Decision Making Learning Objectives

• Understand and apply rational decision making models
• Understand how group and individual decision making differ
• Explain the significance of cohesiveness, roles, norms, and ostracism in regard to the behavior of group members.
• Identify and describe stages of group development.
• Explain the causes and effects of groupthink
Individual Decision Making

The example of Decision "Framing" - Kahneman & Tversky (1979)

- People will prefer choices that are framed as less risky
Individual Decision Making

Rational Decision-Making Steps

• **Define the problem.** Problems arise through a stress - gap between expectations and outcomes. Managers may react without understanding the problem, or focus on a solution suggested by the problem but miss the "big problem".
Individual Decision Making

- **Identify the Criteria.** A rational decision-maker will identify all relevant criteria to evaluate solutions. However, managers often have multiple, even competing, even unclear, objectives.

- **Weight the Criteria.** The decision-maker places differing values on the criteria used. Some criteria are important, others less important, but managers often lack information to ideally evaluate objectives.
Individual Decision Making

- **Generate Alternatives.** These are the possible courses of actions to solve the problem. The time and costs it takes to search and discover possible solutions limits a decision-maker's search for alternatives.

- **Rate each alternative.** This measures how well will each alternative achieves the criteria, and requires forecasting the probable impact of accepting an alternative. However decisions are made under uncertainty.
Individual Decision Making

- Compute Optimal Decision. If all steps have been followed the alternative with the highest value is selected. Manager's human cognitive limitations constrain ability to make this kind of calculation
Individual Decision Making

Decision Types

- Programmed decisions apply rules to routine situations where objective or subjective probabilities are available (risk) - e.g., Prisoner's Dilemma decision rule
- Non-programmed decisions deal with non-routine situations (uncertainty)
- Decision makers are cognitively limited, and accept satisfactory rather than optimal decisions
Individual vs. Group DM

Individual versus Group Decision Making

- Groups do better quantitatively and qualitatively than the average individual.
- Exceptional individuals tend to outperform the group.
- Group decision making performance does not always exceed individual performance, making a contingency approach to decision making advisable.
Fundamental Group Dynamics

• What Is a Group?
  – Two or more freely interacting individuals who share a common identity and purpose.

• Types of Groups
  – Informal groups: a collection of people seeking friendship and acceptance that satisfies esteem needs.
  – Formal groups: a collection of people created to do something productive that contributes to the success of the larger organization.
Fundamental Group Dynamics (cont’d)

- Attraction to Groups
  - Attractiveness of the group
  - Cohesiveness of the group
- Roles
  - Socially determined ways of behaving in specific positions.
    - A set of expectations concerning what a person must, must not, or may do in a position.
    - The actual behavior of a person who occupies the position.
Fundamental Group Dynamics (cont’d)

• Norms
  – The standards (degrees of acceptability and unacceptability) for conduct that help individuals judge what is right or good or bad in a given social setting.
  – Norms are culturally derived and vary from one culture to another.
  – Norms are usually unwritten, yet have a strong influence on individual behavior.
  – Norms go above and beyond formal rules and written policies.
Fundamental Group Dynamics (cont’d)

• Reasons that groups enforce norms
  – To facilitate the survival of the group.
  – To simplify or clarify role expectations.
  – To help group members avoid embarrassing situations.
  – To express key group values and enhance the group’s unique identity.

• Ostracism
  – Rejection by the group for violation of its norms.
Group Cohesiveness

Factors increasing cohesiveness
- Intergroup competition
- Attraction to group
- Group success
- Agreement on goals
- Mutual influence

Factors reducing cohesiveness
- Group size
- Disagreement on goals
- Intragroup competition
- Domination by the few
- Unpleasant experiences
Cohesiveness and Performance Norms

Group Cohesiveness

Low Performance

Moderate Performance

High Performance

Low Performance

High
Group Development

• Characteristics of a Mature Group
  – Members are aware of each other’s assets and liabilities.
  – Individual differences are accepted.
  – The group’s authority and interpersonal relationships are recognized.
  – Group decisions are made through rational discussion.
  – Conflict is over group issues, not emotional issues.
  – Members are aware of the group’s processes and their own roles in them.
Group Development (cont’d)

