

Organizational Human Behavior management

Lecturer: Dr. Shukhrat Otajonov

Lecture 6

***Perception and Individual
Decisionmaking***

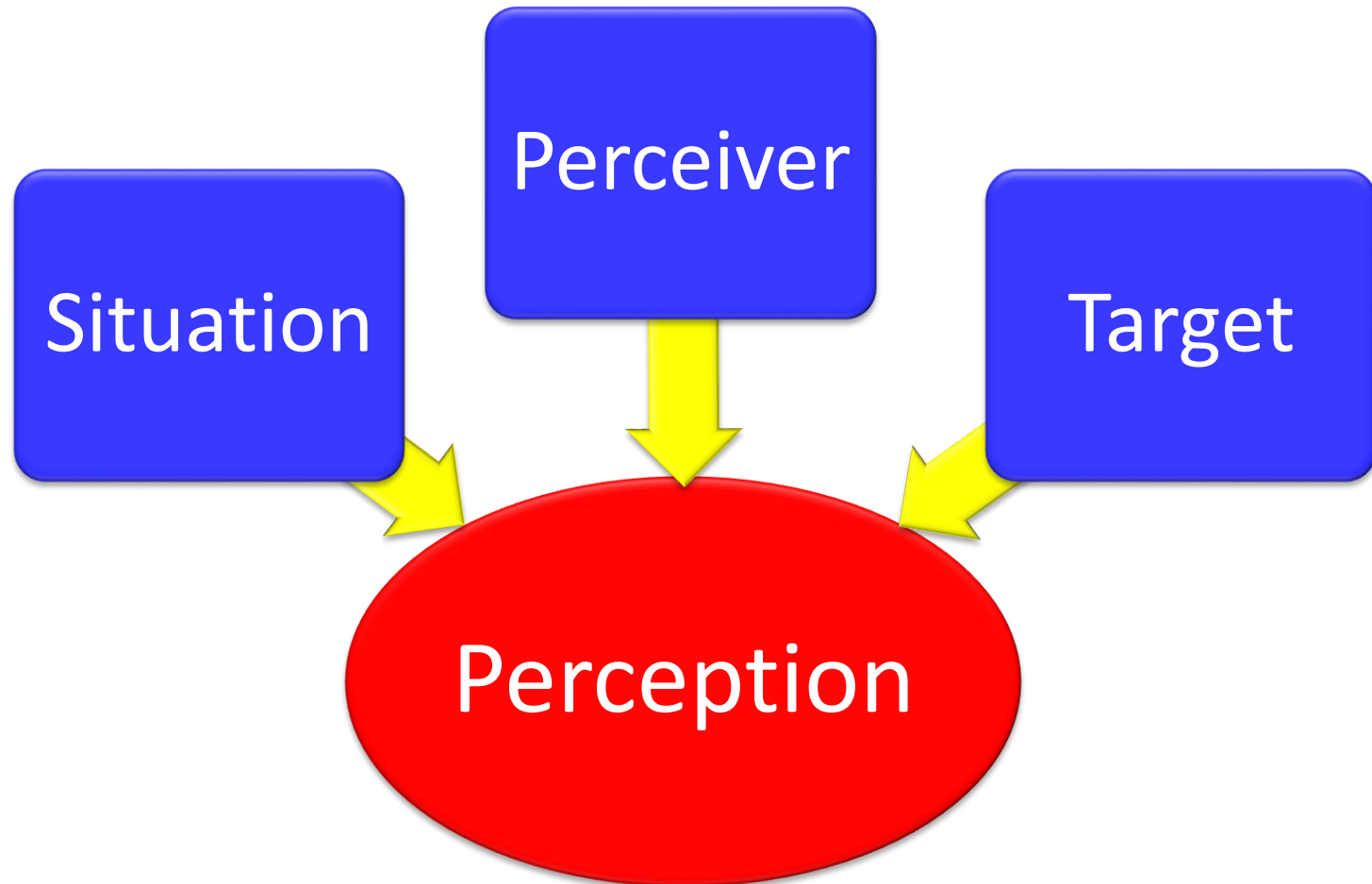
After studying this chapter you should be able to:

1. Define *perception*, and explain the factors that influence it.
2. Explain attribution theory, and describe the common shortcuts used in judging others.
3. Explain the link between perception and decision making.
4. Contrast the rational model of decision making with bounded rationality and intuition.
5. Identify the common decision biases or errors.
6. Explain how individual differences and organizational constraints affect decision making.
7. Contrast the three ethical decision criteria.
8. Define *creativity*, and discuss the three-stage model of creativity.

