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How fund managers in Malaysia make decisions:
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Introduction

The core of successful asset management firms is a competent fund manager who makes investment decisions. Neoclassical economics and behavioural finance are two academic approaches to this decision making (for example, Markowitz, 1952; Sharpe, 1964; Shiller, 2006). However, does investor practice go beyond what is taught in the finance departments of universities in countries where cultures and economies are different from those in Western countries where these approaches were developed? The question is important for investment managers and their training and education, and evidence about the question is mixed, as shown in the next section.

Thus this research aims to investigate how established investment managers in a non-Western country like Malaysia actually make their decisions. Its methodology of convergent interviews with investment managers has not been done in a rigorous way before in any country, and so this research's findings and its description of that methodology contribute to the finance literature.

The article has six sections. The first provides some background from the Western investment literature. The second briefly describes the research setting of Malaysia. Next, a conceptual framework and related research issues are developed. Then the methodology is justified and described in some detail. Findings and implications are provided before limitations and further research are outlined.

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Background about equity investment

There are two foundation methods to estimate or predict equity prices: valuation based on neoclassical principles, and behavioural finance. Essentially, in neoclassical principles, a present value estimate can be compared with the market price of a company and conclusions about its value can be made. In turn, behavioural finance focusses on how investment decisions can be based on emotion and not on rational, logical methods.

Neoclassical principles were developed in the West and dominate the teaching of finance around the world. For example, valuation models like beta are taught as core valuation techniques in the Chartered Financial Analyst programme and university-level finance courses. In turn, behavioural finance has explained anomalies not explained by neoclassical finance by incorporating theories from psychologists and social scientists (Shiller, 2006). It focuses on decision making processes, including their inconsistencies and the effect of those inconsistencies on market decisions and on public choice (DeBondt et al. 2010; Kahnemen and Tversky, 2000).

But there are differences in the finance environments of Western and non-Western countries, for example: openness of the capital market, investor protection, transparency of the legal system, proportion of financial asset compared to GDP or real estate, and development of financial markets. So does (Western) behavioural finance provide practitioners with a better understanding of how they can value equities in a non-Western country like Malaysia than neoclassical economics does? The evidence about that question is mixed. Institutional investors at the Nairobi Stock Exchange appear to

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exhibit behavioural finance practices (Waweru *et al*., 2008), and so do investors in Saudi Arabia (Masood *et al*., 2009). In contrast, investors in Nigeria and Kuwait are more rational or neoclassical (Almujamed *et al*., 2013; Tijjani *et al*., 2009). And investors in Malaysia appeared to be rational before the 2008 downturn (Lai *et al*., 2001); are they like that now? Perhaps the new in-depth, qualitative methodology of convergent interviewing can uncover what investors in a non-Western country like Malaysia are really doing.

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Research setting

Consider the research setting of the Malaysian capital market. Investing in equities in Malaysia has characteristics that make it worthy of study as one example of several non-Western countries. The economy has its own culture, language, currency, and fiscal and monetary management. In addition, one of the main tools for price discovery for securities is the Bursa Malaysia Stock Exchange. After the financial crises of the late 1990s the regulatory infrastructure shifted towards a disclosure based system (SecuritiesCommision, 2009) That is, regulators no longer focused on the investment merits of companies seeking to list their shares; instead, regulators focused on the quality and completeness of disclosure given by those companies. This regulation of the capital markets in Malaysia is conducted by the Securities Commission of Malaysia and five frontline regulators: Bursa Malaysia Snd Bhd (The Stock Exchange Limited), The Malaysian Clearing House, Malaysian Central Depository Bhd, Malaysian Derivatives Exchange Bhd and the Malaysian Derivatives Clearing House Bhd. There are approximately 1000 companies listed in Malaysia and 81 licensed asset management companies with total assets under management of RM555.32 billion, which include equities, fixed income securities and money market

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placements. Sources of assets under management include unit trust funds, corporate bodies, Employee Provident Fund (EPF), private pension funds and charitable bodies (SecuritiesCommission 2013). The interviewees in this research were taken from companies who manage assets from these sources. Almost two-thirds of the capital market in Malaysia is owned by institutional investors instead of by individual/retail investors (unlike in Thailand, for instance). This predominance of institutional investors in Malaysia guided the researchers towards them; moreover, institutional investors have more time to search for stocks and so are more likely to use their financial literacy (Barber and Odeon 2004). How do these asset managers decide which of the 1000 companies to invest in? In brief, Malaysia appeared to be a suitable step in this line of research.

