Organizational Behaviour
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Lecture – 42
Decision making - Part 4

Warm welcome to this lecture series on Organizational Behaviour. We are in the chapter on Decision Making and this is going to be our last session in this particular chapter.

I will quickly summarize what happened in the previous lectures. We discussed about the importance of decision making in organizational context, we spoke about individual decision making and also decision making in groups.

We spoke about why organizations it is very important to understand the process of decision making.

APPROACHES IN DECISION MAKING

- Rational approach: making optimal decisions by gathering all possible information and analyzing them rationally.
- Bounded rationality
- Non-rational approach: making decisions under the limitations of information gathering and processing.
  - Satisficing approach: finding a solution which is satisfactory rather than optimal
  - Incremental approach: making the smallest response possible that will reduce the problem to at least a tolerable level
  - Garbage-can approach: behaving in virtually a random pattern in making decisions

We also looked at different approaches in decision making. We broadly classified them into a rational approach and intuitive approach. We also spoke about the concept of bounded rationality

BARRIERS TO EFFECTIVE DECISION MAKING

Not accepting the problem
- Complacency
- Defensive avoidance
  - Rationalization
  - Procrastination
  - Buck passing
- Panic
- Not deciding to decide

We also spoke about what stops people from making effective decisions or why people fear decision making; there are broadly two important reasons.

One reason is people do not want to take the risk; two, people may not know, whether they are in the position to take the decision or who should take the decision ok.

DECISION-MAKING BIASES

Framing: the tendency to make different decisions depending on how a problem is presented

Prospect theory: decision makers find the prospect of an actual loss more painful than giving up the possibility of the gain

Representativeness: the tendency to be overly influenced by stereotypes in making judgments about the likelihood of occurances

We also looked at different decision making biases. Decision making biases are problems, which individuals encounter which can lead to wrong decisions or incorrect or inappropriate decision making mechanisms people use when they make decisions.

DECISION-MAKING BIASES...

Availability: the tendency to judge the likelihood of an occurrence on the basis of the extent to which other like instances or occurrences can easily be recalled.

Anchoring and adjustment: the tendency to be influenced by an initial figure, even when the information is largely irrelevant.

Overconfidence: the tendency to be more certain of one's judgments

We looked at many decision making biases there are quite a lot of these biases, but we discussed only some of the relevant ones in the organizational context.

INDIVIDUAL VS THE GROUP

Best team member Vs the team

Synergy

Role of group processes

Role of leadership

Nature of the problem

Risk taking in groups

We also discussed about the pros and cons of individual decision making and the group decision making. We spoke about the advantages of group decision making and also a very important restriction or problem which might happen in group decision making which is arriving at a consensus in the group and the and the amount of time it might take.

DECISION MAKING IN TEAMS

Orientation
* Define the problem
* Set goal
* Plan for the process

Discussion
* Gather information
* Identify alternatives
* Evaluate alternatives

Decision making
* Choose group solution

Implementation
* Adhere to the decision
* Evaluate the decision
* Seek feedback

We spoke about the different steps involved in team decision making and in each of those steps we looked at some of the important aspects and also the possible problems the teams might encounter. For example, in orientation stage we looked at how the hidden profile paradigm, which we studied in the previous chapter can affect decision making. Similarly, in the second stage discussion stage we looked at how individual

biases, which we studied in the attitude chapter and how it can affect discussion in during group decision making.

GROUP DECISION MAKING TECHNIQUES

Nominal group technique
Delphi method
Ringi technique

We also looked at some of the group decision making techniques we spoke about nominal group technique Delphi technique and Ringi technique and these techniques are used to arrive at a very democratic way of decision making. In other words, these techniques help avoid biases and also influences of the powerful member in making decisions by doing that it leads to a more consensual or democratic way of group decision making.

MAJORITY RULE

So, this is where we stopped in the previous lecture, I am going to talk about some of the crucial problems which teams may encounter during decision making especially during

the discussion stage and the decision making stage of group decision making or team decision making. So, one simple method teams adopt during decision making especially when there are multiple options available to them is voting or looking for looking at what majority thinks.

So, when we say what majority thinks, the simplest method is voting method. Let us say each of these options the group leader or the coordinator can put forward or list each of the options available and ask the members whether they agree to it or do not agree to it whether they accept it or they do not accept it or simple yes or no how many of them think or how many of them feel yes to that solution and how many of them feel no to the solution.

