

The Escalation of Commitment to a Course of Action

Barry M. Staw

The Academy of Management Review, Vol. 6, No. 4 (Oct., 1981), pp. 577-58

Summary by Yigit Tahmisoglu and Thomas Ganzetti

Main question

Do decisions about **commitment to a course of action** inherently lead individuals to **errors of escalation** or are we simply labeling a subset of decisions whose outcomes turned out to be negative?

Many damaging personal decisions and adverse policy disasters can come in the shape of **sequential and escalating commitments**.

→ Do individuals **cut** their losses or **escalate commitment** to a course of action to make it pay off?
e.g. Individual's choice of degree with minimal job prospects and years of commitment to it in the face of potential unemployment, working at dissatisfying conditions, or start completely anew

→ Individuals may tend to become locked in to a course of action: a **syndrome of decisional errors** or **just a post hoc reconstruction of events?**

First: Review of the research

Psychological literature: two primary ways of explaining decisional errors:

- **Individual limitations in information processing**
- **Attribute a breakdown in rationality to interpersonal elements such as social power or group dynamics**

(--)
Critique of psychological literature: Although relevant to commitment decisions, do not seem to capture the central element of the commitment dilemma → consequences of any single decision can have implications about the utility of previous choices as well as determine future events or outcomes → sunk costs may not be sunk psychologically

Models of economic rationality: resources allocated and decisions entered into when future benefits are greater than future costs

→ Losses experienced in the past and not expected to reoccur should not enter into decision calculations → individual motivation to rectify past losses and to seek future gain → self-justification motives on tendency to escalate commitment

Research on the escalation of commitment:

Self-Justification in commitment decisions → forced compliance studies → Individuals bias their attitudes on experiment in a positive direction to justify previous behavior.

Results from empirical tests:

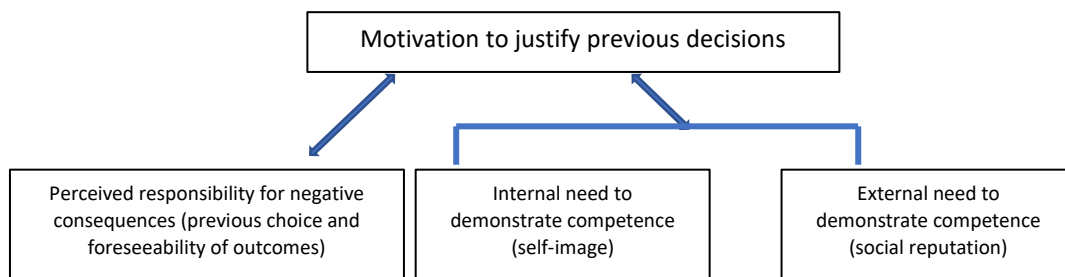
- Administrators may seek to justify ineffective course of action by escalating commitment of resources to it.
- (Extended time case) Commitment did not diminish when individuals are given negative feedback or "punishment" over repeated trials.
- Both did not provide evidence for a totally self-justifying administrator
- (Third study) Individuals reduce commitment to a course of action where prospects for future gain are bleak, but will continue to invest large amounts when provided an external cause of failure and some hope of recouping their losses.

The proposed theoretical Model

Review on research showed that commitment is a complex process, subject to multiple and sometimes conflicting forces. Staw proposes a theoretical model which identifies four major determinants of commitment to a course of action:



What are the underlying causes of motivation to justify previous decisions?



As highlighted by the studies mentioned before, motivation to justify previous decisions can be seen as a function of **perceived responsibility for negative consequences**. Specifically, perceived responsibility seems to be determined by one agent's previous choices and by the foreseeability of future outcomes.

In addition to perceived responsibility, motivation to justify previous decisions might also be determined by agents' **need to demonstrate competence**: both to themselves (to preserve self-image and self-esteem) and to the others (to maintain social reputation).

Empirical test (Fox & Staw, 1979)¹:

Goal: test the effect of external need to demonstrate competence on commitment to a course of action (allocation of resources) with negative consequences

Setting: a simulation with business students acting as administrators under various conditions of job insecurity and policy resistance

IVs: Security or insecurity of keeping the job; Severe or non-severe policy resistance

DV: Allocation of resources

Hypothesis: administrators who are vulnerable to job loss or who implement a policy they know will be unpopular would be especially motivated to protect themselves against failure -> **need of external competence**

Results: when a course of action led to negative results, the administrators who were both insecure in their jobs and who faced severe policy resistance were most likely to escalate their commitment of resources and become locked in to the losing course of action.

→ Hence, the need to appear competent and rational could ironically play a role in the deviance from rational choices, leading to an escalating commitment to a course of action with negative consequences.

The justification of previous decisions and rationality:

Prospective vs. Retrospective Rationality

Forces for justification can lead to "retrospective rationality": to seek to appear competent in *previous* as opposed to *future* actions

SEU (subjective expected utility) models posit that an individual is "prospectively rational"

→ Both forces may operate in commitment decisions!!

¹ Refer to External vs. Internal justification. Pg. 580.

Norms for Consistency, Probability of Future Outcomes, Value of Future Outcomes

Norms for consistency: Another major source of commitment (in addition to the Internal and external forms of justification)

Belief that consistent actions imply better leadership → e.g. President Carter indecisiveness

Empirical test: Inconsistent administrator (change course of action until positive results)

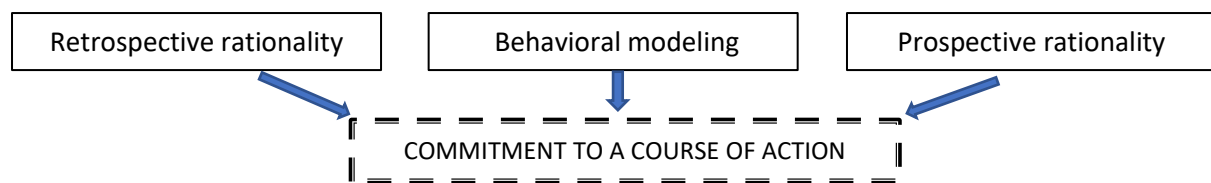
Result: Rated highest when consistent and ultimately successful. → Consistent-successful also rated higher “hero effect”

Implication: Consistency part of effective leadership + perception acquired through social context

Probability & Value of Future Outcomes: determinants of economic and behavioral decision making

- commitment to be a complex process dependent on forces for retrospective rationality, prospective rationality, and behavioral modeling.
- If decision maker **escalate commitment** only **when the facts warranted** it, there should be **no effects of justification or norms for consistency** on commitment. → The only variables of relevance to "objective" commitment decisions would be **factors influencing the probability and value of future outcomes.**
- **having been responsible for negative consequences** may make the **achievement of future outcomes** all the more important.
- entire series of outcomes is determined by a given choice, the consequences of any single decision having implications for past as well as future events.
- norms for consistency as an outgrowth of individual needs for cognitive consistency

Summary (General Assessment) of the Model



Implications and concrete applications:

Candidates for escalation:

- Resource allocations and investment decisions (with entering and exit value)
- Life choices that are linked together (e.g., career choices)
- Policy decisions in which administrators are held accountable by others (e.g., in an organization)

Tools to avoid escalation:

- Outsiders' advice, external opinions (more “objective”)
- After negative consequences related to resource allocations -> rotate the person in charge of allocating resources
- Emphasize that administrative experimentation is better than consistency when it is useful to avoid further losses -> more merits for experimentation
- Focus on future outcomes (prospective rationality) and not on previous choices (retrospective rationality)