



# THE PSYCHOLOGY OF CXO DECISION MAKING

About the Forces that Influence Your Judgments

**JAN-OLE HESSELBERG** 

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#### **MAIN GOAL**

Tell you about how we make decisions

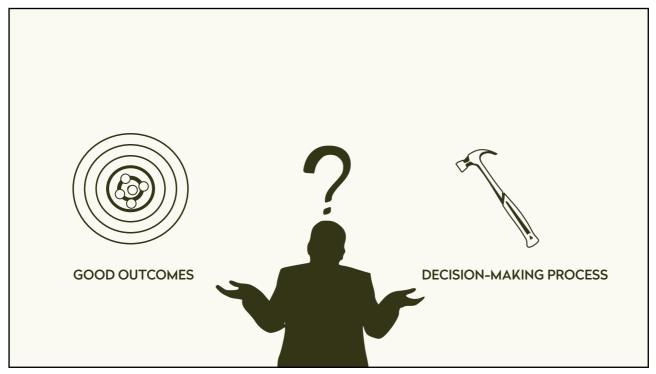
Convince you that...

- our decisions are influenced by irrelevant factors
- · meetings can make things worse
- this should be taken into account when making important decisions

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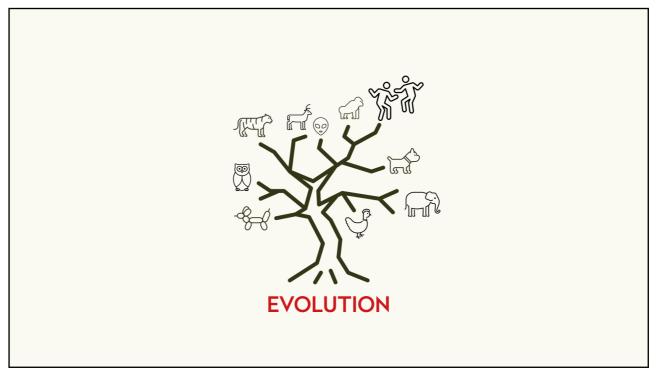
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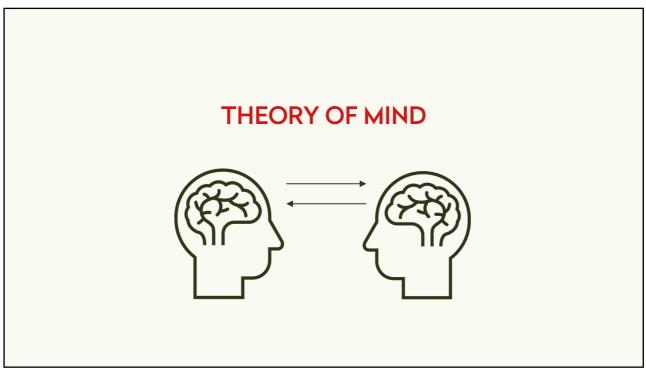


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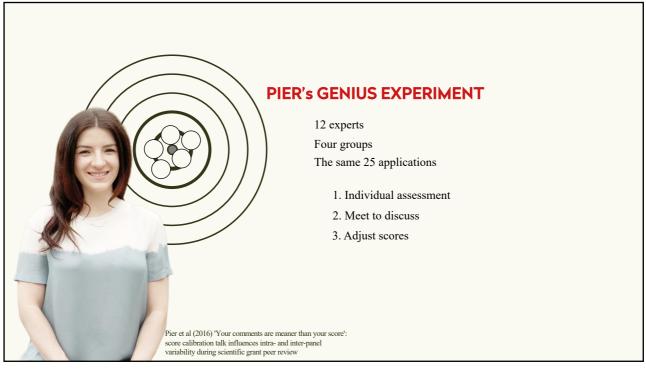


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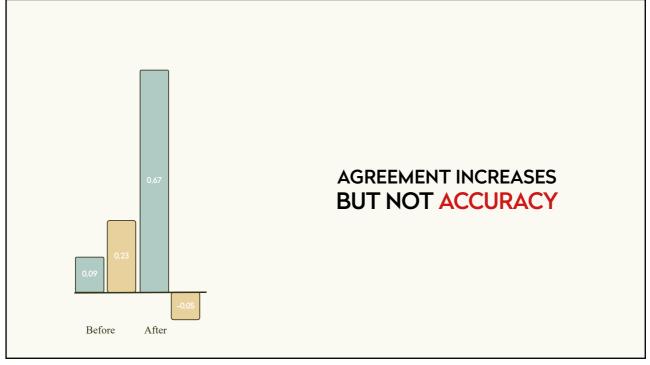


