How to avoid Groupthink in business projects

'Groupthink' is a recognised psychological phenomenon that can occur within an organisation where a group of people (e.g. Directors) have such an overwhelming desire for acquiescence that their decision-making is ultimately defective.

Being aware of various drivers that may give rise to Groupthink and knowing how to mitigate these drivers can ensure Groupthink doesn't become a detriment to a business environment.

1. Groupthink – its background

The concept of Groupthink was largely popularised by the American psychologist Irving Janis in his 1972 book: *Victims of groupthink: a Psychological study of foreign-policy decisions and fiascos[i].*

The Macquarie Dictionary defines Groupthink as: 'The consensus of opinions, ideas, etc., reached by a group which has worked together so long that they have ceased to question each other's thinking.' The Oxford Dictionary defines Groupthink as: 'The practice of thinking or making decisions as a group, resulting typically in unchallenged, poor-quality decision-making.' The common element in these two slightly differing interpretations of the term is the inadequate challenge, or review, of the decision-making process, which ultimately leads to poorer quality outcomes.

A wide variety of environmental, organisational or situational drivers can influence Groupthink. Researchers have found a range of contributing factors but have admitted there is no clear consensus on *why* Groupthink occurs. However, they know it can and it does – in all industry fields.

One of the seminal incidents that led to many studies on Groupthink, including Janis's work, was the disastrous 'Bay of Pigs' invasion in 1961, by the United States-backed Cuban exiles. Studies into the failure of the planning and execution of this seaborne assault have been exhaustive. While the invasion plan was initiated by the Eisenhower administration, the Kennedy administration took it over and accepted the plan of the CIA (Central Intelligence Agency) without critiquing or assessing present objections and reviews that were held by some in the Kennedy team.

The context of the geopolitical attitudes of the Cold War might seem very distant from today's commercial world; however, it's a prime example of decisions that occurred largely because of

Groupthink, which prevented contradictory views from being expressed and subsequently evaluated.

2. Groupthink in a business context

There are many influences that act directly on the Management Team of any business, as there is a strong need to perform and constantly perform well. This is understandable in any competitive business environment.

A small sample of the influences on the business leaders and decision-makers include:

- Customer demand
- Investor expectations
- Financier's controls
- Market environment
- Competitor's performance or intentions
- Current organisation performance
- Change in expected technical performance
- New and divergent information becoming available

The way these influences are handled can become a problem when the *need to perform* is so strong, that the plans prepared by the Management Team to meet their business objectives are held in reverence *without sufficient challenge.*

The businesses at highest risk of submitting to Groupthink are those undertaking a major financially dependent change. Examples might include *start-ups* wishing to capitalise on a certain product innovation, acquisitions of competitor companies, and *greenfield development* of a mineral product from a defined mineral deposit.

3. Evidence of Groupthink in action

In recent conversations with clients and colleagues, the issue of Groupthink has been revealed indirectly on several occasions. Discussions about major project undertakings were supported by statements of a 'small and experienced Board' controlling the project delivery. What was concerning in these discussions was the absence of a nominated Sponsor and any review process that was conducted within the Board's meetings. The underlying impression was that individual's

career *time in the market* sector was *sufficient qualification* to ensure appropriate critical review. It was noted that the chemical process under discussion *had not* been implemented in Australia before.

Such assumptions represent a warning sign that need to be recognised and taken seriously, once discovered. A careful and objective assessment is necessary to ensure that any current adopted plan is robust and has *endured enough scrutiny* to deliver the intended outcome with minimal risk.

4. How to control Groupthink

One of the positive outcomes of the 'Bay of Pigs' fiasco was that President John F. Kennedy took preventative action to avoid future repetitions of this Groupthink bias in his planning teams. He implemented various changes to the way that plans were developed, debated and agreed upon.

Some key measures he made included:

- Removing himself as decision-maker from the planning process and only hearing the plan when presented for endorsement.
- Bringing in external advisors to review the plan and critique the details of it during development.
- Breaking the planning group into sub-groups and having those sub-groups interact with members of their own staff or teams to ensure wider communication and collection of views. The teams were encouraged to identify deficiencies in the plan presented and then offer solutions to resolve them.

5. Group behaviour studies

As previously noted in the business context, when a group of planners are subject to significant external influences, their ability to insulate themselves from the effects of that influence may be low. The resultant outcome of planning and decision-making in this environment may be redirected by that influence and hence be sub-optimal. An example of this situation may be the competing demands of a company's Board to balance the external influence of investor's expectations (i.e. higher and more frequent dividend returns) with the need to retain sufficient

capital to manage the immediate needs and additional future demands. This situation is relevant to the earlier mention of a greenfield mineral processing project.

