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Decision-making in Export Credit Agencies (ECAs)

Theses of the Ph.D. Dissertation

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## **1. Introduction and Motivation**

Always in international trade, there has been considerable high uncertainty in predicting future circumstances in the market as many different aspects are included. Export credit agencies (ECAs) are one of the main organizations to cover export credit risks for exporters. This research aims to study the decision-making in export credit agencies (ECAs). According to OECD (n.d.), “Governments provide officially supported export credits through Export Credit Agencies (ECAs) in support of national exporters competing for overseas sales. Such support can take the form either of “official financing support”, such as direct credits to foreign buyers, refinancing or interest-rate support, or of “pure cover support”, such as export credits insurance or guarantee cover for credits provided by private financial institutions”. According to Salcic (2014), ECAs can be totally or partly state-owned banks or financial organizations, private-owned organizations, and government agencies.

By considering decision-making as the main job of managers, a positive key differentiator, and a link in the value chain of an organization, it is so important to study the effectiveness of decision-making deeply in any organization (Simon, 1948) (CIMA, 2007). Especially, when we are talking about effectiveness in the international market, the complex nature of this market, and the ability to provide export credit for the exporters, the role of decision-makers in export credit agencies should be studied. To the best of my knowledge, there is no scientific research regarding the decision-making process in export credit organizations, especially in a qualitative method. There are few studies that looked on the organizational aspect of ECAs, but most of related studies focused on the role of export credit services on the growth of exports. Regarding the lack of research in export credit areas, Picha et al. (2016, p.325) mentioned that “in view of the high level of complexity and its often stressed importance for national economies, it is surprising to find that export financing schemes have been so little studied”. Accordingly, I have perceived that there is a point of ambiguity in the area of effective management decision-making in export credit agencies and its limitations. Therefore, by understanding how important is the role of export credit agencies in trade finance, this study focuses on the decision-making of export credit agencies as an important role in the effectiveness of export credit agencies in achieving their goal. In this regard, Iran and Hungary are chosen as the scope of this study.

## **2. Purpose of the Research**

The aim of this study is first to indicate the decision-making approach of the export credit agencies to show how it works, discover the position of group decision-making in ECAs, and how the authority of decision-making is distributed. Second is to investigate that to what extent they are flexible to change their approaches if needed. Third is to answer the question of how the decision-making process may face a change in unusual or crisis times. Forth is to understand the decision-making approaches’ limitations in the work setting of export credit agencies. Fifth and finally, to figure out how the decision-making process in these organizations can be effective, and find the most important factors in the effective decision-making process of the ECAs.

To achieve these purposes, after reviewing the related literature about the topic which was limited due to the limited previous studies about ECAs, I investigated them by empirical analysis based on the data collection via interviews. The samples of this research are in Iran

and Hungary. In addition to ECAs, I collected some data from banks in these countries that provide somewhat similar services to have broader knowledge and comparison in this matter.

### **3. Research Questions**

I defined the main question of this study as follows:

- What is the approach to the decision-making process in ECAs, what limitations do decision-makers face, and how can the decision-making process be more effective in these organizations?

However, to investigate it more clearly and in more detail, the research work aimed at studying the following questions:

1. How do managers in ECAs decide and what are their decision-making approaches?
2. To what extent decision-making in these organizations is group decision-making?
3. How the authority of decision-making is distributed in the ECAs?
4. How decision-making process can be effective in ECAs? What are the important factors for being effective in the decision-making process in ECAs?
5. What limitations do they face in their decision-making process?
6. How flexible are ECAs in response to a need for change in their decision-making?
7. What is the approach of ECAs when there is a need for urgent decision-making or in a crisis time?

### **4. Research Philosophy**

The philosophy chosen for this study is social constructionism. Social constructionism and positivism are two opposing theories of how social science research should be carried out (Easterby-Smith et al., 2015). The central tenet of positivism is that social reality is external and that, as opposed to being deduced subjectively through sense, reflection, or intuition, its features can be tested using objective means. However, the concept of social constructionism concentrates on how individuals make understanding of the world, particularly through communicating their experiences to others through language. The difference between positivism and social constructionism can be as follows (Easterby-Smith et al., 2015, p.53):

1. “The observer in positivism is independent but in social constructionism is not independent of what is being observed.
2. In positivism, the Human interest should be irrelevant but in social constructionism, they are the main drivers of science.
3. In positivism, explanations must demonstrate causality but in social constructionism, they aim to increase general understanding of the situation.
4. In positivism, research progresses through hypotheses and deductions but in social constructionism, it progresses through gathering rich data from which ideas are induced.
5. In positivism, concepts need to be defined so that they can be measured but in social constructionism, concepts should incorporate stakeholder perspectives.
6. In positivism, units of analysis should be reduced to simplest terms but in social constructionism, they may include the complexity of ‘whole’ situations.
7. In positivism, the generalization is through statistical probability, but in social constructionism is through theoretical abstraction.

8. In positivism, sampling requires large numbers selected randomly but in social constructionism, small numbers of cases are chosen for specific reasons”.

By taking into account the aforementioned characters, social constructionism was found to be more suitable for this study. This study aims to better understand and interpret the decision-making process in export credit agencies. In this research, as the lack of prior knowledge and studies, it is attempted to generate concepts using the qualitative inductive method in question defining, data collection, and also in data analysis. Studying the decision-making process in an organization requires analyzing the intricate interactions between managers, organizational and national features, employees, groups, and processes in the context of real-world situations. Accordingly, positivism is not the concern of this study and the social constructionism approach is followed. By this method, change processes can be examined across time, comprehending the meanings of people’s words, adapting to new problems and concepts as they arise, developing novel theories, and they offer a method of data collection that is viewed as natural rather than contrived (Easterby-Smith et al., 2015). They add also that in constructionist epistemology, validity concerns are considerably less of a priority than creating a detailed image of life and behavior in organizations or groups.

According to all discussed in this chapter, it is concluded that while using the social constructionism approach, the aim is to improve the general understanding of the issue, it advances through accumulating rich data from which ideas are generated, concepts should take stakeholder perspectives into account, analysis units may take into account the complexity of ‘whole’ situations, theoretical abstraction is used for generalization, and samples must be drawn from a small number of cases that are specifically chosen.

Based on the questions defined in section 3, the interview questions from the Hungarian ECA in 2019 were asked. In the interview, some issues were raised which led me to have new or more detailed questions from the ECA in Iran. All the interviews in 2019 in addition to the knowledge gathered in the 2 years, led me to have more detailed interview questions in 2021 from the banks in both countries and the ECA in Hungary.

## **5. Methodology and Research Samples**

In this research, qualitative analysis with an inductive approach by conducting semi-structured interviews in Iranian and Hungarian samples is used. In addition to the ECAs, in the process of data collection, I face the need to have some more data from some export credit and financing providing organizations in both countries, which is decided to be some banks that besides the other services, provide export financing. However, the main samples are the ECAs. The conducted interviews in banks are used to increase the validity of the study and also for a better understanding of the market in different aspects.

The samples are in Iran and Hungary. Iran’s export credit agency’s name is the Export Guarantee Fund of Iran (EGFI). Hungary’s export credit agency’s name is EXIM which is the integrated company of Hungarian Export-Import Bank Plc. (Eximbank) and the Hungarian Export Credit Insurance Plc. (MEHIB). In the banks, in Iran, I had four interviews from two banks in Iran collected in 2021. In Hungary, I have collected 9 interviews from 8 banks.

The interviews’ findings in Iran are in 2 sections. First, there are 13 interviewees from the ECA of Iran collected in 2019 and there are 4 more interviewees from two banks in Iran collected in 2021. 3 interviewees are from one bank and 1 interviewee is from the other bank. The positions of interviewees in the ECA are 12 middle managers and one senior manager who was the boards’ member. In the banks in Iran, in bank 1, the interviewees were two heads

of branch offices and one head of the Foreign exchange operations documents Unit. In bank 2, the interviewee was a regional supervisor deputy.

The interviewees in Hungary are divided into 2 interviews with the same person from EXIM in 2019 and 2021 who is the Head of a department and 9 interviews from 8 banks. For bank 3, there are 2 interviewees. The second interviewee is now working for another bank. He worked as a manager at bank 3 for 2 years till 2019. All the interviews from banks in Hungary are collected in 2021. Banks number 1, 2, 3, and 7 are the banks in which the mother bank is in another country. In this study, these banks are called foreign-owned banks. The other banks are called local banks. The mother bank of bank 1 is Austrian, banks 2 and 3 are Italian, and bank 7 is Dutch. The positions of the interviewees in Hungary are as follows: Seven Heads of Departments (Banks 2, 3(two interviewees), 5, 6, and 7; and EXIM), One Head of Unit (Bank 8), and two senior experts (Banks 1 and 4). Four of them are working in the trade finance or/and international relations departments; two of them are working in the risk management departments and the other four of them are working in the different departments that mostly had previous experiences in the area of trade finance.

