Knowledge Management & Decision Making: How Leaders Can Make More Informed Decisions

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Decision-making is a fundamental part of an individual's everyday life, with decisions being made both actively and involuntarily. Though human judgment is incredibly flawed, and most people do not make good decisions, to be a better decision-maker, one must be aware of the nature of knowledge and the limitations that commonly prevent well-informed decisions (Bazerman & Moore, 2012). Through four themes—the nature of knowing, cognitive limitations, groupthink, and ethics—this article imparts a brief "crash course" on various examples that interfere with good decision-making to educate readers and conclude with corresponding recommendations.

This article aims to equip decision-makers with the knowledge and skills necessary to enhance their decision-making abilities and overcome the common processes that unknowingly bias decisions toward unanticipated and undesirable outcomes. The literature reviewed has implications for understanding and analyzing knowledge management, cognitive limitations, groupthink, and ethics. Listing this brief sampling of cognitive and social limitations is not intended to discourage readers from thinking that one cannot make good decisions but rather illuminate what prevents good decision-making and how to counteract it.

Nature of Knowing: Understanding Knowledge Management

To better understand what influences decision-making, one must understand the nature of knowledge. Knowledge is dynamically acquired and is "the awareness of what one knows through study, reasoning, experience or association, or through various other types of learning" (McInerney, 2002, p. 1009). Readers should be aware of two types of knowledge: tacit and

explicit. The nature of knowledge is complex, but introducing the basis of knowledge to readers allows for further contemplation and understanding.

Tacit knowledge is "non-verbalized, or even non-verbalizable, intuitive, unarticulated" (Schultze & Stabell, 2004, p. 550). This knowledge is acquired by experiences and is unique to an individual. The knowledge is understood by one without being able to express or explain it to others. At a certain point, "all knowledge is at least partially tacit knowledge" (McIver et al., 2012, p. 91). Tacit knowledge is difficult to articulate and share with others, thus, limiting decision-making processes. Once tacit knowledge is duplicated, it is classified as explicit knowledge.

Explicit knowledge is that which "can be codified in a tangible form, for example, scientific theories published in documentation" (Hislop, 2002, p. 166). Once knowledge has been made explicit, other individuals can use it for decision-making. Explicit knowledge is understood in a more permanent and duplicable form. As the previous point shows, tacit knowledge is difficult to share; therefore, capitalizing on explicit knowledge can be beneficial. Converting tacit knowledge to explicit knowledge makes it more manageable and usable, not just for the individual but for others as well. However, once knowledge has been made explicit, it allows others to use it for decision-making, and if it is not, then opportunities can be missed (McInerney, 2002).

Cognitive Limitations: Understanding the Susceptibility to Bad Decision Making

Human decision-making is not as sound as people would like to believe (Bazerman & Moore, 2012). Humans are susceptible to limitations, fallacies, and errors that impair decision-making. To make more informed decisions, one must know what impedes that process. This section intends to give readers insight into some examples that alter good decision-making better

to understand human judgment, decision-making, and its limitations. This is not an exhaustive list of the types of constraints to decision-making, but it does enumerate the standard forms.

Overconfidence is the "mother of all biases" due to its potent and pervasive nature (Bazerman & Moore, 2012, p. 14). Overconfidence describes the tendency of a decision-maker to be too sure in their judgments, thus, creating an illusion of superiority, causing decision-makers to act arrogant and careless (Bazerman & Moore, 2012). Overconfidence is seen in three primary forms: over precision, the tendency to be too sure; overestimation, the tendency to think of something more than it is; and over placement, the propensity to believe falsely that one ranks higher than one does.

Self-serving biases refer to the tendency of an individual to define what is fair in ways only beneficial for themselves. This commonly occurs during negotiations, when participants must present arguments for compromise but lean towards deals to their advantage. Even if two parties claim to be sincere in choosing an outcome that is "fair" to both sides, the different notions of fairness can cause gridlock. The issue is not that a person is trying to be unfair but rather the difficulty of being unbiased when interpreting information (Bazerman & Moore, 2012).

Decision-makers can satisfice as a form of compromise. Satisficing occurs when "rather than examining all possible alternatives, we simply search until we find a satisfactory solution that will suffice because it is good enough" (Bazerman & Moore, 2012, p. 6). When there are ideal but not optimal options, decision-makers will forgo the best solution for one that is more acceptable under the current circumstances.

