

How groups make risky decisions

Dr David Hillson

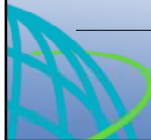
How groups make risky decisions



Dr David Hillson PMP
Director, Risk Doctor & Partners



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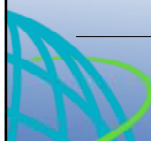


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What's the problem?

- Everyone has to make decisions
 - personal, private, professional ...
- All decision-making is **risky** and **important**
 - decision process/outcomes are **uncertain** & **matter**
 - “*uncertainty that matters*”



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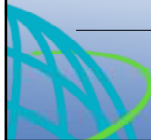


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Sounds familiar?

- Risk can be defined as “*uncertainty that matters*”
- Can risk management help decision-making?
- Human element is essential in both RM and DM
 - All risk is managed by **people**
 - All decisions are made by **people**
 - **Groups** are more complex than individuals
 - Multiple influences on group decision-making
- Link RM and DM through understanding **risk attitude**

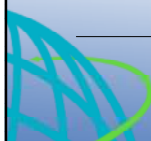


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Two-part solution

- **Understand** so we can **manage**
- Need to **understand and manage**:
 - risk attitudes
 - how decision-making groups operate



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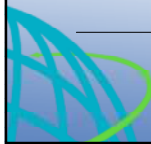


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Understanding “risk attitude”

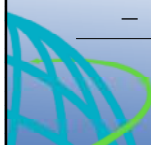


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“Risk Attitude” = “Risk” + “Attitude”

- **Attitude:** “*Chosen response to given situation*”
- **Risk:** “*Uncertainty that matters*”
- Both are affected by **perception**
 - “What is the situation?”
 - “How uncertain is it? How much does it matter?”
- **Risk attitude:** “*Chosen response to uncertainty that matters, influenced by perception*”
 - Many levels: individual, group, society, nations...
 - Exists on a continuous spectrum



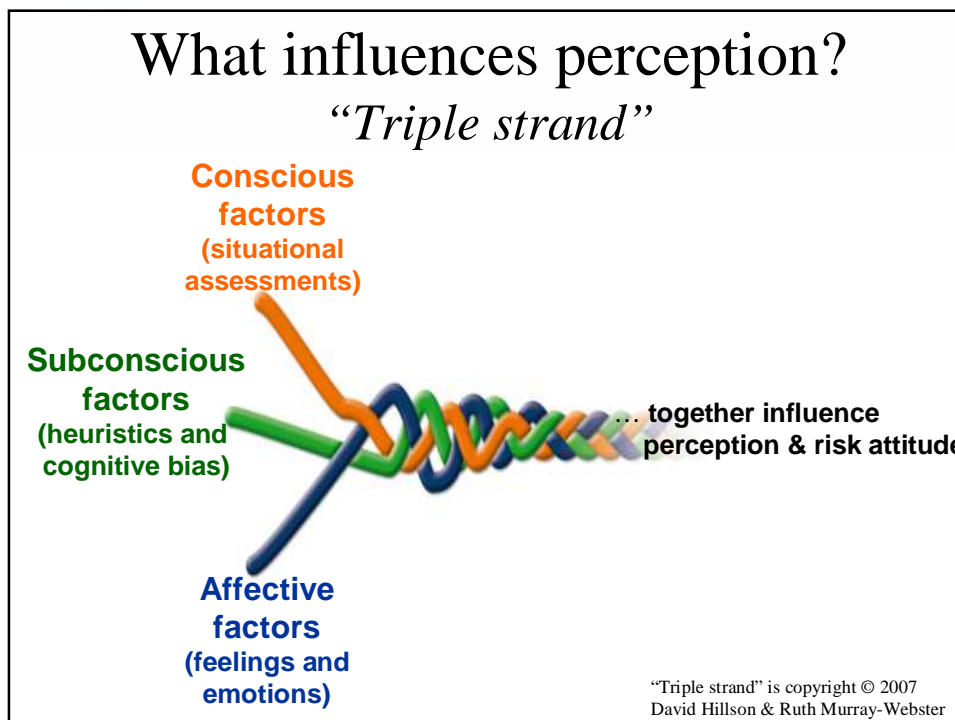
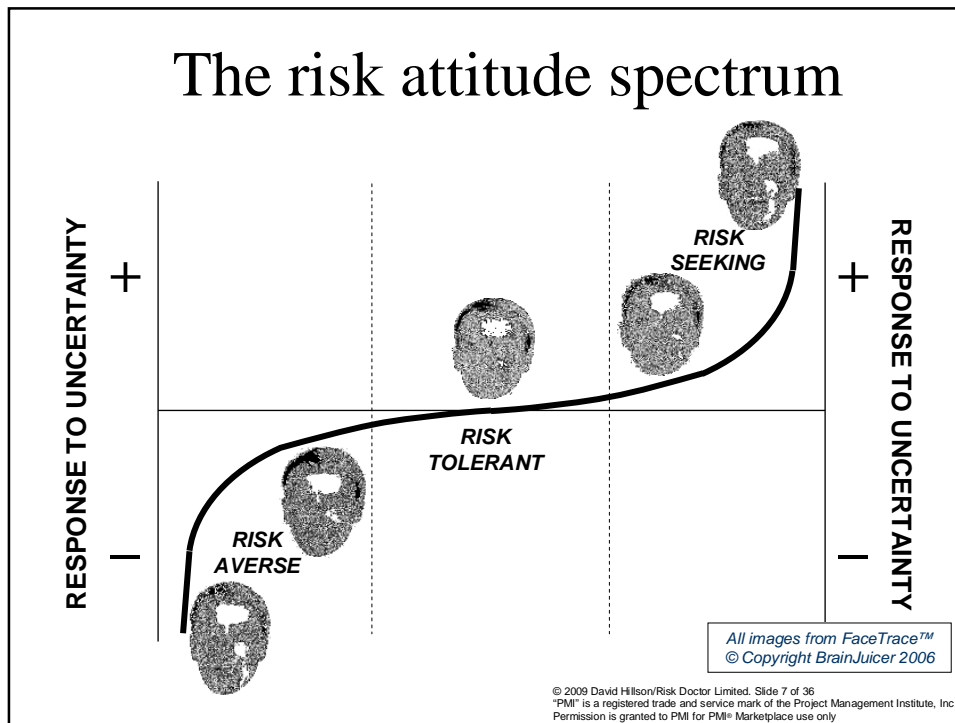
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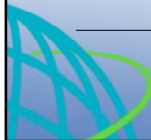


