

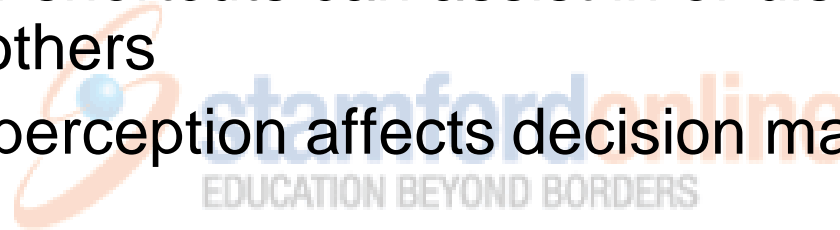
WEEK 3



Individual Decision Making

Learning outcomes

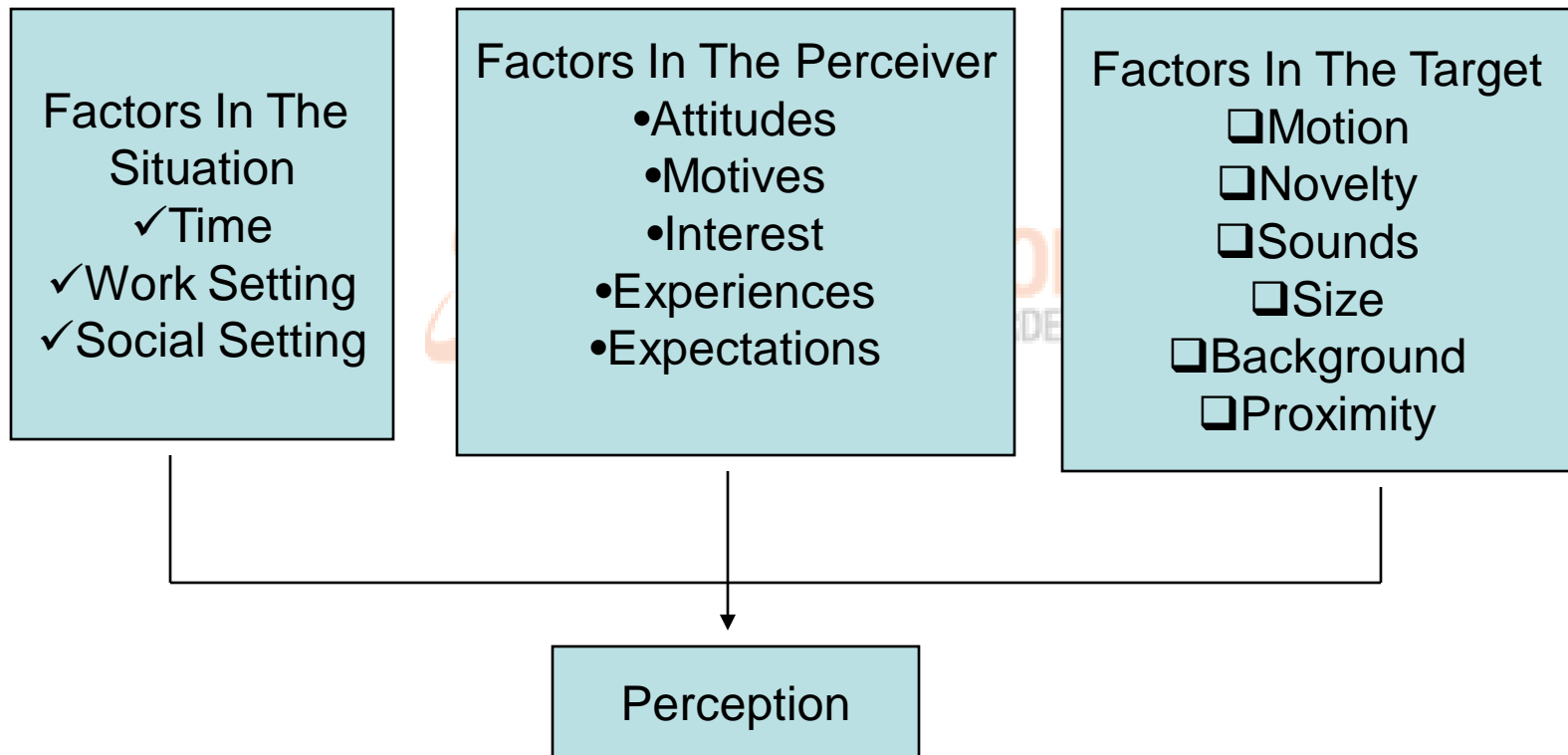
- Explain how two people can see the same thing and interpret it differently
- List the three determinants of attribution
- Describe how shortcuts can assist in or distort our judgment of others
- Explain how perception affects decision making process
- Outline the six steps in rational decision making model
- Describes the actions of bounded rational decision maker
- Identify the conditions in which individuals are most likely to use intuition in decision
- Describe four styles of decision making



