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Full Length Research Paper

A conceptual model of asset portfolio decision making: a case study in a developing economy

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Asset allocation decisions in general contribute to the efficiency or otherwise of financial management, determine the wealth of investors, including pensions and insurance funds, and underpin the allocation of scarce economic resources in the economy. This area has remained under researched in the developing economies and it is argued that the results of this study reflect on the shortcomings of the orthodox rationalistic approaches to decision making in finance. The study is in the tradition of naturalistic decision-making and adopts a modified grounded theory approach to the discovery of the core concepts that guide investment managers' decisions. The paper presents the results of a case study of the decision-making processes of investment managers in the Nigerian Insurance industry. The naturalistic setting highlights the importance of the security of the investment, social networks, consistency of returns, competency of management, stable environment and legal and regulatory controls as core investment decision making concepts. The emerging conceptual model is delineated and the results reflect in particular on those factors likely to impact upon financial decision-making in a developing economy.

Key words: Asset portfolio, risks, returns, naturalistic decision making, grounded theory, Nigeria.

INTRODUCTION

This paper presents a critical evaluation of orthodox investment decision-making models and presents an alternative perspective based upon a qualitative study of decision making in a developing economy. The qualitative approach to the empirical study of decision-making processes and outcomes has become increasingly important and the research reported in this paper adds to that growing literature (Holland, 2001a, 2001b, 2002). The research finding are drawn from a case study of the Nigerian insurance industry and is therefore also novel in its attempts to discover decision making processes and understandings in a developing economy. The paper applies a modified grounded theory methodology and offers perspectives on decision making that contrast markedly with orthodox models. Asset portfolio decision concepts such as security, consistency of return, legal and regulatory control, competence of management, association and relationship and stable environment are found to have greater relevance than precise calculations of risk and expected return.

The research reported in this paper is important for several reasons. Orthodox financial decision making models dominate finance teaching and research and alternative perspectives based upon naturalistic decision making are seldom presented. Asset allocation decisions in general contribute to the efficiency or otherwise of financial management, determine the wealth of investors, including pensions and insurance funds, and underpin the allocation of scarce economic resources in the economy. Harrison and Pelletier (2000) found that psychological factors were relevant in asset portfolio decisions. The full range of human psychology, social, political and religious influences are important to our understanding of economic behaviour and more research is needed into these influences. Though in recent years behavioural finance has posed a challenge to orthodox financial theory, its

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empirical base in laboratory experiments and the theoretical reconciliation with more mathematically based theories have excluded the richness and social context afforded by the more general qualitative approaches.

Asset Allocation in the Nigerian insurance industry

A further motivation for the research is a better understanding of how asset allocation decisions are made in a developing country such as Nigeria. The Nigerian insurance industry is an example of a sector facing high rates of inflation, increasing unit costs and an increasing tax burden, problems typical of many developing economies. Given the importance of insurance companies in mobilezing funds for investment in commercial and industrial activities then a better understanding of decision-making processes in this sector is also important. Moreover, aspects of Nigeria's social structure such as religious and tribal divides might be expected to influence where investment managers decide to place funds (Ejizu, 2002). This issue is also explored by the research reported in this paper.

The paper is organised as follows. The first part reviews orthodox financial theory and models of decision making that are challenged by the research findings reported here. The second part of the work discusses the methodology of the research. The third part of the paper presents and discusses the results and points to an emerging model of asset allocation. Mindful of both the strengths and limitations of the qualitative and case study approaches the concluding section summarises the implications for the understanding of investment decision-making and points to areas for further research.

