

# How groups make risky decisions

Dr David Hillson

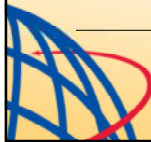
## How groups make risky decisions



Dr David Hillson PMP  
Director, Risk Doctor & Partners



Session ADV03

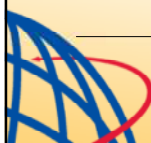


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## What's the problem?

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



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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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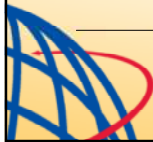


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## Understanding “risk attitude”

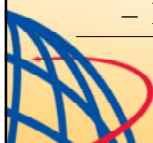


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“Risk Attitude” = “Risk” + “Attitude”

- **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



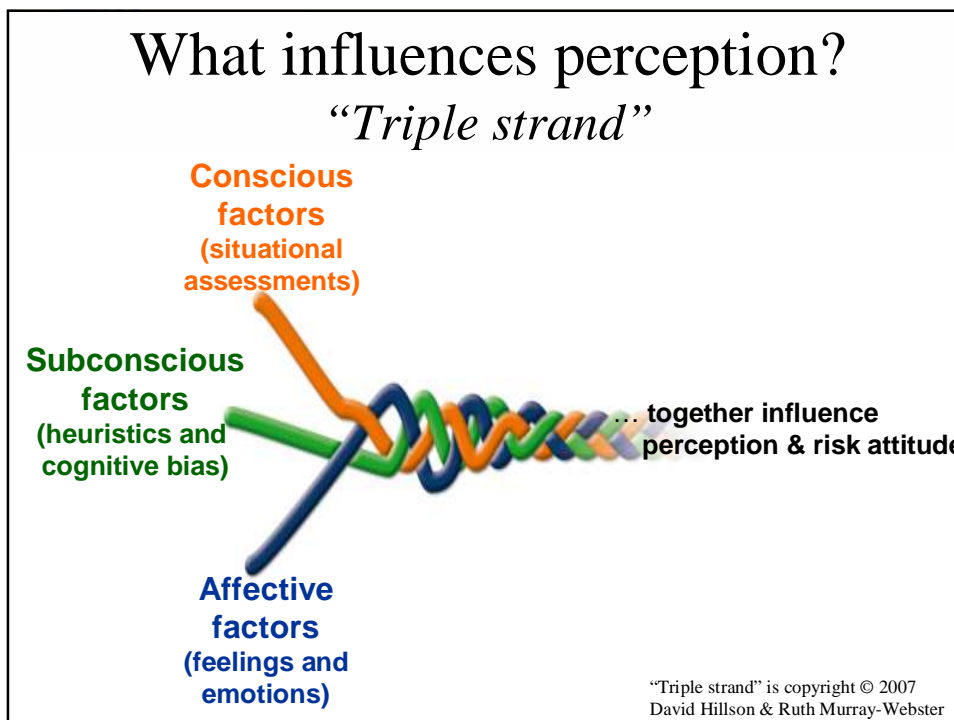
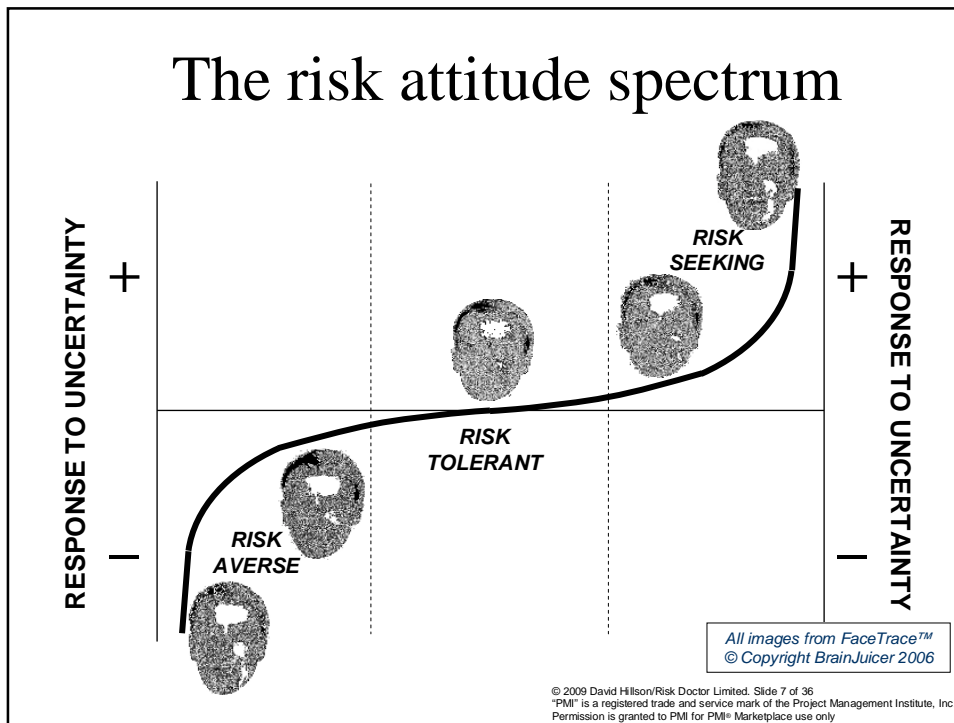
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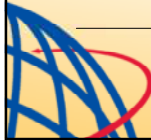