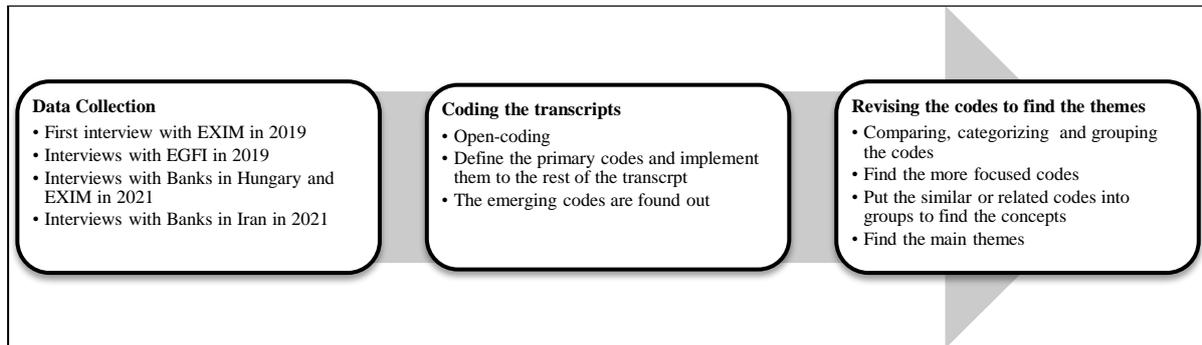
### **5.1 Data analysis procedures**

To analyze the data collected from interviews, qualitative Content Analysis with a mostly inductive approach is used. According to Hsieh & Shannon (2005, p. 1278), Qualitative content analysis can be described “as a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns”. Selecting the unit of analysis, classifying, and discovering themes from categories are the main steps in the qualitative content analysis method. This method can be used to answer the questions like what, why, and how by finding similar codes and themes in the content (Cho and Lee, 2014).

To implement qualitative content analysis with an inductive approach to analyze the data from interviews, first the ‘Open Coding’ is implemented by reading the transcript of interviews word by word and line by line. According to Easterby-Smith et al. (2015), by open coding, the long text can be divided into manageable codes. Following this phase, some primary codes are identified and then I could continue coding the rest of the transcript using these codes. However, in circumstances when I was not able to use the defined codes, some emergent codes are generated. The next steps were comparing, categorizing, and grouping the broad range of codes. Then, I looked for some more focused codes to label the groups in a more organized way. The new groups were created with similar concepts from the related coded parts. In this phase, the concepts of the final codes are found. Finally, six main themes were concluded by categorizing the final codes for an easier and more intelligible interpretation of data and to achieve the objectives of the study. However, some concepts would be repeated in different themes which show the importance of that concept in the study. The six themes are as follows:

1. The general process of decision-making and the authority of decision-making
2. The possibilities of applying a change to the decision-making process & approach
3. The approach of decision-making in urgent/emergency times and crisis
4. The limitations in the way of effective decision-making
5. The important factors for effective decision-making
6. Effective implementation of decisions

In summary, as is shown in Figure 1, the process can be classified into three groups: data collection, coding the transcripts, and finally, revising the codes to find the themes.



**Figure 1: The process of Data collection, coding, and analyzing the codes**

Source: Author's drawing

## 6. Result

### 6.1 Summary of the Interviews' result in the ECA in Iran

Summary of the Interviews' result in the ECA in Iran (EGFI) is given in Table 1 by showing it separately in each theme. In this ECA, credit related decisions are made in technical committee or the board's meetings based on the thresholds. The members of the technical committee are the CEO and middle managers. However, only the CEO has the official right to vote. Middle managers are consulted in the committee and they give their votes and opinions to the CEO but the official decision-maker is the CEO in this committee. This committee is a consulting committee that does not have legal position. Therefore, there is considerable difference between official and unofficial process and it seems that the leadership style is somewhat between autocratic and participative. In addition to the CEO and the board, the government bodies are authorized bodies for obligatory tasks, defining the budget limits, insurance premium limits, and so on.

It seems that the decision-making process in the ECA is not very flexible because it is so hard to decide to implement any changes in the decision-making process or its regulations. Even in the face of urgent cases, it is hard to implement any changes. It can be possible to apply change in few cases like when decision-makers change, the external conditions (political & economic) changes, they receive obligatory tasks from government, and changes due to experience. To react to the changes there may be flexibility in the decision-making process to have a shortcut to the CEO & the board without having the technical committee. In the case of urgency, some solutions like having more flexibility & collaboration among managers, flexibility with the technical committee and possibility to have emergency or urgent meeting are possible. In case of a massive and long-lasting crisis (like sanctions), strategic changes on the ECAs' operations and their decisions can happen.

By looking at the last three themes at Table 1, the factors that affect decision-making in the ECA in Iran can be categorized into: authority of decision-making, government role, bureaucracy, time, information, technology, integrated system, regulation, budget, defined goals and strategies, human-related factors (skills, knowledge, experience, courage, decision-making willingness, viewpoints, being available and devoted), ownership, transparency, organizational size, and group dynamics.

**Table 1: Summary of the Interviews' result in the ECA in Iran**

The themes	The result's summary
The general process of decision-making and the authority of decision-making	<ul style="list-style-type: none"> <li>-The matter of decision-making is a hierarchy issue that is based on the thresholds</li> <li>-Credit related decisions are usually made in the technical committee or in the Board's meeting</li> <li>-The authority of decision-making is distributed between the CEO, and the board of directors about issuing services; the government bodies are authorized bodies for obligatory tasks, defining the budget limits, insurance premium limits, ...</li> <li>-Technical committee is a consulting committee (it has no legal position)</li> <li>-There is considerable difference between official and unofficial process</li> </ul>
The possibilities of applying a change to the decision-making process & approach	<ul style="list-style-type: none"> <li>- Usually, for make a change, there is a need for the permission of the government bodies</li> <li>-It is not very flexible.</li> <li>-In few cases, it is possible to apply change when: decision-makers change, the external conditions (political &amp; economic) changes, obligatory tasks from government, changes due to experience</li> <li>-To react to the changes there may be flexibility in the decision-making process to have a shortcut to the CEO &amp; the board without having the technical committee.</li> </ul>
The approach of decision-making in urgent/emergency times and crisis	<ul style="list-style-type: none"> <li>- It is not very flexible in those cases too, but:</li> <li>-In urgent times, more flexibility &amp; collaboration among managers happens, specially flexibility with the technical committee, and it is possible to have emergency or urgent meeting(s)</li> <li>-In case of a massive and long-lasting crisis (like sanctions), strategic changes on the ECAs' operations and their decisions can happen.</li> </ul>
The Limitations in the way of effective decision-making	<ul style="list-style-type: none"> <li>- Not willing to accept decision-making authority from middle managers</li> <li>- Bureaucracy and lack of authority</li> <li>- Supervisory bodies from government</li> <li>-Lack of capital</li> <li>-Lack of experience of some managers on ECAs</li> <li>-Others: Inaccessibility to enough information, Low speed, government intervention in decision-making, weakness of regulations in the country, and strategies &amp; goals, change of managers, credit Limit, and not availability of the board's members</li> </ul>
The important factors for effective decision-making	<ul style="list-style-type: none"> <li>- Using different views and experience in the committee</li> <li>- Managers' working experience and knowledge</li> <li>- Networking and information system</li> <li>- Developing technology and accurate computational science (with integrated system)</li> <li>- Give authority to middle managers and less bureaucracy in the decision-making process</li> <li>-Consider the goal (supporting the exporter)</li> <li>-Balance in supervision</li> <li>-The knowledge &amp; experience of the expert employees</li> <li>-Should be based on strategies</li> <li>-Accuracy in HR</li> <li>-By not relying on the personal taste of managers</li> <li>-Courage of decision-makers</li> <li>-Others: availability of the CEO &amp; the board, being a private company, budget availability, defining final responsible decision-makers, the system should be more open, and have more up-to-date training to develop the new knowledge about ECAs</li> </ul>
Effective Implementation of decisions	<ul style="list-style-type: none"> <li>-To consider the goal of the ECA</li> <li>-Decision-makers' knowledge and experience</li> <li>-Skills of expert employees</li> <li>-Efficient supervision of supervisory bodies</li> <li>- Other factors are: decision-making and working speed, decisiveness in decision-making, expert employee's commitment, government should give more authority to the ECA's managers, open-minded look to problems &amp; implement the consulted opinion, up to date and user-friendly technology and science, budget availability, having more branches, and transparent process.</li> </ul>

Source: Author's drawing

## 6.2 Summary of the Interviews' result in the banks in Iran

Summary of the Interviews' result in the banks in Iran is given in Table 2 by showing it separately in each theme. In banks, the decisions are mostly made in the credit committees that are based on the thresholds (the credit limits) in which the level of members and the committees change from the committee in the branches, to the top managers in the region, and to the top managers in the central branch of the bank (Headquarter). However, in the case of export financing, it is done in the central branch of the bank because the number of cases is so small. However, it always should be a committee with all members having the right to vote. The leadership style can be autocratic or participative.

All the processes in the bank are written and regulated by the Central Bank of Iran and in addition, they should follow the internal regulations of their bank as well. Even if there will be a possibility to change, it is mentioned in the regulation and the limit of flexibility is defined. Like the ECA, in banks also the economic and political changes in the country affected their activities and the decision-making process within the bank, especially in the case of export financing activities or to be more specific trade financing activities. Or in the COVID-19 time, they could ease some regulations which were the tasks given by the Central Bank of Iran. Also, they could implement some of their activities in a virtual way.

By looking at last three themes, the factors that affect decision-making in the banks in Iran can be categorized into: the authority of decision-making, government role, external political and economic situation, information, technology, strategies, human related factors, regulations, budget, group dynamics, simplicity, evaluation and control.

