

Organizational Behaviour
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Lecture – 40
Decision Making Part – 02

Warm welcome to this lecture series on Organizational Behaviour. We are in this chapter on Decision Making and this is our 2nd section of the lecture on this chapter.

OUTLINE

Approaches
Barriers
Biases
Decision making in teams
Individual Vs the Group
Group decision making techniques
Majority rule
Group think
The Abilene Paradox
Escalation of commitment
Group polarization



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



Quick summary of what happened in the previous lecture. We looked at the importance of decision making in the organizational context. We also discussed about the role of



individual decision making and the group decision making in organizational effectiveness. We looked at different approaches to decision making. Broadly, there are two approaches; rational approach and intuitive approach.

So, we spoke about the limitations and advantages of both the approaches and we also spoke about a concept called bounded rationality. Bounded rationality is understanding the boundaries of the rational decision making.



BARRIERS TO EFFECTIVE DECISION MAKING

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



We also looked at in detail some of the barriers to effective decision making. So, many of these barriers are about not taking decision or not understanding the importance of taking a decision. So, broadly, we classify them into not accepting the problem and not deciding to decide. So, not accepting the problem may involve being comfortable with the current state or in a very active way avoiding making the decision. So, we looked at the problems in each of these barriers to effective decision making.

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 occurrences



So, this is where we stopped in the previous lecture. So, in this lecture, we will talk about the some of the biases in decision making. So, biases mean wrong way of looking at a problem or very one sided approach in decision making. In fact, in decision making like I said earlier, we make decisions even without understanding that we are making a decision. We may not even acknowledge we are in a decision making situation, but we might be making a decision.

So, many of these decisions which we make without even knowing, we are making a decision, many of these biases might creep in. We might be committing some of these biases in those kinds of unconscious decision making. So, there are many decision making biases. I am listing some of the important ones which may occur very frequently. The first bias or the first problem which groups or individuals might encounter in decision making is framing.

Framing means the way we look at a problem changes, the way it is presented to us. So, depending on the way a problem is defined to the group or to an individual, we look at it in a certain way. So, I will give an example. Let us say you know there is a new drug which has been tested in a huge sample.

So, the risk involved or the side effects may occur in two percent of the population tested. Let us say two percent of the population are prone to certain side effects which might be dangerous, if the drug is given. So, let us say if I ask you should we say to this drug; should we pass the drug to the public.

Let us say you know the drug may be a very important drug because it may help people get out of a very serious disorder. So, something like COVID-19. So, for COVID-19, I am coming out with a drug which and the and two percent of the people who take this drug, may show some serious side effects. So, this is the scenario. If I say this, many of you will think, it is to pass this drug because this particular disorder, this particular disease is a very serious disease.

But on the other hand, if I frame the problem in a different way if I say, if I give this drug in India maybe you know around 4 crore people may get side effects. So, specifying exact numbers instead of percentages may sound a huge difference and I say 4 crore people may have serious side effects because of this drug, instead of saying 2 percent of people will get affected ok; 2 seems to be a small number, 4 crore seems to be a big number.

But we forget the fact that 2 percent and 4 crores are more or less the equal number ok. So, how you frame the problem becomes a yardstick for us to make a decision ok. So, many a times, in negotiations or in you know marketing, where people have to sell certain things, persuasion, framing becomes a very important tool. So, instead of saying the negative thing or if you want to say a negative thing, you say it in a certain way that people may not even pay attention to it.

So, this is what is framing. Prospect theory is which is similar to you know the earlier slide, where people do not want to take or people do not want to get into a decision making scenario, because they may find the risk involved in a negative consequence of the decision to be more important or more threatening than the benefits of making that decision.

This is what is prospect theory. People avoid taking decisions because if the decision goes wrong, they the loss might be or they perceive the loss to be very serious than the actual benefits of taking the decision ok. So, this is what is prospect theory, which is like risk aversive behaviour. They do not want to take the risk and get blamed for a negative consequence; whereas, the effect of it might be very good. You know there might be chances that the decision will lead to a positive gain.

So, these things make people avoid taking decisions. The third decision making bias is representativeness, which means in decision making when we seek information, we tend to make or evaluate the information based on stereotypes.

Stereotypes means, if you remember in attitudes, we spoke about attitude and perception chapter, we spoke about stereotypes. Stereotype means typical information. So, this information, we have we tend to compare it with the typical information and judge this particular information as or over evaluate this information as a typical information.