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Conceptual framework: what investment processes are used in Malaysia?

A conceptual framework to guide data collection and analysis can now be developed. This framework is based on an investment decision process that was developed by an investment manager using the inductive method of reflective practice (Glanville and Perry, 2010) and is illustrated in Figure 1. The framework has four steps: understanding the economy, investment strategy, fundamental analysis, and decision.

INSERT FIGURE 1 ABOUT HERE

The first step is to understand the economy, that is, sense making about the current state of the economy in order to predict future security prices. Some practitioners do not

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regard an accurate forecast of this macroeconomic environment to be important in making investment decisions (Hagstrom, 2005). However, other practitioners do base their investment decisions on forecasting macroeconomic events (Soros, 1995; Rogers, 2004). Research about investors in a Malaysian context has not concluded a position on whether or not a view of the economy is necessary. Given these concerns about whether and how to understand the economy, the first research issue is: *How do investment decision makers in Malaysia understand the economy?*

The second step in the decision making process is constructing a strategy consistent with the economic view built in step 1. Are the strategies top down or bottom up, in Malaysia? Top down investment strategies are examined and defined in the investment literature (Matlin, 2002; Zvi Bodie and Marcus, 1995). Alternatively, bottom up processing could be used. Bottom up processes focus on the importance of stimuli in object recognition (Matlin 2002). Thus research issue 2 is: *How are investment strategies formed by investors in Malaysia?*

The strategy of step 2 leads into step 3, which is the analytical process of identifying target investment securities. This research centres on ascertaining the value of an investment security in order to estimate the future price of that security. Neoclassical theoreticians did not provide methods to estimate future income or the risk of whether or not that income will materialize (Markowitz, 1952). Thus the question arises: how do investors in Malaysia deal with risk? Is risk quantified and what meaning would investors give to that quantification? Moreover, it is not known if their investment decisions are based merely on valuations or if other more complex factors are involved.

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In addition, it is not known whether they employ stochastic models in order to invest. And is behavioural finance helpful? All the uncertainty above leads to research issue 3: *How is the future price of securities estimated for investment decision making in Malaysia?*

The final step 4 in the investment decision making process is making the actual decision. Neoclassical finance sees this decision as rational and the product of steps 1, 2 and 3. However, decision theorists from other fields describe decisions as including complex factors that lie outside of this rational processing model like emotion, intuition and gut feel (Klein, 1998: Simon, 1957; Kahneman 2002). These complex factors have not been studied in a Malaysian investment context. In brief, the fourth research issue is: *How are investment decisions made in Malaysia?*

There are three more, later steps of the investment process made after the investment decision: execution, monitoring and exiting. Because this research seeks to investigate the *core* investment decision making processes, these final three steps that flow from the four core steps above will not be research issues. However, the final three steps will be discussed in the section on future research.

The methodology of convergent interviewing

Convergent interviewing was used to triangulate findings from an initial research stage that used the reflective practice method, as noted. This methodology section is about the second stage that followed that initial one (Rao and Perry, 2003, 2007; Williams and

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Lewis, 2005). This section adds to the finance literature because the methodology has not been used in finance.

Definition and justification of convergent interviews

First, consider a definition and justification for using the relatively unusual methodology of convergent interviewing. All interviews aid an investigator in understanding 'realities' or perceptions that are formed by individuals (Bauer and Gaskell, 2000, p. 45; Qu and Dumay, 2011; Warren, 2001), and so assist theory development and testing (Vaivio, 2008). However, convergent interviewing investigates one's perceptions and beliefs about a topic in a different way than other types of interviews. While the convergent interviewing process is structured, each interview is somewhat unstructured for the interview questions can change from one interview to the next (Rao and Perry, 2003, 2007). Final convergence occurs when agreements are uncovered and/or disagreements are understood and when the last interviewee does not add an issue to those uncovered previously.

The convergent interviewing method is *justified* for this research for four reasons (Rao and Perry, 2003). Firstly, it burrows deeper and deeper into a phenomenon as each interview uncovers more insights about it (and here that deepening was based on the earlier, in-depth, exploratory research project cited above). Secondly, it converges quickly on important issues. This point is important in research where interviewees may be time–limited, like the busy expert fund managers in this research. The method also provides an efficient and systematic way of analysing the data after each interview that reduces bias. Next, it has a mechanism for knowing when to stop collecting data –

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when convergence has occurred. Finally, it complements other exploratory methods (like the reflective practice method on which this research was based) because the convergent interviews help to reduce personal interpretation biases that may have been included in the conclusions derived from other methods.