A known psychological behaviour of co-operative or self-reliant groups subjected to common external stressors is the increased *bonding and internal support for one another*[ii, iii].

Haslam and Reicher (2006) describe the situation where teams of confident, capable individuals are often drawn closer together to unite against the *external pressures*. This generates mutual support within the team and the desire to share the load according to the capability and capacity of the team member. This mutual support provides the strength of the team to meet the external pressures while continuing to focus on achieving their objective. But it may also have the undesirable effect of having too many 'problem-solvers' and too few 'reviewers'. A similar finding is reported by Driscall and Salas (1991), where they discuss many earlier studies of teams resorting to an internalised focus of *centralised authority* under external stress.

In Dr Edward de Bono's 1985 book: *Six Thinking Hats*[iv], he wrote of six 'hats' to allude to the types of *thought processes* we adopt preferentially or under certain roles or circumstances.

In a team, it is preferable to have a mix of approaches (or de Bono's hat colours) to provide a rich and healthy combination of analyse, plan and review. The two hats that work more often in sequential combination are the Black and the Green hats.

Black brings *critical judgement* to the mix, and Green brings new ideas. The combination of new ideas (Green) being critically reviewed (Black) results in the *critical challenge* to the current plan development. It also provides balance to ensure that a range of options are considered, not just the strongest advocated. The Green "…what if..?" input provides meaningful stimulation to others in the group. Black's critical review ensures the ideas are pragmatic and workable.

When a team is intensely focused on *battling the external influences* and is determined to achieve their goals, there may be a tendency to *lessen the balanced input* of the review-thinking that the Green hat brings. The Black critical thought used to develop the solution takes precedence. This diminished internal review can then lead to sub-optimal outcomes.

The result is Groupthink.

6. Groupthink in small Management Teams

Let's look more closely at the challenges that cause greater stress to many small Management Teams and how these challenges can often generate Groupthink.

While all company Management Teams endure stressors from time to time in their usual business environment, some points in a business cycle generate higher stress than others. Two immediately relevant periods of higher than usual stress are during *start-up* and during a period of *trading decline*, for instance the current Covid-19 response or when commodity prices fall below the direct cost of production. The former has been described earlier and the consequence of the latter is fairly self-evident. Continuing to produce and market at a loss is not a situation many companies can endure.

Start-up companies, which rely on a major project to be undertaken to commence trading, provide a case study in management stress. Often these companies are headed by their founding Directors. These founders are often committed both emotionally and financially to the company. The combination of these conditions tends to result in an increased personal commitment by those office bearers to the company's performance. The result is often self-imposed or self-perceived stress, which affects others in the Management Team.

Following this scenario, let us consider the Board of an emerging junior mining company that plans to develop its resource to production status.

There is a large initial investment cost to establish the mine site and its immediate processing plant. The company relies on external investor funding to establish the site. The process of obtaining funding from financial institutions, private investors, venture capitalists and shareholders via capital issue requires the company to make certain commitments and projections of performance to gain trust. This process itself is a high stressor for any team.

On top of this already stressful process, the small management and owner team has much invested in making their vision a reality. This is understandable. As Directors, they are accountable to many and are under pressure to ensure their stated targeted performance is achieved. The drive to achieve these targets is enormous.

Therefore, this environment often gives rise to Groupthink.

At this developmental stage of the business as a going operational concern, it is commonplace for many of the performance projections to be made with best available information, experience, and optimistic but sound intent. Natural resources display variable characteristics and some early assessments and experienced predictions may not be achieved in later production. Predicted performance targets will often be revised as better information becomes available, when the level of development of the business project increases. This may result in changes to planned infrastructure or process, resulting in consequential recalculation of costs. Costs rise, available budgets becomes insufficient, and a critical point is reached where the initial financial predictions may not be met.

This is not an uncommon scenario for start-ups, or a major expansion in smaller companies. Forensic process review of the events leading to this situation frequently identifies management optimism and a narrow focus on the immediate activities, which ultimately creates *vision barriers*. These barriers impede problem identification and risk management.

This is a situation where the application of de Bono's 'six thinking hats' is beneficial. The review-thinking hat (Black) is an essential tool here, as it drives thorough risk assessment and mitigation management approach.