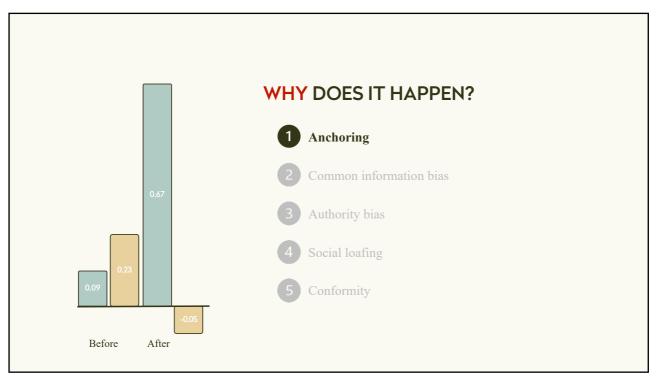
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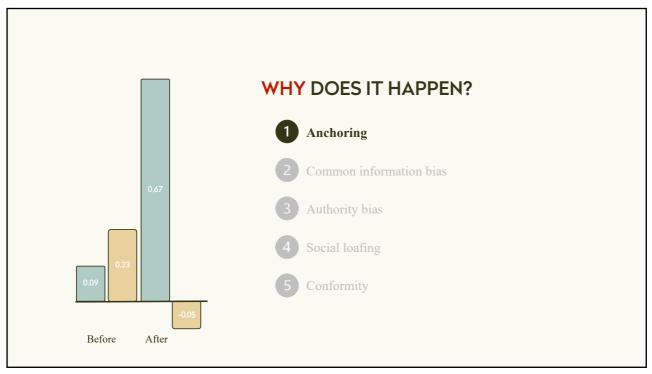


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## **ANCHORING BIAS**

The tendency to rely too heavily on the first piece of information encountered—the "anchor"—when making decisions.

This initial information sets a reference point and influences subsequent judgments, even if the anchor is arbitrary or unrelated.



Collaros & Anderson (1969) Effect of perceived expertness upon creativity of members of brainstorming groups

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## **WORLD'S STRANGEST AUCTION**

Participant #3 08403

Are you willing to pay your participant number in NOK?

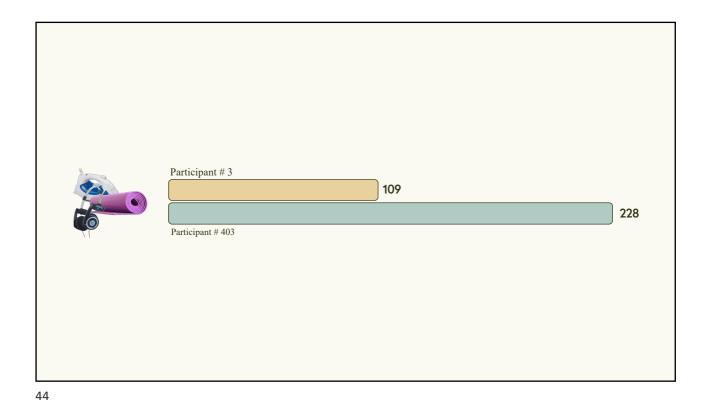
Yes!

How much are you willing to pay? 12 NOK





Ariely, Loewenstein & Perlec (2003) Coherent Arbitrariness: Stable Demand Curves without Stable Preferences



CONCLUSIONS AS ANCHORS

We tend to share our CONCLUSIONS early when discussing something

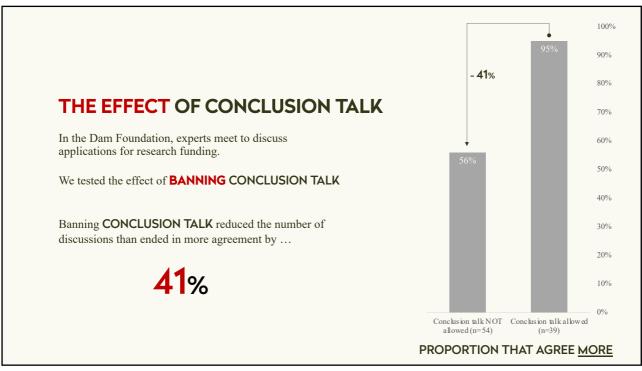
CONCLUSIONS are useless information in a discussion

It's the ARGUMENTS that are of interest

Collaros & Anderson (1969) Effect of perceived expertness upon creativity of members of brainstorming groups

