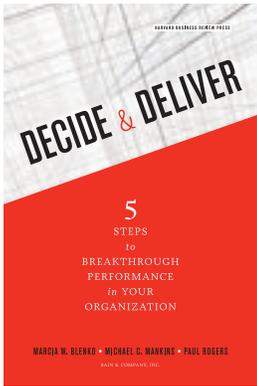


# Decision Insights

How group dynamics affect decisions

By Paul Rogers and Todd Senturia



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We human beings don't always make good decisions. Our rational judgment is influenced not only by passions and emotions but also by built-in biases such as overconfidence in our own abilities (see our earlier article, "Why we behave—and decide—the way we do"). One big factor affecting the quality of decisions is whether a decision involves a group. Group dynamics can lead otherwise sensible individuals to make (or agree to) decisions they might not come to on their own.

At times the effects are positive, as when some group members help others overcome prejudices. But the dynamics of a group often have negative consequences. Since nearly every company relies on collective decision making in some contexts, executives need to be on the lookout for group biases and their undesirable results. Here are four common manifestations of the "group effect" and some suggestions about how to counter them:

**Conformity.** Many people go along with the group regardless of what they themselves might think as individuals. A famous experiment by psychologist Solomon Asch showed how powerful this effect is. Asked to choose which of three lines was the same length as a prototype line, nearly every subject chose correctly when acting alone. But then Asch put each subject into a group of several confederates, all of whom had been instructed to pick the wrong line on one of the "tests." Sure enough, almost 75% of the subjects agreed with the group at least once—even though many later confessed they knew the group's answer was wrong (see Figure 1).

In business, the tendency to conform often persuades dissenters to shut up rather than speak out. Warner Brothers, for example, invested \$50 million in the film adaptation of Tom Wolfe's best seller *The Bonfire of the Vanities*. The result: a hugely expensive box-office bomb. "Many people involved ... had doubts about the casting choices and changes in the storyline, but they never voiced these doubts to the director," wrote Cabrillo College professor J. Dan Rothwell in a book on small-group communication. Meanwhile the director also had doubts "but because no dissent was voiced, he convinced himself that he had made the correct decisions."

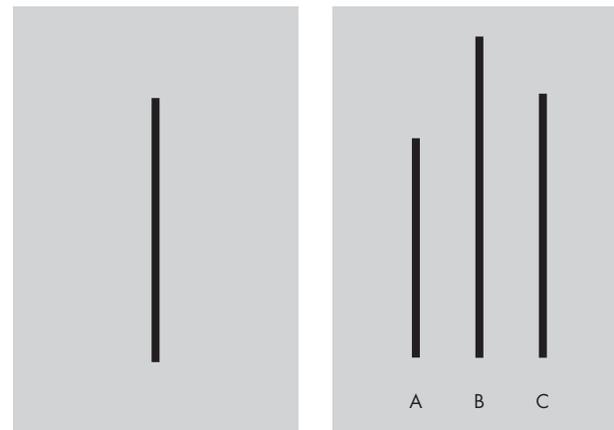
**Group polarization.** You'd think that a group would tend to moderate individual points of view. In fact, the opposite often occurs: In a phenomenon known as group polarization, deliberation can intensify people's attitudes,

leading to more extreme decisions. A study of US federal judges, for example, found that judges working alone took a relatively extreme course of action only 30% of the time. When they were working in groups of three, this figure more than doubled, to 65%.

The business implications? Imagine a company's investment committee. If it's composed of people with a generally cautious outlook, the group may make decisions that avoid risk altogether—or vice versa. Or imagine a go/no-go product-development decision. If group members making the decision are inclined toward innovation rather than conservatism, they may collectively decide to throw caution to the winds. A public example of group polarization may have occurred in 2013 in the US, when opposition to the Affordable Care Act led a group of Republicans in the House of Representatives to shut down the US government in hopes of forcing negotiations over the act's implementation. "From decades of empirical research, we know that when like-minded people speak with one another, they tend to become more extreme, more confident and more unified—the phenomenon known as group polarization," wrote Harvard Law School

Figure 1: Conformity affects an individual's judgments

Which line matches the one on the left?



Nearly 75% gave an "obviously wrong" answer when surrounded by confederates who chose an incorrect answer

Professor Cass R. Sunstein in an analysis of the shutdown. “If you’re in a group whose members think the Affordable Care Act is horrible, you’ll hear many arguments to that effect and very few the other way. After a lot of people have spoken, [the act] will seem much worse than merely horrible; it might be taken as a menace to the republic.”

**Obedience to authority.** Every Psychology 101 student learns of Stanley Milgram’s classic experiment in which test subjects obeyed instructions to administer electric shocks to other “subjects”—actually confederates pretending to be shocked—even when the harm seemed extreme. Though businesses depend on employees to carry out their supervisors’ instructions, executives should find this particular group dynamic disturbing. A company suffers when subordinates never challenge their superiors’ decisions. Take the worst commercial aviation incident in history: In 1977 a KLM plane attempted to take off from Tenerife airport while a Pan Am plane was on the runway. Official investigation concluded that the senior KLM pilot had taken off without clearance as a result of communication problems, including the reluctance of other crew to challenge his decision to go. The “captain was always right” effect was cited as a principal cause in the official report on the incident.

**Bystander effect.** As social psychologists have long known, people are far more likely to aid a victim in distress or report an apparent emergency if they are alone than if other people are around. One reason: If you’re uncertain what to do, you’re likely to take your cues from other people whenever possible.

The bystander effect crops up in a variety of business contexts. Employees might be expected to report safety violations, for example—but if some people ignore a dangerous situation, others are likely to do so as well. Barings Bank was brought down in 1995 by the unauthorized trading of head derivatives trader Nick Leeson in Singapore. Afterwards, investigators found that several internal and external reports had drawn attention to the fact that someone in Leeson’s position could conceal losses.

Yet “individuals in a number of different departments failed to face up to, or follow up on, identified problems,” according to an *MIT Sloan Management Review* article.

Good organizational practices can help counter the ill effects of group dynamics. The most important key is to locate decision roles and accountabilities with specific individuals. An individual who is publicly responsible for a given decision is less likely to be swayed by group polarization. And someone who has public responsibility for offering input can’t easily take refuge in mindless conformity or in the role of a bystander.

Companies can put plenty of other tools to good use as well, including:

- ***Devil’s advocate.*** A person or team charged with taking the less popular side of an issue can help guard against mindless conformity.
- ***Diversity in decision-making meetings.*** People from different functions or with different backgrounds may help counter conformity and group polarization.
- ***Advance collection of opinions.*** Asking for input in advance often counters the tendency of a group to reach more extreme positions.
- ***A forum for direct communication with senior management.*** People who disagree with an action but are afraid to say so can use back channels to communicate their concern.
- ***An “at-cause” attitude.*** A culture that fosters what we call an at-cause approach encourages everyone to assume personal responsibility for group decisions.

Nobody can put an end to group dynamics, and anyway the output of a group is often more positive than you would expect. But companies that actively compensate for the negative effects will make better decisions, on average, than those that fail to do so.

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