Barriers to Effective Decision-Making

by Sophia

WHAT'S COVERED

In this lesson, you will learn the barriers that make effective decision-making difficult. Specifically, this lesson will cover:

BEFORE YOU START

What barriers exist that make effective decision-making difficult? There are a number of barriers to effective decision-making. Effective managers are aware of these potential barriers and try to overcome them as much as possible.

1. Bounded Rationality

While we might like to think that we can make completely rational decisions, this is often unrealistic given the complex issues faced by managers. Nonrational decision-making is common, especially with nonprogrammed decisions. Since we haven't faced a particular situation previously, we don't always know what questions to ask or what information to gather. Even when we have gathered all the possible information, we may not be able to make rational sense of all of it, or to accurately forecast or predict the outcomes of our choice. **Bounded rationality** is the idea that for complex issues we cannot be completely rational because we cannot fully grasp all the possible alternatives, nor can we understand all the implications of every possible alternative. Our brains have limitations in terms of the amount of information they can process. Similarly, as was alluded to earlier in the Challenge, even when managers have the cognitive ability to process all the relevant information, they often must make decisions without first having time to collect all the relevant data—their information is incomplete.

TERM TO KNOW

Bounded Rationality
The idea that for complex issues we cannot be completely rational because we cannot fully grasp all the possible alternatives, nor can we understand all the implications of every possible alternative.

---

2. Escalation of Commitment

Given the lack of complete information, managers don't always make the right decision initially, and it may not be clear that a decision was a bad one until after some time has passed.

EXAMPLE Consider a manager who had to choose between two competing software packages that her organization will use on a daily basis to enhance efficiency. She initially chooses the product that was developed by the larger, more well-established company, reasoning that they will have greater financial resources to invest in, ensuring that the technology is good. However, after some time it becomes clear that the competing software package is going to be far superior. While the smaller company's product could be integrated into the organization's existing systems at little additional expense, the larger company's product will require a much greater initial investment, as well as substantial ongoing costs for maintaining it. At this point, however, let's assume that the manager has already paid for the larger company's (inferior) software.

BRAINSTORM

Will she abandon the path that she's on, accept the loss on the money that's been invested so far, and switch to the better software? Or will she continue to invest time and money into trying to make the first product work?

Escalation of commitment is the tendency of decision makers to remain committed to poor decisions, even when doing so leads to increasingly negative outcomes. Once we commit to a decision, we may find it difficult to reevaluate that decision rationally. It can seem easier to "stay the course" than to admit (or to recognize) that a decision was poor. It's important to acknowledge that not all decisions are going to be good ones, in spite of our best efforts. Effective managers recognize that progress down the wrong path isn't really progress, and they are willing to reevaluate decisions and change direction when appropriate.

TERM TO KNOW

Escalation of Commitment

The tendency of decision makers to remain committed to poor decisions, even when doing so leads to increasingly negative outcomes.

---

3. Time Constraints

Managers often face time constraints that can make effective decision-making a challenge. When there is little time available to collect information and to rationally process it, we are much less likely to make a good nonprogrammed decision. Time pressures can cause us to rely on heuristics rather than engage in deep processing.

HINT

While heuristics save time, they don't necessarily lead to the best possible solution.

The best managers are constantly assessing the risks associated with acting too quickly against those associated with not acting quickly enough.

---

4. Uncertainty

In addition, managers frequently make decisions under conditions of uncertainty—they cannot know the outcome of each alternative until they've actually chosen that alternative.

THINK ABOUT IT

> Consider, for example, a manager who is trying to decide between one of two possible marketing campaigns. The first is more conservative but is consistent with what the organization has done in the past. The second is more modern and edgier, and might bring much better results…or it might be a spectacular failure.

The manager making the decision will ultimately have to choose one campaign and see what happens, without ever knowing what the results would have been with the alternate campaign. That uncertainty can make it difficult for some managers to make decisions, because committing to one option means forgoing other options.

---

5. Personal Biases

Our decision-making is also limited by our own biases. We tend to be more comfortable with ideas, concepts, things, and people that are familiar to us or similar to us. We tend to be less comfortable with that which is unfamiliar, new, and different. One of the most common biases that we have, as humans, is the tendency to like other people who we think are similar to us (because we like ourselves) (Aberson, Healy, & Romero, 2000). While these similarities can be observable (based on demographic characteristics such as race, gender, and age), they can also be a result of shared experiences (such as attending the same university) or shared interests (such as being in a book club together). This “similar to me” bias and preference for the familiar can lead to a variety of problems for managers:

- Hiring less-qualified applicants because they are similar to the manager in some way
- Paying more attention to some employees’ opinions and ignoring or discounting others
- Choosing a familiar technology over a new one that is superior
- Sticking with a supplier that is known over one that has better quality, and so on.

It can be incredibly difficult to overcome our biases because of the way our brains work. The brain excels at organizing information into categories, and it doesn’t like to expend the effort to rearrange once the categories are established. As a result, we tend to pay more attention to information that confirms our existing beliefs and less attention to information that is contrary to our beliefs, a shortcoming that is referred to as **confirmation bias** (Kolbert, 2017).

In fact, we don’t like our existing beliefs to be challenged. Such challenges feel like a threat, which tends to push our brains towards the reactive system and prevent us from being able to logically process the new information via the reflective system. The **reflective system** of decision-making in the brain is logical, analytical, and methodical.

It is hard to change people’s minds about something if they are already confident in their convictions.

> EXAMPLE When a manager hires a new employee who she really likes and is convinced is going to be excellent, she will tend to pay attention to examples of excellent performance and ignore examples of poor performance (or attribute those events to things outside the employee’s control). The manager will also tend to trust that employee and therefore accept their explanations for poor performance without verifying the truth or accuracy of those statements.

