

# Management Decisions under Uncertainty: A double Mind Change

Jan-Philipp Dielmann  
Chair for Finance and Banking, University of Siegen

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1. Motivation
2. Mind Change I: The Managers Mindsets
3. Mind Change II: Organizational Support
4. References

# Strategic Decision Making



AGUINIS (2011), BOULDING ET AL. (1994), FASSIN (2012), TAMVADA (2020)

## §93 AktG - Business Judgment Rule (BJR)

- Protects the managing director from personal liability in entrepreneurial decisions, as long as the decision-making process has taken place under the following conditions:
  - The decision must be a business decision („active decision“)
  - It must have been made on the basis of adequate information
  - It must have been made for the benefit of the company
  - It must have been made in good faith and without personal interest
- If the manager is not able to prove this, he is personally accountable
- The German interpretation of the BJR forces business leaders to design strategic decision-making processes and management systems in such a way that an adequate information base is always available and verifiable.

DEIPENBROCK (2016), GLEIBNER / ROMEIKE (2020), GLEIBNER / WOLFRUM (2019), HARTMANN / ROMEIKE (2015), ONDER / SIEGELHEIM (2008), PONTA / CATANA (2015),

## A central finding ...



Managers can not be held personally **accountable** for wrong decisions, but for how they make decisions.

What are the consequences for managers mindsets?



## ... with accountability as its centre

- An obligation to explain and justify behavior and decisions
- Sets expectations towards people's justification and defense of their actions and behaviors -> accountability tends to be associated with instrumentality and external controls, including the obligation of reporting
- *Process accountability* evaluates on how a decision was made, i.e. the process that was subject to the decision
- *Outcome accountability* solely focuses on the consequences of a decision

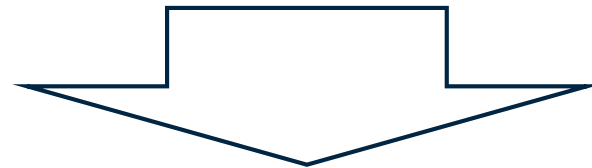
# Different types of accountability

## Process accountability

- can have positive effects on judgement consistency and decision quality
- but: managers will adhere too closely to accepted guidelines

## Outcome accountability

- drives people to search for novel approaches to solve a given problem and therefore enhances people's ability to adjust to uncertain, complex and dynamic tasks
- but: might lower decision quality and therefore performance



## Hybrid accountability

## ... and consequences for managers mindsets

- Mindsets are beliefs, people hold about the plasticity of the personal attributes that guide their behavior and performance, such as intelligence, personality, and leadership abilities
- The core of mindset theory is the basic principle that mindsets provide a mental framework that guides how people think, feel, and act in challenging achievement situations, especially when setbacks are encountered
- Accountability is a state of mind



# Three types of mindsets

## Growth vs. Fixed

Peoples qualities can be changed by learning and effort

vs.

Peoples qualities are fixed

DWECK (2017), HEGERS (2021), LEE ET AL. (2021), REEVE (2018), VANDEWALLE (2012)

## Deliberative vs. Implemental

Open-mindedness, impartial processing of information and objective judgements (choosing a goal)

vs.

Optimistic judgements, overconfidence, partial information processing and relative closed-mindedness (implementing a goal)

CRANE (2022), FUJITA ET AL. (2007), GOLLWITZER / KELLER (2016), BRANDSTÄTTER / FRANK (2002), RAHN ET AL. (2016)

## Promotion vs. Prevention

Exploratory behavior, motivation due to a sense of achievement

vs.

Cautious behavior, motivation due to a sense of obligation

KARK / VAN DIJK (2007), HIGGINS (1997), SCHOLER / HIGGINS (2010), NEUBERT ET AL. (2013), WU ET AL. (2008)

# Mind Blowing

Learning/Failure



Identify risks and opportunities



Constant openness to new and relevant information



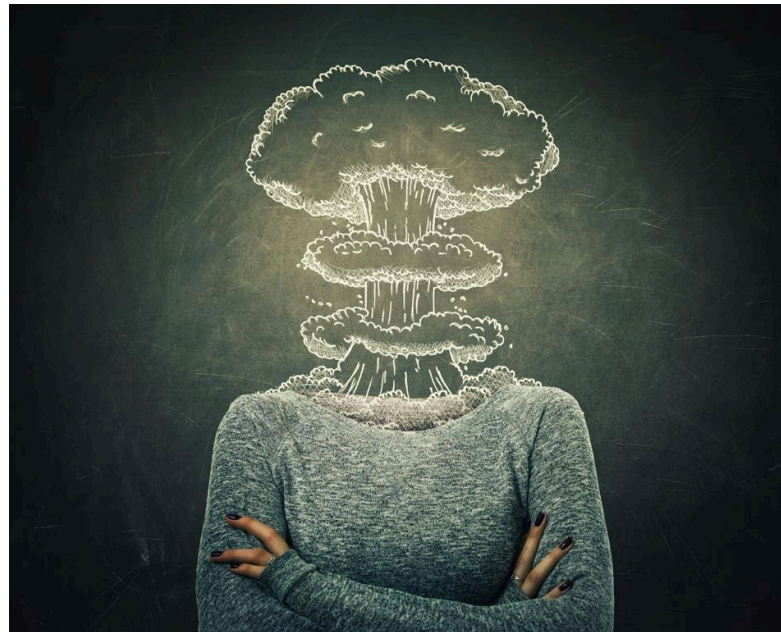
Compliant decisions but also „out of the box“-solutions



Transactional leadership?



