Medical Xpress

Don't stand by me: When involving an interested party may not be in your best interest

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When business leaders leave organizations following poor decisions, constituents often find comfort in replacing them with insiders - others familiar with the problem and original choices. But, new research shows that such decisions are best left to a completely unrelated, outside party, contrary to the natural inclination to go to an insider - someone with personal connections to the old boss.

"Vicarious entrapment: Your sunk costs, my escalation of commitment" will appear in an upcoming issue of Journal of Experimental Social Psychology and is co-authored by Adam Galinsky and Brian Gunia of the Kellogg School of Management at Northwestern University and Niro Sivanathan of the London Business School. The study found that when new decision makers share a psychological connection with an initial decision maker, they may invest further in the failing programs of the first - even to their own financial detriment.

In this research, the authors explored a phenomenon they coined "vicarious entrapment." They proposed that the success of a two-decision solution was dependent on not just a physical separation, but a psychological separation of the decision makers. If the delegated decision maker was even subtly connected to the original - by sharing similar attributes like the same birthday or simply empathizing with the first decision maker, for example - he/she honored the original decision maker's commitments and made further investments in that person's

losing decisions.

"We know humans are social beings driven to find attachments and connections to others. Research has shown that once a psychological connection forms between two individuals, they are more likely to cooperate and favor each other financially," said Galinsky, the Morris and Alice Kaplan Professor of Ethics and Decision in Management at the Kellogg School. "The current research suggests that they are also more likely to escalate on each others' failing decisions."

Galinsky and his colleagues' experiments examined psychological connectedness in three contexts: financial investments, personnel decisions and auctions. Even when participants faced a direct financial cost to themselves - and even among economics students trained in the irrationality of honoring sunk costs - the delegated decision maker followed the original decisions once a psychological connection was made with the original decision maker.

In one experiment on personnel decisions, participants awarded a larger raise to an underperforming candidate originally "hired" by another initial decision-maker, but only when they had taken the perspective of and empathized with the first decision-maker. Likewise, participants who shared the same birthday (i.e., had something "in-common") with an original auction bidder made many more bids and lost significantly more money than those who took over for a bidder with a different birthday.

"Business, and even political organizations trying to navigate their way out of decisions gone wrong should carefully consider integrating a true outsider - someone with no connections to prior leadership" said Gunia, also of the Kellogg School. "Although outsiders may take longer to understand the problem, their psychological disconnection with the past may enable them to act more decisively once they do. Our research suggests that an individual who shares even the most subtle connections

with predecessors may act less independently."

Source: Manning Selvage & Lee