The opposite is also true; if we dislike someone, we will pay attention to their negatives and ignore or discount their positives. We are less likely to trust them or believe what they say at face value. This is why politics tend to become very polarized and antagonistic within a two-party system. It can be very difficult to have accurate perceptions of those we like and those we dislike. The effective manager will try to evaluate situations from multiple perspectives and gather multiple opinions to offset this bias when making decisions.

TERMS TO KNOW

Confirmation Bias

A shortcoming where people tend to pay more attention to information that confirms their existing beliefs and less attention to information that is contrary to their beliefs.

Reflective System

System of decision-making in the brain that is logical, analytical, and methodical.

---

6. Conflict

Finally, effective decision-making can be difficult because of conflict. Most individuals dislike conflict and will avoid it when possible. However, the best decision might be one that is going to involve some conflict.

EXAMPLE Consider a manager who has a subordinate who is often late to work, causing others to have to step away from their responsibilities in order to cover for the late employee. The manager needs to have a conversation with that employee to correct the behavior, but the employee is not going to like the conversation and may react in a negative way. Both of them are going to be uncomfortable.

The situation is likely to involve conflict, which most people find stressful. Yet, the correct decision is still to have the conversation even if (or especially if) the employee otherwise is an asset to the department.

If the bad behavior is not corrected, it will continue, which is going to cause more problems in the workplace in the long run. Other employees may recognize that this behavior is allowed, and they may also start coming to work late or engaging in other negative behaviors. Eventually, some employees may become sufficiently frustrated that they look for another place to work. It's worth noting that in this situation, the best employees will find new jobs the most quickly. It's important for managers to recognize that while conflict can be uncomfortable (especially in the short-term), there are times when it is necessary for the group, department, or organization to function effectively in the long run.

It is also helpful to think about conflict in terms of process conflict or relationship conflict (Jehn & Mannix, 2001). **Process conflict**, conflict about the best way to do something, can actually lead to improved performance, as individuals explore various options together in order to identify superior solutions. **Relationship conflict** is conflict between individuals that is more personal and involves attacks on a person rather than an idea. This kind of conflict is generally harmful and should be quelled when possible. The harm from relationship conflict arises at least in part because feeling personally attacked will cause an individual to revert to the **reactive system** of the brain.

Effective managers should be particularly aware of the possibility of relationship conflict when giving feedback and should keep feedback focused on behaviors and activities (how things are done) rather than on the individual.

BIG IDEA

Being aware of and dealing with relationship conflict points to why **emotional intelligence** and empathy are beneficial in organizational leaders. Such leaders are more likely to be attentive to the harmful consequences of relationship conflict.

REFLECT

1. Explain the concept of confirmation bias.
2. List and describe at least three barriers to effective decision-making.
3. When is conflict beneficial, and when is it harmful? Why?

TERMS TO KNOW

Process Conflict

Conflict about the best way to do something; conflict that is task-oriented and constructive, and not focused on the individuals involved.

Relationship Conflict

Conflict between individuals that is more personal and involves attacks on a person rather than an idea.

Reactive System

System of decision-making in the brain that is quick and intuitive.

Emotional Intelligence

The ability to understand and manage emotions in oneself and in others.

SUMMARY

In this lesson, you learned the barriers that make effective decision-making difficult, noting that effective managers try to overcome them as much as possible. **Bounded rationality** is the idea that for complex issues we cannot be completely rational because we cannot fully understand all the possible alternatives or all the implications of every possible alternative. **Escalation of commitment** refers to the tendency of decision makers to remain committed to poor decisions, even when doing so leads to increasingly negative outcomes. You learned that managers often face **time constraints** that can make effective decision-making a challenge, and that they frequently make decisions under conditions of **uncertainty**. You also learned that decision-making is limited by our own**personal biases**—for example, exhibiting a tendency to like other people who we think are similar to us. Lastly, you learned that effective decision-making can be difficult due to **conflict**, which individuals tend to avoid whenever possible, even though the best decision might be one that is going to involve some conflict.

Best of luck in your learning!

Source: Access for free at https://openstax.org/books/principles-management/pages/1-introduction

REFERENCES

Aberson, C., Healy, M., & Romero, V. (2000). Ingroup bias and self-esteem: A meta-analysis.*Personality and Social Psychology Review*, *4*(2), 157-173.

Jehn, K., & Mannix, E. (2001). The dynamic nature of conflict: A longitudinal study of intragroup conflict and group performance. *Academy of Management Journal*, *44*(2), 238-251.

Kolbert, E. (2017, February 19). Why facts don't change our minds. *The New Yorker*, *93""(2), 66.*
www.newyorker.com/magazine/2017/02/27/why-facts-dont-change-our-minds

TERMS TO KNOW

Bounded Rationality
The idea that for complex issues we cannot be completely rational because we cannot fully grasp all the possible alternatives, nor can we understand all the implications of every possible alternative.

Confirmation Bias
A shortcoming where people tend to pay more attention to information that confirms their existing beliefs and less attention to information that is contrary to their beliefs.

Emotional Intelligence
The ability to understand and manage emotions in oneself and in others.

Escalation of Commitment
The tendency of decision makers to remain committed to poor decision, even when doing so leads to increasingly negative outcomes.

Process Conflict
Conflict about the best way to do something; conflict that is task-oriented and constructive, and not focused on the individuals involved.

Reactive System
System of decision-making in the brain that is quick and intuitive.

Reflective System
System of decision-making in the brain that is logical, analytical, and methodical.

Relationship Conflict
Conflict between individuals that is more personal and involves attacks on a person rather than an idea.