Transformational leadership?

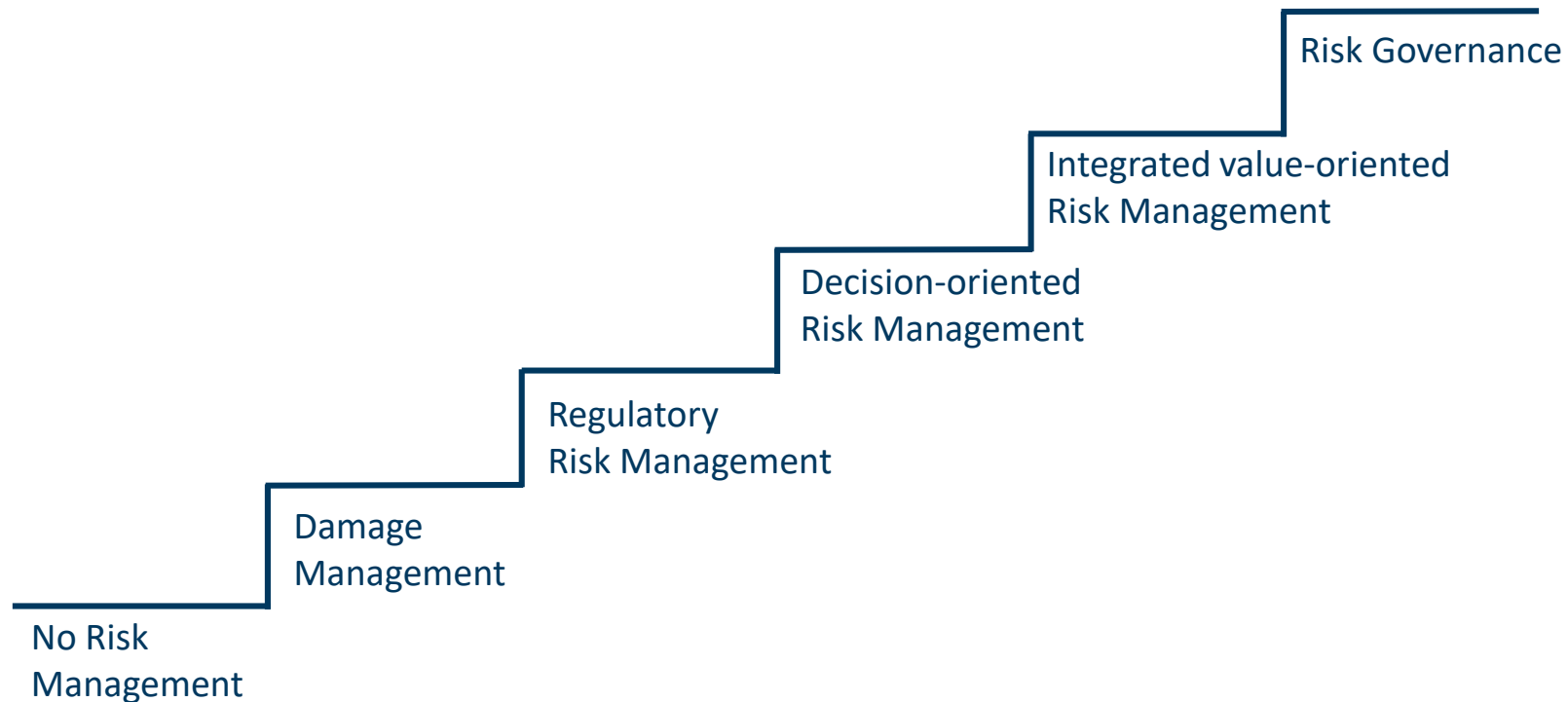


<https://www.forbes.com/sites/brandonbusteed/2019/12/23/a-nobel-laureates-mind-blowing-perspective-on-the-ultimate-outcome-of-an-education/>

## Mind Change on an organizational level

- Eventhough widely known risk management approaches address the need for decision orientation, current risk management systems are not designed to enable management to make holistic, risk-informed decisions
- The mind change in managers mindsets needs, on the one hand, a rationality assuring corporate function, and on the other hand an inspiration for out of the box solutions

# Risk governance as a holistic approach



- Risk governance provides a framework, instrumental and normative, to enable managers to make **compliant** and **value-adding** decisions ...
- ... and is - in itself - a **mindset**: Stakeholder-oriented risk steering from a strategic point of view

## The path so far

- 2016: Risk Governance: conceptualization, tasks, and research agenda
- 2018: Roles and Actors in Risk Governance
- 2019: Framing Risk Governance
- 2022: A double Mind Change

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