- Stages of Group Development
  - Stage 1: Orientation
    - Uncertainty about most everything is high.
  - Stage 2: Conflict and change
    - Subgroups struggle for control; roles are undefined.
  - Stage 3: Cohesion
    - Consensus on leadership, structure, and procedures is reached.
  - Stage 4: Delusion
    - Members misperceive that the group has reached maturity.
Group Development (cont’d)

• Six Stages of Group Development (cont’d)
  – Stage 5: Disillusion
    • Subgroups form; disenchantment, diminished cohesiveness and commitment to the group.
  – Stage 6: Acceptance
    • A trusted and influential group member steps forward and moves the group from conflict to cohesion so that it becomes highly effective and efficient.
    • Member expectations are more realistic.
Groups vs. individual decisions

- Groups usually make better decisions than the average of the individuals working alone, but worse decisions than the best individuals working alone - why?
- Groups have more information and a variety of approaches to an issue - how to get the information out?
- Mixed (heterogeneous) groups especially can provide a variety of opinions, abilities, and perspectives - why?
- Group participation leads to more commitment to group decision outcomes - why?
Group decision making

- Problems in group decisions
  - Individuals may monopolize the discussion
  - Individuals may not contribute
  - Goal displacement - may become more important for members to “win” (vs. develop the best solution)
  - There may be too much or too little conflict
  - Other?
Conformity and Groupthink

- Conformity
  - Complying with the role expectations and norms perceived by the majority to be appropriate in a particular situation.

- Research on Conformity
  - The Hot Seat (Asch)
  - Following the Immoral Majority
    - There is a tendency for individuals to go along with the group (blind conformity) when faced with overwhelming opposition by the group.
Conformity and Groupthink (cont’d)

• Groupthink (Irving Janis)
  – A mode of thinking (blind conformity) that people engage in when they are deeply involved in a cohesive in-group, when the members’ strivings for unanimity override their motivation to realistically appraise alternative courses of action.
Problems in group decisions

- **Groupthink** - *excessive cohesiveness*
  - Illusion of invulnerability
  - Stereotypes
  - Moral superiority
  - Rationalization
  - Self-censorship
  - Illusion of unanimity
  - Mindguarding

- Examples: Cuban missile crisis, Challenger I & II, ...
Managing decision making in groups

- The role of the leader
  - Facilitate communication between individuals and integrate and unify responses
  - Balance task and social elements
- Minimize groupthink
  - assign critical evaluator role to each member
  - encourage contrary opinions, bring in outside experts
  - create a “devil's advocate” role
  - use heterogeneous groups
Other biases in group decisions

- Group Polarization
  - After group discussion, individuals shift toward a more extreme position in the direction they were initially leaning
Managing decision making in groups

- **Manage group polarization**
  - Create a shift - call for initial vote preceding discussion - arrange for certain (high status) individuals to speak first - may induce shift toward initially voiced directions
  - Suppress a shift - suppress early mention of preferences, require members to write down pro/con considerations in advance and share
Teams and Trust

• Cross-Functional Teams
  – Task groups that are staffed with a mix of specialists focused on a common objective.
    • May or may not be self-managed.
    • Membership is assigned, not voluntary.
    • Challenge is getting specialists to be boundary spanners.
**Teams and Trust (cont’d)**

- **Virtual Teams**
  - Task groups with members who are physically dispersed yet linked electronically to accomplish a common goal.
  - Face-to-face contact is minimal or nonexistent.
  - Primary forms of communication are electronic interchanges (e-mail, voice mail, web-based project software, and videoconferences).
Team and Trust (cont’d)

- What Makes Workplace Teams Effective?
  - Innovative ideas
  - Goals accomplished
  - Adaptability to change
  - High person/team commitment
  - Being rated highly by upper management
Team, Teamwork, and Trust (cont’d)

- Trust: A Key to Team Effectiveness
  - Trust: a belief in the intentions and abilities of others.
  - The primary responsibility for creating a climate of trust falls on the manager.
  - Trust is the key to establishing productive interpersonal relationships.
  - Trust encourages self-control, reduces the need for direct supervision, and expands managerial control.
Team and Trust (cont’d)

Six Ways to Build Trust

2. Support: be an approachable person.
3. Respect: delegate important duties and listen.
5. Predictability: be dependable and consistent.
6. Competence: be a good role model.