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Conscious factors

- Make your mind up
- Rational decision-making
- Measurable criteria
- Situational aspects

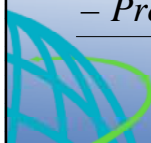


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Subconscious factors

- **Heuristics** = “Rule of thumb” / “Gut feel”
 - **Individual:** *availability, anchoring, confirmation trap...*
 - **Group:** *groupthink, risky shift, cultural conformity...*
- **Cognitive bias**
 - *Familiarity:* Level of relevant skill/knowledge/expertise
 - *Manageability:* Possibility of control or choice
 - *Proximity:* Closeness of risk in time or space
 - *Propinquity:* Potential for direct consequences



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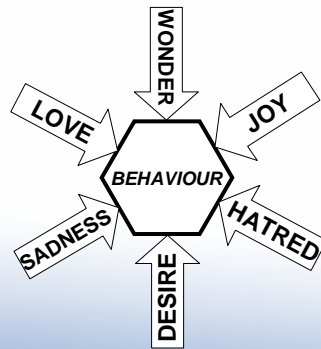


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Affective factors

- Feelings, emotions, instincts & intuition
- How do I feel?



Understanding how groups operate

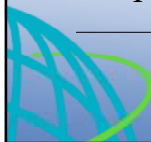


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Possible influences on decision-making groups

- Individuals in group with various levels of power
- Group dynamics
- Decision context
- Organisational culture
- Wider environment
 - Societal norms
 - National culture

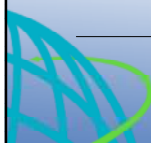


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Are these factors all equal?

- “*Ripples in pond*” hypothesis:
 - Influence directly proportional to **propinquity**
 - “*How much does it matter to me/us?*” (closeness)
 - Closer to decision = stronger influence
- Two-phase research to test
 1. Rich interpretative analysis of real decisions (x 8)
 2. Web-based survey (x 281)