Literature

Market based asset allocation theory

The work of Markowitz (1952, 1959) on portfolio selection resulted in a revolution in the theory of finance and laid the foundation for modern capital market theory. Modern portfolio theory explains the selection and construction of asset portfolios based on the measured risk, risk preferences of individuals and the expected return on the investments. An implication of the normative logic of the Markowitz model is that fund managers design their portfolios based upon expected risk and return and the covariance of return between each pair of assets. Portfolios are selected from those lying on an efficient frontier depicting the trade off between risk and return. The frontier is efficient because the choices result in the highest expected return for the given level of risk. The work of Tobin (1958) and Sharpe (1963) reduced the complexity of the portfolio choice problem and provided insights into the management of risks. The capital asset pricing model (CAPM) extends the logic of the Markowitz model and offers a theory of asset pricing (Sharpe, 1964). The work of King (1966), Blume (1971), Blume and Friend (1973), Dimson (1979) and Engle (1982) provided the basis of measuring risks. Merton (1973) demonstrated that the original (CAMP) may not in most cases hold in a dynamic environment thereby requiring multiple betas. Furthermore, the work of Ross (1976) led to the development of the Arbitrage Pricing Theory (APT) and was empirically investigated by Roll and Ross (1980) applying the factor analytic techniques and by pre specified macro economic factors (Chen et all, 1986). Another strand of asset pricings is derivative valuation with Harrison and Kreps (1979), Brennan and Schwatz (1985) and Ho and Lee (1986) as the major promoters.

From this theory, based as it is upon rational choice, practical suggestions have been made to guide portfolio management and asset allocation. Steinbach (2001) deduces that portfolio selection involves the assumptions of the investor about the future, represented by the probability distributions of the asset returns. These probability distributions are based upon the assessment of financial analyst or estimated statistically from historical data. The measurement of the expected portfolio return is based on the mean of the observed asset returns. Risks are assessed as the variance of the portfolio, which is derived from the covariance of the asset returns (Santos and Haines, 2004).

A number of criticisms have been levelled at mean variance theory and its derivatives as a description of actual investment decision-making processes. One issue is the problematic nature of risk. The standard models allow variations in attitudes to risk via differences in risk aversion, though in the theories these differences have no impact upon the optimum portfolio or asset prices (Elton and Gruber, 1991). French and French (1997) argue that the concept of risk is ill defined; and they define it more widely as the "the possibility of loss, injury, disadvantage or destruction". Gunn (2000) argues that because the unknown seems risky, managers emphasize not losing rather than winning. This mindset favours conservatism and gives more weight to negatives "what might go wrong" – than to positives – "what needs to go right". This perspective on risk is pursued by the research reported in this paper.

Behavioural finance

Orthodox financial theory can be criticised for its neglect of the organisational context in which decisions are made. Harrison and Pelletier (1998) argued that managerial decisions are made by individuals, enacting managerial roles, in a given organisational context. In making a decision managers exhibit most of the psychological forces that affect individuals making non-management decisions. The influences of the personality, the effect of risk aversion, the very process of perception, and the influence of the subconscious mind cannot be ignored. In ad-

dition managers personify the values of the organisation. The empirical research reported here looks at a given organisational contexts, which are Nigerian insurance companies, and the way that organisational considerations impact upon the asset allocation decisions.

Behavioural finance, grounding decision-making in empirically validated psychological processes has provided a significant source of criticism of orthodox financial theory. Arguably a separate discipline, the literature applies heuristics, framing and biases to descriptions of investment decision-making. Tversky and Kahneman (1983, 1986) highlighted the difficulties of assuming rational decision making and optimising behaviour and noted the complex forms of psychological factors that influence decisions. When normative criteria are too complex to apply then individuals' resort to intuition and judgement. Peterson and Beach (1967) were two of the first researchers to use the naturalistic decision-making approach and observe the influence of these psychological factors.

It could be argued that behavioural finance has become so established that it comprises a new orthodoxy, though debates on its role and the validity of theories based on rational choice continue unabated (Biggart and Castanias, 2001; Weber (1999) contends that behavioural finance combines individual behaviour and market phenomena and uses knowledge taken from both the psychological field and financial theory. However, both approaches have tended to ignore the significance of social context and social relations.

Social relations

Economic theory has often described social relations as a constraint on optimum economic conditions and efficiency. For example, Smith (1776, 1957) noted the effects of collusion on pricing. Factors such as family ties, attachment to local communities after key industries have declined and nepotism are considered as impairments to optimal economic decision-making. Social relations and emotional attachments may interfere with rational economic calculation and restrict the movement of finance, physical investment and labour into their most productive employment (Biggart and Castanias, 2001).

A more positive and empirically grounded view of the effect of social relations is possible. Institutional theorists have contended that economic activity exists within and with reference to a social context. Granovetter (1985) argues that social relations can act as a catalyst for economic change. Social relations are seen as the 'atmosphere' in which economic action takes place and social structure shapes individual preferences.