And it is very easy to use this method because it is very simple it takes very less time and it is very it does not involve very tedious process of analyzing all the members' inputs, you just have to count how many people and see how many people have said yes and for each of the options you see number of yes and number of no and the one which has got more number of yes you just pick up that solution it's a very simple method.

And people also think it is a time saving method, but what do you think? What do you think about using majority rule? Majority rule means majority opinion is considered to be the right opinion or the right solution. So, what is the problem in majority rule especially in team decision making? One important criticism about majority rule is majority may not necessarily be correct. Majority opinion does not mean that it is the correct opinion or a technically sound opinion. If you remember in the advantages or in the slide where we compared individuals versus team decision making, we looked at something called the best team member versus the team.

So, the best team member can be right, but all the others in the team may be wrong in that case the best team member is the minority and there is a lot of pressure on this minority person, whose right in his or her decision in his or her solution or choice he or she has to agree to the majority even though the majority is wrong ok. So, that is where synergy comes into picture. Now the team has to ensure the best ideas from everyone should be collated and the best possible solution should be identified.

So, one the majority opinion may not necessarily be the correct opinion or the right solution. Two the majority opinion can put lot of pressure on minority members whether

they are right or wrong minority members is the different story, but if some people in the group have the minority opinion when I say minority opinion, opinion which differs from the majority of the group it may lead to a lot of pressure on them and also it may also make them feel you know they are an outcast in the group are they are they are not part of the group.

That is where the team leader has to play a very important role where the team leader should ensure everybody should be part of everybody should feel part of the group even though they have differences of opinion, even though their opinion is different from majority of the group. Why it is important because over a period of time it will create a communication climate in the group.

What I mean to say is when minority members are or members with minority opinions are when they are treated differently or when they are treated unfairly or when they are not listened to over a period of time even when somebody is correct they may not open their mouth they may not even come out and voice out their opinion because, they know if they are the minority or if they have the if they have an opinion which is different from all the other members they will be treated as an outcast.

So, that will create a very that will create a very bad communication climate in the group. So, voting and using majority opinion as the right opinion in long run can cause problems for the group. Apart from this, we will look at some of the other problems in majority rule.

MAJORITY RULE

Level of preference may vary

Blocks creativity

Formation of coalitions or subgroups

One, in majority rule level of preference may vary for example, if as a leader if I put forward one option and say how many of you agree and how many of you disagree. So, there might be middle path also there are some people who may be in the middle. Let us say if the solution can be can have three options how many of you agree how many of you disagree, how many of you are uncertain even uncertain is not necessarily exactly in the middle.

'I am not sure' is different from; which is uncertain, 'I am uncertain' is different from 'I do not want to answer'. So, then you can have four options I agreed to the solution, I disagree to the solution, I do not want to say anything about this, I do not know ok, but again 'I am not sure' can be of different levels. So, some people might be agreeing to it, but not exactly completely agreeing to it. Similarly, some people will have some negative opinion towards a solution they may disagree, but not necessarily strongly disagree.

So, asking for people to raise their hands for yes or no will restrict people's preferences or you are we are trying to box them into fewer number of boxes yes or no or yes no uncertain box whereas, there can be multiple possible opinions about that solution.

So, we are missing out on people who are in different levels or different shades of yes or no. So, why is it important to understand different shades of yes or no? Why because when you start putting people in boxes of yes or no or yes no uncertain what happens is, the improvisation which might have happened by combining many solutions which has failed.

In other words, it leads to lack of creativity. For example, there are two solutions available they are asking to choose between these two then the assumption is one is correct and one is wrong what about combining both the solutions and coming up with a third solution or picking up the best of both the solutions and creating a third solution which involves lot of creativity ok.

Similarly, yes or no instead of yes or no we can have a rating scale for every solution give a rating scale and ask people to rate in terms of strongly agree to strongly disagree, but the problem here is it will take time to analyze all these solutions, and then we may have to ask people why you disagreed you know all those brainstorming should happen.