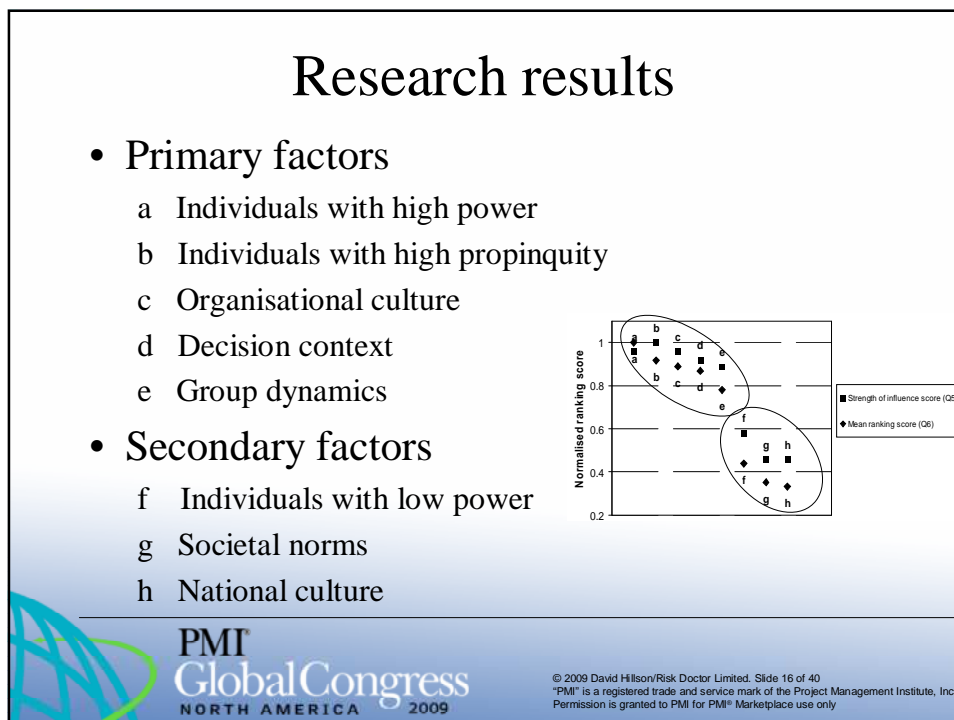
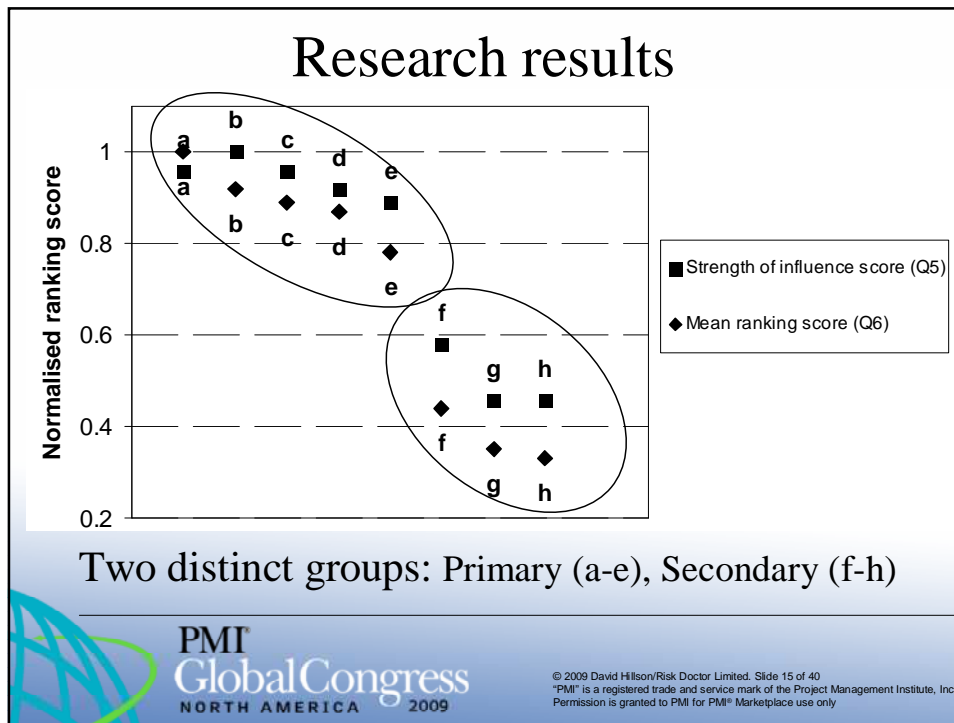
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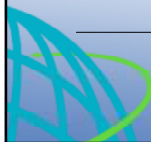
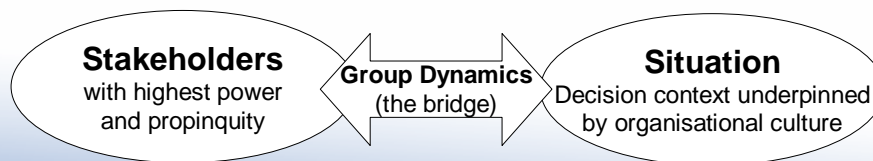


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Primary factors

- Closer analysis:
 - Two co-equal “lead influences”
 - Linked by group dynamics
 - Secondary factors less influential