Steps in convergent interviewing

The framework for convergent interviewing used in this research had four steps: planning, framing and closing the interviews, and analysing the data.

Step 1: planning the convergent interview. There were six phases involved in the first, planning step. In the first phase, the four research issues were formulated from the literature and the previous research project. Next, the interviewer's guide provided a design for the interviewer to follow (Carson *et al*., 2001; Kvale, 1996). A copy of the first and final interviewer's guides are available on request. The first interviewer's guide contained questions on the broad topic of how the interviewees make investment decisions. Later interview guides had more detailed elements as the interviewees brought up further issues related to investment decision making.

The third phase of planning the interviews was selecting and recruiting interviewees. For a start, purposive sampling, rather than random sampling, was used to select interviewees in this study because it is especially suited for in-depth analysis of issues (Patton 1990). This purposive sampling included the two techniques of opportunistic and typical sampling. Firstly, opportunistic sampling involved following leads that arose in the course of the researcher's day-to-day work as a fund manager. For example, the lead researcher had contact with other fund managers at regulatory and

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fund management briefings. In addition, this personal relationship gave the researcher access to an open and honest dialogue in the interviews because the interviewees saw the researcher as sympathetic to their livelihood. As well as preventing other potential interview failings, this rapport prevented the fund managers from presenting a sales pitch instead of an account of an idealised investment decision making process - salesmanship was avoided (Bogle 2009).

Secondly, these interviewees were typical – they had practical knowledge of the research problem about investment decision making. The interviewees were mostly equity, long-term value fund managers. The researcher accessed a broad range of established and experienced managers from institutional funds - all interviewees were professional money managers and so were typical of the kinds of investors this research is about. That is, they were financially literate; indeed respondent 2 had conducted similar research when she wrote a book on investing; respondent 4 had two master's level qualifications in finance and engineering; and another won an Asia-wide award after this research. In brief, the interviewees made up a relevant selection of investors.

The next planning phase was considering how many interviews might be needed. Convergence (described above) occurs when the interviewees' perceptions of the underlying issues are consistent. Convergence has been achieved in previous research with between 6 and 10 convergent interviews (Rao and Perry, 2003, 2007). In this investigation, stability emerged after the fifth interview; this stability was confirmed in three more interviews to make a total of eight.

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Now, site selection and duration of the interview was considered. This research's interviews were conducted face-to-face so that more subtle modes of communication such as body language could be read (Gordon and Langmaid, 1988). Although neutral territory is recommended for conducting convergent interviewing (Dick, 1990), familiarity to the respondent and the sereneness of the site facilitate the discussion (Carson *et al*., 2001). For this reason, each interviewee was asked to choose the time and location of the interview. For example, respondent 2 was interviewed at a Vietnamese restaurant at lunch time, and respondent 5 was interviewed in the evening at the Royal Selangor Golf Clubhouse. In general, the duration of most interviews was between 1 and 1.5 hours (Gaskell, 2000), but some went on longer when fund managers were especially financially literate.

The final planning phase was choosing a suitable interviewer. A suitable interviewer must be knowledgeable about the topic of research (Kvale, 1996). The first author was the interviewer, for three reasons. First, his experience as a fund manager in Malaysia helped to build rapport with the interviewees. Moreover, he had developed the emergent theory in the previous stage of this research. Finally, he was familiar with the purpose and direction of the research. (In this section, 'the interviewer' refers to the first author.)

Step 2: framing the interview. There are three aspects involved in framing convergent interviews: creating a comfortable atmosphere, obtaining informed consent and the interview proper (Carson *et al*., 2001). The first aspect is creating a comfortable atmosphere. Setting is important here and was covered above. In addition, the

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interviewer greeted the interviewees warmly and then engaged in a rapport building, ice-breaker discussion which lasted about five minutes.

Interviewing requires researchers to abide by ethical codes of conduct that enforce informed consent (Carson *et al*., 2001; Warren, 2001). The interviewer used an ethics consent form approved by his research institution that detailed the outline of the research topic and the rights of the interviewees, to confidentiality for instance. The interviewees were first given the consent form and then the interviewer covered its features. The interviewees were then asked to read the form and sign it if they agreed with it.

If the interviewee agreed, the interview was taped (Carson *et al*., 2001). However, the interviewer also made interview notes of the concepts that derived from visual elements - those elements that the audio recording may have missed like body language - but did this in an unobtrusive manner so as not to interrupt the flow of the interview. In addition, this written record was kept in case of an audio recording malfunction (Carson *et al*., 2001). After each interview, the recording was transcribed.

