

Does power cloud one's ability to make good decisions?

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Grave consequences can result from bad decisions made by people in leadership positions. Case in point: the 2009 Gulf of Mexico oil rig disaster. British Petroleum (BP) executives had downplayed potential risks associated with their oil well, claiming that it was virtually impossible that a major accident would ever occur.

That same [oil rig](#) exploded, killing 11 workers and causing a massive oil spill that's costing BP an estimated \$100 billion.

For USC Marshall professor Nathanael Fast and his co-authors, the BP case represents only one example that illustrates a fundamental truth the world of business: unconstrained power can hinder decision-making.

Fast's recent study, "Power and Overconfident Decision-making" co-authored with Niro Sivanathan of London Business School, Nicole D. Mayer of the University of Illinois, Chicago, and Adam Galinsky of the Kellogg School of Management at Northwestern University, currently in press at *Organizational Behavior and [Human Decision Processes](#)*, helps explain how power can fuel [overconfidence](#), which negatively impacts decision-making.

"The aim of this research was to help power holders become conscious of one of the pitfalls leaders often fall prey to," said Fast, an assistant professor of management and organization.

"The overall sense of control that comes with power tends to make

people feel overconfident in their ability to make good decisions," Fast said.

To explore this tendency, Fast and his research team conducted multiple experiments. In one, they asked their subjects to bet money on the accuracy of their own knowledge. First, to get people in touch with feelings of either power or [powerlessness](#), participants were asked to recall and write detailed accounts of an experience when they either held or lacked power over other individuals. They were then asked to answer a series of six factual questions and to set a "confidence boundary" on how well they performed.

"What we found across the studies is that power leads to over-precision, which is the tendency to overestimate the accuracy of personal knowledge," said Fast. In the study, those who were made to feel powerful actually lost money betting on their knowledge. In contrast, those who didn't feel powerful were less risky with their bets and didn't lose money.

"This was one piece of puzzle, the idea that a subjective feeling of power leads to over-precision," Fast said.

To mitigate this tendency, Fast and the research team hypothesized that blocking the subjective sense of power among high-power participants – by directing attention to the limits of their personal competence – would cause their overconfidence to go away.

To test this, the team manipulated power by assigning participants to high-power or low-power roles. However, they also manipulated the participants' feelings of competence by asking them a series of yes/no "leadership aptitude" questions. Once they had answered the questions, each was randomly assigned a false score—ranging from "poor" to "excellent" — via a computer. They were then told that their scores

reflected their aptitude for leadership. Those with "low" scores were told that they "may not be as competent as others."

After receiving their results, participants were asked to bet money on how well they would answer six trivia questions.

Once again, powerful participants lost more money, with the notable effect that those who were led to doubt their own competence did not. In other words, it is when power holders feel subjectively powerful that they are most vulnerable to overconfident decision-making.

Top decision-makers find ways to avoid this problem. "The most effective leaders bring people around them who critique them," Fast said. "As a power holder, the smartest thing you might ever do is bring people together who will inspect your thinking and who aren't afraid to challenge your ideas."

The irony is that, according to the findings just described, the more powerful leaders become, the less of this help they will think they need.

"Power is an elixir, a self-esteem enhancing drug that surges through the brain telling you how great your ideas are," said Galinsky of the Kellogg School. "This leaves the powerful vulnerable to making overconfident decisions that lead them to dead-end alleys."

Provided by USC Marshall School of Business

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