**Table 2: Summary of the Interviews' result in the banks in Iran**

The themes	The result's summary
The general process of decision-making and the authority of decision-making	<ul style="list-style-type: none"> <li>- The matter of decision-making is a hierarchy issue that is based on the thresholds</li> <li>- In the case of routine credit activities, decisions are made in credit committees in different levels</li> <li>- In the case of export financing, as it is happening rarely because of the sanctions, the decisions are made in the main bank (Headquarter) by top managers in the international department.</li> <li>- Committees are formal and members have the right to vote.</li> <li>- All the processes are written and regulated</li> </ul>
The possibilities of applying a change to the decision-making process & approach	<ul style="list-style-type: none"> <li>- In case of a possibility to change, it is written and identified in regulations</li> <li>- There is the possibility to review the decisions made and reconsider them by senior levels</li> <li>- When strategies change or some external conditions at the country level change (like sanctions) then maybe the decision-making process faces some changes</li> </ul>
The approach of decision-making in urgent/emergency times and crisis	<ul style="list-style-type: none"> <li>- They may not follow the normal way. For example, in the COVID-19 period, they could ease some regulations based on the tasks given by the Central Bank of Iran.</li> <li>- In COVID-19, a home office was possible and meetings could be held on virtual platforms.</li> <li>- Senior levels are entitled to specify the new approach</li> </ul>
The Limitations in the way of effective decision-making	<ul style="list-style-type: none"> <li>- Unstable economic and political situation</li> <li>- The lack of technology facilities</li> <li>- The idealistic views of the issues</li> <li>- The rules are mostly not flexible</li> <li>- Human Resources</li> <li>- Lack of Budget</li> </ul>
The important factors for effective decision-making	<ul style="list-style-type: none"> <li>- Team working and considering different viewpoints in choosing the team members</li> <li>- Giving more authority to lower levels</li> <li>- Less dependency on the government</li> <li>- Easier contract conditions</li> <li>- Reviewing the decisions consistently</li> </ul>

Effective Implementation of decisions	<ul style="list-style-type: none"> <li>- The economic stability of the country</li> <li>- Investigating the credit rating of the clients carefully</li> <li>- More active participation of all levels in the process of decision-making</li> <li>- Group decision-making by diverse people</li> <li>- Active supervision for all the phases of the process continuously</li> <li>- Define strategies that are applicable and easy to be implemented</li> </ul>
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Source: Author's drawing

### 6.3 Summary of the Interviews' result in the ECA in Hungary

Summary of the Interviews' result in the ECA in Hungary (EXIM) is given in Table 3 by showing it separately in each theme. The decision-making process in the organization is following the four-eyes approval principle at department levels. At a higher level, they have committees with the official voting right of the official members. The committee members have included some top managers and middle managers. Above the committee level, decisions are made in the Board' meeting and higher than that it is decided by the owner (Government bodies in the Ministry of Foreign Affairs and Trade). The leadership style is mostly collegial leadership.

The decision-making process in Exim seems to be not very flexible and is much regulated. In EXIM, the process is so regulated and every detail is written in documents. However, after the crisis of 2008-2009, the regulation became stricter in the financial sector in the EU region. Even it has become overregulated. The change in the overall process which is defined by the EU or the National Bank of Hungary is not possible to be done by EXIM but if there is something related to the internal regulations of the EXIM, it is possible to implement changes with the permission of senior managers by the related responsible department. In unusual cases of clients or an emergency situation, they may be put on hold in decision-making to find the proper solution for the case. During the COVID-19 crisis, to deal with the issues that were hard to put in the regular operational committee they create a new committee that is called the COVID committee.

By looking at last three themes, the factors that affect decision-making in the ECA in Hungary can be categorized into: regulation, information, time, human-related factors, clearness, simplicity, prudence, and transparency.

**Table 3: Summary of the Interviews' result in the ECA in Hungary**

The themes	The result's summary
The general process of decision-making and the authority of decision-making	<ul style="list-style-type: none"> <li>- The matter of decision-making is a hierarchy issue that is based on the thresholds</li> <li>- They have group decision-making in the shape of committees and four-eyes approval for decision-making</li> <li>- In the case of the bank, there are 5 levels of approval and in the case of the insurance company, there are 4 approval levels</li> <li>- The approval bodies are the shareholder (state), the board of directors, the committees, the four-eyes approval in department level(s)</li> <li>- The committees are formal groups that members have the right to vote</li> <li>- All Processes are written and regulated</li> </ul>
The possibilities of applying a change to the decision-making process & approach	<ul style="list-style-type: none"> <li>- In the decision-making approach itself, there can be no change</li> <li>- In case of freedom, it is understandable from regulation</li> <li>- In the process of decision-making itself, there could be some possibilities to implement changes like change the amount of thresholds</li> <li>- The change should be approved the by higher levels</li> </ul>
The approach of decision-making in urgent/emergency times and crisis	<ul style="list-style-type: none"> <li>- Put on hold on decision-making process if need more investigation</li> <li>- Strict regulations (over-regulation) after the crisis 2008-2009</li> <li>- In COVID-19 pandemic, they ease the condition of repayment for the clients who already had a contract with EXIM and some conditions of the moratorium changed</li> </ul>

	- They settled a COVID committee to deal with the operational issues that were hard to put in the regular operational committee
The Limitations in the way of effective decision-making	- Regulation - Information - The people who are participating in decision-making process
The important factors for effective decision-making	- Prudentiality & transparency to reach the goals - Balance between time and deepness of information
Effective Implementation of decisions	- Decisions should be clear, exact, and made with correct procedures with less complexity - Skilled employees

Source: Author's drawing

#### 6.4 Summary of the Interviews' result in the banks in Hungary

Summary of the Interviews' result in the banks in Hungary is given in Table 4 by showing it separately in each theme. The processes of decision-making in banks are almost the same. However, there are some differences in the case if they are Hungarian-owned banks (local banks) or foreign-owned banks. In local banks usually, there are three levels of decision-making: Four-eyes approval at the department level, decision-making in the credit committee, and the board committees. However, in the case of foreign-owned banks, in 3 banks out of 4, there are usually two more levels of decision-making that are the credit committee and the board of the mother bank. However, in the other foreign-owned bank (Dutch one) it was different. They have a mandate table that bases on the level of credits, the level of decision-makers changes. Only in the higher-level approval body, there is a committee. On other levels, the four-eyes approval is applied (for each mandate the identified person from the front office and his/her peer from the risk management office decide together). This bank is the only bank where a laissez-faire style of leadership is followed there. Others have participative or between participative and autocratic leadership styles.

In banks same as EXIM, the organizations are so regulated and they should follow the regulation given by Hungarian National Bank. All the decision-making process is detailed in written materials. Therefore, applying change is really hard and if it is necessary, they should follow a formal process to get approval from higher levels in the bank, the mother bank in case of a foreign-owned one, and the Hungarian National Bank which is so time-taking. However, at bank 7, they are more flexible to change because they follow the Dutch culture. However, in case of an emergency, in different banks different solutions like setting emergency committees, having more meetings at a certain time, delegating authority of decision-making to lower-levels if regulations allow, prioritizing the decisions, and speeding up the process of preparing documents. In response to the COVID-19 crisis, the home office was in place for banks, managers and employees have had more collaboration, and they pushed to improve the digitalization in the organizations. The banks that already had home office facilities and were more digitalized were faster and more successful to change to the virtual form of work.

By looking at last three themes, the factors that affect decision-making in the banks in Hungary can be categorized into: authority of decision-making, bureaucracy, time, information, technology, integrated system, regulation, budget, digitalization, human-related factors (skills, knowledge, and decision-making willingness), simplicity, standardization, evaluation and control, clearness, and organizational culture.

**Table 4: Summary of the Interviews' result in the banks in Hungary**

The themes	The result's summary
The general process of decision-making and the authority of decision-making	<ul style="list-style-type: none"> <li>- The matter of decision-making is a hierarchy issue that is based on the thresholds</li> <li>- They have group decision-making in the shape of committees and four-eyes approval for decision-making</li> <li>- The committees are formal groups that members have the right to votes</li> <li>- The decision-making process is written in detail and highly regulated</li> <li>- Local Banks: The decision-making levels: 1. Four-eyes approval, 2. Credit Committee, and 3. the board committee</li> <li>- Foreign-owned banks (except bank 7): have two more decision-making levels: credit committee at the mother bank level and the mother bank's management board level.</li> <li>- Bank 7: 3 levels based on four-eyes approval (local, regional, and global) and in the credit chain, only the higher-level approval body is the committee</li> </ul>
The possibilities of applying a change to the decision-making process & approach	<ul style="list-style-type: none"> <li>- Because of regulation, implementing changes is difficult. There is strong control.</li> <li>- If there is flexibility it is also written in the regulation</li> <li>- Changes should be approved by the higher levels</li> <li>- The approval of the Hungarian National Bank is also necessary</li> </ul>
The approach of decision-making in urgent/emergency times and crisis	<ul style="list-style-type: none"> <li>- Solutions in urgent situations ( just in the conditions that regulation allows): emergency committees, have more meetings in a period, delegating the decision-making to lower levels, prioritize the decisions for a specific reason, to speed up the process of preparing documents</li> <li>- Solutions in COVID-19 time: home offices and virtual meetings were possible, more cooperation and collaboration among managers and employees, were less business-friendly, rules were more conservative, the loan decreased, and some policy papers changed a bit</li> </ul>
The Limitations in the way of effective decision-making	<ul style="list-style-type: none"> <li>- Regulation</li> <li>- Time and Low speed</li> <li>- Bureaucracy and lack of authority at lower levels</li> <li>- Not willingness to decision-making</li> <li>- Lack of decision-making ability</li> <li>- Lack of Budget</li> <li>- Too much requirements from clients</li> <li>- Others: being in line with standardization, complexity of the process and not having enough measurement</li> </ul>
The important factors for effective decision-making	<ul style="list-style-type: none"> <li>- Data and information</li> <li>- Knowledge</li> <li>- Clearness in every aspect</li> <li>- Supportive workplace culture and an inclusive environment where people's voice is heard (Organizational culture)</li> <li>- Clearness, quality, and simplicity of proposals</li> <li>- Delegating more authority to lower levels</li> <li>- Technology and well-integrated systems</li> </ul>
Effective Implementation of decisions	<ul style="list-style-type: none"> <li>- Clear, simple, and convincing decisions</li> <li>- Skilled employees</li> <li>- Working speed</li> <li>- Digitalization and high technology</li> </ul>