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## Conscious factors

- 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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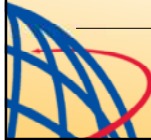
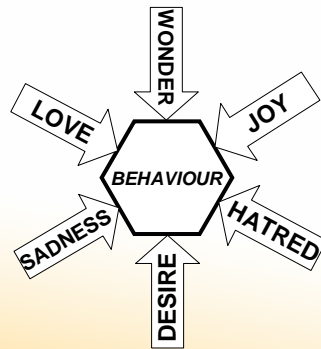
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## Affective factors

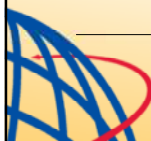
- Feelings, emotions, instincts & intuition
- How do I feel?



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## Understanding how groups operate



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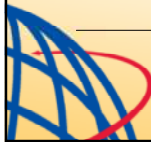


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## Possible influences on decision-making groups

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

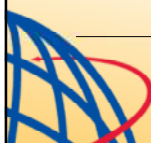


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## Are these factors all equal?

- “*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)



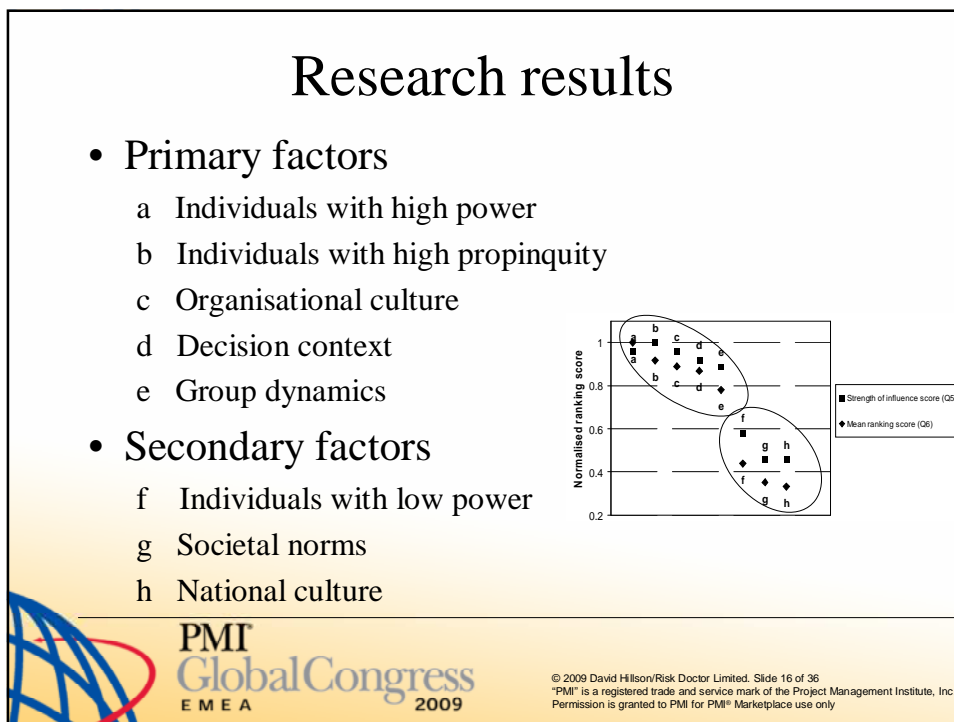
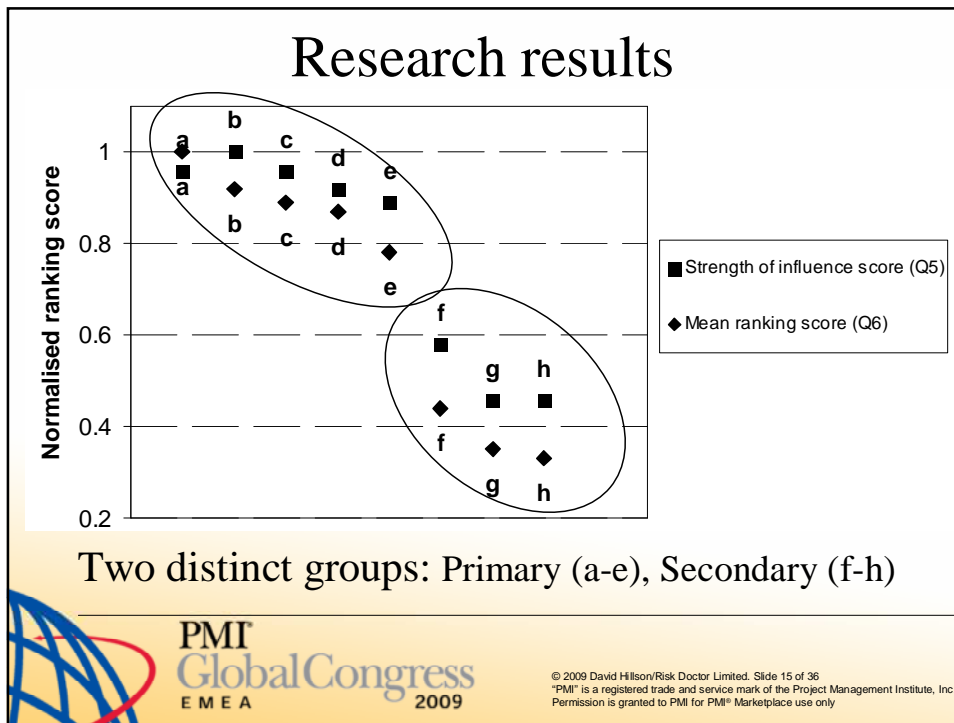
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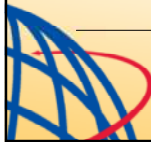
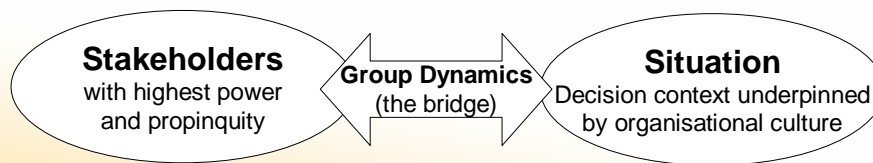