Granovetter argues that individual economic actors can use their social relations to consolidate their economic interests. Social relations can form the very basis of market activity and social capital can be traded. So do social relations, in any way that they might be understood, impact upon the decision-making processes of investment managers.

Social capital can aid the management of uncertainty associated with economic transactions (Biggart and Castanias, 2001). Swinder (1986), Wiseman (1979) and Clark (1987) argue that experienced actors frame econo-mic strategies, using instruments of culture to manage risky transactions. For example, social capital may act as collateral and as a substitute for monetised collateral. These perspectives suggest that it is important to study actual decision makers in their natural environment where social relations can be detected, an environment which is likely to be both uncertain and problematic (Brunswick, 1943).

Naturalistic decision making approach

Naturalistic decision-making is concerned with studying decision making in the settings where the decisions are actually made (Douglas, 2002). Brunswick (1943) generated an interest in natural decision-making theory. Since then there has been an expansion of academic and practitioner study of decision making in naturalistic settings. Klein et al (1993) and Zsambok and Klein (1997) illustrated the wide variety of work being undertaken on decision making related topics set within natural environments. Zsambok and Klein (1997) offer the following definition of naturalistic decision-making.

" ….how experienced people, working as individuals or groups in dynamic, uncertain, and often fast paced environments, identify and assess their situation, make decisions and take actions whose consequences are meaningful to them and to the larger organization in which they operate" (Zsambok, 1997).

Beach and Lipshitz (1993) note that classical theories of decision-making are organized around the gambling metaphor rather than the actual process of decision-making. Other research has found that managers focus on clarifying and generating actions and goals rather than choosing amongst pre-specified alternatives (Beach and Liphshitz, 1993). Managers are seen as decision-makers who act to promote, protect and preserve the organization's values rather than seeking to maximize payoffs (Donaldson and Lorsch, 1983; Peter, 1979; Selznick, 1957). Phillips (1985) argues that managers rely more upon subjective decisions rather than computerized models. Decisions based upon calculated probabilities are backward looking while much managerial decision-making is by necessity forward looking. These perspectives and studies further confirm the value of research into actual decision- making processes and in particular extending this to topics in finance.

In summary, some decision research has questioned the models of rational decision-making. Naturalistic decision theory recognizes the necessity to research decision- making in the environments where decisions are actually being taken. This runs counter to the idea that only positivist laboratory study can offer explanations of

how individuals and groups make decisions. The presence within organisations of high stake consequences, shifting goals, incomplete information, time pressure and uncertainty stress the need for a more naturalistic case study approach. Moreover the organisational and social context and social relations can be better depicted and evaluated by such an approach. Thus the research reported in this paper is based upon an analysis of decision making in a naturalistic setting.

Exploratory investigation

Due to the fact that the literature on asset portfolio decision making in Nigeria is sparse and not yet rich enough to provide a sound conceptual foundation for investigating asset portfolio decision process, an exploratory qualitative study was undertaken for the study reported in this paper.

There is no attempt to test abstract models of the asset decision-making process. Case study research concentrates on describing real world phenomena rather than developing normative decision-making models. The application of case data and associated grounded theory has become very popular in accounting and management research (Parker and Roffey, 1997).

Prior theory played a vital role in the research design. Pure induction will not allow the study to benefit from existing theory, just as pure deduction might prevent the development of new concepts. Prior theory influenced the development of the interview protocol used for data collection. It also informed the generation of concepts or categories from the data.

The research site takes the form of a case study of four major Nigerian insurance companies. The chosen organisations are key players in the Nigerian financial market ranking amongst the first ten insurance companies in terms of the asset base and premium income and were selected because of their ownership structure and preparedness to participate in the research.

Holland (2001) argues that case study research offers rich insight into new research fields, and that this accounts for its popularity with many business researchers in exploring little understood areas. The combination of case study research and modified grounded theory facilitated a vigorous qualitative approach to better understanding the dynamics of investment decision making in this context. The research involved interviewing investment decision makers about their asset allocation decisions. This focussed upon both the investors' historical activity and future intentions. Questions were designed to elicit information on the processes of investment, the decision criteria for investment, constraints on investment and general influences on asset portfolio decision-making.