After the ice breaker questions, broad questions about the interviewees' experience in investing were asked. For example, 'Could you tell me the story about your investment experience?' This type of question did not make the respondent anxious about whether they were giving the right answer or not. Following these topic-entering questions, the interview started to cover more specific decision making questions. At this point in the interview, the interviewer reminded himself to not interrupt the respondent, ask leading

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questions, present his own ideas or be concerned with pauses in the interview (Carson *et al*., 2001; Dick, 1990). Interviewees were encouraged to continue talking by showing understanding by my active listening (Gordon 1977). This process kept the interview focused on the respondent's ideas rather than the interviewer's (Hollway and Jefferson, 2000). Probing was used to explore the interviewees' ideas that provided new understanding to the research question of how investment decision making occurs. So a question often used during the interviews to induce probing was, 'Why … ?'

Step 3: closing the convergent interview. When the interviews were coming to a close, the interviewer invited a summary of the most important points from the interviewee (Dick, 1990). Then, at the end of the interview, he used several non-verbal cues to indicate the interview was about to end. For example, he turned the recording device off and sat back. He asked the interviewees if they had any final questions or issues they wanted to bring up. Finally, he thanked the interviewees for their contribution and their time, and left the interview site.

Step 4: analysing and interpreting data of the convergent interviews. A summary note of the issues raised was drawn up immediately after each interview. These notes contained two parts: the issues and an interpretation of those issues. The interpretation of the issues was revised until ambiguities were resolved and key points were identified (Dick, 1990). The final analysis of this data of the convergent interviews is below.

Limitations of convergent interviews

Convergent interviewing involves the following four limitations addressed in this research (Rao and Perry, 2003). Firstly, convergent interviewing should be used in conjunction with other research methods (Carson *et al.,* 2001; Dick 1990). To

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neutralise this limitation, convergent interviewing was used in conjunction with the earlier reflective practice research project. The second limitation of convergent interviewing is biases of the interviewer. These biases were mitigated by not asking leading questions and thus not introducing the interviewer's own ideas.

The third limitation of convergent interviewing is the limitation of the skill set of the interviewer (Dick, 1990). The interviewer is a fund manager which ensured working knowledge of the subject matter. In addition, the questions were meticulously prepared before the interviews. The fourth limitation of convergent interviewing is the cost of hosting interviews (Carson *et al*., 2001). This limitation was mitigated by holding interviews in the interviewees' offices or at restaurants. In addition, the interviewer lived in the financial capital of Malaysia, Kuala Lumpur, where all interviewees lived. In brief, the limitations of convergent interviewing were identified and mitigated in this research.

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Findings from the convergent interviews

The sections above outlined the convergent interviewing method in order to collect data. Now consider what analyses of that data revealed. The analysis is based on the four research issues developed above that are based on gaps in the literature and on the previous reflective practice research project. The findings and illustrative quotations below are from a long report that is kept by the researchers. That report has details of themes and responses for each research issue, and Table 1 is a summary table of the findings about the four research issues; more details are available from the authors.

INSERT TABLE 1 ABOUT HERE

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Research issue 1: How do investment decision makers in Malaysia understand the economy?

Overall, all participants expressed the use of some form of economic understanding and thus the experience of trying to understand the economy as a part of their investment decision making process. According to interviewees, the role of understanding the economy in an investment process had two elements. The first element was experience. All interviewees thought experience was an important element in building understanding, for two reasons. Firstly, experience was important because it helped the interviewees deal with complexity. In particular, interviewees believed that experience induced the recognition of a knowledge limit. Respondent 2 expressed this realisation of the unknown, of uncertainty: "*Well I think there are a lot of people who think they are sure but there are a lot of uncertainties to be taken into account.*"

A related issue about understanding the economy was that the process was mostly implicit. That is, how interviewees derived an understanding of the economy was unknown to them. Indeed, only interviewees 2 and 4 could discuss economic issues in depth and away from the context of a company.

The experience of the interviewees was built in three ways. Firstly, all interviewees had reported that an initial experience of investment had come from working as an analyst or broker before becoming an investment professional. The second way that

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interviewees enhanced experience was by specialising in a field. For example, respondent 2 said:

> *Better to study the first 10 companies in the same sector to get an in-depth understanding of the market / industry. Suppliers, customers, competitors so that future company analysis can be measured against that level and depth of understanding*

The third way that experience was enhanced was by furthering education while working. Six of the eight interviewees had researched and written an investment book or had a master's level qualification. In brief, understanding the economy was important but was an ongoing learning process for the interviewees.