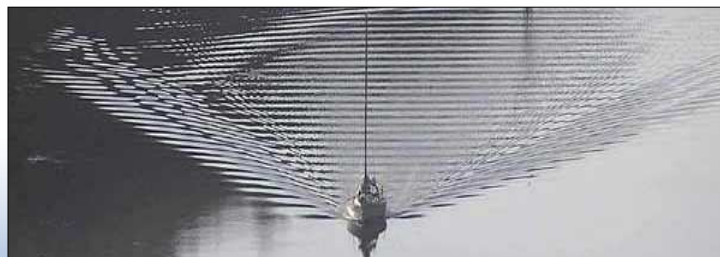


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“Bow wave” not “Ripples”

- Lead influences (primary) first ...
- ... followed by supporting influences (secondary)



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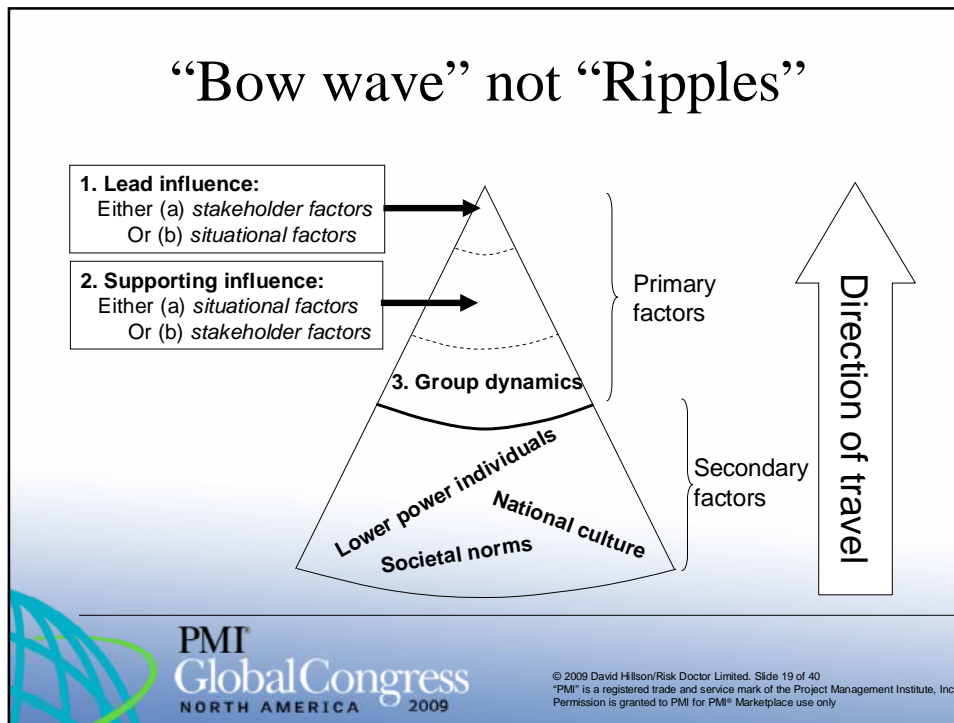
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Implications

- Group behaviour is mainly influenced by:
 - Either a ***strong leader***, who can supersede *situational factors* (context & culture), with *group dynamics* following the leader;
 - Or ***strong situational factors***, with *influential individuals* adapting to fit, with *group dynamics* following the context & culture

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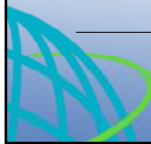
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Bringing it all together

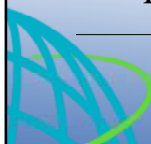


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How groups make risky decisions

- Wide range of influences on DM groups
 - Stakeholders, Situation, Group dynamics
- Risk attitudes affect individuals & group
 - Influenced by “triple strand”
- ***Complex! Difficult!! Important!!!***
- Addressing risk attitudes can encourage optimal decision-making



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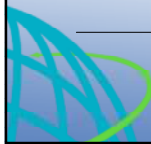
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So much for understanding,
what about **managing**?

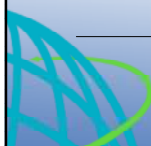


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Managing risk attitudes

- Key: Risk attitudes are **chosen**
 - Can be **modified** if necessary
- Yes, but how?
 - Use techniques from **emotional literacy**



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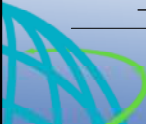
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The Four A's

Basic Emotional Literacy

1. Recognise emotions  Awareness
 - ...and acknowledge them as entirely natural
2. Understand emotions  Appreciation
 - Why do I/we feel them, do they help or hinder?
3. Appropriately express emotions  Assertion
 - ...in a way that supports my/our objective
4. Deal with emotions  Action
 - Don't have to be a victim



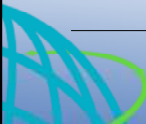
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A good start, but...