So, that is where the earlier methods we saw like Ringi method or nominal group method will be more democratic and more you know effective in picking up all those minority voices and encouraging people to be creative and the third problem, which may happen majority rule is, it may lead to sub group formation or coalition formation it may it may lead to high politicking in the group.

Politicking means people having their own interests trying to support the other member because there is some personal benefit they may get out of it ok. So, it may lead to for example, if the powerful member if the boss says yes to one idea. Most people will say yes because they want to be in the good books of the boss or you know good book of the people who are in who are similar to them.

So, let us say there is a heterogeneous group and people from the same department may say yes even though you know, they may not all of them in that group sub group may not agree to it.

They are saying yes because they do not want to go against their department people in the group or the regional people or people who are of the same background. So, subgroup may evolve because you know they do not want to dissatisfy or they do not want to get into the they do not want to become an outcast in the subgroup. So, politicking might happen and subgroup formation and may happen which is not good for the larger group or the larger team.

So, it will affect the you know climate or it may affect the cohesiveness of the larger group. So, instead of having yes or no or voting we can have many other methods like you know as I mentioned nominal group method, Ringi method or Delphi method where discussions can happen and people can have the option of agreeing disagreeing being in the middle or you know coming up with the newer solution, all those things should be possible.

GROUPTHINK

The group's emphasis over harmony and conformity leading to a wrong decision.

Symptoms
• Overestimation
• Close-mindedness
• Pressures toward uniformity

Role of leader behaviour

So, we are going to look at some of the you know problems groups might encounter or the kind of traps groups might encounter during decision making. The first and foremost trap groups can get into is groupthink. In fact, we will talk about this groupthink in detail in in a chapter on team dynamics, but groupthink I will quickly explain what is groupthink and why it happens.

So, group think is, people in a group since they want to agree to others or since they want to portray as if the group is a cohesive group or a harmonious group they tend to say yes and that may lead to wrong decision.

In other words, as a team member I may not agree to the team's decision, but I will say yes to the team decision because I do not want to look like an outsider or I do not want to look like a problem creator. So, this may happen group think might happen more in groups, which are very cohesive when the groups are very group members are like very you know cohesive in terms of they like each other, they feel highly committed to the group all of them, they are very proud of their group they are very you know they feel their group is the best.

So, those kind of groups where team members are like very strongly connected the pressure on individual members to say yes to a group decision is very high. What about you know this this can lead to in extreme claim cases everybody may disagree to a decision, but they may keep quiet or say yes because, they assume others are liking the

decision. In fact, it is called another bias which is called Abilene paradox will talk about it in the next slide.

So, groupthink is a very popular phenomenon. In fact, because of groupthink many groups have failed like you know there were lot of these cases case studies on very important decisions like for example, Apollo 13, the NASA's satellite launch failed because of groupthink, where one particular engineer was you know of a decision that there is a problem in this engine or there is some problem in some part of this rocket.

So, Apollo 13 is a satellite NASA launched its a very famous case, where very unfortunate case also when they launch this rocket it exploded and all the members in the crew died, but before the launch one person an engineer said there is I think there is some problem in this rocket, but all the others they said 'no you do not know' or you know they were not supportive. So, this member kept quiet.

So, there are many cases like this group think has created very disastrous failures for the group. So, why or when will you know a group might commit this group think or when will you know a group of falling into this trap of group think? The first and foremost symptoms is over estimation, which means over confidence that the group will feel that they are the great, they are the best in the organization.

So, this may happen in other groups also when a country or you know when people have very high levels of patriotism, when they feel the country cannot fail, the country cannot go wrong or whatever decision my government takes is the is the correct decision because, as a country we cannot fail or we cannot go wrong that can lead to bias you know that is what we call you know fascism where every national you know every member of the country feels they do not have they should not say no or they should not say they should not disagree to the larger national decisions.

So, it can happen in smaller groups also. So, over estimation or too much pride on the group can create a sense of over confidence, which may lead to group think. Close mindedness close mindedness means the groups are so cohesive they think all the others outside the group are their enemies in group out group feeling ok.

So, when the group becomes tightly knit all the members will to coercive whoever is outside the group whoever is not similar to the group members they are considered to be

outsiders and there is always this feeling of these outsiders will harm us or they are against our well-being or for this group.