I will give one example let us say you know you are making a decision for, making a decision for job employment you are selecting people for a particular job. You are selecting people for a job of a driver; somebody who drives a car or a taxi. So, let us say you get a female candidate as an applicant. Typically, we assume that or you have seen very few women in this profession or you feel that or stereotype or negative prejudice in terms of women cannot drive or women may not be good drivers. You do not select women.

Similarly, nurse. We assume all nurses to be women, may not necessarily you know there are many in fact, nurse is not a gender gendered word ok. There can be many men who can be nurses also. So, based on a certain assumption which is already there which is wrong, you make or choose an information and evaluate that information based on your previous assumptions which are generalized in nature.

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



So, this is what is stereotype. Availability, which is similar to the earlier bias which is representativeness bias. In availability bias, what we do is we evaluate or we evaluate information or the chances of a particular occurrence based on what comes to our mind. Like I said earlier, when we think about nurse, we have only visualize male nurses, sorry female nurses; when we think about drivers, we only think about male drivers.

So, based on our available information it which is which can be wrong ok, we make decisions. Another example can be let us say you want to invest in a particular organization ok, you want to buy shares of a particular organization and this organization, you have remembered to be a very successful organization. It was there from many years and you know it has been according to your memory, it is a profitable organization.

But let us say if you look at the actual numbers, if you compare two organizations may be older organization not necessarily means a successful organization. It was not necessarily mean it may make profit always; whereas there is another option available which is a newer organization which you think, it has not made profits in the recent times; may not necessarily true. You do not remember that particular information about the second organization.

So, we make decisions based on available information to our immediate memory. Many a times that can be biased also. The next bias can be anchoring and adjustment bias. So, again this happens in negotiation kind of a situation. When you have to make decision or somebody is giving you information, based on that you need to make a decision.

So, when somebody gives you information, similar to framing where they in framing they give a number in a way that it does not look alarming. In anchoring also, they give you a number or they give you initial figure which becomes the benchmark for us to make the decision ok. Even though, the initial number might be an irrelevant number. For example, like I said in negotiation you know when people give the initial number, they give a very big number.

So, let us say you are negotiating with an auto rickshaw person. In some cities auto rickshaw people, they do not you know they negotiate very illogically or you know they are very you know they say a number which is like very exaggerated. So, they will say a number which was like too high; even half of it might be not correct.

Let us say if somebody says 400 rupees, even 200 rupees is not a correct number; but usually what we do if somebody gives number like 400, we will adjust it to 200. But the you know, but the correct number might be 100 because initially somebody said 400 rupees, we come to 200 rupees, we negotiate for 200 rupees. But in reality or the correct figure might be 100.

So, anyway we are the one who is losing. So, many a times in negotiations, the first figure which was given to us might be an exaggerated figure, must be a very skewed figure. We should be very aware that, we should be very clear that we should not you know get affected by this initial number. But many a times, people get influenced by this initial number because that is where the anchor for negotiation or decision making is kept and we adjust it only to a certain level which may not be correct.

So, you should be aware that this anchoring might be a very wrong figure. The another important decision-making bias is over confidence. So, we tend to be very certain of our own judgments. Because of our earlier experiences, we think you know we might be always correct. So, you would have heard people saying that you know the I made this kind of decisions 1000 times in my lifetime ok. So, I have this is like cakewalk to me.

So, these kinds of statements denote somebody is overconfident and if you are overconfident, there are more chances that you will overlook certain minute information or you know very small information which might be very important in later points in time ok. So, over confidence leads to missing out important information which may not be very obviously seen in decision making.

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



So, these are some of the barriers and problems which groups or individuals will encounter in decision making. So, now we get into group decision making. So, the earlier slides spoke about general issues and biases related decision making; but here we are going to talk about specifically on group decision making. But before getting into the problems or the advantages of group decision making, we have to discuss about which is better; individuals making decision is better or groups making decisions is better?

Because, especially in organizational context, in some organizations, the individual manager makes the decision. The manager does not consult with others in the organization; whereas, certain organizations, where decisions are made in a very democratic process through a democratic process which I mean to say is decisions are made at a group level.

So, again it depends on the organizational culture. Some organizations they trust individual capacity or they trust individual capability and you know there they trust that individuals can make better decisions; whereas some organizations which are very democratic, they believe in the power of groups. You know groups can make better decisions.

Individuals individual decision making relies on individual expertise; group decision making believes on believes in the groups consensus and groups collective wisdom, so which is good or which is more effective. In fact, both are effective depending on the context and depending on the problem.