- **The Four A's** can apply to group decision-making
 - ... but are not the whole story
- Need to be **aware** of group behaviours and influences (especially primary factors)
- ... and **appreciate** why they are happening
- ... then **assert** the need for change
- ... and take appropriate **action** to achieve it

REALLY ? ALWAYS ???



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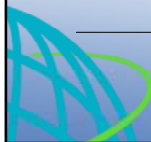


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From Four A's to Six A's

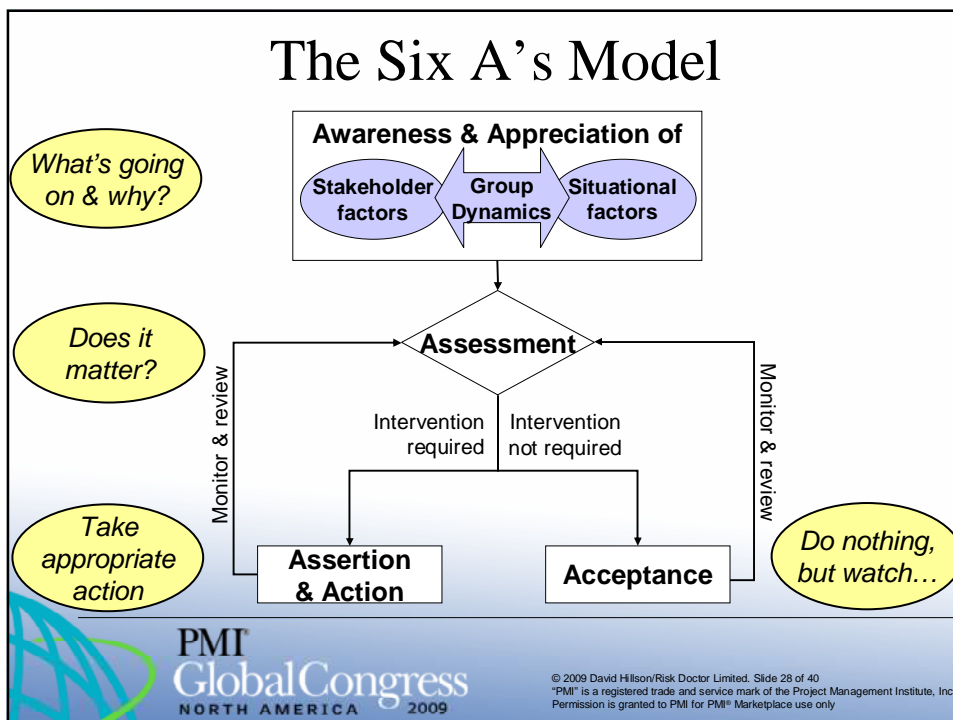
- **Assertion** and **Action** not always required
- Sometimes unmanaged situation is fine
- Need to **assess** whether change is needed
- If not, can **accept** status quo (and monitor)



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The Six A's Model



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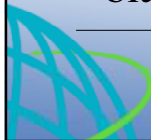
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Practical steps – 1



- Seek **awareness** of:
 - Self and others in decision-making group (levels of power and propinquity)
 - Situational aspects (organisational culture, decision context)
 - Group dynamics, including “triple strand” influences
- **Facilitation** can promote awareness and uncover bias in a non-threatening way



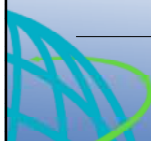
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Practical steps – 2



- Develop **appreciation** of stakeholders & situation
 - Empathy for others’ point of view
 - Confidence in your own perspective
 - Understanding of decision context
 - Knowledge of organisational culture
- Practice makes perfect
- Mentoring/coaching & honest feedback can help



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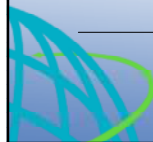
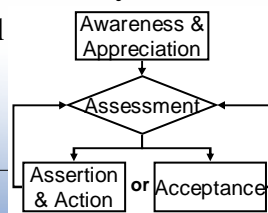
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And finally ...

- Group decision-making is risky & important
- Complex web of influences
- Research indicates set of primary factors
 - Stakeholders, situation, group dynamics
- Managed risk attitudes are vital
- Modified emotional literacy offers framework
 - The Six A's Model



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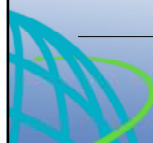
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