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## Primary factors

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

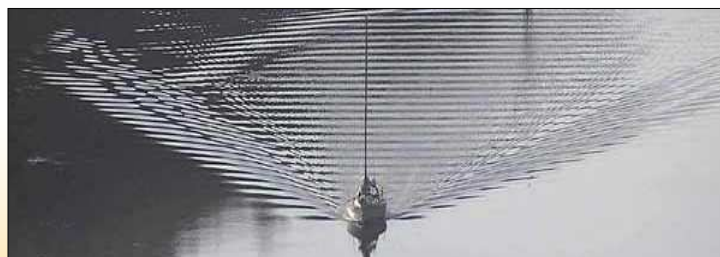


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## “Bow wave” not “Ripples”

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



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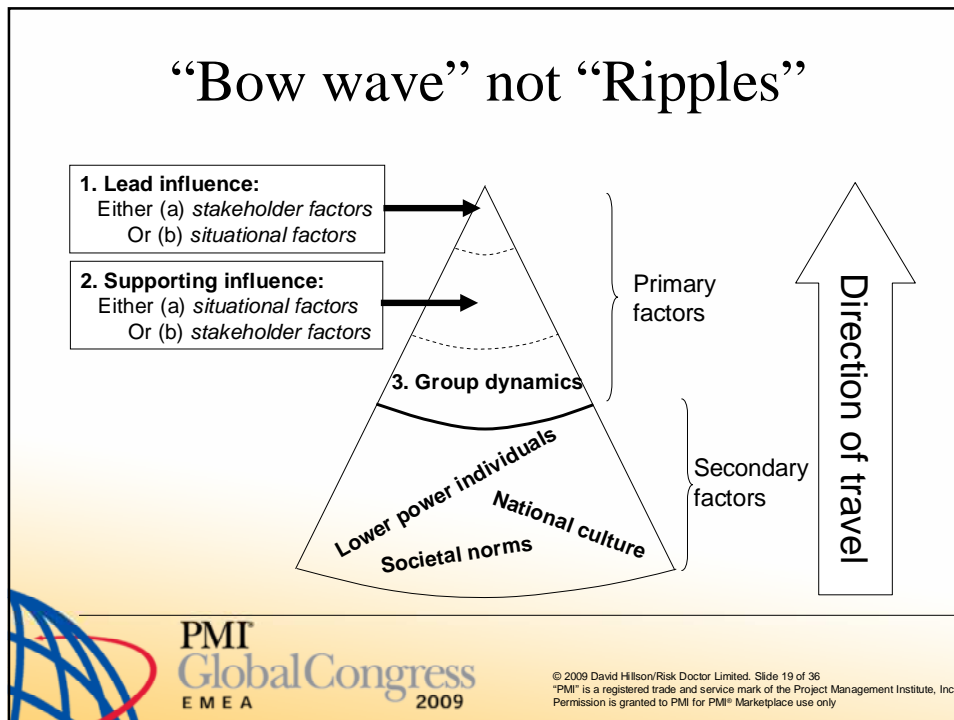
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## Implications