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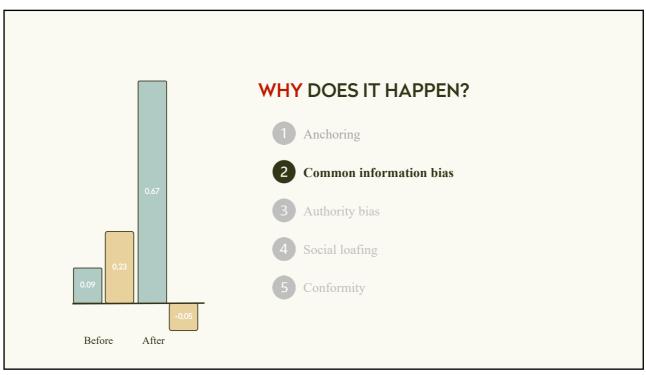


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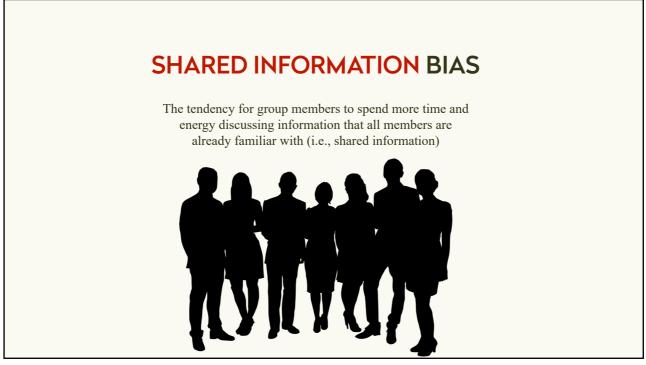


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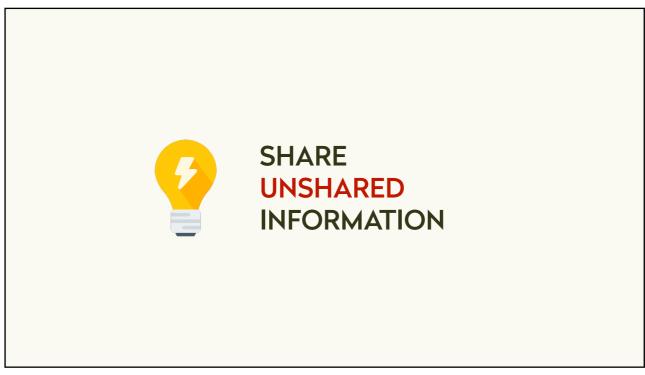
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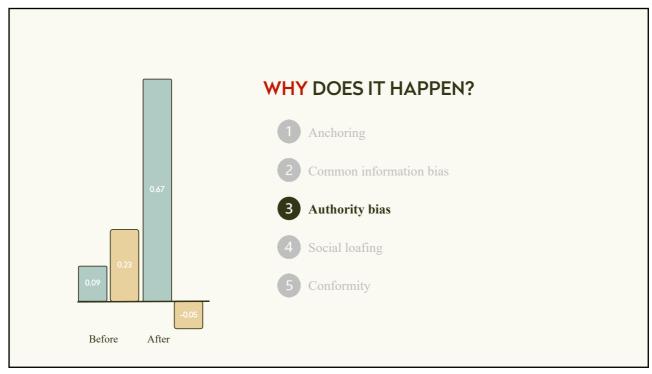
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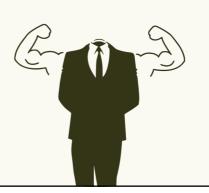
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## **AUTHORITY BIAS**

Unreasonably high confidence in the belief that judgements by a person with formal or informal authority is correct, and therefore an individual is likely to be more influenced by them



Collaros & Anderson (1969) Effect of perceived expertness upon creativity of members of brainstorming groups

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## **EVEN IN THE SUPREME COURT**

I analysed **9825 votes** in the Norwegian supreme court.