Research issue 2: How are investment strategies formed by investors in Malaysia?

For research issue 2, investment strategy was not an important investment decision making issue for interviewees. No interviewees brought up strategy as part of how they make investment decisions. It seems that their equity type of investing had dictated investment strategy.

Research issue 3: How is the future price of securities estimated for investment decision making in Malaysia?

All interviewees described some kind of fundamental analysis when describing how they carried out the investment decision making process. That is, the centrepiece of the investment decision process was ascertaining value or finding 'cheap' assets to purchase. For example, when asked the broad question of how investment decisions are

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made, respondent 1 spoke about her bottom up approach that began with firm-level considerations:

Respondent 1 Value stocks based on valuation methods such as PE [price/ earnings ratio] and discounted cash flow models.

Interviewer How do you interpret the raw data such as company accounts into the valuation models?

Respondent 1 I look at the bigger picture and how the relevant elements fit in…

.

This bottom up approach to analysis ended with a discussion of understanding the economy that is described in research issue 1. Alternatively, some interviewees such as respondent 4 described a top down approach based on some high level considerations such as the macro economy's interest rates and inflation.

In more detail, descriptions of the interviewees' fundamental analysis activities can be categorized into *four layers* that cover both bottom up and top down considerations. Firstly, all interviewees used valuation measures such as PE (price/earnings ratio) or discounted cash flow. The next layer of analysis was that these valuation models were based on future earnings and the current price of those earnings. All interviewees used valuation models based on future earnings. The third layer of analysis was that these future earnings derived from the future profitability of the company in the context of the economy. That is, the place of the company in the context of the economic environment had to be understood before future earnings could be estimated. The final layer was covered in detail in research issue 1 and concerned how the interviewees understood the economy. *Research issue 4: How are investment decisions made in Malaysia?*

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After completing this four layer analytical process, all interviewees described the actual investment decision as being based on a feeling of comfort, conviction or gut feel (based, of course, on their long practical experience and some analysis). For example, respondent 2 said:

Interviewer: How do you know when you are sure enough to commit money to an investment idea?

Respondent 2: I don't know.....

Interviewer: Does knowing when to commit to your investment have anything to do with experience?

Respondent 2: [Yes] After the analysis.... a level of comfort. Building a level of comfort that seems adequate.

Some interviewees displayed discomfort in divulging this seemingly arbitrary description of how decisions are made, perhaps because these fund managers were custodians of millions of dollars if not hundreds of millions. For example, respondent 8 said:

Respondent 8: I don't want to say gut feeling but after analyzing all those things (and we feel) there is no way this stock can go down...If all things are equal this stock is strong. The income will grow... I don't want to use gut feel but being human we are the ones making the decision.

Note that all interviewees had at least a decade of experience working in the finance industry, and most had at least a master's degree qualification (for example, from

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Imperial College London). All used robust analytical methods (described in research issues 1, 2 and 3). Nevertheless, no interviewee used computer programs, quantitative methods or any other rule-based systems to make investment decisions. Some interviewees had tried quantitative models personally or worked in departments that had tried quantitative models, but unsuccessfully. For example, respondent 4 had used modelling and found it useless:

Respondent 4: We have done modelling before but it breaks down every so often, there is always subjectivity behind the modelling

Interviewer: Do you mean a quantitative model?

Respondent 4: Yes, not really a success [wry smile]

So why can the investment process not be quantified? The first reason is because an unknown cannot be measured and thus cannot be quantified. For example, respondent 4:

Interviewer: Do you think the decision making process can be quantified?

Respondent 4: No, because of the evolving set of data in the market the ability to quantify what is happening is limited ... Getting all information relevant for an investment is a challenge.

The end of this thought flow connects to how professional fund managers deal with the unknown that was discussed in the first research issue. One of the elements in the investment process that interviewees felt could not be quantified was uncertainty. All interviewees thought uncertainty could not be entirely quantified, it could not be transformed into risk. To explore this question of risk quantification, from the third

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interview onwards the interviewer asked interviewees if security risk was a relative or an absolute measure. All six interviewees asked saw security risk as a relative measure. For example, a security of an internet business may sometimes be relatively less risky than a government bond. So a numerical measurement of security risk is only useful when comparing securities at the same time and not over time

A second reason that not all elements in an investment process could be quantified was because of the vast amount of information that is associated with an investment decision. Respondent 4 describes it like this: "*Like a cup that you keep pouring water into you need a bigger and bigger cup to capture all these assumptions. "*

In brief, interviewees did not believe the investment process could be quantified.