So, when you are very close minded you will not even listen to opinions which are coming from outside you will only listen to opinion, which is there inside and whatever opinion which is slightly away even if it is slightly away from the groups opinion you will consider them to be a very stigmatized opinion. So, close mindedness they when group members are not willing to listen to others. The third symptom is pressure towards uniformity.

So, the group puts lot of pressure on members to be uniform; uniform in terms of the way they look the way their habits are, the way they dress, dress code and all those or the way they think. If there is too much pressure on the members to be uniform in all the aspects, then it can lead to group think. So, in over a period of time the group will fail in decision making.

So, how to resolve this group think? We will talk about it in detail in one of those chapters on team the team dynamics, but the leader plays a very important role you know the leader should ensure, these symptoms whenever these symptoms happen the leader should ensure that groups do not fall into this trap of group think and also try to you know be more democratic make the group more heterogeneous, try to have collaborations with other groups and things like that. So, it involves the role of the leader.

THE ABILENE PARADOX

Pluralistic ignorance: group members adopt a position without challenging each other in order to avoid conflict or achieve consensus.

Overemphasis on consensus.

The next problem, which may happen in group decision making is Abilene paradox. In fact, I explained it in the previous slide where it is similar to group think, but in a extreme cases every team member, they may think this decision is not going to work ok, but they will say yes, there is a fantastic decision because they feel if I say 'no', others will feel bad or others will treat me as an outcast.

So, why to take this risk? I will say yes. And everybody will think like that and fall in and take a decision which everybody dislikes; which is like height of stupidity, it is like failing together because they want to save each other's face which is overemphasis on consensus ok. So, the major reason for this is, they do not want to get into conflict even the slightest conflict they want to avoid.

So, that is where in a team it's better to have some level of conflict rather than you know be very close to each other.

ESCALATION OF COMMITMENT

Non-rational escalation: a situation in which people can make irrational decisions based upon rational decisions in the past or to justify actions already taken

Escalation of commitment : Tendency to invest additional resources in an apparently losing proposition, influenced by effort, money, and time already invested

Sunk costs: costs that cannot be recovered once they have been incurred

The third trap which is more common in teams especially in decision making in teams is, escalation of commitment. It can happen for individuals also, but team's escalation of commitment is a very serious problem it happens more in work teams than among individuals.

Escalation of commitment means, I will explain it in very simple words. So, you have made a decision as a group and the group is also responsible for execution of the decision, they have to ensure that decision is applied and executed. So, when halfway through the execution of the decision, the group understands or there are symptoms that

this decision will not work you have taken a wrong decision ok. So, you are halfway through that decision execution and halfway through you understand or there are symptoms that we are going the wrong the wrong path.

So, what will you do? Will you go back and again decide or would you keep walking in the same path because you already walked this much ok. So, when people keep walking in the same path even though there are symptoms saying that you are walking the wrong path is called escalation of commitment. Since you have committed to a decision you keep moving in the same direction even though you know there might be some problems.

This is like you start building a big power plant and halfway through you understood this power plant is not going to work. So, you try to do something you know some jugaad or hotchpotch work so, that it might work. You keep repeating the mistake and try to cover up the mistake by doing things spending more on that you know keep investing on that you know all those things will happen and ultimately, the project will fail its always better to return from the wrong decision, backtrack from the wrong decision instead of keep walking in the same decision.

So, non-rational escalation means, you may rational decision initially, but over a period of time that environment changed you know you made a decision considering certain factors to be true those factors changed over a period of time. So, what will you do? Will you should also change the decision, if it involves starting from zero you should do it because situation has changed otherwise you know you are going to fail.

So, this is what is non-rational decision the non-rational escalation of commitment. In fact, if you remember bounded rationality approach where if you know what you do not know that will help you come up with plan b or you know you will also know these are things we do not know these are the things might change over the course of time. So, that may affect the effectiveness of the decision. So, what should we do knowing what you do not know.

So, if you know what you do not know this non rational escalation can be avoided ok. So, instead of saying my all my decisions are rational, you should also know what are the possible problems we might encounter, when this decision is halfway through or when we execute this decision ok. One important reason why escalation of commitment

happens or why people do not want to come back or why people do not want to drop this decision and start fresh is; there are many reasons.