Source: Author's drawing

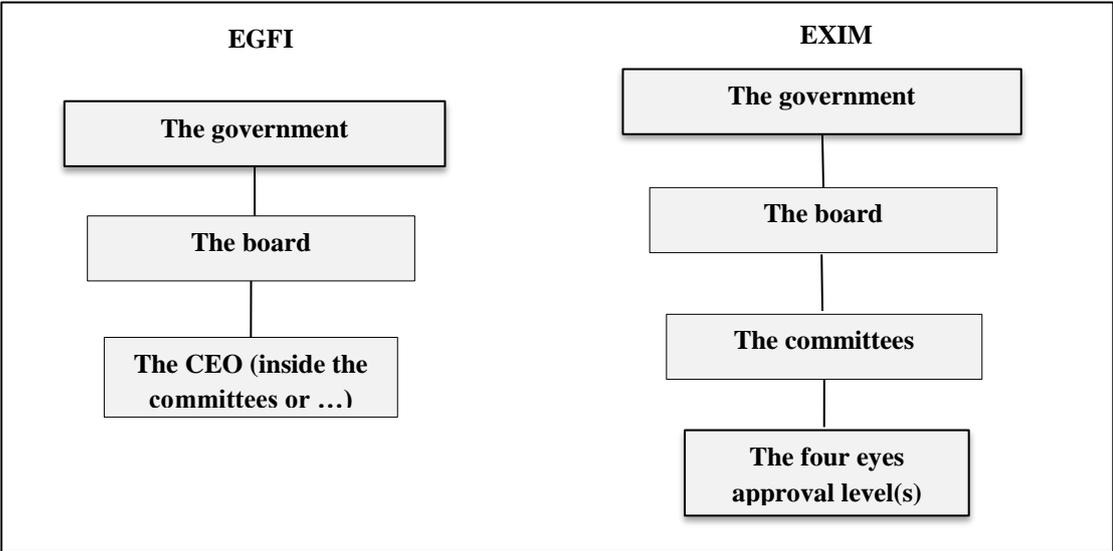
## 7. Discussion

In this section, the summary of discussion on the result is given in five main subchapters.

### 7.1. General decision-making process and its characteristics in the ECAs and the banks

In all the interviewed organizations in this study, the matter of decision-making is a hierarchy issue that based on the thresholds, the level of decision-making changes. The higher limit is approved by a higher level in the hierarchy. According to Gianturco (2001), in the ECAs, the

main decision-makers usually are the credit committee, board of directors, and government bodies which is somewhat approved by the result of this study as well. However, between the two countries of Iran and Hungary, there are some differences. In Iran, although, the committee is existed and is taken seriously, it does not have a legal position and its existence depends on the decision of the CEO and the board. In this committee, except the CEO, other members of the committee do not have decision-making authority. In the case of Hungarian ECA, in addition to those three levels, there are some more levels at the bottom in the shape of the four-eyes principle which is influenced by the regulations in Hungary for credit institutions that individual decision-making is not allowed and at least two persons should approve the decision to be made which is also seen in the Hungarian banks. However, none of the interviewees in Iranian banks mentioned this principle in their decision-making process. In Iranian banks, it seems that credit decisions are hierarchically made in the committees. In both countries' ECAs, the higher level of decision-making is the government bodies. However, in Iran, none of the interviewees mentioned that the government makes decisions on the transactions, only if it is an obligatory task but in Hungary after some limit, the government would decide on the transactions. The summary of the authorized decision-making levels in two ECAs is shown in Figure 2.



**Figure 2: The authorized levels of decision-making in ECAs in Iran and Hungary**  
 Source: Author’s drawing

In the ECA in Hungary, although the middle managers and the lower levels have more authority than the Iranian ECA, the higher-level managers are still more involved in this respect. The more formally participative decision-making process in Hungary is mostly due to the regulations defined for them. However, in Iran for the ECA as most of the authorities are delegated to the CEO and the Board, so at the CEO level, he/she can be flexible with the approach, and choose to decide with or without the committee. However, in Iranian ECA, in the unofficial process of decision-making, the approach is way more democratic than the official process and middle managers’ votes count (unofficially) for the CEO’s final decision. However, in the banking system in Iran, decisions at all levels are made in the committees with all the main members having the right to vote.

In Hungarian Banks, the decision styles are not so much different from the Hungarian ECA; the decisions are made in committees or in the shape of the four-eyes principle. However, in the case of local banks, the highest level of decision-making is not the government but the board of directors. In the case of foreign-owned banks, it is the board of

directors in the mother bank. Unlike the local banks and three out of four foreign-owned banks that most of the decisions are made in the committees, in one of the banks (the Dutch one) most of the decisions are made in the four-eyes approval levels and only the higher-level approval in credit chain is in the shape of the committee.

The individual decision-making in Hungarian credit institutes and banks in Iran is not done and in Iranian ECA is not favored, as with group decision-making using different knowledge, brainstorming, more accurate decisions, less error, and more control are more guaranteed. However, group decision-making whether in the shape of committees or the four-eyes principle, may not be a real solution for avoiding corruption. Another questionable issue about group decision-making in both countries could be that according to the GLOBE study, as the social collectivism cultural dimension in both countries is not high but the in-group collectivism for Hungary is relatively high, and in Iran is high (Bakacsi et al., (2002) & Dastmalchian et al. (2001)), the decisions might be made with the interests of people in power. However, in the case of delegating authority to individuals, personal accountability matters.

According to interviewees, the Leadership style in the Hungarian ECA is collegial, in most of the banks in Hungary is much more participative or between participative and autocratic except in the bank 7 is much of a Laissez-faire style; in Iran, in banks, it is participative or autocratic (depends on the bank). However, in the Iranian ECA, in a formal way, it tends to be autocratic, and in an informal way, it is more participative. Accordingly, it seems, it is between autocratic and participative. However, According to the Vroom-Yetton (1973)'s categories for decision styles, the group decision style in Hungary is highly democratic as the managers allow the group to decide. Nevertheless, according to the hierarchical structure of Hungarian ECA, and as the power is shared mostly in higher levels in Hungary, on average, the tendency of a top-down approach is felt in Hungary. Accordingly, although inside the group is highly democratic, among the layers it may be somewhat autocratic. In my understanding, the reason for being hard for some interviewees to put the leadership style of the organizations in one category was the above debate. In Iranian banks, also is somewhat the same story.

In banks that are not specialized for export credit activities, usually, export credit-related decisions are made at higher levels that it is usually above the limit of lower levels' authority. Decision-making in export financing activities faces several difficulties. Some are as follows:

1. These activities are large deals that often require a high level of approval in a hierarchy.
2. The process is lengthy and time-consuming.
3. There is the involvement of numerous stakeholders, including exporters, banks, ECAs, foreign buyers, and others.
4. These activities are directly susceptible to political issues and international relations.

In addition to the mentioned difficulties, due to the nature of ECAs to be the government instrument to support export and simplify the process for exporters, maybe the higher levels that are closer to the government bodies would know better about the policies. Accordingly, the logic behind why in ECAs, delegation to lower levels is not favored is understandable as the export credit and financing activities are considered high risk, and with high-valued deals decisions in this concern are preferred to be made at higher levels. However, ECAs are specialized in these services, so their approach should be different from the other financial institutes where their focus is not on these services. According to Drucker

(2001), decision-makers frequently make the error of treating a generic problem as if it were a special and exceptional one, which can result in “frustration and futility”. Accordingly, for generic issues may be no need for complicated meetings and too much bureaucracy and let it be decided in the middle-lower levels to be fast and better responsive to the clients. Although in banks (especially in Iran), the matter of export credits may be considered an exceptional one, for ECAs, it is a generic issue unless in a case of unusual situations. Accordingly, it should be dealt with it like a ‘generic’ decision. Accordingly, close relations among the whole organization are recommended and in choosing the middle and lower levels also it could be good to consider the abilities of decision-making and ownership spirit to allow and accept the authority for smaller cases like the short-term services. However, as individual decision-making is not favored in ECAs, the four-eyes principle can be a good solution.

## **7.2 The flexibility to apply change to the decision-making approach in ECAs and the banks**

In the samples of this study, initiating, deciding, and implementing change is not impossible but very challenging. Accordingly, initiating it from the lower or middle levels is not favored as they don’t see it very resultant and practical. However, initiating change from the highest approval level like the regulatory authorities such as Central Banks and EU level authorities is a different issue. Accordingly, in state-owned ECAs or over-regulated financial organizations like banks, initiating change is not favored which should be taken to notice by the senior levels because lower levels are the ones who are on the front side of the business and have access to most of the soft information. In addition, the role of government in the decision-making approach of the ECAs is very important. Whether it is a routine decision-making activity or in case of unusual issues like urgent cases, crises, or need for a change, the government’s role is significant in decision-making and generally managing ECAs specifically a government-owned ECA.

In all samples of this study except bank 7 in Hungary, it was seen that flexibility to change in the decision-making process is very limited. This inflexibility is usually because of the regulation, strict control, tendency to centralized structure, and the high bureaucratic level in these organizations. According to Cummings and Worley (2015), bureaucracies include a number of characteristics that are more pronounced in government organizations than in private ones, including departmentalization, vertical decision-making processes, and numerous formal procedures and rules. In these organizations, a big part of regulations are defined by the governmental authorities, and in the case of Hungarian ECA, some part of regulations are defined by the EU or OECD. These regulations usually are not flexible; for a change in them, approval is needed from those levels. Accordingly, change in them is realistically not very much possible unless there is a critical situation like COVID-19 pandemic. However, the internally defined regulation can be usually more flexible with the approval of senior levels of the organization. In a centralized organization, as much as the layers between the highest level to the front side are more, getting approval is harder.