Perception

- **Perception:** A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment
- The world as it is perceived is the world that is behaviorally important

Factors Influencing Perception



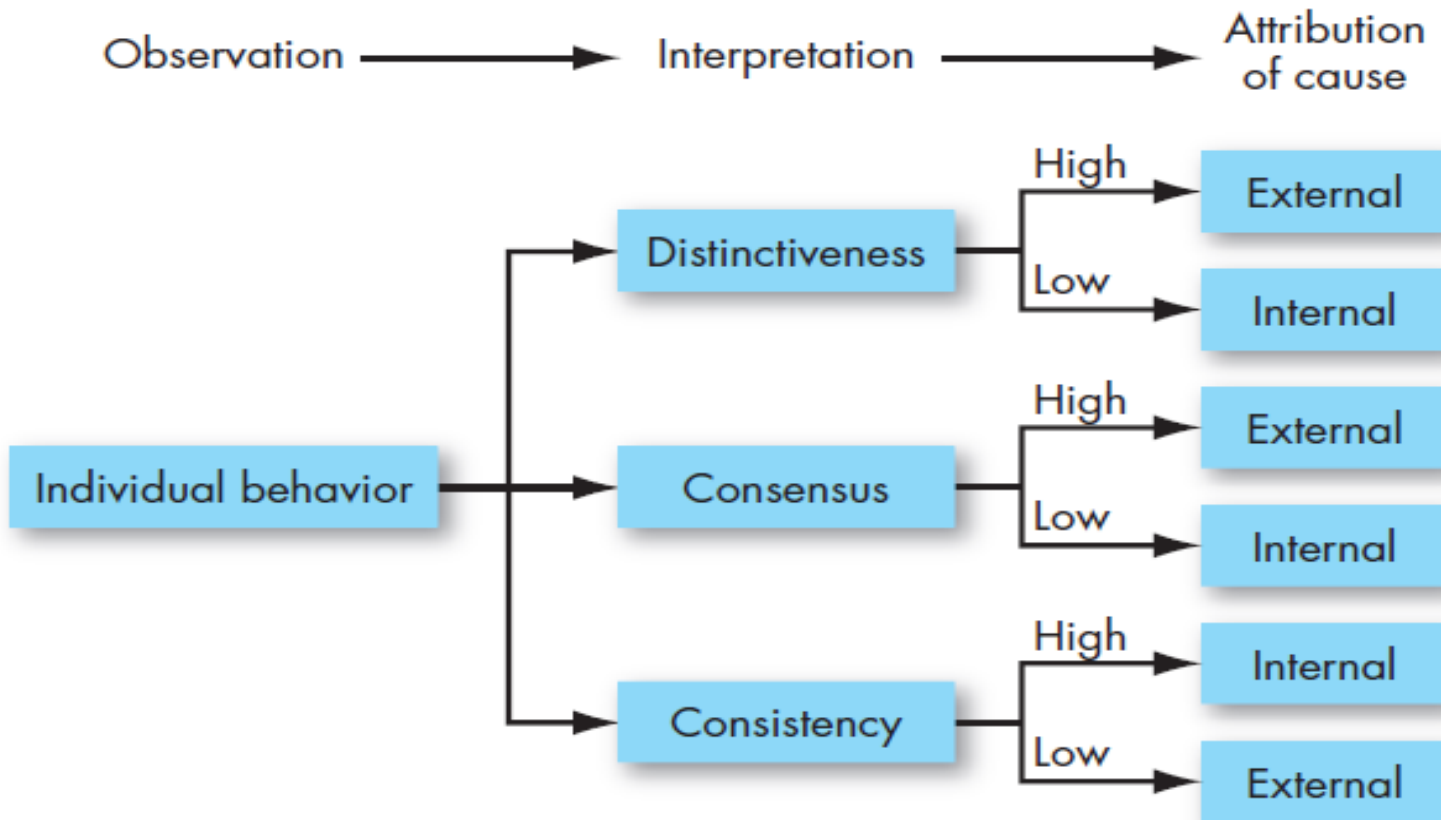
Person Perception: Attribution Theory

- **Attribution Theory:** Suggests that perceivers try to “attribute” the observed behavior to a type of cause:
 - Internal – behavior is believed to be under the personal control of the individual
 - External – the person is forced into the behavior by outside events/causes

Determinants of Attribution

- *Distinctiveness* – whether an individual displays different behaviors in different situations (*the uniqueness of the act*)
- *Consensus* – does everyone who faces a similar situation respond in the same way as the individual did
- *Consistency* – does the person respond the same way over time

Determination of Attribution



Attribution Errors

- **Fundamental attribution error:**
 - Tendency to underestimate the influence of external factors and overestimate that of internal factors
- **Self-Serving Bias:** Occurs when individuals overestimate their own (internal) influence on successes and overestimate the external influences on their failures
- The basic process of attribution applies across cultures, but Western cultures tend to be more individualist, while Asian cultures are more group oriented

Shortcuts Used in Judging Others

- **Selective Perception:** A perceptual filtering process based on interests, background, and attitude
- **Halo Effect:** Drawing a general impression based on a single characteristic such as appearance
- **Contrast Effects:** Our reaction is influenced by others we have recently encountered (the context of the observation)
- **Stereotyping:** Judging someone on the basis of the perception of the group to which they belong

The Link Between Perception and Decision Making

- Decision making occurs as a reaction to a perceived problem
- Perception influences:
 - Awareness that a problem exists
 - The interpretation and evaluation of information
 - Bias of analysis and conclusions

Rational Decision-Making Model

- 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
- This model is seldom actually used: it's more of a goal than a practical method