As many psychological studies have concluded, it is often observed that these high-stress conditions give rise to centralised authority. The resulting behaviour is likely to see the Board decisions follow the will of the most senior, usually the Chair, or one of the founding Directors. This is not an environment where challenge and dissent are likely to be welcome. The environment is most likely to produce *acquiescence* from Directors of *perceived* lower status or experience in the relevant technical details.

On the whole, this is a fertile environment for Groupthink.

Consider some possible attributes that may support Groupthink in this scenario:

- Extreme external pressure to succeed in achieving performance.
- Personal reputational stake.
- Individual Director's considerable personal business experience, but experience that may not be directly relevant to existing conditions or objectives.

- Personality differences and characteristic behaviours of individuals who may not accept review or challenge readily.
- An untested perception that the engaged external consultants have the same commitment, stake and expectation of results that the Board holds.
- A lack of detailed knowledge of the subject matter, which leads to shallow review questions (ignorance of one's own limitations).

7. Mitigation steps to reduce Groupthink

With relatively few additional actions or discussions, most groups can substantially reduce the occurrence of Groupthink.

As President Kennedy concluded, the following critical steps need to be employed to minimise the risk of Groupthink:

a. The Board Chair is best placed to remove themselves from the details of the solution generation. The Board presenting the solution for decision will be better prepared by a principal Director accountable for direct oversight of the project's management. This role is called the 'Sponsor' in project management terminology. By having the Sponsor as the interface between project and Board, it permits the remainder of the Board to act more readily in a review role (i.e. Black hats) allowing issues for decision to be presented and considered by others in a constructively critical manner. The Chair may then decide the final outcome, based on the evidence and debate presented openly.

b. External advisors to be employed to review the process and outcome at critical points within the project lifecycle. These advisors are given complete access to the project team and their output, to evaluate methodology and quality of the project team's consideration. The advisors report back to the Board. The Board must exercise suitable control over these advisors and hold them to account in performance of their duties. The Board must not fall prey to the misconception that by engaging external advisors, the accountability of outcome transfers to the advisors.

c. The management of the project delivery must be conducted by a Director assigned the duties of Sponsor. This ensures the Project Manager has the necessary level of direct senior management support they need to exercise their duties. It also

ensures that the Board has full vision of the progress, issues and performance of the project team, through the Sponsor's communication. This is a critical management arrangement irrespective of utilising internal or external parties as the project delivery team.

In addition to the preceding requirements, there is a vital consideration that every Board or Management Team in such a situation must accept. That is, *they* are wholly *accountable* for the outcome of the project. No amount of careful contractual wording or negotiation can move the real risk of outcome from the Company to the contractor.

The contractor will have certain defined performance criteria to be met, but successfully achieving these alone will not necessarily guarantee the project's success. The contractor will always have a different motivation and measure of success than the Board.

With that knowledge, the Board and the Sponsor must accept direct accountability for the management and outcome of the project. Employment of the above steps will greatly influence the project's ongoing performance and final outcome.

8. Conclusion – welcoming critical review

It is understandable that the Management Team becomes strongly focused on critical, major investment projects that will benefit their business. Ensuring the plans are formulated to *achieve the optimum outcome* requires assessing the proposed solutions with *clear objectivity*.

To ensure sufficient management of risk is applied, the Management Team must work to achieve an environment where *critical review* is both welcomed and exercised thoroughly. Following President Kennedy's conclusions, the employment of experienced and capable external review consultants can make a major difference in achieving the desired business objectives.

Remarkable people have made mistakes in the past due to Groupthink, but they have corrected them through due process. We need to take their lessons to heart and not repeat failure when we have better guidance.

To paraphrase the African proverb, if you want to go fast without doubt, go alone with no 'critical review'. But if you want to go far with certainty, go as a team with 'critical review'.

i Janis, I. L 1972, *Victims of groupthink: A psychological study of foreign-policy decisions and fiascos,* Boston, Houghton Mifflin.

ii Haslam, S. A., & Reicher, S 2006, 'Stressing the group: Social identity and the unfolding dynamics of responses to stress', *Journal of Applied Psychology*, vol. 91(5), pp. 1037–1052.

iii Driskell, James & Salas, Eduardo 1991, 'Group Decision Making Under Stress', *Journal of Applied Psychology,* vol. 76(3), pp.473–478.

iv De Bono, Edward 1985, *Six thinking hats,* Toronto, Key Porter Books.