In the samples of this study, in most cases, flexibility is not allowed and the few allowed cases in the regulations should be approved by senior levels (in the organization or the government bodies). Because of the long process of approval, initiating change may not be very practical, resultant, or desired. However, the power of decision-makers can be greater in the Iranian ECA because of the person-orientation in the organization (Change of decision-maker can change the approach). In this case, the choice of decision-makers is more crucial as unqualified decision-makers can make the whole system ineffective. In Iran, “due to high in-group collectivism and power distance, rules are typically written to protect the interests of

those in power” (Javidan and Dastmalchian, 2003, p.134) and the Iranian organizations lack rule orientation as a result of confusing and regularly changing rules that can disturb the long term planning. However, in the Iranian banking system because of the number of banks and the integrated regulatory system between banks which is defined by the Central Bank of Iran, decision-making is more systematic than the Iranian ECA that follows its specific regulation. However, in Hungary, both EXIM and banks seem to be very system-oriented. According to EXIM Regulatory Environment (n.d.), EXIM should follow related rules by the EU, OECD, restrictive measures (sanctions) adopted by international organizations and the USA, and WTO agricultural regulation in addition to the local and internal regulations which make it more systematic, strict, and regulated than Iranian ECA (EGFI). Accordingly, in EXIM, being flexible is logical to be harder than EGFI. Although, generally, being person-oriented harms long-term planning growth, in the short term more flexibility can be achieved. The balance in flexibility can be achieved by a balance between system and person orientations.

The other important issue in ECAs and banks in countries like Iran where the political and economic situation is not stable is that they may have to implement some changes in the decision-making process or the operations. In unstable countries like Iran, unpredictability can be a common issue. Even their roles and activities can change due to economic and political changes such as the ECA in Iran which had to take care of some banking activities or banks’ activities became limited in export finance due to the sanctions. Obligatory task by the government is another issue in ECAs that the decision-making can face some unusual situation which again shows the strong footprint of the government. Although it should not be forgotten that ECAs are the government’s instrument, their footprints should not cover the whole organization. In both countries, whether it is occasionally obligatory tasks by the government or inevitable change based on the economic and political pressures that even may have permanent influence, it is usually obliged by higher levels of authorities at the country level or EU level authorities (depending on the country).

### **7.3 The decision-making process in urgent/emergency, or crisis times in ECAs and the banks**

In general, flexibility in the decision-making process is not common even in cases of unusual or crisis times. However, there may be little flexibility if allowed in the context of regulations or if the highest authorities such as government authorities, the EU or Central Banks oblige some modifications temporary or permanent in regulations to the organizations. In response to urgent, unusual, or crisis times, setting emergency committees, having more meetings at a certain time, delegating authority of decision-making to lower-level if regulations allow, prioritizing the decisions, and speeding up the process of preparing documents and some other solutions could be possible only if the regulation allows or the decision-maker has the authority in deciding about that. For example, in the conditions when urgent meetings are allowed in the regulations, they can make it. In the Hungarian ECA, for example in case of the need to investigate better for a decision, they can put on hold the decision-making process to find a proper solution. In the case of Iranian ECA, as the CEO has the authority to define the decision-making approach, then he/she can decide whether it is needed to have urgent meetings, no meetings, have it in other shapes, or with limited people and .... As much as the structure would be more system-oriented and standardized, the regulations would define every little aspect of the decision-making process, however in a more person-oriented system the power of decision-makers whether it is the senior levels or the government bodies is considerable in this respect. However, it is again a matter of regulation as it defines this power for the decision-maker. In the Hungarian ECA, as it has a more integrated decision-making system followed by the Hungarian financial institute’s norms and rules in the delegation of decision-making authority, it can be less flexible in decision-making but follows a more clear

and straightforward approach. Some unified rules regarding authorization in financial institutions especially the government-owned ones somehow make the change harder in this respect as mostly it is not the concern at the organization level but the country level. For example, in the crisis, flexibility in some repayment conditions was in place due to the command from the authorities at the country level or even the EU level.

Individual decision-making may prove highly effective when time is constrained, making it a preferable solution in urgent situations. Consequently, within smaller organizations such as the Iranian ECA, the CEO's ability to make individual decisions seems to efficiently address urgent matters. In larger organizations, relying solely on the CEO's individual decision-making may prove less efficient, given the inherent limitations of one person's time and energy. In such cases, a more distributed decision-making approach across various organizational levels may yield greater efficiency. However, in the case of a crisis, Interviewee in bank 7 in Hungary mentioned that a laissez-faire style of leadership is not effective and the more autocratic way works better in this case. More centralized structures of organizations usually follow the autocratic leadership style and in case of crisis, a centralized structure is preferred because in this structure more control and courage are ensured by higher levels, of intuitive decision-making is more possible, and faster policy-making is possible which is needed in the critical times as crises.

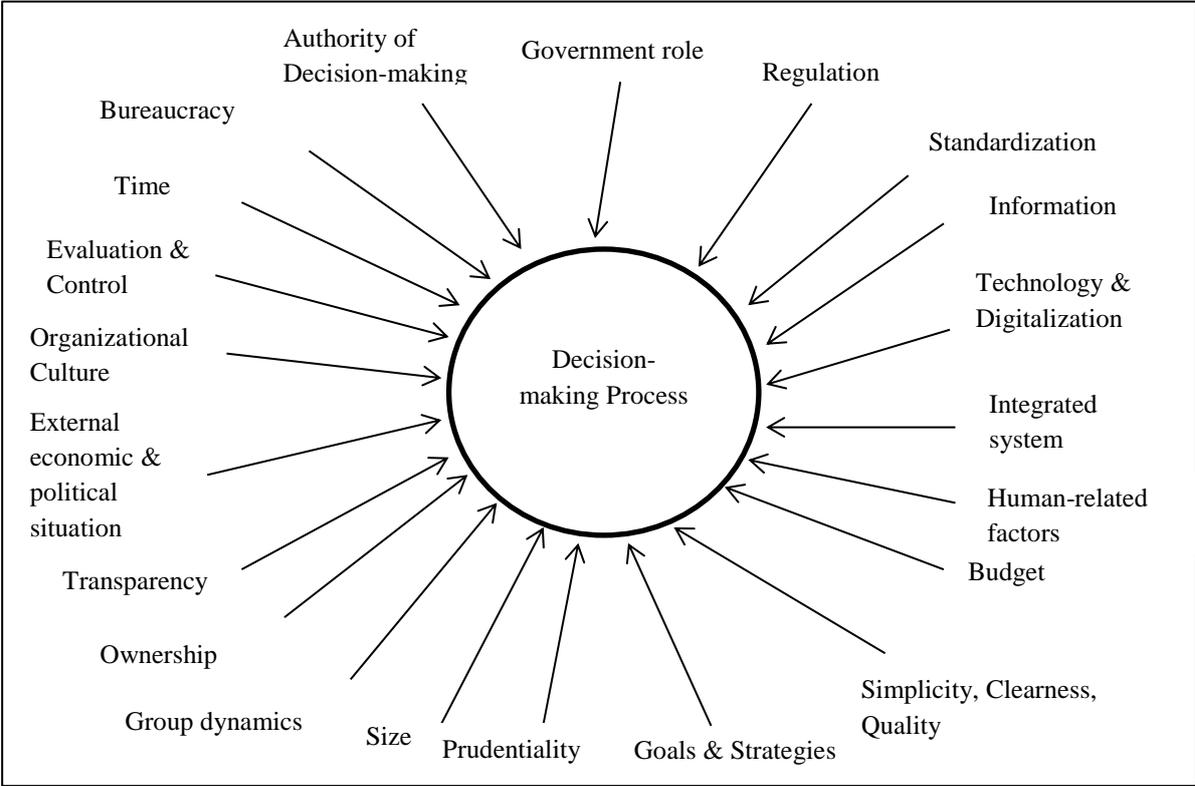
The crises sometimes have long-lasting effects on ECAs or other credit institutions. For example, the over-regulation mentioned by EXIM's interviewee after the financial crisis in 2008-2009, the changing role of the ECA and banks in export financing in Iran after the international sanctions on International trade and economy, and general technological shift after COVID-19. Regarding the changing role of ECAs after crises, ECAs should not forget their main aim and as Smallrigde (2021) noticed, after the crises, it is essential that ECAs remember to stay in their specific lanes, principally acting as a catalyst for global recovery.

Finally, being well-prepared across various dimensions, including technology, finance, and politics, is of utmost importance for both ECAs and banks, particularly in light of potentially disruptive crises. In the COVID-19 pandemic, for instance, organizations had to swiftly adapt to new circumstances, such as the shift to remote work, virtual meetings, and other technology-driven solutions. Notably, organizations that foster a culture of collaboration, rapid response, and digitalization are more likely to succeed during crises by being one step ahead. Especially where flexibility in regulation is not allowed and expecting to change the regulation may not be realistic, the organizations should be innovative and find other solutions to make the process faster for example by investing in technology and well-integrated systems. For example, the issue of 'time' was mentioned many times by interviewees and one of the solutions to be faster is to be decentralized. However, it may not be realistic to expect this will be implemented. However, the decision-making process is not only the phase of making a decision, but many phases existed before and after that. Fastening the process can be done by developing technology used in the organization. Finally, it is important to develop the culture of the lesson learned after a crisis or an urgent time to be able to face a similar future critical issue closely like a generic issue.