Assumptions of the Model

- Complete knowledge of the situation
- All relevant options are known in an unbiased manner
- The decision maker seeks the highest utility

Bounded Rationality

- The limited information-processing capability of human beings makes it impossible to assimilate and understand all the information necessary to optimize
- People seek solutions that are satisfactory and sufficient, rather than optimal (they “satisfice”)
- Bounded rationality is constructing simplified models that extract the essential features from problems without capturing all their complexity

Decision Making in Bounded Rationality

- Simpler than rational decision making, decision making under bounded rationality is composed of three steps:
 1. Limited search for criteria and alternatives – familiar criteria and easily found alternatives
 2. Limited review of alternatives – focus on alternatives, similar to those already in effect
 3. Satisficing – selecting the first alternative that is “good enough”

Intuitive Decision Making

- **Intuitive decision making:** A non-conscious process created out of distilled experience
- Increases with experience
- Can be a powerful complement to rational analysis in decision making

Common Biases and Errors

■ Overconfidence Bias

- As managers and employees become more knowledgeable about an issue, the less likely they are to display overconfidence

■ Anchoring Bias

- A tendency to fixate on initial information and fail to adequately adjust for subsequent information

■ Confirmation Bias

- Seeking out information that reaffirms our past choices and discounting information that contradicts past judgments

Common Biases and Errors

■ **Availability Bias**

- Basing judgments on information that is readily available

■ **Escalation of Commitment**

- Staying with a decision even when there is clear evidence that it is wrong

■ **Risk Aversion**

- Preferring a sure thing over a risky outcome

■ **Hindsight Bias**

- Believing falsely that we could have predicted the outcome of an event after that outcome is already known

Organizational Constraints on Decision Making

- Performance evaluations
- Reward systems
- Formal regulations
- System-imposed time constraints
- Historical precedents

