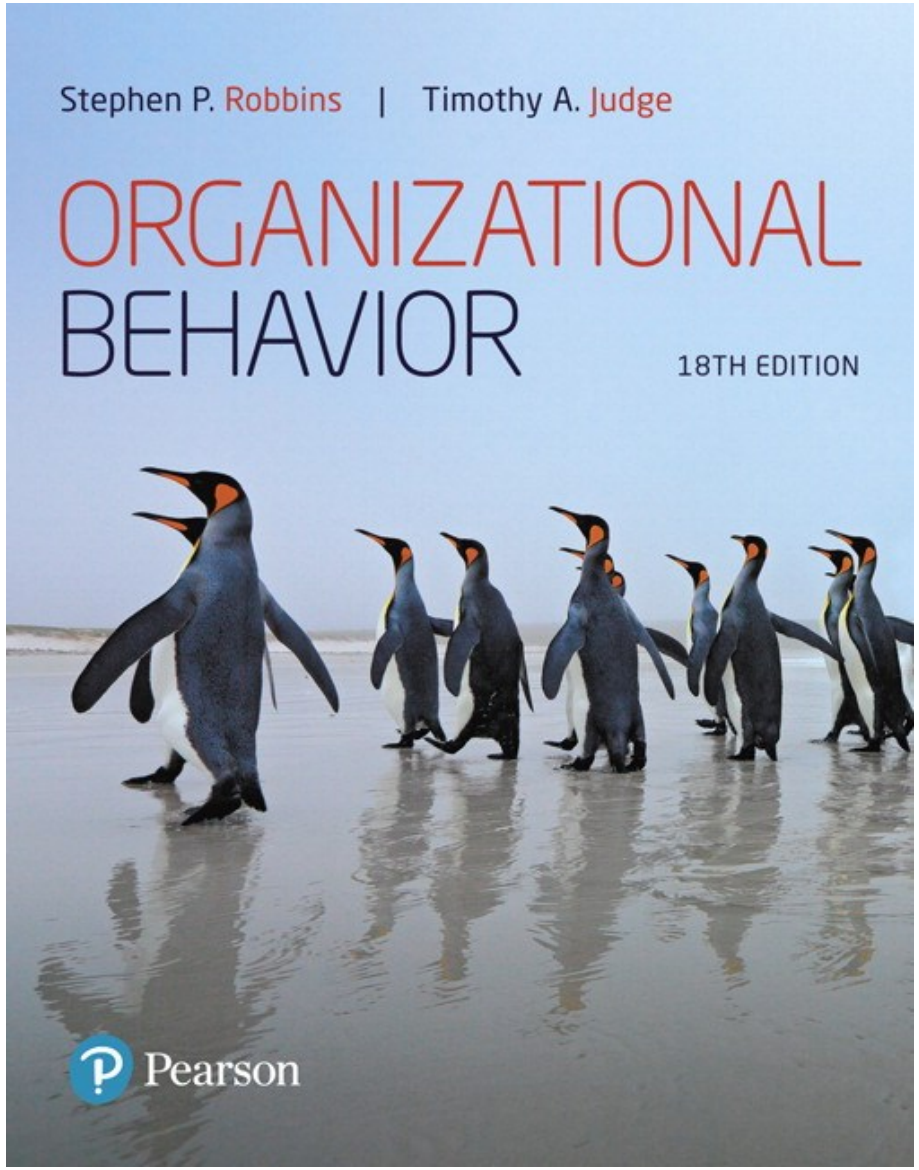
Perception & Individual Decision Making

- Perception
- Factors Influencing Perception
- Attribution Theory
- Errors/ Bias in Attribution
- Factors of Individual Decision Making
- Rational Decision Making
- Bounded Rationality
- Satisfice
- Common Errors in Decision Making
- Creativity in Decision Making

Reference Book:
Organizational Behaviour
by Stephen P. Robbins



Perception

Personal Perception: *Making judgments about others…*

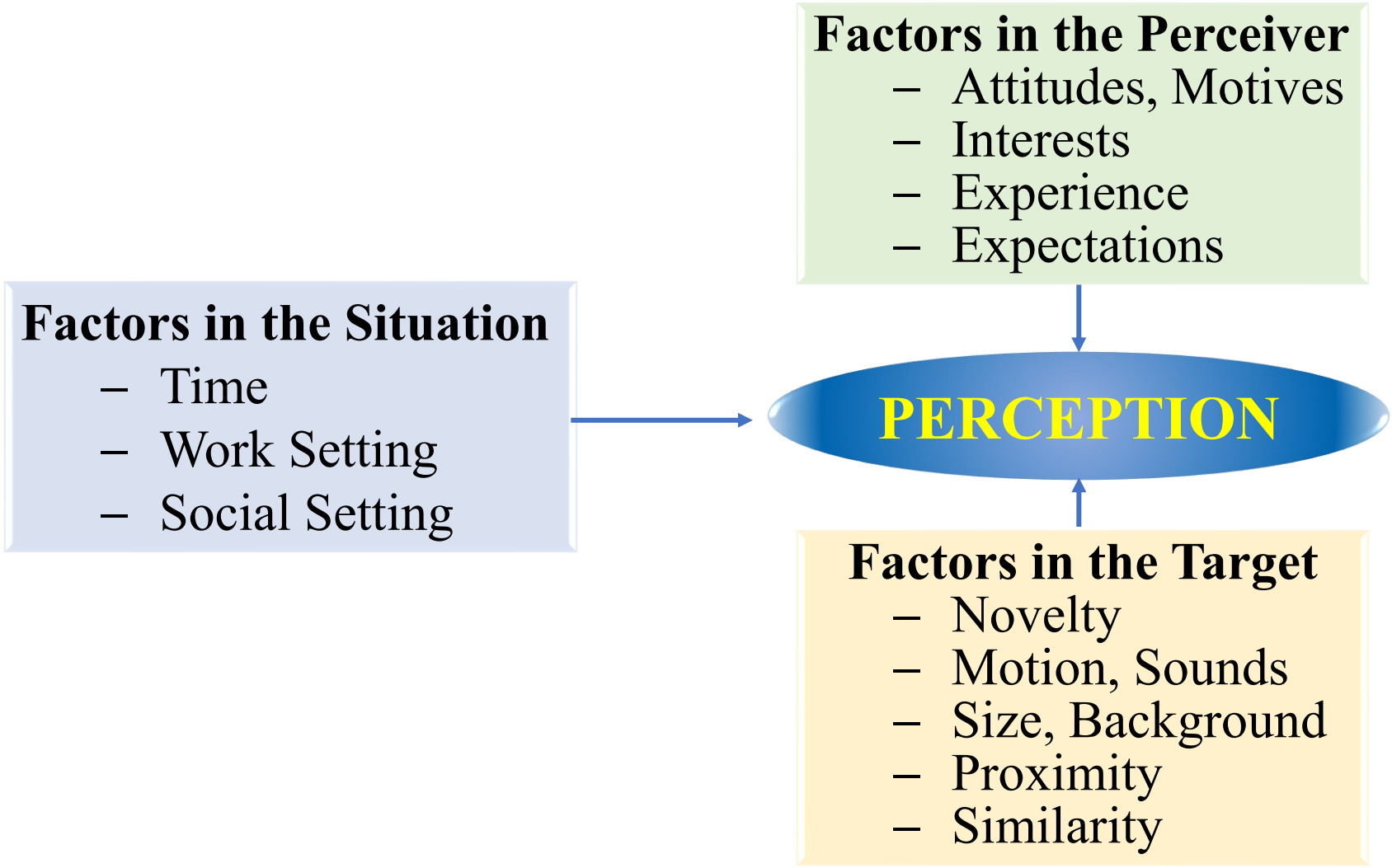
What is Perception?

- Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment
- ***What we perceive can be substantially different from objective reality***
- It is an intellectual as well as a cognitive and psychological process

Why is perception important in the study of OB?

- People's behavior is based on their **perception of what reality is**, **not on reality** itself
- The world as it is perceived, is the world that is **behaviorally important**

Factors Influencing Perception



Sensation vs. Perception

- Sensation
  - The process by which our sense organs receive information from the environment



- Perception
  - The sorting out, interpretation, analysis, and integration of stimuli involving our sense organs and brain

What is Attribution Theory?

- Proposed by **Fritz Heider**, Austrian psychologist in 1958. The theory **explains the ways we judge people differently**, depending on the meaning we attribute to a given behavior.

  - Attribution theory assumes that **people try to determine 'why people do, what they do**,' i.e., attribute causes to behavior

  - It is concerned with **how people translate events around them** and how that affect their thinking and behavior

How Does Attribution Theory Work?

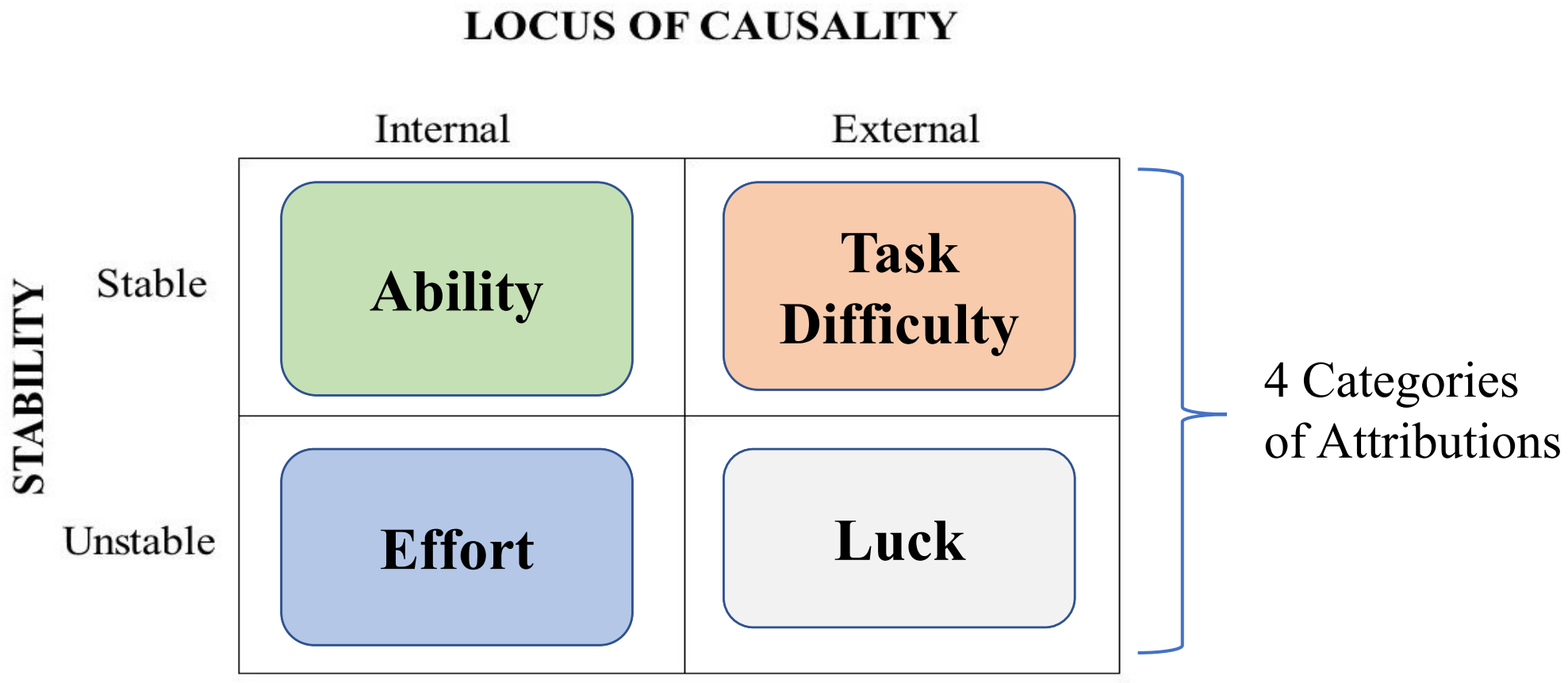
- The theory suggests that attribution, whether done **Internally or Externally**, has great influence on how people feel and relate to others

