

Final Project 1

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Project Template

Faculty of Management
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Project title:

Leadership Under Pressure: How Decision Fatigue Impacts Business Strategy

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1. Chapter 1: Introduction

1.1. Research Background

Decision fatigue represents a critical challenge for contemporary leaders, characterized by a decline in decision-making quality due to prolonged periods of cognitive effort. Leaders in today's fast-paced business environment frequently face high-stakes, rapid decisions under continuous pressure. This constant decision-making can severely deplete cognitive resources, adversely affecting leadership effectiveness and overall organizational performance (Vohs et al., 2008).

Previous studies have explored various aspects of decision fatigue, emphasizing its impact on leadership and organizational outcomes. Danziger, Levav, and Avnaim-Pesso (2011) provided empirical evidence demonstrating the effects of decision fatigue on judicial decisions, showing judges' decreasing likelihood to grant favorable rulings as the day progressed. Kahneman's (2011) dual-process theory also reinforces this perspective, indicating a shift towards intuitive rather than analytical thinking as cognitive fatigue increases. These foundational studies underscore the critical need to explore the phenomenon within strategic leadership contexts further.

Despite extensive research on decision fatigue, notable gaps remain, particularly regarding how decision fatigue specifically affects strategic business decisions. Existing studies predominantly focus on short-term or immediate decisions and often neglect the long-term strategic implications.

Additionally, limited attention has been given to the direct connection between decision fatigue and specific organizational strategies, such as growth, innovation, or risk management. Furthermore, little research has addressed how organizational culture and support systems might mitigate or exacerbate the effects of decision fatigue among leaders.

A freely available dissertation by Bannerman (2024) investigated executive-level decision fatigue in municipal governments and found that organizational support structures—such as peer coaching, debrief sessions, and transparent communication channels—played a crucial role in buffering fatigue-induced errors. Participants reported that environments emphasizing reflective dialogue and shared decision ownership reduced both mental strain and risky oversights during complex decision-making.

This research primarily targets senior executives, strategic planners, HR professionals, and organizational leaders who are responsible for shaping business strategy and organizational effectiveness. Understanding the nuances of decision fatigue is crucial for these stakeholders because it directly influences critical strategic outcomes, such as competitive positioning, innovation capacity, and overall organizational resilience. The practical importance lies in providing these decision-makers with actionable insights and strategies to mitigate cognitive depletion, ensuring sustained leadership performance and effective decision-making processes (Bakker & Demerouti, 2007).

The primary objective of this research is to investigate how decision fatigue affects strategic decision-making quality and organizational performance. By clearly identifying the mechanisms through which cognitive fatigue influences strategic leadership, this study aims to propose effective organizational interventions to manage leaders' cognitive resources better. Ultimately, the study seeks to fill existing gaps by exploring how structured decision-making frameworks and supportive organizational cultures can counteract the negative impacts of decision fatigue, thus enhancing overall business strategy and performance.

1.2. Research Problem

Leaders frequently face tough decisions, one after another, causing decision fatigue. Although decision fatigue is known to affect decision-making, many businesses still lack clear ways or structured methods to handle it effectively.

1.2.1. Theoretical Gaps

From a theoretical point of view, decision fatigue comes from the gradual depletion of mental energy. According to Baumeister & Tierney (2011), continuous decision-making slowly drains mental resources, making it harder to think clearly. Kahneman (2011) also explains that as mental energy runs low, people start making simpler but less effective decisions.

1.2.2. Practical Gaps

In practical terms, decision fatigue affects business decisions at all levels, from daily operational tasks to critical strategic choices. When leaders are tired, they tend to make fewer effective decisions, reducing strategic success and slowing down organizational responsiveness. A study by Danziger, Levav & Avnaim-Pesso (2011) demonstrated how decision fatigue significantly affects critical professional judgments, supporting the practical implications discussed here. This leads to the main research question:

How does decision fatigue impact strategic decisions made by business leaders?

1.3. Research Significance

1.3.1. At the theoretical level

Theoretically, this study contributes to a better understanding of how cognitive processes affect leadership behaviour, particularly under prolonged mental strain. Instead of assuming that leaders always make rational and informed decisions, this study integrates cognitive fatigue into leadership theory. Research by Bruinsma and Bijlsma-Frankema (2022) emphasizes the growing need to consider human psychological limits in executive decision-making models, especially in turbulent environments. Moreover, Cognitive load directly interferes with executive attention, suggesting that accumulated mental exhaustion can influence strategic choices. Additionally, it advances the behavioural theory of decision-making by introducing decision fatigue as a mediating factor between leadership intention and decision outcomes. This angle has been underrepresented in classical leadership models, which often assume that all decision errors are based on poor judgment rather than depleted cognitive resources.

1.3.2. At the practical level

Practically, organizations can use the findings of this study to create leadership support systems aimed at minimizing the risks of decision fatigue. For example, flexible scheduling, built-in decision-making breaks, and role rotations can help conserve leaders' cognitive resources. A practical study by Hirshleifer, Levi, and Lourie (2018) found that cognitive fatigue not only reduces performance but also leads to conservative decisions that can hinder growth. Additionally, Liu, Song, and Xu (2021) demonstrated that decision fatigue significantly impairs judgment accuracy in high-stress workplace settings, particularly for top-level managers.

By recognizing decision fatigue as a critical barrier to effective strategy implementation, companies can create tailored interventions, such as decision-making protocols and rest-based planning models, to enhance executive clarity and efficiency.

Practically, the findings of this study are significant for organizations seeking to enhance leadership performance and strategic resilience. In high-stakes business settings, where leaders are expected to make numerous decisions under pressure, understanding and mitigating decision fatigue can lead to better outcomes and reduced risks. A study by Pignatiello, Martin, and Hickman (2020) demonstrated that decision fatigue not only lowers decision quality but also increases the likelihood of errors and poor judgment, which can be costly in business contexts.

Furthermore, the study can inform HR policies, leadership development programs, and workload management strategies. Organizations can implement interventions such as decision-support systems, breaks between strategic sessions, and rotational responsibilities to prevent prolonged cognitive strain on executives. Research by Johnson et al. (2014) emphasizes the need for structured rest and decision schedules, especially in roles that require high-level planning and frequent multitasking. By acknowledging decision fatigue as a workplace hazard, companies can build environments that support sustained leadership clarity, agility, and long-term strategic success.

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