One, they are influenced by the effort money and time already invested. So, there is a we call it sunk cost. So, once you back drop back drop back track from the decision, you are losing everything, which you have invested in that particular decision is not it? So, all these money, effort, time and also the pride of the group goes waste.

So, you know you spend so, much in this path or you have spent so, much in traveling in this path you already decided now going back is like all those effort going waste effort, money, time everything goes waste.

You do not want to do that and one important thing is if you backtrack, then it means you are saying we have failed or we have taken a wrong decision and no team wants to get into that scenario, no team or even individuals they do not want to you know get confronted and say and being said that you know I have gone wrong. So, they do not want to face that reality.

So, this is what is called sunk cost. So, sunk cost means, cost which cannot be recovered once they have been incurred. So, when the sunk cost is very high escalation of commitment is also very high. When you see we have invested so, much everything will go waste.

So, let us try you know let us invest let us inverse more let us spend more so, that we can save whatever is possible and again that may not work and whatever investment you are making later will also is going to go waste.

ESCALATION OF COMMITMENT

Nature of the setback.

Personal rewards.

Ego and reputation.

Confirmation bias.

Perception of recovery.

Group cohesiveness.

So, these are some of the other reasons why escalation of commitment can happen; nature of setback. If you feel the setback is going to be small you will backtrack ok we are not invested so, much we can go back and start from fresh people will do it, but when people think you cannot go back there is lot of money invested their setback will be very high. So, I will not go back.

Also, personal rewards. So, if you think that personal that particular decision or that you know that path you are highly committed to it and it is like a dream project. If you fail everybody is going to make fun of you and you are going to fail miserably and your ego is going to be taking a beating and your reputation is going to get spoiled. So, you will not go back you know you will not say I have done wrong or my decision is wrong.

So, your personal rewards involved in achieving it, ego and reputation can stop people from going back it will increase the escalation of commitment. Another important reason is confirmation bias; confirmation bias if you remember we saw it in perception. So, what will happen is, we tend to seek information only with only seek information it supports our assumption.

So, things may go wrong during the process, but you will try to not look at them you will not perceive them as setbacks, will perceive them as you know temporary setbacks you look at them as random things.

So, you will try to brush up all those cover up all those problems it may happen in the middle and say no these are some minor problems, we can proceed with the decision and

perception of recovery. You may think this failure which happens or these symptoms which we encounter in the middle are temporary problems we may recover.

Like gambling you know you gamble you look only the profits you make and whenever you fail or whenever we lose you will think no these are small things we will recover it later, when we win perception of recovery and also group cohesiveness.

If the group is like very strongly committed to the decision they will not go back if the group is very close to each other they will think no going back is like questioning our team decision, which we should not do let us go together even if we are going to fail miserably let us all fail together.

So, this is like Abilene paradox. So, these are some of the reasons for escalation of commitment in groups.

So, how to avoid escalation of commitment? One, set clear cut limits. So, every decision when it is made during the execution you have to set clear cut limits of at this stage these are the results we expect if the results does not come we should go back. So, every stage should have clear cut yardsticks, which should say whether this decision should be continued or not.

Second, avoid ambiguity. Clear cut milestones; you do not have to say very ambiguous terms "we will achieve this and things like that but very clearly you should mention our profit should go to this level you know we should achieve it in this timeframe, very clear

cut timeframe and goals we should also have external reviewers, having external consultants who will evaluate the project or the decision in regular intervals.

So, why external reviewers because external reviewers will not have any bias, because if you are internal reviewer you will have confirmation bias, you will feel to look at only the good things you will not look at the bad things or the problems in your decision. External reviewers they will not have that bias, they will they if they it is bad they will clearly say this is bad and they will not have this confirmation bias.

And fourth, sunk cost you will accept. you should accept as a team what is gone is gone, we cannot recover, at least we should not incur more expenses, we should not invest more and accept that whatever has gone is gone accepting this sunk cost and also managing emotions.

So, when you are making decisions and executing them, getting too much attached to the decision saying 'this is my dream project' or 'this is going to be our pride' and all those things are not going to help. If you having emotions attached to a decision, it is going to affect your decision making in terms of confirmation bias or escalation of commitment.

So, I will stop here. So, this is end of the decision making chapter, the next chapter we will talk about leadership and power ok. So, will meet in the next lecture till then take care see you in the next lecture.