- Behavior is determined by either **Internal or by External** factors:

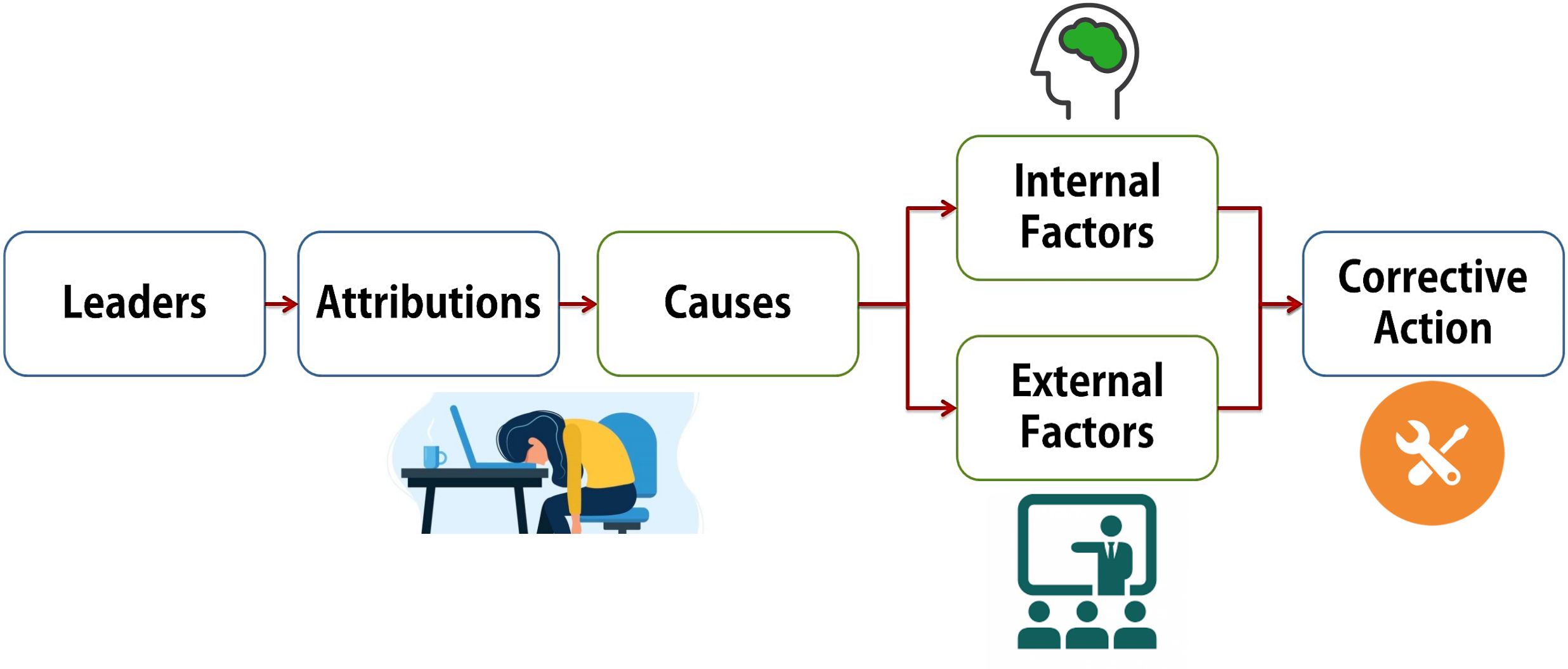
  - **External Attribution (*Situational*)**: Assigned to an **outside factor, agent or force**. So, your behavior is influenced, or determined by influences outside your control. Therefore, you feel not responsible i.e., weather/ traffic

  - **Internal Attribution (*Dispositional*)**: Connection is assigned to an inside factor, agent or force. **Fall inside your own control**. So, you feel responsible i.e., own intelligence

Internal or by External Factors in Attribution



Leadership Role in Attribution Theory



Three Factors of the Attribution Theory:

1. Distinctiveness

2. Consensus

3. Consistency

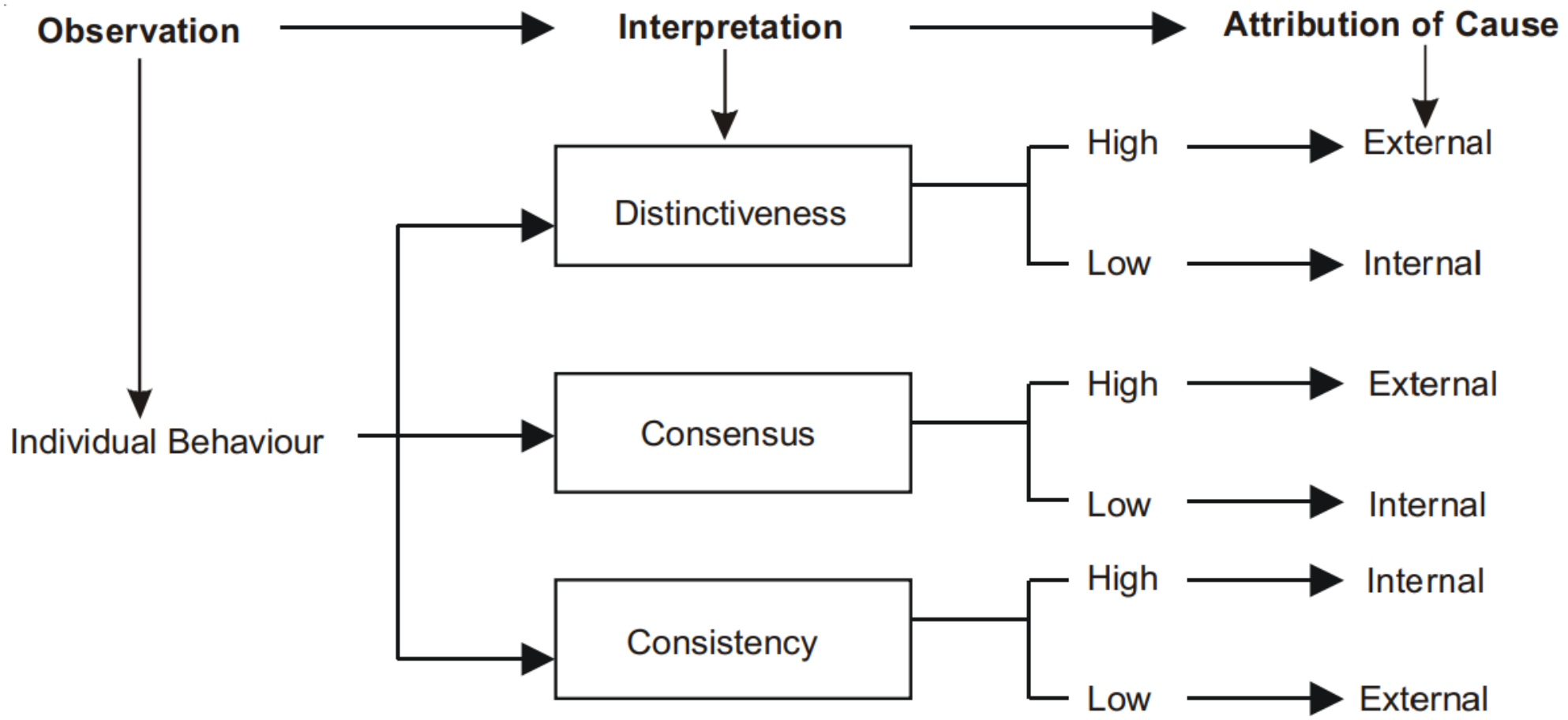
Three FACTORS that affect the formation of attributions

- **Distinctiveness**. Distinctiveness refers to whether an individual displays a behavior in many situations or whether it is particular to one situation. It's **high** incase he/ she behaves differently in many situations (*a student fails only in GELM-275/ a student is late today*)

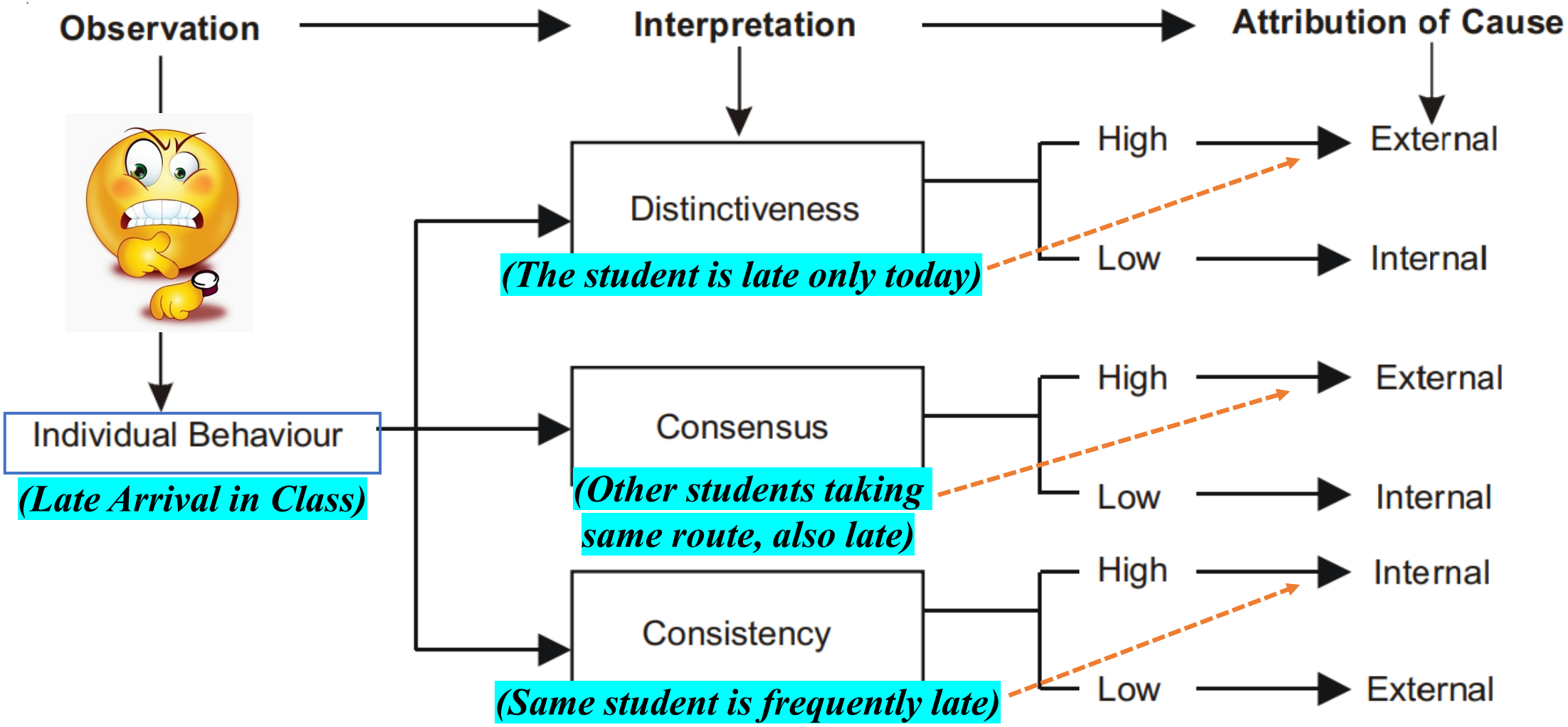
- **Consensus**. If everyone who is faced with a similar situation responds in the same way, the behavior is consensus. If consensus is **high**, it's external attribution (*many fails in GELM-275*)

- **Consistency**. It sees if the individual engage in the behaviors regularly and consistently? The more (**high**) consistent the behavior, the more the observer is inclined to attribute it to internal causes. (*same student performs poorly in all subjects*)

Attribution Theory of Perception



Attribution Theory of Perception



Attribution Bias/ Errors

My Success
Attributed to



My Failures
Attributed to



Others Failures
Attributed to

Others Success
Attributed to



What is Attribution Bias/ Errors?