6. A concluding framework about investing

In conclusion, this research found that investment decisions were finally based on a feeling of comfort or conviction and not on quantitative analyses. Because many factors affect mood and mood has an effect on decision making (de Vries *et al.*, 2008), it is difficult to tell if that mood and its decision derives from a preceding analytical process or is anchored by other personal issues. This finding is consistent with theorists who postulate that emotion and feeling are linked with rational decision making (Garro, 1998; Pfister, 2008). Since the decision mechanism inludes a feeling and is thus opaque, and because of the amount of implicit processes that go on in the four layers of analysis,

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conclusions based on rationality are difficult to make. This conclusion that a decision is finally a gut feeling of comfort confirms findings of decision theorists in other fields using different methodologies in different locations (Simon, 1959; Klein, 1998; Kahneman, 2002).

Figure 2 shows a *final* framework derived from all the findings above.

INSERT FIGURE 2 ABOUT HERE

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Implications for policy and practice, and for methodology

Now consider implications for policy and practice in Malaysia and possibly in other countries. This research found that experience is an important part of building an investment decision making process. This importance of experience provides three implications for potential and current investment practitioners. Firstly, those wishing to become investment practitioners should accumulate their own experience of making investment decisions with real money in real markets in real time, or possibly with realistic simulations. The second aspect of experience that should interest practitioners is leveraging the experience of other practitioners by triangulating one's own experience and knowledge, perhaps with research like this. A third implication for investment practitioners is the creation of knowledge through personal experience that could be done by reflective practice and other action reflection methodologies like action research or grounded theory (Sankaran, 2001; Dick, 1999; Sankaran et al., 2007). Note that the interpretation of data in this research is different from the standard reflection or evaluation that occurs in funds management firms. This qualitative method contained

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more details than their usual quantitative evaluation criteria such as percentage return divided by volatility. In this study, the richer details were important for understanding and modelling the investment decision making process. This research does not recommend that practitioners ignore that existing investment literature. Instead, this research suggests ways that practitioners may *complement* that book knowledge by extracting understanding from practical experience. In brief, practitioners should include more types of knowledge when investing (and this is consistent with the assumptions of behavioural economists (Shiller, 2006)).

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These implications for practice based on the importance of experience and the expansion of knowledge have two implications for *teaching*. Firstly, since learning and the development of an investment decision making process cannot occur in artificial environments, investment courses should include opportunities for learners to make real investment decisions with real money. This could be done by allocating a small amount of funds for each student to invest. Moreover, experiential learning methods should be used more in tertiary education of finance managers, for example, simulations, competitions and internships could teach students real world practices and processes. Finally, business school researchers could more often use non-quantitative methods such as convergent interviewing and so capture the complexity of real investment decision making, especially when investors' practices break down as they did in the global financial crisis just before this research.

The overall conclusion derived from this study and implied in the literature but not specifically tested before in this research setting, is that solely quantitative methods and

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models of understanding are a small part of finance practice. This conclusion confirms behavioural finance theorists (Shiller, 1998). That is, behavioural finance should occupy a stronger place in the syllabi of business schools and their MBA programmes.

Limitations of this research and implications for further research

One limitation of this research is that it occurred in Malaysia in 2009 and so its conclusions are relevant only to that time period and location. In particular, the global financial crisis of 2007 and 2008 may limit the findings to the aftermath of that stock market upheaval and/or to stock markets like Malaysia's. Moreover, the model of investment decision making processes built in this research was based on investment professionals, and so generalizations to other types of investment decision makers are not intended.

Future researchers may consider extending the research to different periods, different research settings in other emerging economies like India or Indonesia, and different types of investors such as individual/retail investors (Bialkowski and Otten, 2011). Future research may include more detailed methods of investigating emotion and feel such as the appraisal pattern (Scherer *et al.*, 2001). Finally, the three steps of execute entry, monitoring and exit that exist beyond the four core ones investigated here, could be investigated in future research.

Conclusion

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The domination of quantitative reduction and scientific positivism paradigms in modelling both the underlying economy and methods of decision making in finance literature was questioned in this research. It used an unusual methodology to develop a new framework of investor decision making that incorporates experience and qualitative processes. Some steps forward have been made for real world investors like the researchers and for theoreticians.

