numbers. However, if we can calm our emotions and use emotional intelligence, we can view the data more objectively and make more rational decisions."

This indicates that although data is very important in managerial decisions, emotions also play a role in how the data is understood and used.

Psychological Bias and Emotional Accounting

In addition to emotional intelligence, Dr. Dwi Pramudya also highlighted the role of psychological bias in decision-making. This bias can arise from emotional states that the decision-maker is unaware of.

"As humans, we tend to choose decisions that are emotionally comfortable. This can lead to less rational decisions, such as when someone decides not to fire an employee despite poor performance, because of feelings of empathy for the employee."

In this case, emotional or affective influences on decisions taken can damage objectivity, which ultimately affects organizational performance.

Budi Santoso added that psychological bias in a financial context is often seen in the way a person assesses risk.

"As an accountant, I know that rationality is key in analyzing financial statements. However, it's not uncommon for intuition or emotion to influence investment decisions. For example, someone might feel anxious about market conditions and choose to avoid risk even though rationally the decision could be profitable."

This illustrates how emotions can cloud rational judgment and cause distortions in decision making.

Implications in Organizational and Social Contexts

In an interview with Rina Suryani, she explained that the emotional culture in the workplace greatly influences how emotions are integrated into decision-making.

"In our company, we always encourage open communication. Emotions are not seen as negative. Instead, we see them as a tool for building stronger relationships between teams."

A company culture that encourages acceptance of feelings and emotions creates a healthier work environment and improves the quality of decisions made, as managers feel more comfortable expressing feelings and taking others' feelings into account in their decisions.

Andi Prasetyo also highlighted the importance of adapting to technology in decision-making.

"With the increasing use of automation and artificial intelligence, I feel that my confidence and emotional experience as a leader are increasingly being tested. Existing systems may not be able to perceive the emotional nuances that exist in each decision, and that is a big challenge in integrating technology with human-based decision-making."

This statement reveals a new challenge faced by managers in the digital age, namely how to maintain a balance between data-driven decisions and emotional influences rooted in human experience.

Emotions and affect play a significant role in managerial decision-making. While managerial decisions are driven by data and logic, emotional experiences also influence how managers process information and act within an organizational context. Emotional intelligence, managing psychological biases, and integrating an emotional culture within an organization contribute to more effective decision-making. Therefore, recognizing and managing emotions in managerial decisions is crucial not only for individual performance but also for the overall success of the organization.

4. Discussion

The Influence of Emotions in Managerial Decision Making

Traditional managerial decision-making is often dominated by data and logic as the primary foundation for strategic decision-making. However, as understanding of decision-making has evolved, it has been discovered that emotions play more than just a distraction from the rational process. Emotions are often a crucial source of information in managerial contexts, providing deeper insights into complex and uncertain situations. In many cases, the emotions experienced by managers can provide signals that cannot be gleaned from data alone, for example, a feeling of unease about a particular situation or relationship that can influence decisions to act more cautiously.

Based on existing theory, emotions are not merely distractions to be avoided, but can actually enrich the decision-making process. In certain circumstances, such as crisis situations or under time pressure, emotions and intuition can accelerate better decision-making, taking into account factors that logic alone cannot predict. For example, in strategic decision-making, even when data indicates a favorable outcome, emotions arising from the

uncertainty of the situation or interpersonal relationships can influence the decision. Thus, emotions provide a crucial element in processing information more comprehensively and contextually, ultimately influencing how decisions are made in managerial contexts (Kanzola et al., 2024; Bostan et al., 2020).

Emotional Intelligence and Managerial Performance

Emotional intelligence (EQ) plays an increasingly important role in effective managerial decision-making. Emotional intelligence is the ability to recognize, understand, and manage one's own emotions and those of others in social and professional interactions. Managers with high emotional intelligence can make wiser and more adaptive decisions, even in stressful situations. This can directly impact their performance, both in strategic decision-making and in team management and interpersonal relationships. Emotionally intelligent managers are better able to respond to dynamics within the organization and provide clearer guidance to team members, thereby improving overall performance.

Furthermore, emotional intelligence also helps managers manage complex interpersonal relationships. Decision-making often involves multiple parties with differing interests, and the ability to understand and manage others' feelings is crucial to achieving mutually beneficial outcomes. In this regard, emotional intelligence helps improve collaboration and more effective teamwork, which in turn leads to better decision-making outcomes. Research shows that emotional intelligence not only impacts individual performance but also the performance of teams and organizations as a whole (Silva et al., 2023; Gardi et al., 2021).

Psychological Bias and Emotional Accounting

In decision-making, both at the individual and organizational level, psychological bias is a factor that cannot be ignored. This bias arises from uncontrolled emotions or dominant intuition, which often leads to irrational judgments. Psychological bias in a managerial context can lead to decisions influenced by feelings, such as empathy or anxiety, which can potentially cloud objectivity in assessing existing data. For example, in decisions regarding employee termination or budget allocation, psychological bias can lead to less rational decisions due to feelings of empathy for a particular individual or group, even though data indicates that the decision is not in the best interests of the organization.

Emotional accounting, as an approach that integrates behavioral economics principles, seeks to minimize the impact of psychological biases in data-driven decision-making, particularly in the context of finance and accounting. Distorted perceptions of financial data often occur due to the influence of emotions on investment decisions or budget management. For example, when a manager feels anxious about market conditions, these emotions can lead to more conservative or risk-averse decisions, even though rationally, these decisions are potentially profitable. An emotional accounting approach helps managers become more aware of these potential biases and develop more rational and structured decisions by leveraging an understanding of individual psychological and economic behavior (Mendl & Paul, 2020; Efendi & Kusuma, 2021).

Implications in Organizational and Social Contexts

An emotionally open organizational culture plays a crucial role in managerial decision-making. In organizations that encourage open communication and acceptance of emotions, decisions more often reflect a balance between logic and emotion. This contrasts sharply with organizations that prioritize a rational and structured approach to decision-making. In organizations with a more emotionally open culture, emotions are seen as a tool that can strengthen relationships among team members and enhance collaboration in achieving organizational goals. Thus, a culture that values emotions not only supports employee psychological well-being but also contributes to more effective and inclusive decision-making.

However, in the digital era and technological advancements, new challenges have emerged in managerial decision-making. Data-driven systems, such as artificial intelligence (AI) and automation, are increasingly being used to support decision-making processes. However, while technology can provide faster and more accurate data, it cannot perceive the emotional nuances that often play a role in human decision-making. Therefore, it is important for managers to maintain a balance between the use of technology and managing emotions in the decision-making process. Technology should be seen as a supporting tool that can enhance data-driven decisions, but it also needs to be considered in light of the emotional influences and interpersonal relationships within organizations that algorithmic systems cannot replace (Semaniuk & Marchyshyn, 2025; Cristofaro et al., 2022).

5. Conclusion

Based on the results of this study, it can be concluded that managerial decision-making is influenced not only by data and rational logic, but also by emotional and affective factors. Emotions serve as an important source of information, providing deeper insights into situations that cannot be understood through numbers or data alone. Emotional intelligence plays a vital role in managing interpersonal relationships and making wise decisions, both in crisis situations and in team management. While emotions can enrich decision-making, psychological biases resulting from uncontrolled emotional influences can undermine objectivity and affect the quality of decisions made. Therefore, an emotional accounting approach that integrates behavioral economics principles can help minimize the negative impact of these psychological biases. Furthermore, an organizational culture that supports emotional management, along with the integration of technologies such as artificial intelligence and automation, should be carefully considered in decision-making to create more effective and balanced decisions.

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