#### **7.4 Effectiveness of the decision-making process and its limitations in the ECAs and the banks**

As the factors found in the last three themes are very interrelated, in this subchapter, the effectiveness is discussed by combining the last three themes. The factors affecting decision-making effectiveness founded by the result of this study are shown in Figure 3 and are as

follows: the authority of decision-making, government role, bureaucracy, time, information, technology and digitalization, integrated system, regulation, budget, goals and strategies, human-related factors (skills, knowledge, experience, courage, decision-making willingness, viewpoints, being available and devoted), ownership, organizational size, evaluation and control, group dynamics, external political and economic situation, simplicity, clearness, quality, prudence, transparency, standardization, and organizational culture.



**Figure 3: Influencing factors on the effectiveness of decision-making in the ECAs and the banks**

Source: Author’s drawing

In the following, this topic separately for Iran and Hungary is discussed.

**7.4.1 Effectiveness of the decision-making process and its limitations in the ECA and the banks; and the possibility for improvement in Iran**

In Iran, group decision-making is valued by the interviewees to use different opinions, knowledge, and points of view. Decision-makers should be people who have knowledge and working experience in the related area. It is accurate also for the employees who are preparing the information and material for decision-making and also in implementing the decisions made. Therefore, the role of Human Resource Management is crucial. In addition, decision-makers should be brave, committed, and decisive in decision-making. They should be able to make decisions and at the same time should be precise. The control from supervisory bodies should be balanced. Although it should not take the courage of the decision-makers, they should apply active supervision for all the phases in the process continuously to make sure the balance between business and mission is considered.

Maybe it is better to give more authority to middle managers and reduce the hierarchal system in the decision-making process because the government effectiveness in Iran is not so

high. So, to decrease the effect of economic and political instability on the performance of the organization maybe it is better to be less centralized in decision-making. They can apply the four-eyes approval in Iran as they are doing in Hungary and decrease the centralization in decision-making. For a smaller amount, maybe the head of the related department together with the head of the risk management department can decide. It avoids deciding based on personal taste, and orientation, and it helps investigate it from both sides of risk-taking and risk-averse. It can increase the speed and probably can also decrease the pressure that may be on the shoulders of senior managers. Considering the fact that the Humane Development Index (HDI) in Iran is 0.78 and in Hungary is 0.85 in 2020 (UNDP, n.d.), it shows from the human resources side in Iran like Hungary, by effective human resource management, the government can count on the capability of their employees and managers.

Therefore, they can ease the process of decision-making and be less dependent on the government. When the speed of decision-making increases and the regulations are eased, then the number of clients can increase. They can improve the commercial side of the organization. The budget will increase and their dependency on the government decrease and this can make them more powerful in the industry. It can be like a butterfly effect. Maybe it will be not considered important in a small-sized and state-owned organization; however, easing the process and improving the process can lead to growing the business productivity of the organization. On the other hand, the importance of the goals, strategies, and mission of the organization should not be underestimated in all phases of the decision-making and its implementation. There should be a balance between the business mindset and the mission mindset of the organization. However, the strategies and goals should be applicable and easy to implement. Finally, the importance of information systems, technology, digitalization, and integrated systems should not be underestimated in the growth of these organizations.

#### **7.4.2 Effectiveness of the decision-making process and its limitations in the ECA and the banks; and the possibility for improvement in Hungary**

In Hungary, the majority of the interviewees stated that decisions should be clear, simple to understand, accurate, exact, and made using the proper methods with less complexity. Consequently, it will be clear for both decision-makers and executives what should they do. Accordingly, the clearness in information, rules, understanding of rules, expectations from both sides of the customer and the bank, and proposals prepared for decision-making make the process more effective. The decision-making process should be straightforward and well-defined, with the decision's goal taken into account at every stage. So that the outcome can more readily achieve the goal.

It is essential to have skilled, eligible, and well-knowledge decision-makers and employees. The people involved in the decision-making process have a significant impact on the outcome. However, to hire and keep such staff, the organization should be able to pay a good salary which means they need enough amount of budget. Besides, in case of a Budget shortage, enough staff cannot be hired. Accordingly, each person will be overworked, which could reduce their productivity. Accordingly, any organization needs to be accessed with enough amount of budget whether it is from the government or the organization's income. However, in real life, government budget and support are limited and can be received with high control and limitations. Accordingly, even for public organizations, it is important to have sufficient income. Income comes from the clients. To be able to attract more clients, the contracts should be with desirable conditions with the least possible paperwork and bureaucracy and high speed of work. In the case of low-speed and overregulated processes, clients would prefer other organizations that have this competitive advantage. Financial

institutions should be able to have the flexibility and some room for maneuver in their regulations when needed, even though the overregulation was put in place more strictly after the crisis during the years 2008–2009 as a defense mechanism to protect them from the significant loss they faced and to prevent future loss. To make decision-making more rapid and simple, unnecessary details in the regulations might be reduced. Some interviewees also mentioned that it might be preferable if lower levels of authority could be increased and the level of bureaucracy already in place could be reduced to increase speed, particularly in the case of foreign-owned banks where the mother banks are in another country and they need the approval of the mother banks.

Data, information, and knowledge are also regarded as crucial components of an efficient decision-making process. It is important to have access to a good quality and reliable database. However, it can be easier to access and evaluate with digitalization, advanced technology, and well-integrated systems within the organization and the industry. In other words, an integrated IT system is preferable than multiple independent ones in organizations' departments and amongst financial institutions that have access to more artificial intelligence and Blockchain technologies make it possible. However, people who are involved in the information-related process and people who are using the information all affect how information affects the quality of the decisions. However, time is needed to collect and interpret the information carefully and with fewer errors possible. On the other hand, as it was told, clients are looking for a fast process of issuing their contracts. Accordingly, there should be a balance between time and correct information. In this case, there can be relative satisfaction between the business or front side and the risk management side of the organization. However, sometimes in state organizations, keeping the balance can be challenging because of the importance of prudentially, transparency, and fulfilling the requirements.

#### **7.4.3 The role of government and regulations as important limitations in the work setting of ECAs**

Most of the limitations are interrelated with each other. Most of them are related to or as a consequence of the regulations and government behavior, such as the lack of authority, not willingness to have authority, bureaucracy, supervisory bodies from government, government intervention in decision-making, and weakness of regulations in the country by the ECA in Iran; rules and unstable economy by banks in Iran; over-regulation and prudentially in EXIM; rules and regulation, the existing bureaucracy, lack of authority at lower levels, lots of collateral, being in line with standardization, and not willing for simplifying the process by the banks in Hungary. However, some other limitations sometimes can be a consequence of regulations and the role of government or the supervisory bodies. For example, recruiting senior managers in state-owned organizations depends on the authorities in power. So the factors related to senior managers sometimes can be correlated with governmental factors. Even factors like the technology or information in some cases could be related to the regulation in a country for example inaccessibility to banking information of the clients or not being able to use the blockchain technology can be due to the restriction in regulation.

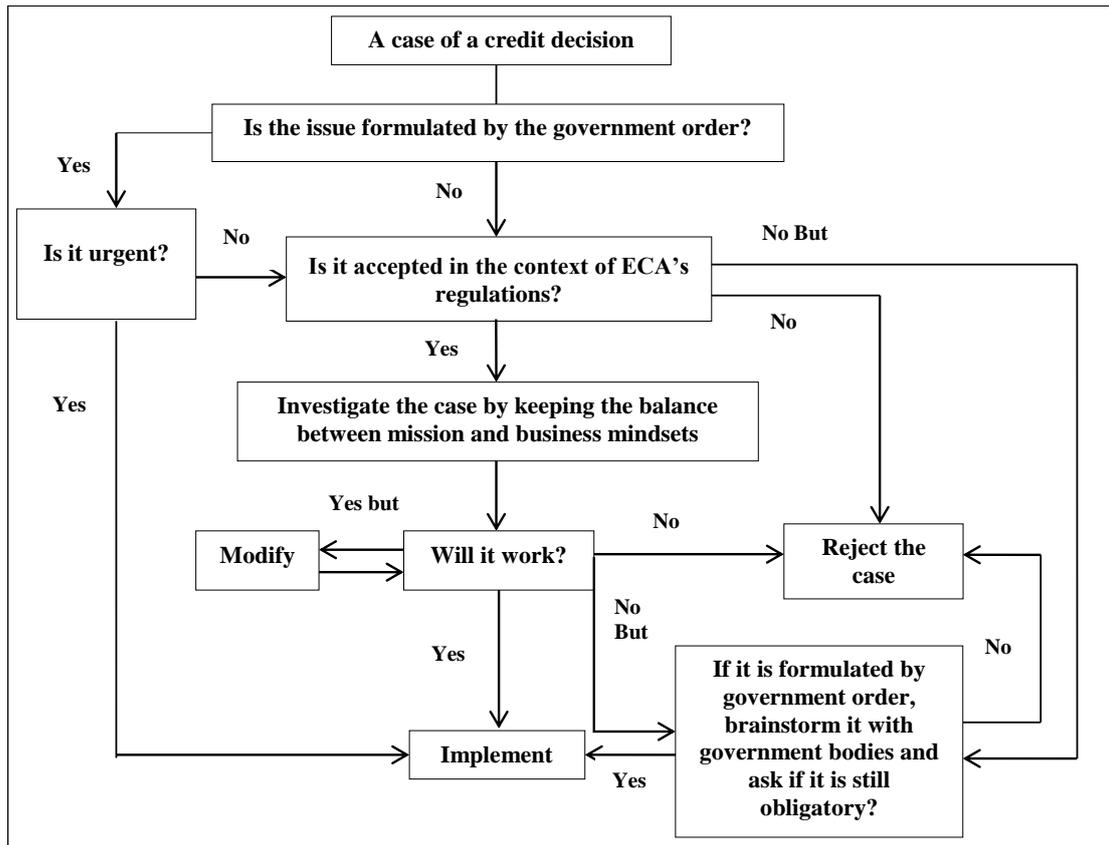
According to Gianturco (2001) and Ray (1995), ECAs are 'flexible instruments of national policy' As it seems that government intervention in the decision-making of ECAs especially the government-owned ones is inevitable especially where they have a political or national interest, their intervention should be effective and efficient. For example, related government bodies (Ministries, supervisory bodies, and other authorized bodies of government in ECAs) should have a clear understanding of ECAs' operations and their act