It is important to **make sure that all the facts are present** before a manager/ leader decides to motivate another. Otherwise, they may be **making an error** called **Attribution Bias**

Errors or Biases in Attributions

- Fundamental Attribution Bias
- The actor-observer bias
- A self-serving bias
- Hostile attribution bias (HAB)

Common Types Biases in Attribution

Fundamental Attribution Error

It an individual's tendency to attribute **another's actions** to their **character** or personality, while attributing **Own behavior to external situational factors**

- You tend to holding '**others' 100 percent accountable** for their actions
- The fundamental attribution error exists because of how people perceive the world

Common Types Biases in Attribution

The actor-observer bias

- Also called actor–observer asymmetry, can be thought of as an extension of the fundamental attribution error.

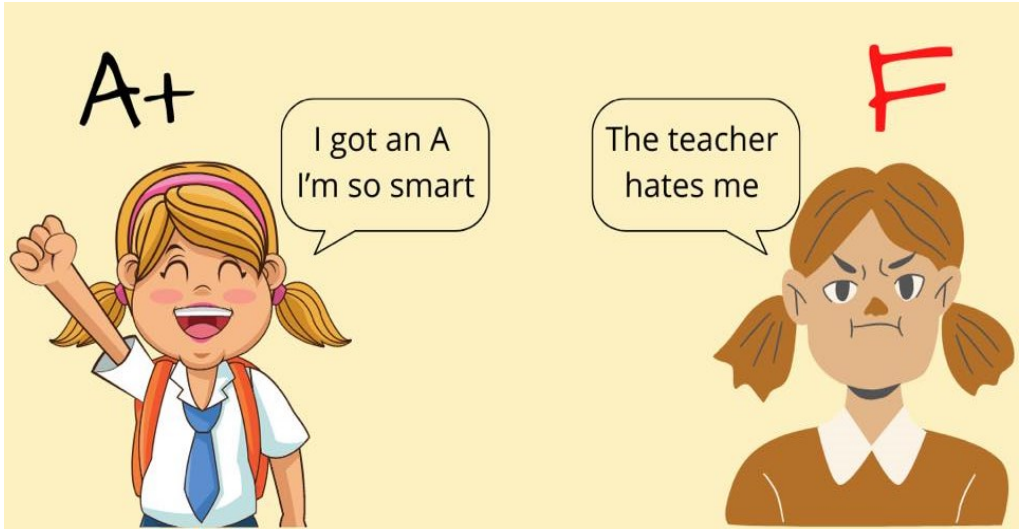
- Teenage drivers' tendency to attribute their own risky driving to situational factors, ***I am late...***

- But they attribute their peers' risky driving to personal factors, such as trying to ***"act cool"***

Common Types Biases in Attribution

Self-serving Bias

- It is people's tendency to attribute their **successes to internal factors** but attribute their failures to external factors.
- This bias helps to explain why individuals tend to take credit for their own successes while often denying responsibility for failures



Hostile attribution bias (HAB)