Emotions also influence a decision maker's judgment, both positively and negatively. Specific emotional responses, such as happiness, anger, disgust, fear, and sadness, activate

feelings and tendencies within an individual that prepare them to respond in a certain way. Each emotion can influence judgment and can be tied to risk perceptions. For example, "happy people are more optimistic; sad people are more pessimistic. In addition, fear and anxiety create risk-averse behavior. By contrast, angry people are especially willing to endure risk, and they even appear quite optimistic with respect to risk" (Bazerman & Moore, 2012, p. 115).

Bounded awareness prevents people from focusing on or noticing helpful or pertinent information. The mind constantly looks at information and subconsciously decides what it will include and ignore. Only the brain pays attention to the most perceivable and vital information, causing an individual to miss accessible but irrelevant information. Bounded awareness is most seen in various realms, such as inattentional blindness to obvious information, the failure to notice apparent changes in one's environment, and the tendency to focus on only a part of the problem. This can also be seen in groups involving strategic decisions and auctions.

A fallacy is a maneuver used by an individual to deceive and trick to mislead an argument persuasively. This limitation is a tactic used by individuals to make false points to win arguments deceptively. Used intentionally or unintentionally, these maneuvers obscure the actualities of a situation by camouflaging poor reasoning and making flawed thinking look reasonable. The "goal should be to recognize fallacies for what they are — the dirty tricks of those who want to gain an advantage. Fallacies are therefore stratagems for gaining influence, advantage, and power" (Paul & Elder, 2019, p. 19).

Since the mind likes patterns and familiarity, the availability heuristic can affect decision-making by inappropriately influencing an individual's judgment. This controls bias because of the ease of recall and the retrievability of information. Due to the selectiveness of human memory, individuals make judgments based on the information that is familiar and readily

available, inherently based on vividness, recency, and frequency. Misusing this information can
lead to lapses and errors in the decision-making process.

The escalation of commitment is another common mistake made by decision-makers. If
an individual makes a committed decision too hastily, they may continually make other more
minor but poor decisions to justify the first commitment. As a result, decision-makers "often
allocate resources in a way that justifies previous commitments, whether or not those initial
commitments now appear valid" (Bazerman & Moore, 2012, p. 121).

Social Influence: Understanding the Social Limitations of Groups

Groupthink refers "to a mode of thinking that people engage in when they are deeply
involved in a cohesive group when the members striving for unanimity override their motivation
to realistically appraise alternative courses of action" (Janis, 1982, p. 9). This refers to groups
that ignore alternative selections and take irrational courses of action. Individuals within a group
will refrain from sharing dissenting views through self-censorship. Because of a group's negative
responses against those who disagree, some within a group that holds differing opinions will
keep them silent in self-preservation. Doubts and deviations are then not expressed, which can
cause problems if the group judgment is not subsequently defined, which can cause problems if
the group judgment is not the ideal decision. Thus, an illusion of ungenuine unanimity is created
within the group.

An illusion of unanimity is created by groupthink when most views and judgments are
assumed to be unanimous within the group. When the group comes to a unanimous decision, it is
presumed that this decision must be the best action; however, this consensual validation usually
pressures group members away from bringing up disagreements and prevents critical thinking.

This false assumption comes from the idea that silence is consent, but group members sensor deviations in fear of being excluded from the group.

Closed-mindedness can also occur when a group collectively tries to rationalize its efforts. They are less likely to look at the current circumstances from other points of view and stick to what they know rather than explore other options. This can also lead to stereotyped views of outliers and those with opposing views.

The Pygmalion Effect is "a type of self-fulfilling prophecy" that shows how individuals are affected and impacted by the expectations of others (Kierein & Gold, 2000, p. 913). The influence of managerial discourse drives performance, meaning that if expectations are high, productivity will match them, but if expectations are low, productivity will be poor. This is important to note; if a leader is letting constituents know that they will do poorly, then the outcome will match. Ultimately, encouraging or suppressing language matters.

Decision-makers are not as independent as presumed due to the art of persuasion. Humans are susceptible to the influence of others, commonly referred to as social influence. The article, *The Science of Persuasion*, reveals the six tendencies (reciprocation, consistency, social validation, liking, authority, and scarcity) that govern the rules of persuasion, whereby one can get others to agree to things. However, leaders are not doomed to be helplessly manipulated, but "by understanding persuasion techniques, [leaders] can begin to recognize strategies, and thus analyze requests and offerings" in order not to be tricked into assent (Cialdini, 2001, p. 81).

Ethics, Creativity, & Wisdom: Understanding How to be an Ethical, Creative, and Wise Thinker

Ethical decision-making involves making judgments based on what is right and wrong. Decision-makers should focus on and include ethics in their decision-making processes.