The interviewees' responses were recorded and transcribed and the text of each response coded with regards to the characteristic of the particular respondent and the nature of the response. The qualitative data analysis had the value of giving investors the opportunity to describe and clarify their financial decisions in detail and in their own words. It enabled the researcher to understand how respondents interpret the questions facilitating the coding and evaluation of the respondents' experiences. This method does involve data based upon recollection, which may not be perfect (Yates, 1990). This is particularly relevant given that investment decision makers frequently rely on recall. However, some consistency of identified investment criteria across subjects enhances the credibility of the research.

Having spent several weeks in the case companies preparing the ground for the main study, the key researcher utilised the opportunity to interact closely with all the staff in the Finance department and those in the top management positions. It was discovered that some officers had onerous administrative responsibilities and technical underwriting duties, hence were not involved in the actual investment decision making of the organization. Given the focus of the research it was decided that only those involved in actual investment decision-making would be interviewed. Responses from the interview were simultaneously transcribed. In depth, interviews were conducted with the four key decision makers of the companies.

There is much discussion of sample size in qualitative research with some like Patton (1990) arguing "there are no rules for sample size in qualitative research". Similarly, Martin and Turner (1986) contend, "by the time three or four sets of data have been analysed, the majority of useful concepts will have been discovered". In practice the number of interviewees depends upon what is available within the contexts of the case organisation, and the real constraints of time and limitation in funding (Leece, 2005). For developing economies, the problems of access and suspicions surrounding researcher's motives and allegiances served as a serious impediment. Consequently, this research is geared towards gaining in depth information from a small sample of knowledgeable decision makers. Though towards the lower end of the usual range in qualitative research the interviewees provided rich information regarding asset portfolio management decision making for the case companies.

The interview protocol involved the participants talking freely about the broad questions. Specific questions were posed only if significant research questions had not been addressed. The research design appeared to work as the participants were very forthcoming. It should be noted that acquiring this degree of access to key corporate and institutional decision makers is rare in research in finance and unique in the study of fund management. The prior experience of the key researcher in the Nigerian insurance industry was an advantage in that the industry vernacular and understandings were comprehended.

Results of the exploratory investigation

The data revealed a consistent asset portfolio decision

pattern. While some differences in terms of the level of emphasis and prioritisation of the asset portfolio decision concepts were observed, common themes emerged which offered valuable insights into asset portfolio decision making. The asset portfolio decision making concepts are shown in Figure 1.

Consistency of returns

A key result was the weak support for the maximization of investment returns. In theory firms are wealth maximisers and their shareholders expect a rate of return that reflects the systematic risk that they face. The interviewees' suggested that shareholders would be satisfied with less than maximum returns. This in part conforms to the not-ion of satisfying behaviour (Simon, 1993).

This is interesting because it suggests that shareholders are behaving in a sub optimal manner and that investment managers just achieve sufficient return to meet their lowered expectations. The research reported in this paper did not interview shareholders so this cannot be corroborated directly, neither is the research concerned with testing a capital asset pricing model (implicitly a test of shareholder behavior) using statistical data.

An emerging concept in the data was the 'consistency' of investment returns. There is no reason why consistency of returns should not be compatible with orthodox financial theory in that constructing a portfolio with a low variance and consisting of assets with a low average beta should lead to less marked swings in rates of return, which may in turn be described as consistent. In fact, in a theoretical perfectly competitive arbitrage economy it is possible to create a portfolio with a given and certain rate of return, this by the use of calls and puts in the options market, thus creating perfect forecastability and consistency of investment returns. This scenario is difficult to achieve in highly sophisticated financial markets and improbable in a developing economy such as that of Nigeria. The interview data does not support this orthodox view of consistency; rather the notion of consistency here is a literal consistency, an indicator of competence and individual performance.

Security

Related concepts that emerged from the analysis of the data were the "security" of returns and "conservatism". These concepts may not be independent of "consistency" in that a focus on consistent performance is seen as low risk (hence secure) and that this attitude may in turn be described as conservative. Financial theory treats risk symmetrically in the sense that it applies to a possible increase or fall in the price of an asset. A price rise can produce losses if an investor has gone short or has the option to buy. However, the interviewees had a clear emphasis upon downside risk. This is compatible with the experimental findings of behavioural finance that emphasizes the innate pessimism of investors, or rather their tendency to place greater weight on potential losses (Weber, 1999).