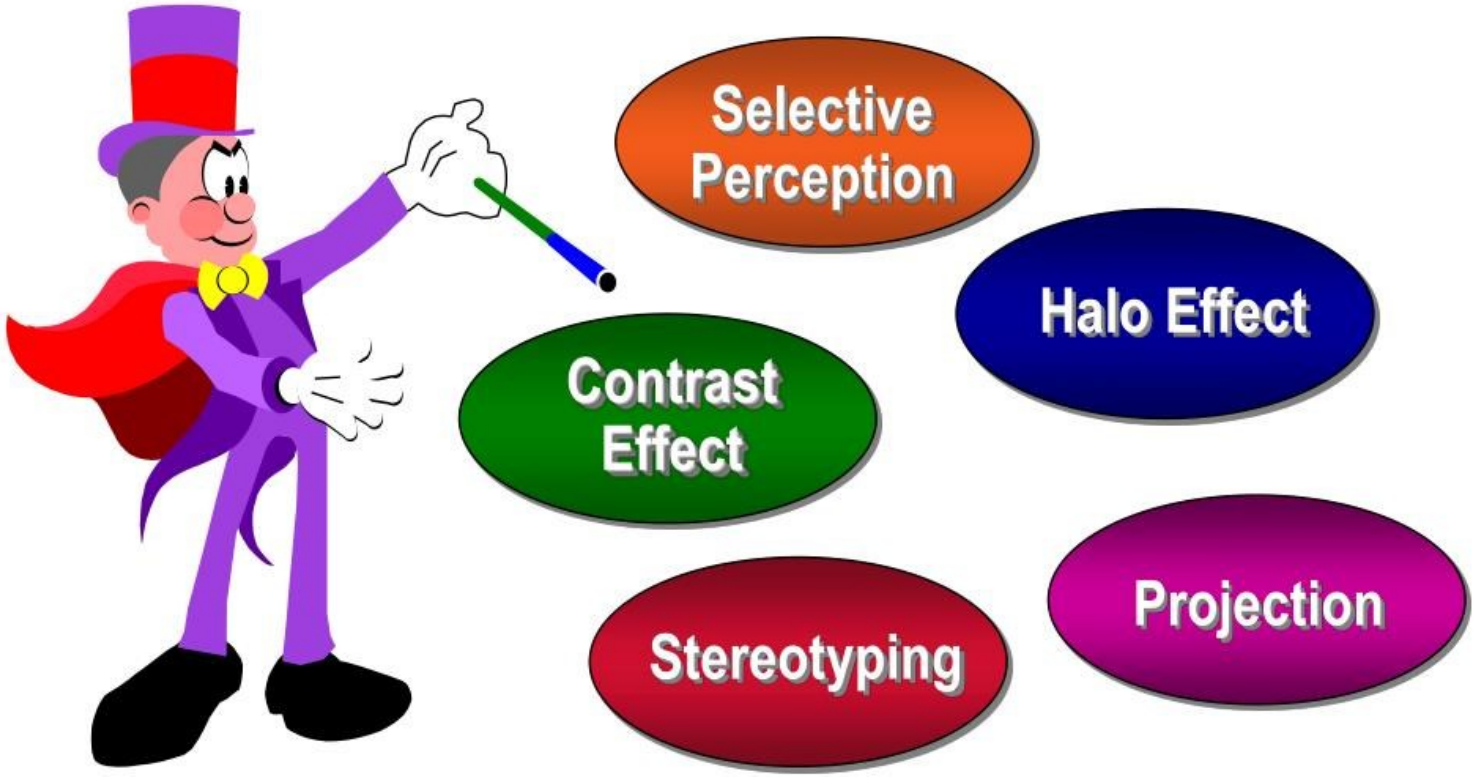


Common Types Biases in Attribution

Hostile attribution bias (HAB)

- HAB has been defined as **an interpretive bias** wherein individuals exhibit a tendency to interpret others' ambiguous behaviors as hostile, rather than benign.
- If a child witnesses two other children whispering, he/she may assume that the children are talking negatively about them
- Research has indicated that there is an association between hostile attribution bias and aggression, such that people who are more likely to interpret someone else's behavior as hostile are also more likely to engage in aggressive behavior

Frequently Used Shortcuts When Judging Others



Frequently Used Shortcuts in Judging Others

There are five Common errors or short-cut frequently used:

- **Selective Perception** – It is a tendency to observe people selectively and accordingly interpret based ***on their interest, background***, experience and attitudes
- **Halo Effect** – Tendency to draw a general overall impression about an individual based on ***single striking*** characteristics
- **Contrast Effect** – Evaluating person's characteristics by just ***comparing*** with other
- **Stereotyping** – Judgment based on the **perception of the group** to which he belongs
- **Projection** – Tendency to assign one's **own personal attributes** to others

Individual Decision-Making

Individual Decision-Making

- Individuals think and reason before they act or make decisions
- In some decision situations, people follow the rational decision-making model
- But few important decisions are simple or unambiguous enough for the rational model's assumptions to apply
- Individuals looking for solutions **often influenced by biases and prejudices** into the decision process and relying on intuition/ perception

Link between Perception and Decision Making

- Decision making **occurs as a reaction to a problem**. Awareness that a problem exists and that a decision might or might not be needed is a **perceptual issue**
- In decision-making **we interpret and evaluate information**.
- We typically receive data from multiple sources and need to screen, process, and interpret them. **Our perceptions affect the interpretation and outcome**
- Throughout the entire decision-making process, **perceptual distortions often surface** that can **bias analysis** and conclusions

Link between Perceptions and Individual Decision Making

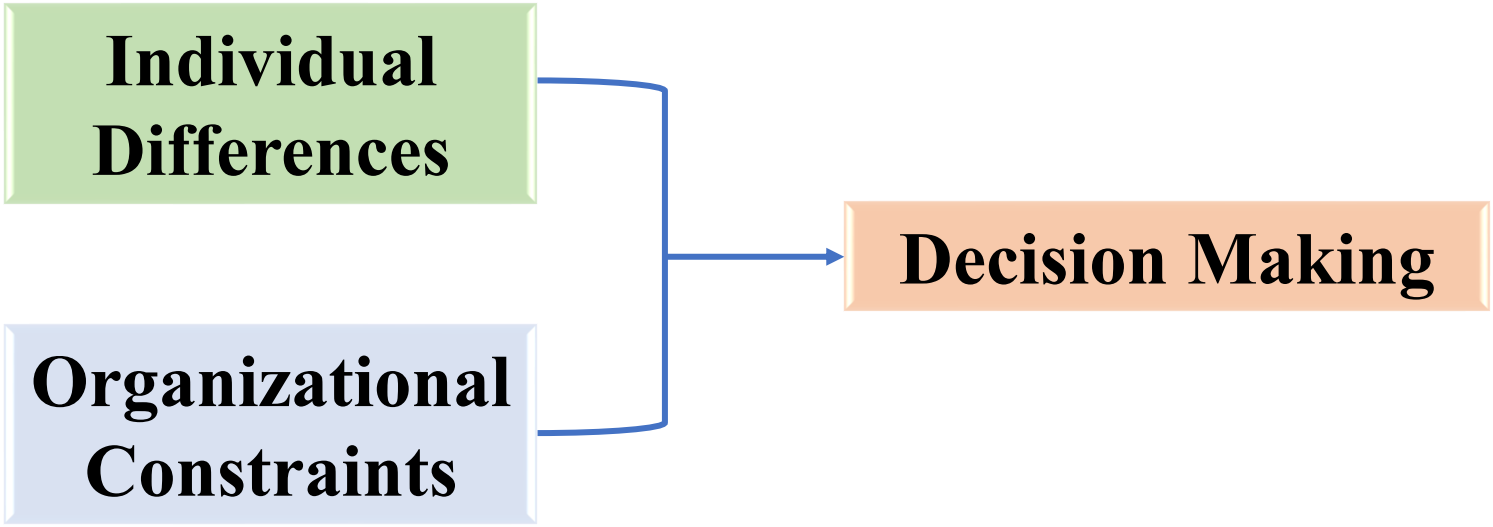
Problem
A *perceived* discrepancy between the current state of affairs and a desired state.