should be in harmony with ECAs' nature which in Iran it seems that there is a lack of this clear understanding from the government side. However, government seems to have two sides in the ECA in Iran. One side is the shareholder bodies who are giving the obligatory tasks which sometimes may not be acceptable in business and profitability aspect (although in ECAs as an instruments it can happen, it should be limited); and the other side is the supervisory bodies or inspectors that they will evaluate the ECA in the business and profit and loss aspect which may not be too much proper criteria to judge a state-owned ECA's performance like EGFI. It seems that these two are not in harmony and are not in balance. Accordingly, there is a critical need to be a balance between these two sides.

The other issue of their intervention is in choosing the decision-makers at the top levels. Managers at governmental organizations must be receptive to the government and adhere to its interests. People are frequently selected for positions in governmental organizations based on traits like loyalty and political connections (Williams, 2012). So they may not necessarily be chosen based on their related skills and their organizational qualifications. ECAs having their unique nature, need managers and senior levels that have the clear understanding and competency to manage these organizations.

However, government intervention is not always a negative aspect. The government can fill the gap in the lack of capital or lack of information that usually is not easy to access by the private-owned organizations (Dawar, 2020). However, effective and efficient intervention is needed. They probably better to decrease the intervention in decision-making authority but keep the aid when needed by ECAs as well as invest on Human competencies in ECAs. As Gianturco (2001, p. 97) noted, "autonomous, high-quality management seems to be a key factor in the success of export credit, guarantee, and insurance schemes" and the purpose of ECAs shouldn't be to support exporters frequently to "poor payers" or inefficient industries.

In this section, I formulated a model to explain how the government's obligatory tasks can be implemented differently, by using the most important decision in ECAs as an example which is to decide whether they should insure, finance, or give the guarantee to the clients which is usually called the credit decision. ECAs can investigate the government's obligatory tasks in a more active behavior by this model. Figure 4 explains the suggested model for the credit decision-making process in an ECA by considering the government's obligatory tasks. This model is formulated by the author and it is influenced indirectly from the structure of the recognition-primed decision-making model mentioned in Klein (2008)'s study. To design a simple decision-making model for an ECA by considering the government's obligatory tasks, it is important to consider here that the matter of decision is about the normal credit decision or government order. Here, it is shown that in the case of a government order, realistically there may not be a matter of decision-making in the ECA but already decided one by the government. However, even in this case, depending on how urgent is the case, it could be treated differently. The model suggests that if it is urgent, then the case directly could enter the implementation phase after some office paperwork, but if it is not urgent, it is suggested to be investigated like a normal case and be checked in the matter of regulation, mission and business perspectives. If it is approved then can be implemented, but if not approved then it should be brainstormed with the government bodies to see if they still oblige to its implementation or not by considering the situation. In normal cases, if the case is competent under the ECA's regulations, it should be investigated based on the combination of mission and business mindset approaches by using professional analysis. If the case is approved, then it can be covered, and if not then it can be rejected. However, in some cases, after some modifications, they may accept it.



**Figure 4: Decision-making model of a credit decision in ECAs by considering the government's obligatory tasks**

Source: Author's drawing

While in Iran the government or the supervisory bodies would seem to be the most important factor to limit the decision-makers, in Hungary, regulations are considered the most important one as in some cases it is over-regulated. According to EGFI's Management Law (n.d.) and EXIM Regulatory Environment (n.d.), the regulation of managing EGFI is domestic but in EXIM, in addition to domestic regulations, some international level regulations also should be followed that can make the decision-making process more complex, less flexible, but more structured and unified specially at the EU level. According to interviewees, in the banking system in both countries, in addition to the internal regulations, the regulations defined by Central Banks in the countries should be followed. Accordingly, EXIM and banks seem to have much more complicated regulations and accordingly perhaps less flexible than EGFI. By considering this and mentioning regulation (and sometimes over-regulation) as a limitation many times in Hungarian samples, it seems that regularity authorities in Hungary might be better to make some modifications to ease some regulations, especially for unusual cases (where more creativity and flexibility needed) by making it more flexible. However, it is interesting that according to the ease of getting credit index and ease of doing business index reported for Hungary, in general, the regularity environment does not seem to be unfriendly to getting credit and doing business especially compared to Iran (doing business, 2020a,b). Accordingly, being regulated is not necessarily against being business-friendly. Effective and well-defined regulations can make the business condition clearer and more structured at usual times. Although clearness is needed for effective decision-making but it does not mean to be over-regulated. Another issue about over-regulation is how much being totally regulated is realistically applicable in the real business world. A simple example can be when there is need to take action for an urgent decision that may not be defined in the regulations. As in

some cases, there will be a need for the government bodies to allow it, it will lose the urgent nature and the late change or command will not be effective and efficient for a case. For unusual times, the more flexible and less structured one may be more efficient as expected to have more place to maneuver. Both the regulators and supervisory bodies should be the ones who have enough insights into the ECAs' operations, their specific nature, aims, and the international markets. However, as not everything is predictable and the world always has a surprise for businesses (like the COVID-19 crisis), flexibility and maneuvering in regulations should be allowed in specific issues. Flexibility in the samples was not mostly about the authorization but was about the operations or the number of meetings or the shape of the meetings and so on.

### **7.5 Model to describe important factors influencing decision-making in export credits**

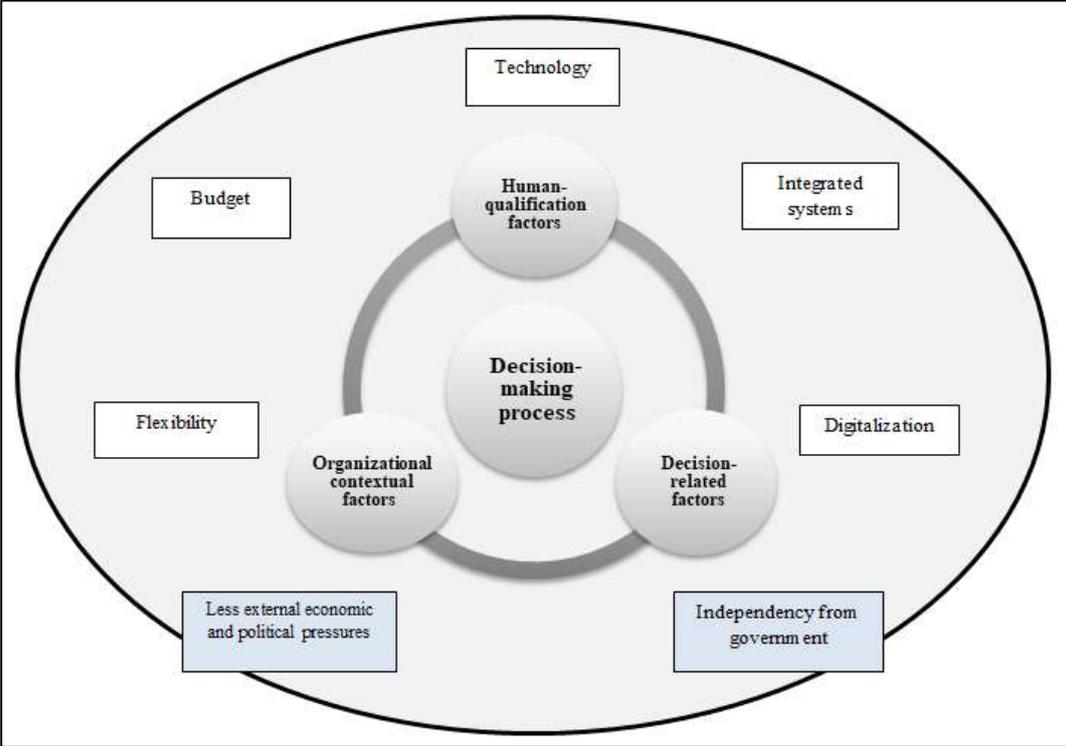
A combination of the results from all samples can reach the model that can be applied for Export Credits whether it is an ECA, insurance company, or bank. It should be considered that the weight of the factors can be different in each named organization. However, it is not the concern of this study but it can be investigated in future studies. By analyzing all six themes together and the concepts, I have developed a model to describe the factors influencing decision-making process in export credits in Figure 5 that provides a more structured and comprehensive framework compared to Figure 3. I categorized all concepts together into 3 main categories and another category which I called 'Amplifier' factors that affect the quality of influence of those 3 main categories on the decision-making process. This categorization allows for a more structured approach to assessing and improving decision-making. The naming of the three main categories is influenced by Hensman and Sadler-Smith (2011)'s study about intuitive decision-making in banking sector. The three main categories are as follows:

1. *'Decision-related' factors*: Information, simplicity, clearness, quality, time, aligned with goals and strategies
2. *'Human-qualification' factors*: Human-related factors like people's skills, experience, viewpoints, knowledge, courage, decisiveness, being available and devoted, willingness to make decisions
3. *'Organizational contextual' factors*: Regulations, the authority of decision-making, distribution of power, hierarchy, bureaucracy, group dynamics, prudence, transparency, standardization, ownership, size, organizational culture & leadership style, evaluation and control

In addition to the three categories of factors mentioned above, the 'Amplifier factors' which are budget, flexibility (in regulations and decision-making approach), technology (ex: Blockchain and artificial intelligence), integrated systems, digitalization, less external economic and political pressures, and independency from government. Amplifier factors can be considered a competitive advantage for the organization. The combination of the three categories and the amplifier factors are shown in Figure 5. This figure, provide a visual model that illustrates the factors influencing the effective decision-making process. The 'less external economic and political pressures' and 'independency from government' factors are shown in the different colors and on the line of the circle. The reason to show them like that is because these factors seem to be more important and have stronger daily effects in Iran than in Hungary. Accordingly, it can be concluded that in less developed countries, these factors should be more taken notice of.

