

# Improving Managerial Decision Making: Lessons From Experimental Social Dilemma Research

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**S**ocial dilemmas are ubiquitous. Any situation in which (a) people are rewarded more for selfish choices (in the short-term) than for cooperative choices and (b) everyone is better off when everyone makes cooperative choices than when everyone makes selfish choices, is a social dilemma (Dawes, 1980). They permeate our home lives (e.g., clean up or leave it to others), daunt public policymakers and politicians (e.g., exploit a natural resource now for short-term gain or manage it conservatively to preserve it), and pervade every work group (e.g., put in effort and pull your weight or free-ride on others' efforts).

It has been argued that understanding cooperation in social dilemmas is the most important problem in the social sciences (cf. Elster, 1985). Whether or not you are inclined to agree with such a grand claim, it is undeniably a problem that has elicited broad, multi-disciplinary interest (e.g., Ostrom et al., 2002). In this volume, dedicated to bridging work between social psychology and other fields of academic inquiry, it is worth noting that the literature on cooperation and social dilemmas has, from time to time, been one blessed by flashes of interdisciplinary insight and intellectual innovation. The psychological study of social dilemmas (see Weber, Kopelman, & Messick, 2004 for a recent conceptual review), for example, has benefitted from the formal game theoretic models of economists (e.g., Von Neumann & Morgenstern,

1944) and the computational simulations of political scientists (e.g., Axelrod, 1984). Similarly, seminal work on preference structures in the field of social psychology (Loewenstein, Thompson, & Bazerman, 1989; Messick & Sentis, 1985) continues to shape the research of psychologists and experimental economists alike (e.g., Fehr & Schmidt, 1999). This handful of examples illustrates the generative potential of interdisciplinary dialogue.

In this short essay, we focus on an underdeveloped interdisciplinary bridge. As social psychologists teaching and conducting research in management schools, we are regularly reminded that organizational life is saturated with social dilemmas. The social dilemmas literature can offer worthwhile insights to those engaged in managerial decision making. Furthermore, we argue that the nature of social dilemma dynamics encountered in organizational life offers both a worthy challenge and a reciprocal benefit to social psychologists with programs of research in this area.

### EXAMPLES OF SOCIAL DILEMMAS IN ORGANIZATIONAL LIFE

***Civility and Organizational Culture.*** An ever-present dilemma in organizational life is how much effort to put into relationships with co-workers. Management scholars have recently borrowed theory from social dilemma researchers to help model the spiraling negative effects of incivility in a workplace (Andersson & Pearson, 1999). If incivility is a selfish choice, efforts at civility are the cooperative choice. Being polite with one another, showing an interest in your assistant's hobbies, asking for input even from those who do not have "fate control" over you—these are all cooperative acts that, in the short-term, can be costly to the person choosing them. Single-minded focus on one's own efficient execution of tasks, and inattention to others, constitutes a selfish choice. Everyone is better off if everyone behaves in a civil fashion that supports a positive and courteous workplace culture than if everyone acts selfishly. Yet the highest relative payoffs (in the short-term) accrue to people who invest little effort in sustaining a positive workplace from which they, too, benefit.

***Group Work.*** Work groups are extremely common in most organizations: project teams, task forces, review groups, and so on. Any group task can be modeled as a public good dilemma—a social dilemma that involves a choice between contributing to the group effort or free-riding on others' contributions. Group work is usually most productive when everyone pulls their own weight, but there are clear incentives for individuals to let everyone else make sure the task gets done.

***Divisional Budgeting.*** In most multi-divisional organizations, the end of the year brings a hierarchically nested social dilemma (cf. Wit & Kerr, 2002). Each division manager must simultaneously make year-end spending decisions and forward-looking projections for the coming fiscal year. Commonly, spending current year allocations (or exceeding them) helps to bolster requests for future resource allocations. What makes this a hierarchically

nested social dilemma are the various levels of identification for the manager. On the one hand, conservative management of resources in the current year to contain costs and making careful projections are in the interests of the company. Managers who behave in this fashion are cooperating by acting judiciously with the company's finite common resources (i.e., a common resource dilemma, or "commons dilemma"). However, managers are also responsible for their divisions and staff. Ensuring maximal resources for their people can be seen as their contributions to the (smaller) public good that is the effective functioning of their divisions. Depending on the level of analysis, then, the same action can be characterized as cooperation or selfishness.

### LESSONS FOR MANAGERS

The lessons of the social dilemma literature are numerous. If cooperation is the goal, relevant communication helps, as does eliciting commitments, carefully designing material payoffs, reducing environmental and social uncertainty, and the presence of people with cooperative social motives (Weber et al., 2004). In this essay we focus on a conceptual framework (a "logic of appropriateness") and one recent area of inquiry (framing) with especially important implications for managerial decision making.