It might be argued that some institutional investors such as insurance companies or pension funds would be risk averse. However, there is nothing in orthodox finan-cial theory to suggest that this manifests itself in an emphasis upon consistent performance. It is interesting to consider the role of the investment decision maker in an efficient stock market. In such a market there is little point in consulting data on past price changes (for consistency or any other type of behaviour) or dividend payments. Thus the notion of consistency of investment performance is not compatible with orthodox financial theory.

The favored methodology of orthodox financial analysis would be positivist and thus have little interest in the subjective views of market participants. However, it might be claimed that the emphasis of the decision makers upon consistent performance was compatible with weak market efficiency. That is if asset prices follow a random walk then the best forecast of tomorrows price is today's, a form of consistency. It would seem disingenuous of the decision makers to offer a literal and retrospective interpretation of consistency when what they really meant was that they did not know the future and could have no investment guidelines. In this study we accept the understandings reported by the participants.

The decision makers also identified the need to consider the business risk and the financial policy of the investee companies. They suggested that this could be accomplished by an examination of the published accounts. Again this use of historical information does not fit well with orthodox financial theory. Published accounts are old data that should already be reflected in asset prices. Also in theory the business risk of the company should be diversified away in the investor's investment portfolio. An emphasis upon these sources of information, while not compatible with orthodox financial theory, would supply pertinent information for decision makers concerned with the retrospective issues of consistency, and security along with a conservative attitude to investment strategy.

Legal and regulatory control

Law and regulation was another dimension emerging from the interviews, a consideration of particular relevance to developing economies. Williamson (2003) argues that individuals make rational decisions within markets and to greater or lesser extent within the constraints of law and regulation. DiMaggio and Powell (1991) find that individuals as social beings are influenced by the coercive, mimetic and normative forces of a society' institutions. The Nigerian regulatory framework is an important influence upon investment decision-making, for example the Insurance Act of 2003. These regulations place restrictions upon the discretion of fund managers in insurance companies.

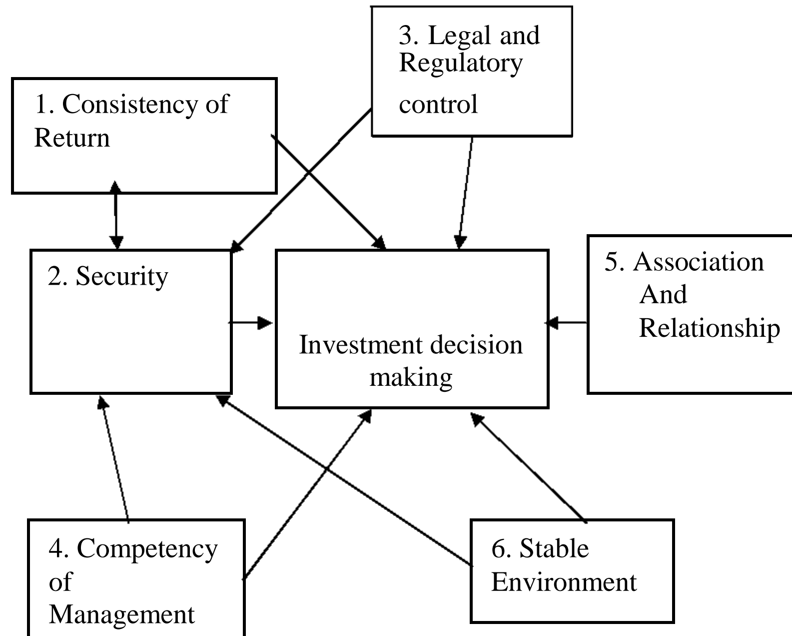

Figure 1. The diagrammatic depiction of the framework.

Harrison and Pelletier (2000) stress that economic theory cannot be fully characterized on one dimensional scale that reflect only risk tolerance but rather the full range of human psychology, social, political and religious influences are important in understanding economic behaviour. For example, in a developing economy such as Nigeria religion might be expected to have a significant impact upon investment decision-making. Surprisingly, religion, ethnicity and colonial legacy were found not to be very important in the investment decision-making process of Nigerian insurance companies. In this research political issues and social relations were found to be the major extraneous influences. Possibly management decision making in dynamic business environments may conform to its own ethics and conventions.