Depending on the context that is used and how it is implemented, these factors can be considered a limitation or a factor to increase effectiveness or efficiency. It is important to

keep the balance by considering all the factors significantly. The factors are influencing each other like a chain with a circle effect.



**Figure 5: Model to describe the factors influencing decision-making process in export credits**

Source: Author edition from Alamian & Balaton (2022)

**8. Conclusion and recommendation**

Based on the limited knowledge and lack of prior studies in the area of export credit agencies’ decision-making approach, the inductive qualitative approach is selected and it has been followed in all the processes of this research. Accordingly, there were not any predefined codes or categories. Codes were generated based on the data collected from the interviews. Based on the literature reviews, research questions are defined and accordingly, the interview questions are designed. I collected the interviews from different organizations in different time zones. The prior scope of the study was the ECAs in Iran and Hungary. However, in the process, more information from the industry was needed. So, I added some banks to case studies in Hungary and Iran. To analyze the data I reached 6 main themes: ‘the general process of decision-making and the authority of decision-making’, ‘the possibilities of applying a change to the decision-making process & approach’, ‘the approach of decision-making in urgent/emergency times and crisis’, ‘the Limitations in the way of effective decision-making’, ‘the important factors for effective decision-making’, and ‘effective Implementation of decisions’.

The decision-making process appears to be strict in both countries. In both countries, the decision-making seems to be highly bureaucratized and centralized. The decision-making authority is distributed mostly at higher levels. The matter of decision-making is a hierarchy issue that is based on the thresholds. However, they can be different in the case of the distribution of authority and power, group dynamics, leadership styles, and so on. Centralization in Hungary may be less than that of the Iranian cases, particularly the Iranian ECA, but regulations are still significant in both countries. However, it appears that banks in

Iran are subject to stricter regulations than those in the ECA in Iran, as the ECA allows for some maneuvering, specifically, in the unofficial process. Decision-making in the ECAs is limited by several factors which seem that ‘the role of government’ and ‘regulations’ are the most critical ones.

Finally, a model is formulated to illustrate the important factors that influence the decision-making in export credits. This study concludes that three key kinds of criteria are the key factors influencing the effectiveness and efficiency of the decision-making process for export credits. The categories are the ‘Decision-related’ factors, the ‘Human-qualification’ factors, and the ‘Organizational contextual’ factors. Some specific elements affect the quality of the influences of these three factors on the decision-making process. I referred to these additional components as ‘amplifier factors’. All these factors should be taken into account by ECAs and peer organizations to improve the effectiveness of the decision-making process.

In both countries, I suggest paying more attention to the amplifier factors. In Hungary, Flexibility is one of the factors that isn’t often followed. The financial system in the country and the EU, which determines the external regulations for the banks and the ECA, is likely to be responsible for this. Based on the decisions’ nature, the quantity and quality of information clients must provide, the time limitation, the authority they may delegate to lower levels, the special treatment they may provide particular clients, etc., decision-makers may need to use a decision-making style that is suitable for the situation. Accordingly, decision-makers need flexibility. The regulations should allow them to be flexible when needed. In Iran, in addition to the flexibility, the two factors of ‘independency from government’ and ‘less external economic and political pressures’ should be considerably taken into notice. As the government effectiveness score in Iran is not desirable, being less dependent on the government can be recommended. However, the factor of ‘less external economic and political pressure’ is not something that would be too much in the power of organizations as they will be under this pressure inevitably especially in Iran because of the critical political situations and sanctions. In this matter, the governments should try to control the pressures as much as possible. In addition, I recommend having less centralized decision-making to lessen the impact of political volatility on the performance of the organization. If individual decision-making is not acceptable, they can apply the four-eyes approval in medium and lower levels of decision-making like in the Hungarian samples. Being more system-oriented than being person-orientated also helps to not put personal taste in decision-making in addition to having a clearer and more structured process. As a result, they can make decisions more easily and rely less on the government. In ECAs, it is crucial to remember the organization’s mission, goals, and strategies at all stages of the decision-making process. However, the business side should not be underestimated. The organization’s business mindset and mission mindset should be in harmony. Accordingly, the plans and objectives must be practical and simple to carry out. Finally, access to Blockchain technology, which can greatly assist in having a large amount of information in a shorter amount of time that helps to satisfy both the risk management side and the front side of the organization, is another issue that should be taken into consideration in both countries. It mostly lies in the weakness and strictness of the countries’ regulations.

### **8.1. Key findings and recommendations for ECAs**

Here, the key findings and recommendations for ECAs are concluded. However, it should be mentioned that it is based on the samples of this study and although I am using the term ‘ECAs’, it may not be generalized to all the ECAs as primarily it was not the concern of this study. Accordingly, here, ‘ECAs’ refers to the ECAs of Iran and Hungary. However, the state-owned ECAs with similar organizational environments can benefit from this finding and

recommendations. The key findings are given in numerical order by following the related recommendation in each finding:

1. **Finding 1:** In ECAs, the decision-making authority is distributed mostly at higher levels. The matter of decision-making is a hierarchy issue that is based on the thresholds. Although in banks (especially in Iran), the matter of export credits may be considered an exceptional one, for ECAs, it is a generic issue. Accordingly, it should be dealt with like a ‘generic’ decision that can be made in a less complex decision style, unless in a case of unusual situations.

**Recommendation 1:** Instead of complicated committees in higher levels, I suggest that ECAs make decisions about generic credit issues at department levels (lower and middle levels) with the four-eyes principle in ECAs (as individual decision-making may not be favored or allowed).

2. **Finding 2:** Flexibility to change in state-owned ECAs is not common unless it is an obliged change. Also, because of the strict regulations, high authoritarianism, and hierarchy system in ECAs, employees are not motivated to initiate the need for changes.

**Recommendation 2:** I suggest that this issue should be taken to notice by the senior levels because lower levels are the ones who are on the front side of the business and have access to most of the soft information. By having maneuver in the system’s regulations in this respect and less hierarchical approval process, initiating change can be more followed in the ECAs.

3. **Finding 3:** In ECAs, being person-oriented may harm long-term planning growth, but in the short term more flexibility can be achieved, however, system-orientation may hinder flexibility but gives more clearness and structure to the process and organizations.

**Recommendation 3:** To have balanced flexibility and clearness, I suggest that ECAs pursue a balance between system and person orientations.

4. **Finding 4:** In urgent times, formally there is not much flexibility in ECAs’ decision-making approach. However, some little flexibility can be in place if regulation permits.

**Recommendation 4:** I suggest having more maneuvering in the system’s regulations for urgent times for example following the four-eyes principle in various levels in large ECA, and individual decision-making in higher levels in small ECA be possible in urgent times depending on the matter of urgency.

5. **Finding 5:** The crises sometimes have long-lasting effects on ECAs, and decisions on this issue are made mostly by the regulatory authorities and government. In crisis times, ECAs usually follow the obliged order from the regularity authorities and can have government support.

**Recommendation 5:** I suggest following centralization in crisis times and being well-prepared in the matter of finances, technology, and digitalization as well as responding efficiently to crises to find flexibility easier in the other perspective rather than only looking at it in regulation.

6. **Finding 6:** The role of government as a very important limitation in effective decision-making is seen in this study. Usually government intervention has two main sides: obligatory tasks and supervision. Where government effectiveness in a country is not satisfying, its intervention in ECAs seems to be not effective as well.

**Recommendation 6:** I suggest decreasing the government intervention in ECAs by letting ECAs decide autonomously especially where the government intervention is not effective. In addition, the effectiveness of the government’s role in ECAs could be increased by educating the Inspectors about the objectives of ECAs. By considering

these two suggestions, the balance between mission and business perspectives could be better achieved. In addition, I suggest to ECAs to investigate the government's obligatory tasks in a more active behavior by the model suggested in Figure 4. If the task is not urgent, then it can be dealt with in a usual ECA's decision-making process.

7. **Finding 7:** Effective and well-defined regulations can make the business condition clearer and more structured in usual times. However, for unusual times, the more flexible one may be more efficient as expected to have more place to maneuver.

**Recommendation 7:** I suggest considering the balance between clearness and flexibility in regulations. In addition, it would be useful to ease some regulations concerns to unusual times (when more creativity and flexibility are needed) in ECAs.

8. **Finding 8:** Decision-making in export credits is affected by the 'Decision-related' factors, 'Human-qualification' factors, and 'Organizational contextual' factors that the quality of the influences of these three factors on the decision-making process can be affected by the 'amplifier factors' (Figure 4).

**Recommendation 8:** I suggest that ECAs pay more attention to these factors, especially the amplifier factors in order to increase the effectiveness.

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