What is Perception?

- **Perception** - A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment
- It is impossible that all employees in a firm may view it as a great place to work – favorable working conditions, interesting job assignments, good pay, an understanding and responsible management

Factors Influencing Perception



Factors Influencing Perception - The Perceiver

- **Unsatisfied needs or motives** stimulate individuals and may exert strong influence on their perception. For instance, a person who is fasting for 10 hours may interpret the clear one as a blurred picture
- **Personal insecurity** can be transferred into the perception that 'others should go out of my sight' as they don't want the other person to disturb his/her personal matters
- **Past experiences** will help you to interpret the situation differently. For instance, if you were scolded by the boss last week due to late coming, you will perceive your boss as a strict supervisor

Factors Influencing Perception - The Perceiver

- **Interest** can also influence the person's perception of an object or event. For instance, if you are looking for a job in a big company, you might perceive any big published company as a 'good' company
- **Expectation** of the perceiver can also influence the interpretation of the event and situation. For instance, young people are more energetic, ambitious. Whereas, police officers are more authoritative



Factors Influencing Perception - The Target

- **Characteristics of the target** that is being observed can affect what is perceived. For instance, loud people are more likely to be noticed in a group than the quiet ones
- **Objects that are close to each other** will tend to be perceived together rather than separately. For instance, employees in a particular department are seen as a group
- **Timing** may also imply dependence. For instance, when the sales in territory skyrocket, the assignment of the new sales manager and the increase in sales may not be related. The sales increase may be due to the introduction of a new product line, or closing down of the competitor's company, etc.