Competency of management

Conservatism was also reflected in the decision makers emphasis upon the perceived competence of the management of a company; a factor that could be subsumed under business risk but which was given particular emphasis. Critical here was the perceived calibre and proficiency of the people holding strategic positions. In Nigeria most companies are sole proprietorships where the competence of management can be critical and the most significant source of business failure is management deficiency (Ojo, 1993). However, in asset allocation and portfolio construction these risks should be diversified away.

Decision makers sometimes assign decision outcomes in unscientific, unstructured and subjective ways. The concept of risk in this case study was partly embodied in understandings of the skill and competence of those who would manage the investment. In an attempt to ensure safety of their fund, the investment decision makers critically assess the skill and competence of the people with executive power; this is primarily judged by the historical performance of the company, in terms of a consistent dividend policy. The management culture together with the nature of their business also played a key role in assessing risk inherent in an investment.

Association and relationship

A major finding of the study was the importance of social capital and networks. The pertinent emerging concepts were those of association and relationship. Social relations further governance arrangements, for example being on the board of the investee company. The networks further facilitated the transfer of insurance business to the case companies. There was evidence of the development of social capital and its productiveness, types of action not explained by the narrower concepts of capital, such as economic capital or human capital, utilised by economic theory. Social capital involves using networks to gain access to organisations to access and lever resources to enhance expected returns. Associating with and doing business with familiar people created value in relationships by facilitating the transfer of private information, which in turn strengthened the reciprocal obligations.

Under imperfect market conditions social relations may provide useful information about opportunities and choices otherwise not available. This involves associating and collaborating with other players in the industry (professional colleagues in case of investment syndication and stockbrokers). The results clearly indicate that invest-

ment in any area is partly conditioned on the possible insurance business such investment will bring to the investing company and not only the direct expected returns. Rather this return is evaluated in terms of insurance policies accruing from the investment.

Stable environment

Organisations do not operate in a vacuum, but in a political, economic and social environment. Hence their operations are influenced by internal and external environmental factors. Due to the complex nature of business, industrial harmony is seldom realisable. Social crisis in the form of religious and ethnic conflagration can arise in the environment (Osenwota, 1984). Crisis may occur as a result of the conflicting role of government professing to optimise the welfare of its citizens and failing to meet their needs. The principal objective of business organisa-tion is to make profit or other largely though not exclu-sively private concerns whilst the provision of essential services is the responsibility of Government. The environ-ments in which most organisations operate are highly heterogeneous. The heterogeneity implies that individuals will form groups to lobby for their special interests. A group will try to prevent the introduction of any changes that threatens its interests. Therefore, interest groups as part of the political environment may represent an obstacle to change (Osenwota, 1984).

The case of oil producing areas of Nigeria is very relevant here. The oil companies and Government did not pay enough attention to the developmental needs of the areas. This resulted in environmental neglect and degradation of the oil producing areas. Another "hot spot" area in terms of social upheavals is the Northern part of the country. This is related to the issue of religious intolerance between the predominantly Muslim population and Christians. Properties, businesses and human beings in many instances have been burnt or destroyed during riots by those protesting the degradation of their environments and religious extremists "protecting" their faith from contamination by other religions or faiths.

Therefore, special attention should be paid to these environmental issues in asset portfolio decision making. A stable environment is considered safe for investment purposes. In the determination of the safety of the environment the historical background and facts pertaining to the area and properties are considered in real property investment decisions.

The response from the interviewees suggests that the political environment acts as a constraint on the investment decision making processes of the case companies. This may be attributable to the failure of elected officials in introducing policies that will engender conducive investment environment such as an attractive tax regime, favourable regulatory framework, security and maintenance of law and order. The Markowitz and other orthodox financial theories, did not consider situations in which the outcomes were non-monetary, contingent, geographically dispersed and with the accompanying environmental issues. Environmental factors pointed out include poor investor incentive climate, increasing reliance on oil, inadequate infrastructure, corruption, unstable regulatory and institutional climate, crime and security concerns. This concept indicates the serious effect of social instability on asset portfolio decisions. The above finding was supported by Brunswick (1993), Klein et al. (1993) and Zsambok (1997) who argued that non analytic environmental decision strategies could be harnessed to aid decision making.

