



FOM University of Applied Science

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Bachelor Thesis

A Bachelor thesis in partial fulfillment of the requirements for the degree of
Bachelor of Science (B.Sc.) in European Business & Psychology

on the topic

**Group Decision-Making in a Collectivist Culture:
Risk Taking, Overconfidence and Anchoring among Chinese Business Students**

by

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Abstract

The focus of this work lies in identifying the differences between individuals and groups in China. Personal risk attitudes, susceptibility to anchoring and overconfidence are determined as predictors for corporate investment decisions. Since insufficient evidence on a Chinese sample has been provided up until now, this experimental study intends to replicate previous findings on investment behavior in group decisions on a larger sample of Chinese citizens and future economists, on the one hand, and to extend research on group effects in collectivist cultures, on the other. It is assumed that anchoring effect and overconfidence are also present among Chinese students, as they are among students from Europe and the US. Additionally, first studies on risk behavior in China suggest that individuals are more risk-averse than groups. To answer these hypotheses, subjects were confronted with various tasks which measure individual and collective risk dispositions accompanied by anchoring and confidence assessment. To ensure the nexus between theory and practice, this thesis clarifies how and why prevalent theories on decision-making provide insufficient explanation for the unique behavioral patterns in China. A total of 416 Chinese BBA students have been examined. Findings indicate a significant difference between individuals and groups regarding the measured risk attitude associated with a strong manifestation of willingness to invest. Alongside previous studies on risk behavior, groups in China also exhibit a higher tendency to make risky decisions. Results on overconfidence and anchoring were further found to be fairly robust among Chinese students, though unlike risk behavior, they did not significantly differ between individuals and groups.

Keywords

Collectivism, financial decision-making, risk behavior, group effects, China