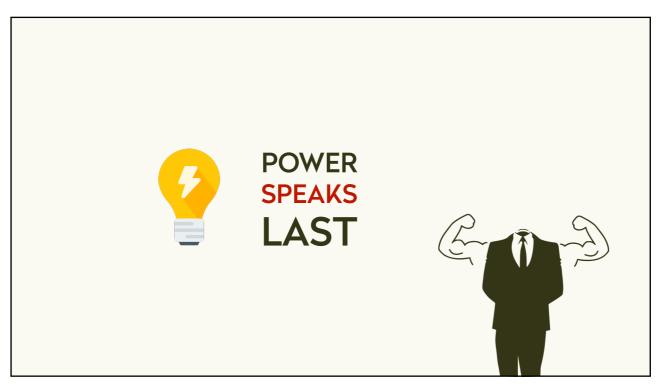
If you know what the most senior judge thinks, you know the outcome of the case with

97% certainty

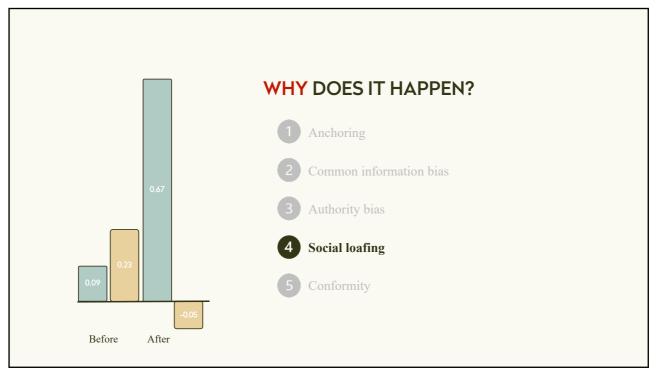


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#### THE SIX-PAGER

Ideas are pitched using a **six-page memo** that everyone reads at the beginning of the meeting

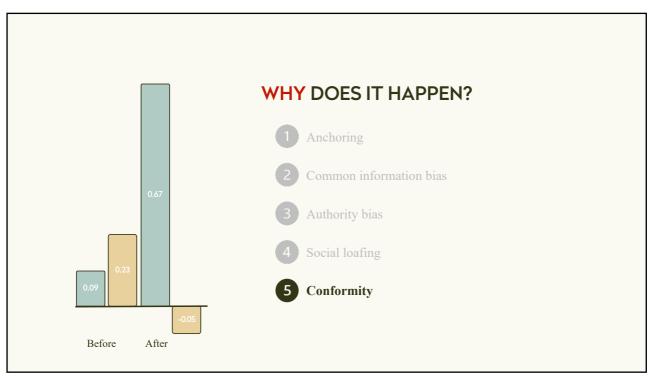


#### THE PIZZA RULE

If a team can't be fed by two pizzas, it's too big



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#### **133 EXPERIMENTS**

Cultural differences...

... but people give in everywhere

In a situation where ...

- 1) You are testing you eye sight
- 2) The answer is *obvious*
- 3) The others are <u>unknown</u>
- 4) There is <u>no pressure</u>

ond, R., & Smith, P. B. (1996). Culture and conformity: A meta-analysis of studies using Asch's (1952b, 1956) line judgment task

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#### **INFORMATION IS LOST**

In the last <u>important</u> meeting you attended, did you withhold <u>potentially useful</u> information?

48 %

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74

#### **TOP THREE REASONS**

**INFORMATION IS LOST** 

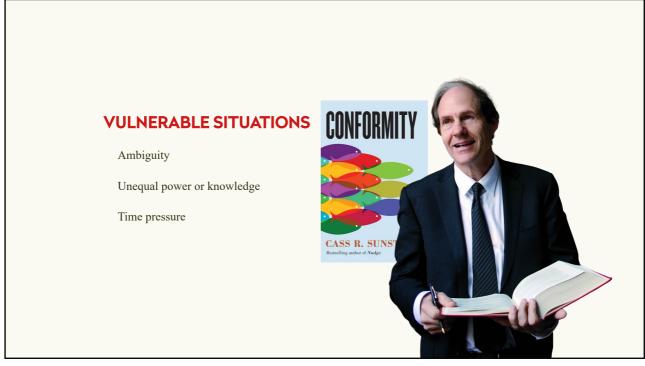
- 1. I assumed the group had already decided
- 2. I wasn't sure if my input was clever enough
- 3. I didn't want to be perceived as argumentative

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#### WHAT MAKES GROUPS GREAT?