Factors Influencing Perception - The Situation

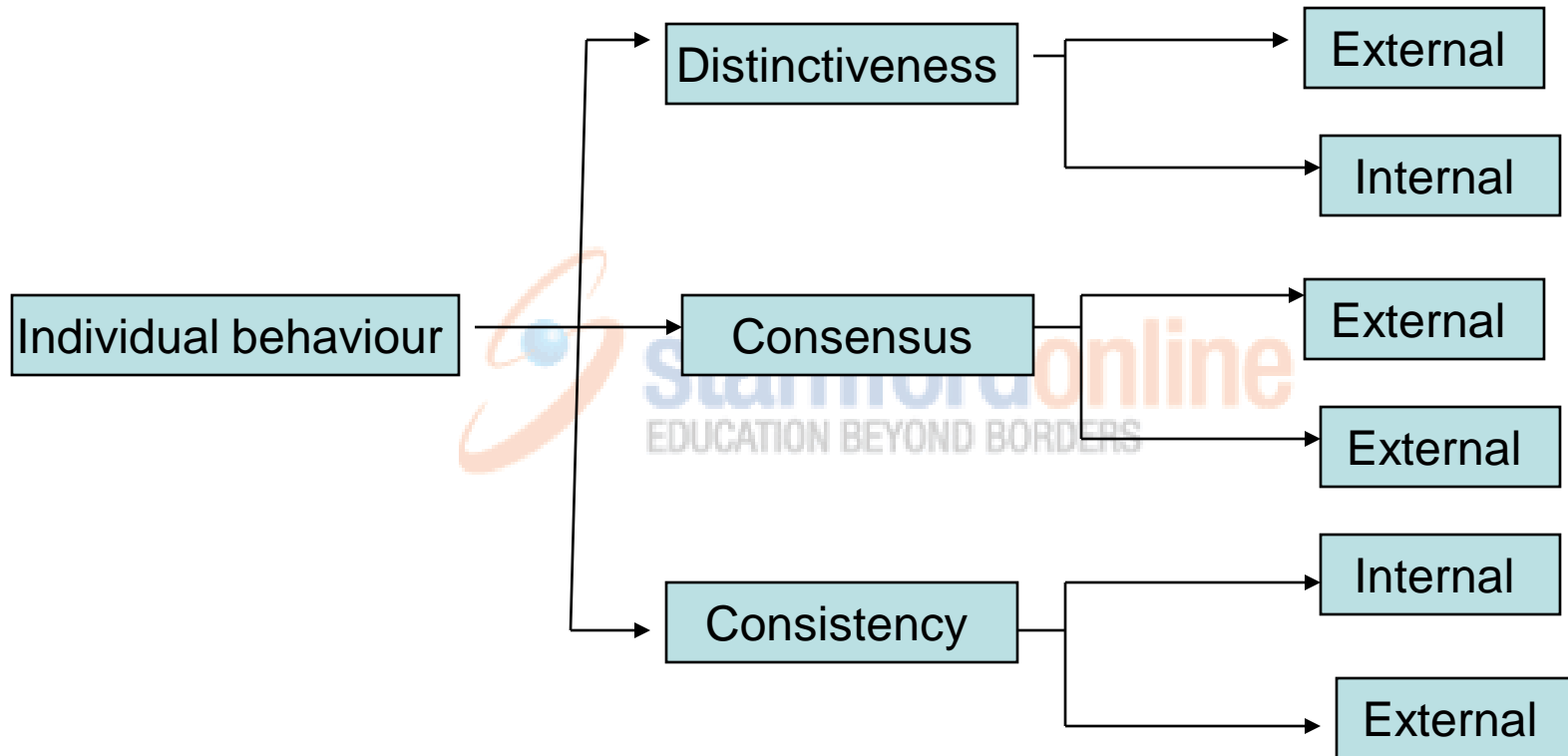
- **The elements in the surrounding environment** influence the perception. For instance, in the temple or church we might perceive all the people as good persons
- **The time** is another factor influencing the perception. For instance, the lady who looks professional in the office hours might be a regular customer to night clubs
- **The work setting** is the situation in the office hours which might influence our perception. For instance, the worker might be working very hard as the boss is around the office

Personal Perception: Making Judgments About Others - **Attribution Theory**

- **Attribution Theory** - When individuals observe behaviour, they attempt to determine whether it is internally or externally caused
- This theory suggests that when we observe an individual's behaviour, we attempt to determine whether it was internally or externally caused
- That determination, however, depends largely on three factors:
 - I. Distinctiveness
 - II. Consensus
 - III. Consistency

Attribution theory

Observation → Interpretation → Attribution



Personal Perception: Making Judgments About Others - **Attribution Theory**

- **Internally** caused behaviours are those that are believed to be under the personal control of the individual
- **Externally** caused behaviour is seen as resulting from the outside causes. The person is seen as having been forced into the behaviour by the situation
- For instance, if your employee is late for work, you might attribute his lateness to oversleeping. This would be internal attribution
- If you attribute his lateness to traffic jam, this would be the external attribution

Personal Perception: Making Judgments About Others - **Attribution Theory**

- **Distinctiveness** - refers to whether an individual displays different behaviour in different situations
- **Consensus** - refers to displaying similar behaviour in similar situations
- **Consistency** - refers to displaying similar behaviour in different situations
- For example:
- If the worker is always punctual (8:30am) to work, this is known as internal attribution (Consensus)
- If the worker is hardworking only in front of the boss, it is caused by external factors (Distinctiveness)
- If the worker is quiet all the time with all the colleagues and even the boss, it is known as internal attribution (Consistency)



Personal Perception: Making Judgments About Others - **Attribution Theory**

- **Fundamental Attribution Error** - The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when the manager is making judgments about the behaviour of others
- For instance, if the sales manager is not achieving the target sales, it may be due to the competitors or due to the laziness of the salesman
- **Overestimate** - as the company believes the sales manager's ability
- **Underestimate** - as the company ignores the competitor's ability