The emerging conceptual model

The concepts that emerged from the research all to some extent overlap and/or interact. The schema presented in Figure 1 acts as a summary of key concepts and relationships and presents the overarching framework for this study. The concepts are theoretical constructs used to convey the meaning embedded in the respondent's transcripts. There are six conceptual categories and a total of thirty-one references assigned to respondents in relation to the influences on the investment decision-making process. Investment decision-making is the core category in this research (that is the central idea, events or happening). The other emergent categories discussed above are consistency of returns, security, competency of management, legal and regulatory framework, association, relationships and stable environment.

The Schema is based on the proposed methodology of Strauss and Corbin (1990) in that a coding approach to interaction between categories is used. The diagrammatic framework also represents the observed frequency of cross-references in the data producing the concepts and therefore highlighting the most significant interconnecttions. It was not deemed appropriate to position the relationships between the concepts at different layers. The schema generates a multidimensional description of the important considerations and influences on the investment processes of the Nigerian Insurance Company.

The results have shown the richness of influences on investment decision making that are contrary to the orthodox financial decision making models. While some concepts such as consistency and security of returns could be rationalised by orthodox finance the conditions required to underpin these rationales are not likely to hold in a developing economy like Nigeria. The influence of the competency of management and the importance of social capital are concepts that stand outside the orthodox approach. These concepts are linked in rich and interesting ways. For example, information on management competence can be seen as a risk minimising and conservative/secure approach to investment. Added to this, must be the private information and social capital that are generated by social networks. The importance of politically stable environments also noted a dimension that also

reflects upon the role of uncertainty rather than quantified risk that features in the gambling analogy.

Conclusion

The exploratory qualitative research reported in this paper offers deep insights and propositions with regard to asset portfolio decision making in the insurance sector of the financial service in a developing economy. The research introduced six important asset portfolio decision concepts. Research in the area of financial decision-making is paying increasing attention to phenomenological issues. However, there is still a paucity of qualitative studies of investment decision-making processes (for an important exception see Holland 2001 and 2002). This is particularly the case for developing economies such as Nigeria. Drawing on the individual accounts of key decision makers in four major Nigerian insurance companies six conceptual categories emerged as the basis of an understanding of the influences upon investment portfolio decisions, other than the standard approaches of risk and expected return.

The related and interacting key concepts were consistency, security, management competency, association and relationship, legal and regulatory control, and a stable political environment. The research findings emphasize the need to explore decision making in its naturalistic setting. Particularly interesting was the role of social capital and networks and the judgements to be made of people rather than the abstract characteristics of investments. An imbalance of information in markets plays a role in orthodox financial analysis but interesting here was the role of social capital in this process. The augmentation of social capital also led to increased trade and business opportunities. An interesting finding of the study was that security of the fund was considered more important than high returns. The research identified the need to consider the business risk and the financial policy of the investee company before the placement of the investment. The emphasis on business risk and retrospective information is a quest for security, which in turn is linked to the notion of consistency. Again, the use of retrospective information here does not fit well with orthodox financial theory or the environment in which rational decision makers are presumed to operate. Thus, the emphasis upon past price information is not consistent with a theory which is based upon expected rather than actual returns and is primarily forward looking (Elton and Gruber, 1991). Decision makers were found to be conservative in their asset portfolio decision making preferring the option of making a modest secure rather than higher gain. This finding is further supported by the work of Gunn (2000) to the effect that decision makers give more weight to negatives "what might go wrong" than to positives "what needs to go right". The emphasis of the findings of this study is on the downside risks with the decision makers avoiding investments that are risky in this sense.

The research reported in this paper has been concer-ned with a given, albeit important and interesting, sector of the Nigerian economy and offers a starting point for further research. The conclusions drawn are particular to the case that has been studied. Some useful compari-sons and contrasts have been made and discussed against the existing literature that can infer its findings to a wider research domain. Further phenomenological research in the other research sites where financial deci-sion making and portfolio management takes place, app-lying a similar research framework, could add further to the development of a richer more socially grounded inv-estment theory. Research that progress from the particularizing outcomes of this study to generalising as an outcome of a number of similar studies may facilitate some formal theory building.

Researching into decision-making within naturalistic settings (where it happens) is a very complex form of study. The research reported in this paper illustrated the richness of influences upon investment decisions within a major Nigerian insurance industry, demonstrating the infl-uence of social, political, institutional and other qualitative factors. Decision-making in management is a vital area of business research, which needs more attention both generally and especially in a developing country like Nigeria.

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