It is not about intelligence

.. neither of the average nor of the smartest person in the group

Instead it is about

- ... social sensitivity
- ... how evenly distributed talk time is

#### WHAT YOU DO > WHO YOU ARE

 $Woolley \ et \ al \ (2010) \ \textit{Evidence for a Collective Intelligence Factor in the Performance of Human Groups}$ 

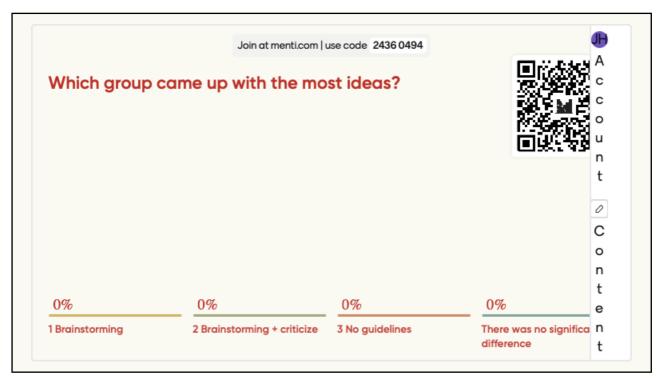


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#### WHAT MAKES GROUPS GREAT?

- 1 BRAINSTORMING
- 2 BRAINSTORMING + CRITICISE
- 3 NO GUIDELINES

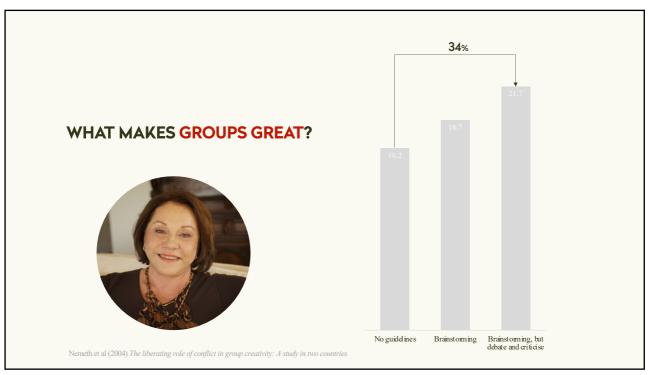




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#### WHAT MAKES GROUPS GREAT?

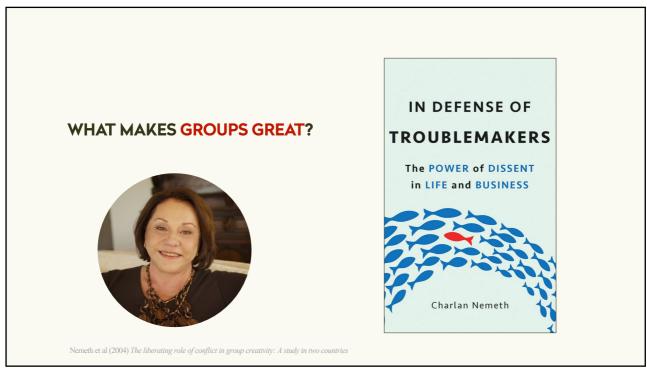


"The basic finding is that the encouragement of debate – and even criticism if warranted – appears to stimulate more creative ideas.

And cultures that permit and even encourage such expression of differing viewpoints may stimulate the most innovation."

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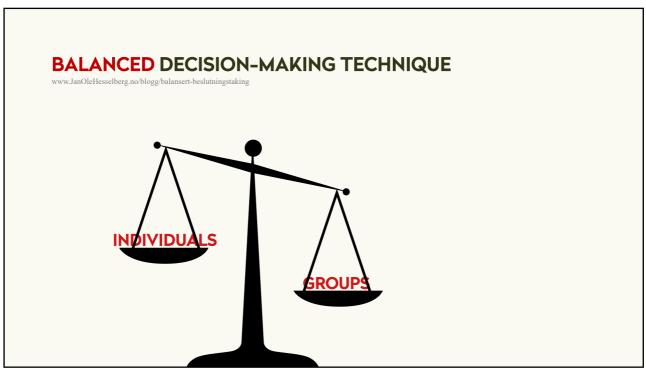
Nemeth et al (2004) The liberating role of conflict in group creativity: A study in two countries