- 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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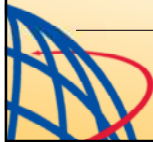
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Bringing it all together

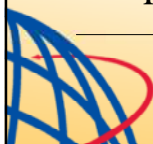


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## How groups make risky decisions

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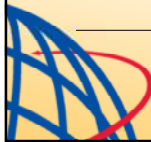
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So much for understanding,  
what about **managing**?

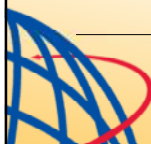


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## Managing risk attitudes

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



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## *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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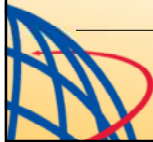
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## From Four A's to Six A's

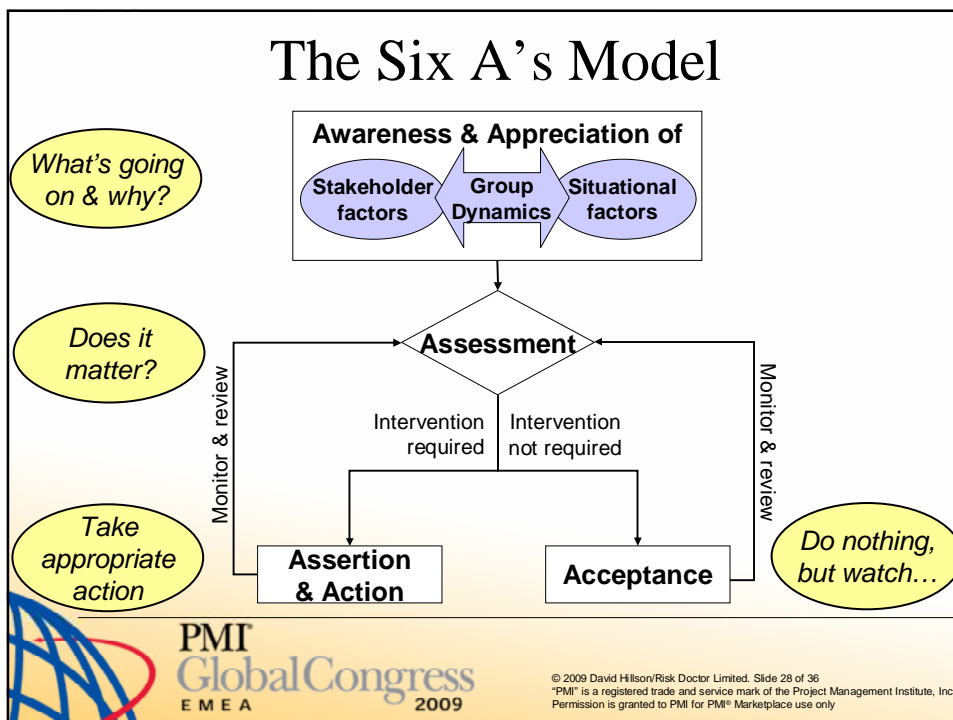
- **Assertion** and **Action** not always required
- Sometimes unmanaged situation is fine
- Need to **assess** whether change is needed
- If not, can **accept** status quo (and monitor)



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## The Six A's Model



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## 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



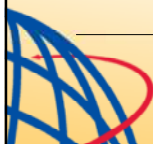
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## Practical steps – 2



- 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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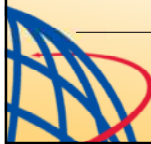
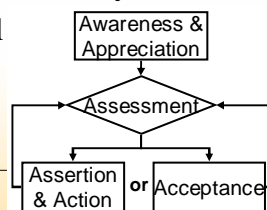


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## And finally ...

- 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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# *Thank you*

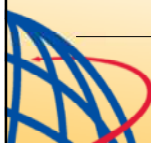
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