Personal Perception: Making Judgments About Others - **Attribution Theory**

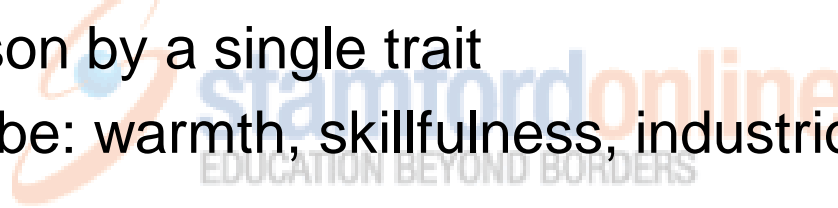
- **Self-serving Bias** - The tendency for individuals to attribute their own successes to internal factors while putting the blame of failure on external factors
- For instance, the general manager might blame the company for wanting to save cost which impedes the efficiency of the company
- The lecturer might blame the laziness of the students rather than his failure of explaining to the students if many students failed in the examination

Shortcuts In Judging Others - Selective Perception

- **Selective perception** - People selectively interpret what they see on the basis of their interests, background, experience, and attitudes
- Selective perception happens as 'we see what we want to see' and draw an unwarranted or ambiguous conclusion
- For instance, when the employees see the CEO loitering around the factory, they might think the CEO is going to fire someone or implement the performance evaluation

Shortcuts In Judging Others - Halo Effects

- **Halo effect** - Drawing a general impression about an individual on the basis of a single characteristic
- For instance, when we meet the other person who is enthusiastic, we assume he/she must be a nice person. We judge this person by a single trait
- The traits can be: warmth, skillfulness, industrious, intelligent, determined



Shortcuts In Judging Others - Contrast Effects

- **Contrast Effects** - Evaluations of a person's characteristics that are affected by comparing with other people recently encountered, who rank higher or lower on the same characteristics
- For instance, when we encounter someone in a company who is hardworking, we judge the other workers are also hardworking when in fact they are lazy

Shortcuts In Judging Others - Projection

- **Projection** - Attributing one's own characteristics to other people
- For instance, if you want challenges and responsibility in the job, you will assume that your employees also want the same things
- When observing others who actually are like them, these observers are quite accurate - not because they are perceptive but because they always judge people as being similar to themselves



Shortcuts In Judging Others - Stereotyping

- **Stereotyping** - Judging someone on the basis of one's perception of the group to which that person belongs
- When you want to hire an employee, you want to know the group he/she joins. When they are joining the group of athletes, you assume they are active, ambitious, and hardworking
- For instance, 'men are not interested in child care', 'older workers cannot learn new skills', 'fat people are lazy'
- Stereotyping helps the Human Resource managers to take decisions in hiring adequately skilled employee

Specific Applications In Organizations – Employment Interview

- People in the organizations are always judging each other. For instance, the managers and employees in the organizations are always judging each other's performance.
- **Employment Interview** - Evidence indicates that interviews make perceptual judgments that are often inaccurate
- The interviewers are likely to draw early impressions that become very quickly entrenched
- The interviewers have less consistent structure. The interviewers' terms of what they are looking in a good candidate can vary widely

Specific Applications In Organizations – Self-fulfilling Prophecy

- **Self-fulfilling prophecy** - When a person inaccurately perceives a second person and the resulting expectations cause the second person to behave in ways consistent with the original perception
- For instance, if a manager expects people to perform minimally, they will tend to behave so as to meet those low expectations
- If the manager expects big things from his people, the employees are likely to behave efficiently

Specific Applications In Organizations – Performance Evaluation

- **Performance evaluation** - It refers to the management evaluating the performance of the employees consistently for future promotion or demotion
- An employee's future is closely tied to his or her appraisal - promotions, pay raise, and continuation of employment are among the most obvious outcomes
- However, the appraisal evaluation might be judgmental or subjective

Specific Applications In Organizations – Employee Effort And Loyalty

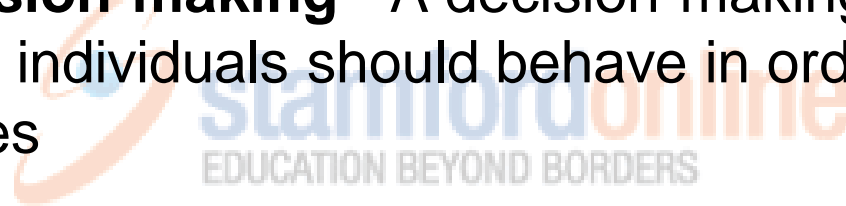
- An individual's future in an organization is usually not dependent on performance alone; the level of employee's effort is given high importance
- An assessment of an individual's effort is a subjective judgment susceptible to perceptual distortions and bias
- Employees loyalty is hard to be evaluated as it is judgmental
- An employee who questions a top-management's decision may be seen as disloyal by some, yet caring and concerned by others
- **Whistle-blowers** - Individuals who report unethical practices by their employers to outsiders - a typical act of loyalty to their organization is perceived by management as troublemaking