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Biographies

Dr Sam Glanville has been a professional investment manager in Malaysia over several years

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Table 1 **Summary of the findings for the four research issues**

Research issue 1: How do investment decision makers in Malaysia understand the economy?
1 Understanding of the economy was part of the fundamental analysis stage and not its own explicit activity
2 The role of understanding the economy in an investment process had two elements. The first element was experience and the second was that it was implicit.
3 The experience of the interviewees was built in three ways. Firstly, all interviewees had reported that an initial experience of investment had come from working as an analyst or broker before becoming an investment professional. The second way that interviewees enhanced experience was by specialising in a field. The third way that experience was enhanced was by furthering education while working.
Research issue 2: How are investment strategies formed by investors in Malaysia?
1 No interviewees brought up strategy as a part of how they make investment decisions.
Research issue 3: How is the future price of securities estimated for investment decision making in Malaysia?
1 The centrepiece of the investment decision process was ascertaining value or finding ‘cheap’ assets to purchase.
2 The bottom up approach began with firm-specific data and analysis ended with a discussion of understanding the economy that is described in research issue 1. Alternatively, some interviewees described a top down approach based on some high level considerations such as the macro economy.
3 In more detail, descriptions of the interviewees’ fundamental analysis activities can be categorized into four layers that cover both bottom up and top down considerations. Firstly, all interviewees used valuation measures such as PE (price/earnings ratio) or discounted cash flow. The next layer of analysis was that these valuation models were based on future earnings and the current price of those earnings. The third layer of analysis was that these future earnings derived from the future profitability of the company in the context of the economy. The final layer was covered in detail in research issue 1 and concerned how the interviewees understood the economy - all interviewees linked understanding the economy with experience.
Research issue 4: How are investment decisions made in Malaysia?
1 After completing this four layer analytical process uncovered in research issue 3, all interviewees described the actual investment decision as being based on a feeling of comfort, conviction or gut feel (based, of course, on their long practical experience and some analysis).
2 Why can the investment process not be quantified? The first reason is that an unknown cannot be measured and thus cannot be quantified. The second reason is the vast amount of information that is associated with an investment decision.

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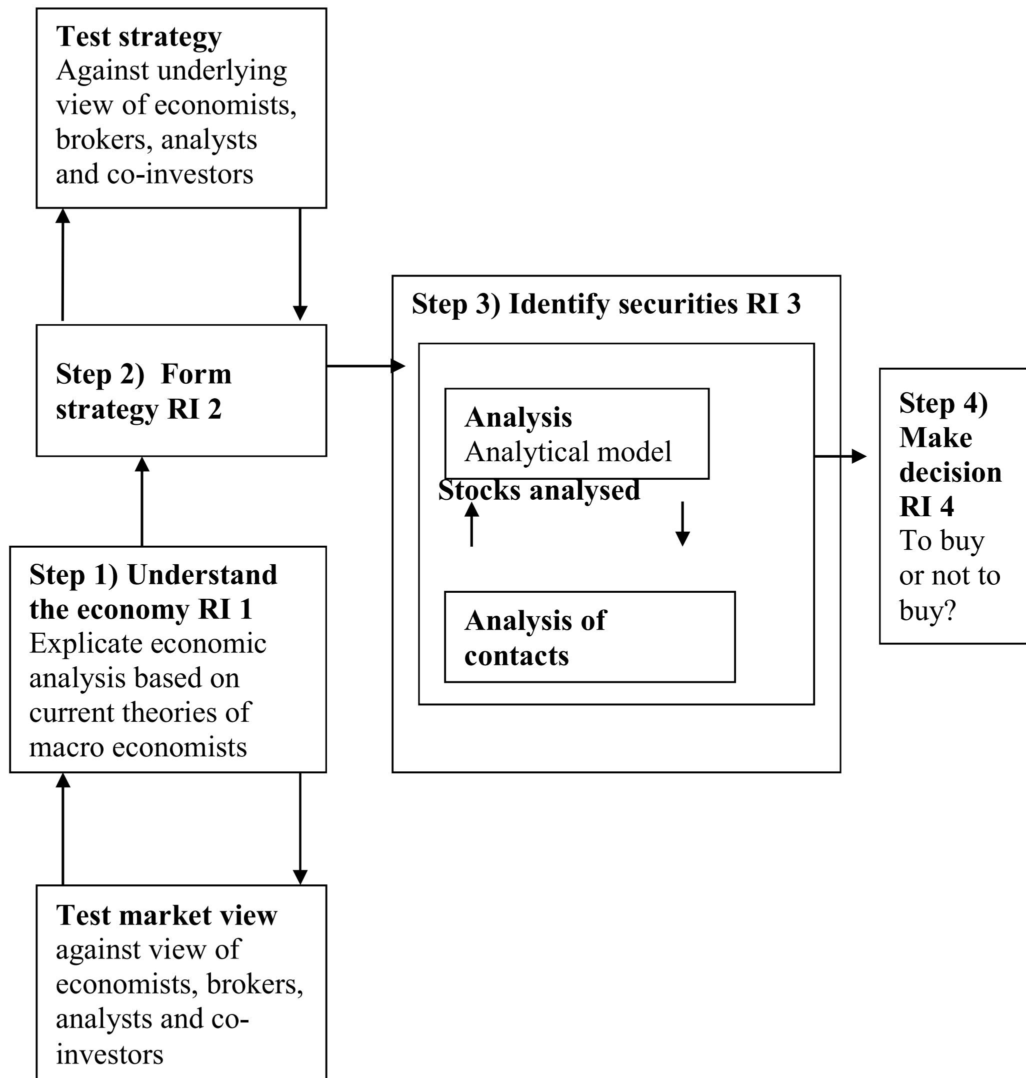
Figure 1 **Initial framework of investment processes in Malaysia**