But usually, the advantage of group decision making is there is more participation in the decision making. When people are involved in decision making, they feel they are committed to the decision making, they also feel they are respected. There is some level of commitment to the decision making, if you also are part of the decision making; whereas, in individual decision making when managers make the decision and tell the subordinates or the team member, this is the decision made you have to follow it.

Many people may question it or they may not feel you know they may not feel as a part of the organization or the group. So, group decision making is a better mechanism to involve people in organization processes and also, it gives a sense of justice and fairness. If you remember in procedure justice, when people are involved in making or if people are people understand there is transparency in decision making, they feel the organization is just.

So, group decision making has other advantages apart from the effectiveness of the decisions. But again for us, the effectiveness of decision is of foremost importance. So, which is more effective that is the question.

Again, like I said depends on the context, but some of the pros and cons, the advantage of group decision making like I said it makes people part of the group; but individual decision making is quick in nature, you know if there is an emergency decision to be made, when you involve lot of people in decision making, it takes lot of time to arrive at a consensus. But individual decision making, the person can make the decision very quickly.

Similarly, if the individual is like an expert in this area if he or she knows or if he or she is clear about or thorough about how to resolve this problem or how to make a decision. you do not need to involve people who are not experts in this area ok. So, if the individual is expert, you do not need to involve the group and also, individual decision making involves you know you do not need to sell the idea to others.

If the individual, you do not need to convince people, you do not need to you know talk to people and say this is the idea, you need to you know all these group decision making processes involve convincing others or you know listening to others, convincing each other all those problems are not there when individual decision making is made.

But again, group decision making when people come together, they feel committed and also, there is this idea call synergy. Synergy means when different people come together in collaborations, if you manage the group process well, you can get best out of all the members. When you get best out of all the members, the collective decision made can or the collective effort can be much bigger or better than the individual effort ok. So, it is like this Gestalt's theory, the sum is greater than the whole is greater than the sum of its parts ok.

So, individually people might be not best in their area; but they when they come together, the positives of all the people when you put them together it becomes a huge success ok, this is what is synergy. So, another important aspect of group decision making is best team member versus the team which means sometimes the team might have a best team member. You know some cricket teams you will have star players ok, but star players when they play individually, they may not succeed.

So, a team having star players does not mean the team is a best team. But if you would see some teams cricket teams or sports teams team members might be mediocre in nature, but when they collectively come together that is why synergy happens. You know they work as a team, they complement each other's efforts, they help each other, they cooperate each other and the team becomes the best team.

So, best team member is better or the team is better or whether the team is able to get the best out of the best team member or it uses the best team members' efforts or the expertise to the fullest so that the team achieves the best outcome.

So, this is a very important secret of success of teams. So, if the team is able to get best out of its team members, not necessarily the best team member; every team member it can be the best team. Especially, the team has the best team member; the team should know how to make the best out of the best team member ok. So, who should do it or what will make it happen? The first and foremost thing is group processes.

The group processes or the way group works together, the way group team or the groups goals are defined, the way leadership is played or the role of the leadership. All these factors play an important role in making this synergy become a reality and also, nature of the problem. Sometimes the problem itself can be a very biased problem or the problem itself can be a very one sided problem, where you do not need all the team members.

Some problems involve every team members' collective efforts, some problems involve only one person can solve it; you do not need everyone.

Similarly, some problem can cause disturbance or you know they can create rift among people. Let us say the discussion on a very sensitive issue, involving everyone can be a very serious issue you know; but again, you need to involve people especially when the issue is a very sensitive issue because everybody should know what is happening.

So, nature of the problem can also decide whether the group will be effective or the individual will be effective and also, another important aspect in group decision making is risk taking. So, sometimes groups will take higher risk because the responsibility of making a decision is shared. So, if the group fails, you cannot pin point one member; but an individual fails, you can pinpoint that individual.

So, individual decision making, the individual will be very careful in making the decision. Sometimes too cautious that they may not even make the decision because if they fail, the risk will be on their head, they will be held responsible.

In groups, groups can take or they tend to take very high risk because of the fact that the responsibility is shared among all the members. So, there is no you know accountability on individual member. The accountability is on the team, so the blame is on the team. So, individual is tends to individuals in the group tend to take more risks. So, collectively the group also takes more risk ok.

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



So, I will stop here. In the next section, we will talk about the processes of decision making in teams and also, the problems teams might encounter in decision making. So, till then, take care.

We will meet in the next lecture.