Decisions
Choices made from among alternatives developed from data *perceived* as relevant.

Perception of the decision maker → **Outcomes**

Factors of Individual Decision Making

Factors that influence how people make decisions and the degree to which they are susceptible to errors and biases are generally two categories:



Factors of Individual Decision Making

- **Individual Differences** -Decision making in practice is characterized by:
  - Bounded rationality
  - Common biases and errors
  - Use of intuition
- Additionally following individual differences create deviations from rational model:



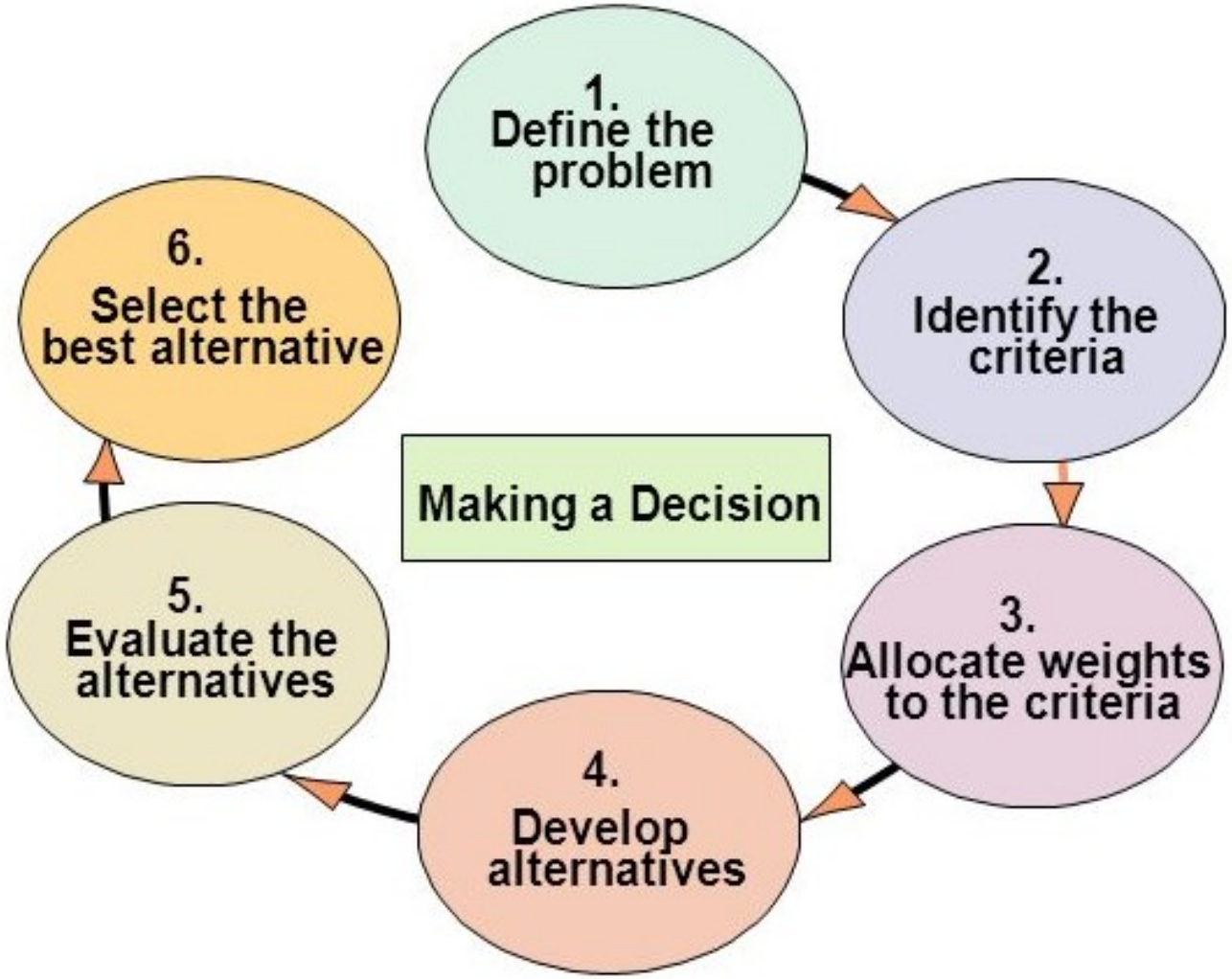
  - Personality
  - Gender
  - Mental Ability
  - Cultural Differences

Factors of Individual Decision Making

- **Organizational Constraints -** Organizations can constrain decision makers, creating deviations from the rational model.
  - Performance Evaluation
  - Reward Systems
  - Formal Regulations
  - System-Imposed Time Constraints
  - Historical Precedents

Steps in the Rational Decision-Making Model

1. Define the Problem.
2. Identify the Decision Criteria
3. Allocate Weights to the Criteria
4. Develop the Alternatives
5. Evaluate the Alternatives
6. Select the Best Alternative



Decision-Making Worksheet

Options		A. Pursue Higher Studies		B. Work 2-3 years before Higher Studies		C. World Tour before Higher Studies	
Values	**Imp.**	**Probability**	**Sub-total**	**Probability**	***Sub-total***	**Probability**	***Sub-total***
1. Prestige	**3**	5	***15***	3	*9*	1	*3*
2. My Parents Like it	**4**	5	***20***	2	*8*	1	*4*
3. Save Money	**3**	1	***3***	5	*15*	1	*3*
4. Personal Growth Completion	**5**	4	***20***	3	*15*	5	*25*
5. Reduce Current Stress	**2**	1	***2***	2	*4*	4	*8*
6. Early Start of Career	**4**	5	***20***	4	*16*	1	*4*
7. Take time to gain experience for higher studies	**2**	1	***2***	5	*10*	4	*8*
Grand Total			***82***		*77*		*55*

Bounded Rationality

- **Bounded Rationality** is a concept attributed to Herbert Simon, an economist and political scientist interested in decision-making and how we actually make decisions