Source: Reflective practitioner research described in Glanville and Perry (2010).

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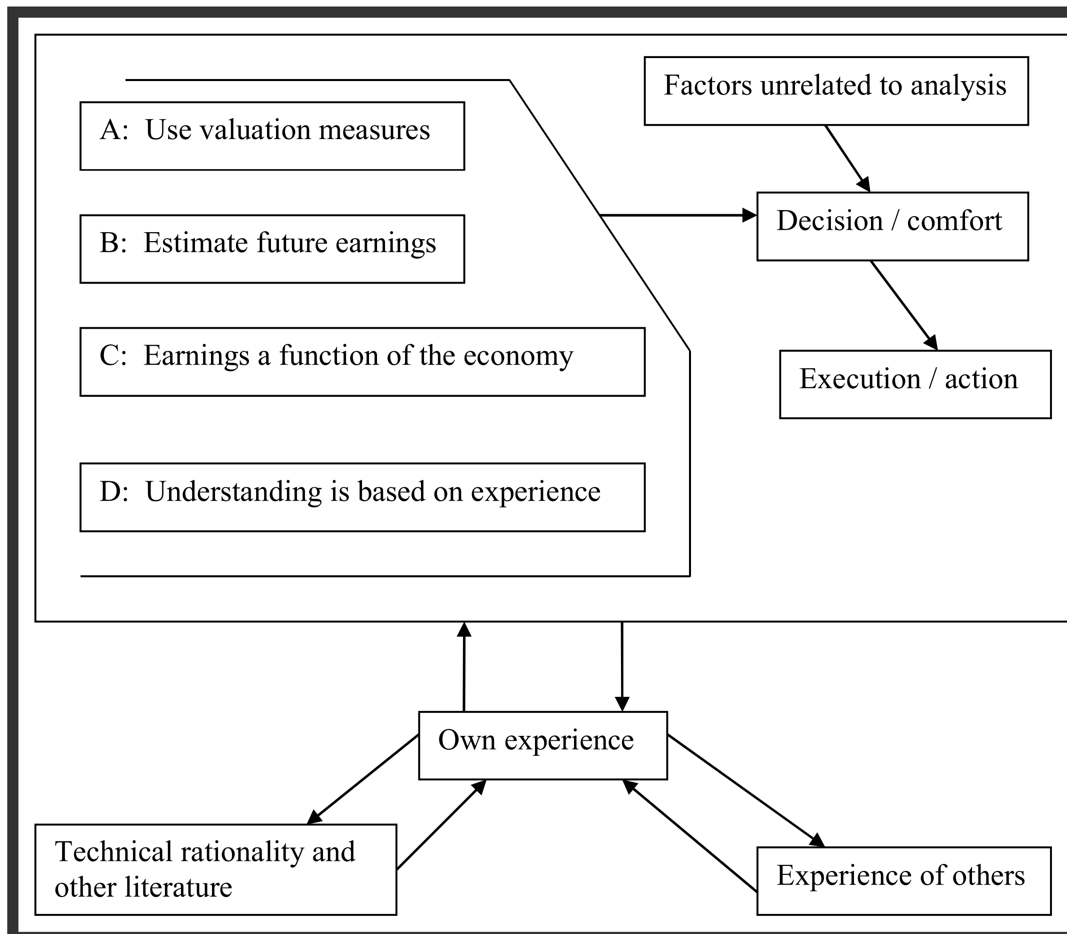
Figure 2 **Final conceptual framework**



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