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DECISION MAKING IN BUSINESS ENVIRONMENT– INDIVIDUAL VS GROUP DECISION MAKING

Harshit Kumar Agarwal^a, Prof. Uday Damodaran^b

^{ab}XLRI Jamshedpur, India

Corresponding Email: b16081@astra.xlri.ac.in

Abstract

We assume that we act rationally while making everyday decisions, both in our personal and professional life. However, knowingly or unknowingly, we are caught in many cognitive biases that impact our decision making. Wrong decisions may be the result of incomplete information, while at other times it may be because of the biases that we carry in our mind. Reducing decision biases is the number one aspiration of managers for improving performance. This paper is an attempt to test the principles of Behavioral Finance/Economics in decision making.

But, decisions are more taken in a group, whether in personal or professional life. In personal life, group decisions include marriage and family decisions, while professional business decisions include decisions in committees, management teams and in corporate boards.

In the paper, common biases faced by managers are discussed and then the decision making in group is compared to individual decision making, to gauge if the impact of cognitive biases is enhanced or suppressed.

Past literatures have tested individual vs group decision making on students. With this paper, we have tried to test the decision making on business professionals. Cognitive biases were tested on senior managers of a manufacturing firm in Jamshedpur (India). Participants were given business situations that test biases and were asked to make a decision first as an individual and then as a group.

Finally, debiasing techniques, that can reduce the biases in decision making and enable better corporate decisions are discussed.

Keywords: Behavioral Finance, Cognitive Biases, Debiasing.