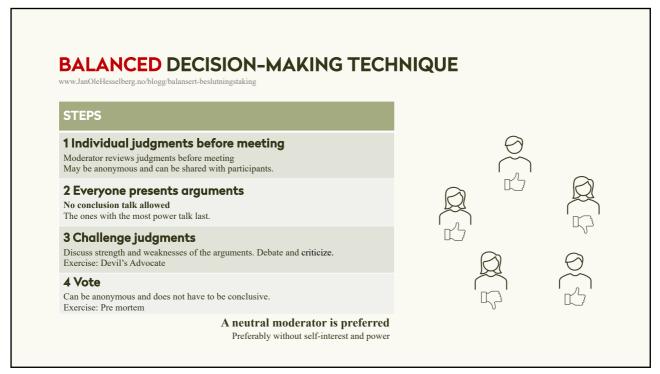
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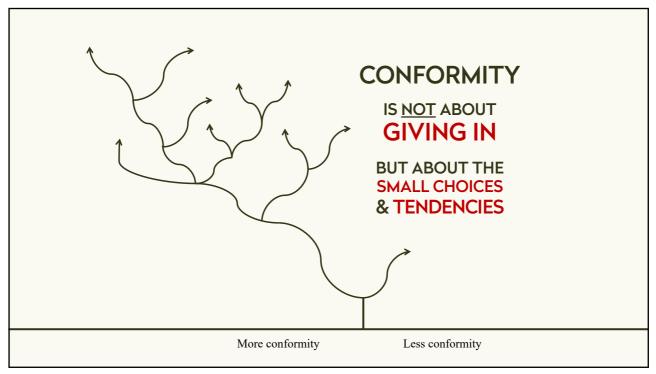


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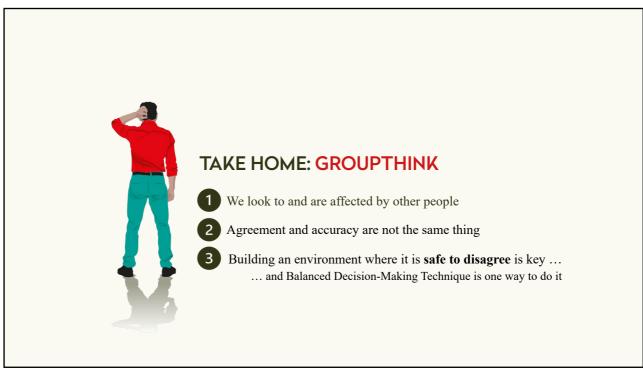
### **CONFORMITY**

## IS (MAINLY) A GOOD THING

Being able to make decisions is often better than making the **optimal** decision



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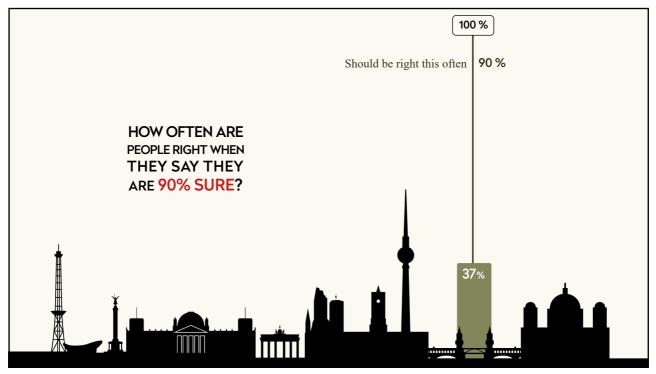


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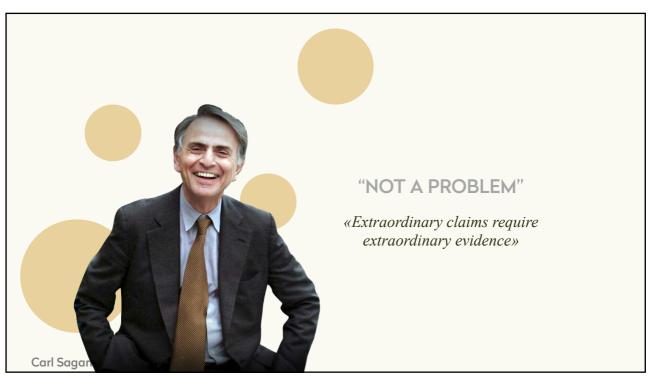
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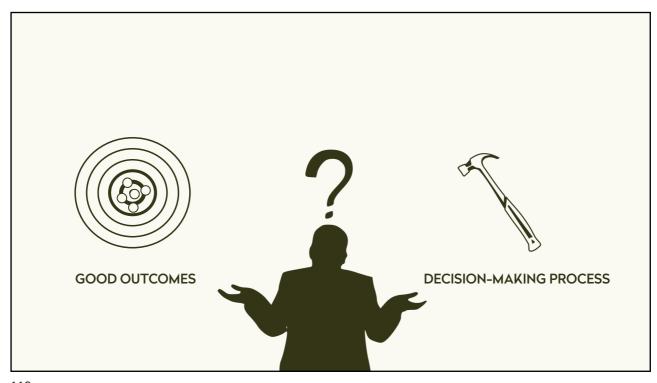
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