- Rather that optimising, humans follow what he called **satisfying safety and suffice**

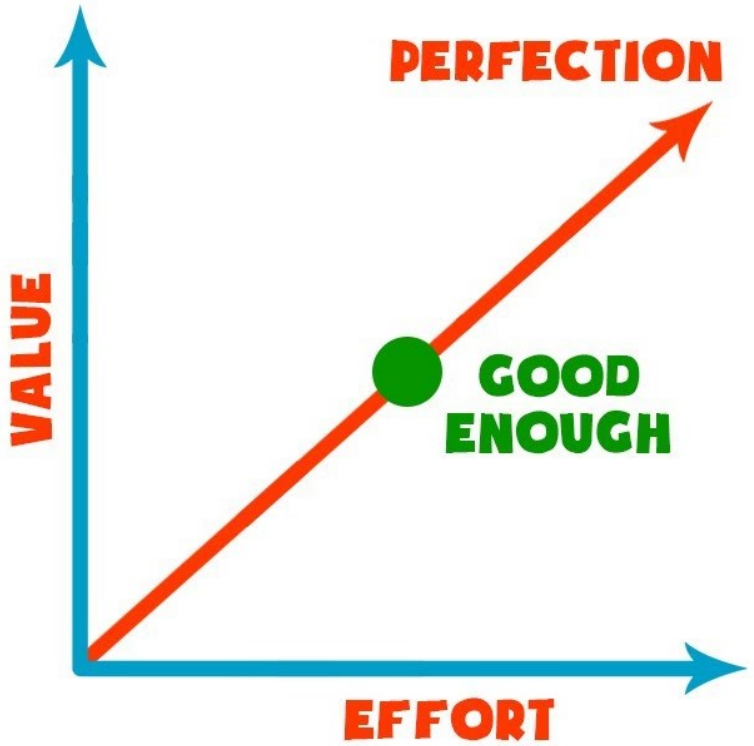
- Simply, we seek a decision that will be **good enough**, rather than the best possible decision



Satisfice

- Satisficing is a decision-making strategy that aims for a **satisfactory or adequate result, rather than the optimal solution**

- Instead of putting maximum exertion toward attaining the ideal outcome, **satisficing focuses on pragmatic effort** when confronted with tasks



Common Errors in Decision Making

We tend to take 'shortcuts' that allows errors/ bias in decisions. Common biases/ errors:

- **Overconfidence Bias** – We tend to be overly optimistic (*but abilities are low*)
- **Confirmation Bias** – We tend to seek out information that *reaffirms past choices*
- **Availability Bias –** People to base their judgments on *information readily available*
- **Anchoring Bias** – Tendency to focus on *initial information* as a starting point
- **Escalation of Commitment** - Increased commitment to a previous decision despite negative information

Cont…

Factors of Individual Decision Making

Escalation of Commitment



- A human behavior pattern, where an individual or group **facing increasingly negative outcomes from a decision**, action, or investment nevertheless continues the behavior instead of altering course.

Cont…

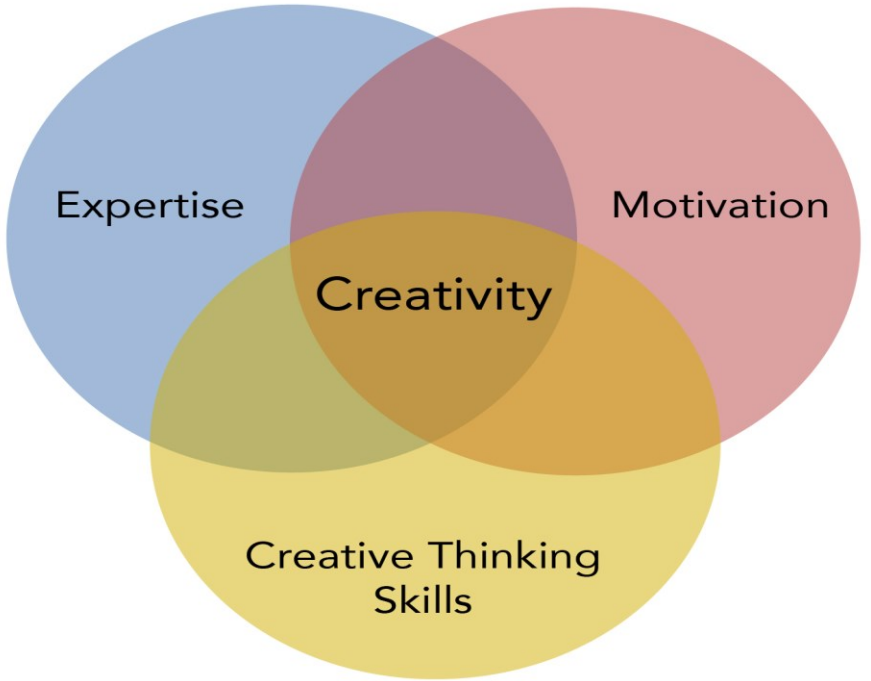
Common Errors in Decision Making

We tend to take 'shortcuts' that allows errors/ bias in decisions. Common biases/ errors:

- **Randomness Error** – We tend to create meaning out of random events (and superstitions)
- **Risk Aversion** –Favoring a sure thing over a risky outcome
- **Hindsight Bias** – We tend to believe falsely that we'd have accurately predicted the outcome of an event, after that outcome is known
- **Application: Financial Decision Making** – Relates to financial decisions; debt rescheduling or buying bad debts

Creativity in Decision Making

Creative **Decision-making** is the ability to consider all perspectives and solve a problem in a new way



Three Component of Creativity

Creativity in Decision Making

To enhance creativity…

1. Be mindful. What is the desired outcome?
2. Don't act bureaucratically. Avoid '***My way or the highway***.'
3. Don't drag decision-making out too long. Avoid '***analysis paralysis***.'
4. Trust yourself; Trust your team
5. Add resources; Remove obstacles
6. Read the Group