Behavioral ethics "focuses on understanding cognitive errors, social and organizational pressures, and situational factors that can prompt people who do not intend to do anything wrong to engage in unethical behavior" (Drumwright et al., 2015, p. 451). However, not everyone makes ethical decisions.

Once one understands ethical decisions, decision-makers must recognize their self-deception of ethics, in that leaders are not as ethical as one thinks. "People do not operate as autonomous moral agents, impervious to the social realities in which they are enmeshed" (Bandura, 2002, p. 102). Even the most skilled decision-makers are not immune from making less-than-ideal choices. Since humans are not as moral as they would like to believe, it is essential to understand this limitation.

Moral disengagement occurs when individuals detach themselves from making morally sound decisions through various excuses. Through symptoms like moral justification, euphemistic labeling, advantageous comparisons, displacement of responsibility, diffusion of responsibility, and attribution of blame, individuals are likely to disengage themselves from ethical conduct (Bandura, 2002)

Creativity and its connection to problem-solving and decision-making allow people to think divergently and approach problems from unique perspectives. As individuals age, many lose their sense of creativity by not asking why and just conforming to rules, regulations, and group norms. Creative thinking and decision-making can help individuals think outside conventional norms to find better solutions. Therefore, it is essential to cultivate creativity in oneself and others.

Integrating wisdom into decision-making is difficult, but it can be beneficial when done thoughtfully and correctly. Wise decision-making is defined "as an approach to making decisions

that integrate logicality, empathy, and ethicality relevant to the decision and syncretizes the

dualities within each of these spheres" (Elangovan & Suddaby, 2019, p. 3). Since the brain

thinks in patterns, utilizing wisdom means selecting important designs for action within the

decision-making processes and understanding knowledge and meaningful, relevant information.

Though there are barriers to wise decision-making, cultivating wisdom in an organizational

setting through empathy, logicality, and ethicality allows one to practice intelligent decision-

making.

Recommendations: Understanding How to Combat Unhealthy Decision Practices

As seen from the various previous examples, multiple limitations impede good decision-

making. Being more aware of what restricts knowledge management and decision-making can be

beneficial for improvement. Different aspects of human error inherently cloud judgment and

deter good decisions. However, leaders must remain aware of these limitations and actively work

against them to make more informed decisions. To impart wisdom to the readers, the following

section presents several recommendations to consider when recognizing unhealthy decision-

making practices to make more well-informed decisions.

The first recommendation is to acknowledge the limitations that impede decision-making.

As Elangovan and Suddaby (2020) asserted, "a key aspect of being wise is being aware of one's

own limitations and knowing that one does not know everything" (p. 4). By recognizing that

leaders are not as ethical, wise, or impartial as intended, one can begin moving toward becoming

better decision-makers. To be sure, it is essential to note that simply acknowledging such

cognitive and social limitations is not enough. This understanding and improvement take time

and conditioning to train oneself to make well-thought-out and informed decisions.

Moreover, active listening is a significant improvement for all leadership skills. Failure to listen is the most common leadership mistake. Note that hearing and listening are not the same things. Hearing what people say versus listening to what they have to say is different. Not all listeners hear the same things; listening is difficult. Active listening is a practical skill for any decision-maker to have.

Communication is another excellent way for individuals to make more informed decisions. Rather than relying on their biases and knowledge, communicating with others of different backgrounds and experiences gives decision-making a broader range of context. To "share knowledge there has to be a good communication infrastructure" and environment of trust (McInerney, 2002, p. 1014). Encouraging communication increases knowledge within oneself and one's organization. Communication-building strategies, including asking questions, seeking tradeoffs, and making concessions, allowing decision-makers to widen their range of judgment to make more informed decisions.

A recommendation to combat ethical decision-making dilemmas is based on moral awareness. As seen in the section on ethics and self-deception, "many people are (over) confident regarding their character, and assume that because they are good people, they will do the right thing if they encounter an ethical issue" (Drumwright et al., 2015, p. 438). Therefore, moral awareness training gives those who wish to act ethically constant reminders of their aspirations and helps set an example for others. Ethical awareness leads to moral decision-making, which, in turn, results in honest intent and action (Drumwright et al., 2015).

Do not decide too hastily. Take time to reframe the problem to find the best solution to move forward. Thinking of the situation in its full context and taking time to make calculated decisions helps ensure not to emphasize aspects of the problem too much and neglect others.

Lastly, let go of past mistakes. The tendency to make choices justifying past experiences can be detrimental, even when a past decision is incorrect. Fixating on a past mistake can hinder future choices. Making sound decisions requires clarity and focus. Therefore, recognizing past mistakes and moving past them can help decision-makers in new circumstances with better judgment.

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