#### UNDERSTANDING DECISION MAKING IN SOCIAL DILEMMAS: A LOGIC OF APPROPRIATENESS FRAMEWORK

Building on the ideas of March (1994), we argued elsewhere that a "logic of appropriateness" is a better way to understand people's decisions in social dilemmas than the dominant rational choice and expected utility paradigms (Weber et al., 2004). Understanding decision making in dilemmas is important to leaders who wish to promote more cooperative behavior in their organizations. The logic of appropriateness approach proposes that people ask themselves the question (consciously or unconsciously): "What (rules) does a person like me (identity) do in a situation like this (recognition)?" It is the combination of these factors—recognizing the kind of situation it is, understanding the norms that apply, and considering how one's identity interacts with the other elements—that determines the "appropriate" action. People generally seek to act "appropriately." Using the logic of appropriateness framework as a guide, managers should focus their efforts on how the situation gets defined by members of their organizations (e.g., as a group task or an individual task). The relatively recent literature on framing effects offers some noteworthy approaches to managing and thinking about organizational social dilemmas.

#### FRAMING EFFECTS

Subtle differences in how choices are labeled, how a common resource is described, or how a task is categorized can dramatically change the level of coop-

eration observed even in structurally identical tasks (Weber et al., 2004). For example, Batson and Moran (1999) had participants engage in a task that was labeled either as a “business transaction study” or as a “social exchange study.” They documented two important framing effects. First, participants who were in a “low empathy” condition cooperated less when the task was associated with business than when it was characterized as being about social exchange. Second, when participants were induced to feel empathy for their counterparts, the labeling of the tasks did not make any difference in the level of cooperation.

What is one to make of such results? The short answer is that people believed “appropriate” choices were different in business than in social exchange when they did not care much about their counterparts. On the other hand, when they did care, other features of the situation did not affect what was deemed to be “appropriate.” Knowing the material payoffs and exercise structure alone was insufficient to anticipate how people would behave.

Van Dijk and Wilke (2000) suggested that subtle changes in how actions and situations are described have the effect of focusing people’s attention on different aspects of complex situations. People will tend to pick up on such cues and run with them without deep analysis. Such details—even surface details—help people to define the nature of the situation quickly and efficiently and then to apply the relevant norms and rules of behavior. Much decision making happens without deep processing. Our ability to make “fast and frugal” assessments based on shallow processing is probably highly adaptive (cf. Gigerenzer, 2001). Nonetheless, an awareness of the roles that labels, descriptions, and the directing of attention play in shaping people’s assessments of appropriate behavior is important for managers. In particular, managers should remember that organizational routines and individuals’ habitual responses to surface characteristics of a situation will often take the place of careful analysis (Nelson & Winter, 1982). Therefore, the prudent manager both exercises care in developing organizational routines and recognizes the need to draw attention to problems that require more deliberate consideration.

One of the greatest challenges of management in organizational dilemmas is their often-nested natures, as in the third example of divisional budgeting we presented earlier. Wit and Kerr (2002) documented that even subtle manipulations of how salient a particular level of identification was to participants (i.e., individual level, subgroup level, or collective level) resulted in significantly greater investment of people’s personal resources at that level. The prudent manager, then, will take time to analyze a situation, identify the various levels of the dilemma their employees face, determine where they hope energy will be directed, and then shape their task framing accordingly. There may be times at which managers want energy focused at the level of the department or division, and others in which energy should be directed to the larger corporate interest.

As we have argued elsewhere (Weber et al., 2004), central to decision making in light of a logic of appropriateness approach is the question, “What kind of situation is this?” One implication of the framing literature in social dilemmas is that the curse and blessing of managers is that they can have a great deal of say in how their employees answer this question. Part of the blessing is that, as interventions in social dilemmas go, framing is both effective and relatively inexpensive to execute. Part of the curse is that well-meaning and seemingly innocuous framing efforts can have unintended consequences.

## CONCLUSIONS

The social dilemmas literature has much to offer the field of management. Recent conceptual advances offer a helpful framework for thinking about cooperation in organizational settings—not only about the complexity of organizational dilemmas’ often hierarchically nested natures, but also about the ways individuals make decisions in such contexts. Even the brief consideration of the experimental social dilemmas literature presented here identifies several important considerations for managers attempting to encourage cooperation in their organizations.

First, recognize the fundamental tension at the heart of cooperation and collective action. Even when the collective payoffs for cooperation are high, there is often an individual-level incentive to free ride on the efforts of others of which managers must take account. Real-world dilemmas rarely exist in free-standing silos. Take time to analyze the full complexity of motivating the desired cooperation in any given situation. This includes identifying potential nesting of social dilemmas, the consequences of focusing people on one dilemma over another, and the unique ways the identities of the parties involved may interact with contextual cues in determining their choices.

Second, after careful consideration and analysis, choose a framing for the dilemma that will direct people’s attention (and with it their efforts) to the level and kind of cooperation desired.

Finally, remember that past experiences, norms, and organizational routines will often yield only shallowly considered choices and actions in a new situation. This has two implications: (1) If you want careful processing, make sure you do something to elicit it! and (2) Craft routines deliberately, recognizing that they often take the place of analysis.

Bridging the fields of social dilemma research and managerial decision making has a reciprocal benefit for social dilemma researchers who want their work to be relevant to “real-world” issues. Whereas experimental social dilemma researchers can offer managers and management academics helpful and parsimonious frameworks for thinking about cooperation and competition, those studying and working in organizations can help to identify the true complexities with which experimentalists’ relatively simple designs must contend outside of the lab.

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