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## Stocks

The New Manager - Management

## Why groups make bad decisions

**Mohit Kishore**

*Here's a look at the pros and cons of group decision-making.*

*For good decisions to come out of a group, the leader's role is critical in identifying biases, observing the group dynamics in play and gently nudging the group to be rational in its choices.*



ON THE FLIP SIDE: Group discussions allow participants to share knowledge, and collectively arrive at a solution after factoring in all the information that is available, whereas individual decision-making depends on much lesser information.

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I have always believed that it is the intersection between management and human behaviour that holds the greatest challenges in organisations.

#### Cross Currency

- Rates

Most management concepts tend to assume that people behave as rational agents at all times and make decisions that are optimal. In the real world, people rarely behave rationally when faced with a decision-making opportunity, and this tendency is even more prominently seen in groups.

#### Shipping

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It is thus debatable whether key decisions in organisations must be left to the leader (whoever that may be in a given organisational context) or must flow out of group discussions.

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Yes, groups do have their inherent benefits. For instance, group discussions allow participants to share knowledge, and collectively arrive at a solution after factoring in all the information that is available, whereas individual decision-making depends on much lesser information. Groups also tend to be democratic in the sense that they allow diverse perspectives to be presented for consideration.

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However, the problem is that most people do not want to take decisions, or at least prefer not to be held individually accountable for the same. In such a scenario, a group decision-making process presents an ideal scenario which has the following "benefits," according to Irving Janis and Leon Mann [1977].

#### Group Sites

- The Hindu
- Business Line

#### Procrastination

The group conveniently postpones decision-making. Look at how the government approaches the FDI issue. One is reminded of former Prime Minister P.V. Narasimha Rao's

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famous quote: "When I don't make a decision, it's not that I don't think about it. I think about it and make a decision not to make a decision."

#### Bolstering

The group arrives at an arbitrary decision and then bolsters it by exaggerating the benefits. Look at the 50 per cent reservation issue, for instance. I wonder if the number 50 was chosen based on a demographic study, or whether it was just chosen because it represents an equal split between reserved and non-reserved seats.

Avoiding responsibility: The group forms a sub-committee to take the final decision. Some organisations are known to hire consultants explicitly for this reason.

At least things will progress if someone makes the hard decisions. If the solution fails, you can always blame the consultants and carry on as usual! This involves finding a barely optimum, satisfactory solution, instead of finding the best solution. The group spends time on minor issues, instead of focusing on the key issue at hand.

#### Ignoring alternatives

The group considers a very narrow set of alternatives, and that too only those that are not very different from the existing situation. This leads to the status quo being maintained.

There are some other major threats posed by group decision-making. The first is groupthink, which occurs when members of the group are more interested in being 'part of the group' than finding an optimum solution.

The best example of this I can think of is when Vikram Chandra does an audience poll on NDTV's *The Big Fight*. Almost inevitably, a large majority of people vote either for or against.

Rarely will you find a 50-50 or even a 60-40 scenario. The second is a concept I came across recently, called the group polarisation hypothesis (Myers and Lamm). This hypothesis states that when people make decisions in groups, they prefer extreme choices, compared to what they would individually choose.

This may explain why juries often dole out harsh decisions. The third is that groups often carry out discussions based on shared information. Greater attention needs to be given to unshared information that does not emerge due to group members' inhibitions.

With so much going against group decision-making, do we shun it completely? I do not believe so. The problem with the alternative (individual decision-making) is that it ends up vesting too much power in the individual, and power (largely) corrupts! Secondly, when a group proceeds from the decision-making phase to the implementation phase, the number of supporters of the decision assumes significance. If a large percentage of people in the group disagree with the decision taken, they will inevitably contribute lesser to the cause of implementation. Somewhere, leaders in every sphere (not just companies, any organisation for that matter) need to find a balance between consulting a group and consulting their own intelligence.

One remembers how Vajpayee as Prime Minister used the word "consensus" so often when asked about key decisions, yet from time to time would threaten to resign if he wanted to get his way! On a more serious note, I think for good decisions to

come out of a group, the leader's role is critical in identifying biases, observing the group dynamics in play and gently nudging the group to be rational in its choices.

*(The writer is an alumnus of XLRI, working with a multinational financial services company)*

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