The Link Between Perception And Individual Decision Making

- **Decision** - The choices made from among two or more alternatives
- Making decisions is not the sole province of the manager, but also of the employees (choose the organization)
- Many organizations **empower** the employee with job-related decision making authority
- **Problem** - A discrepancy between some current state of affairs and some desired state
- Unfortunately, the **state of affairs** of the problem is not the same for all the persons or organization. For instance, 2% decline in sales for a big or small company is the different state of affairs in a 'problem package'

How Should Decisions Be Made?

- **Rational** - Refers to choices that are consistent and value maximizing with specified constraints
- **Rational decision-making** - A decision-making model that describes how individuals should behave in order to maximize some outcomes



Steps In Rational Decision-Making

- Steps in rational decision-making:
 1. Define the problem
(limited budget \$50m, but have to spend more for project A)
 2. Identify the decision criteria
(consider project A is important or not, its value, future benefits, competitors, market evaluation)
 3. Allocate weights to the criteria
 4. Develop the alternatives
(if not project A, then project B or C?)
 5. Evaluate the alternatives
 6. Select the best alternative

How Are Decisions Actually Made In Organizations?

- **Bounded Rationality** - Individuals make decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity
- For instance, thinking of the decision maker simply as an optimizer of comfort would lead to puzzlement at his or her selection. But the purchase of poorly-fitting shoes looks reasonable enough when the consumer has limited knowledge of the retail environment
- For instance, the organization makes the decision of ordering from a 'few suppliers' that offer excellent services without referring to the 'new suppliers'
- **Intuition** - An unconscious process created out of distilled experience
- For instance, the decision making based on:
Games like chess, football, basketball, financial markets, etc
- Studies further show that how chess professor can play one game or more games simultaneously, in which decisions are made in one second
- Intuitive decision making is applicable when:
 - I. The information is limited
 - II. The environments are ambiguous
 - III. The time is limited

How To Make Choices?

- **Heuristics** - Judgmental shortcuts in decision making. For instance, fear of taking airplane leads to a decision that airplane is dangerous or not good
- There are two common categories of heuristics - availability and representative
- **Availability Heuristics** - The tendency for people to base their judgments on information that is readily available to them,
- For instance, the manager tries to evaluate the performance of the employees based on sentimental and emotional evocation
- We might be prone to overestimating unlikely events like an airplane crash (for those taking the plane the first time)
- **Representative Heuristics** - Assessing the likelihood of an occurrence by drawing analogies and seeing identical situations where they don't exist
- For instance, a master holder chooses to become a NBA player rather than a manager, as interest or representative heuristics

How To Make Choices?

- **Escalation Commitment** - An increased commitment to a previous decision in spite of negative information
- For instance, the girl being loyal to her boyfriend even though her friends 'evaluate' her boyfriend as a bad guy
- Many organizations have suffered heavy losses because the manager was determined to prove his/her original decision was right by continuing to commit resources to what was a lost cause from the beginning
- In fact, the effective managers are those who are able to differentiate between situations in which persistence will pay off and situations in which it will not

Individual Differences - Decision-Making Styles

- People differ in two dimensions:
 - The Way Of Thinking
 - Tolerance For Ambiguity
- People use directive style with low tolerance for ambiguity and seek rationality
- People use analytical style with a much greater tolerance for ambiguity and low rationality
- People use conceptual style with high tolerance of ambiguity and high rationality
- People use behavioural style with low tolerance ambiguity and low rationality

Discuss Questions

- I. Define perception.
- II. What is attribution theory? How is it related to the organization behaviour?
- III. What is stereotyping? Give examples to support your answer.
- IV. Give some positive and negative results of using shortcuts to judge the others.
- V. Can a manager make an effective decision? If so, how, if not how? Give examples to support your answer.