Ethical Frameworks for Decision Making

■ Utilitarianism

- Provide the greatest good for the greatest number

■ Rights

- Make decisions consistent with fundamental liberties and privileges

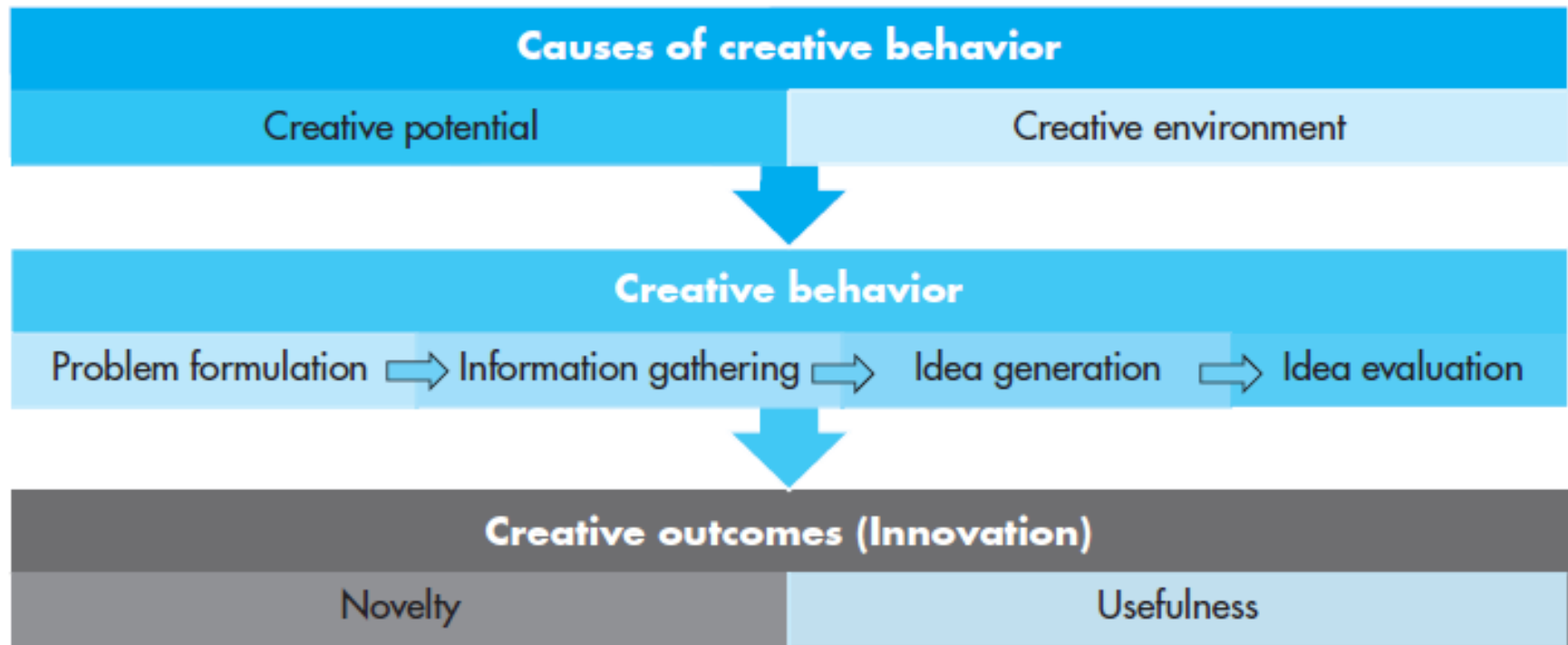
■ Justice

- Impose and enforce rules fairly and impartially so that there is equal distribution of benefits and costs

Creativity in Organizations

- **Creativity:** The ability to produce novel and useful ideas
- Helps people:
 - See problems others can't see
 - Better understand the problem
 - Identify all viable alternatives
 - Identify alternatives that aren't readily apparent

Three-Stage Model of Creativity



Creative Behavior

Steps:

- 1. Problem formulation:** identify a problem or opportunity that requires a solution as yet unknown
- 2. Information gathering:** possible solutions incubate in an individual's mind
- 3. Idea generation:** develop possible solutions from relevant information and knowledge
- 4. Idea evaluation:** evaluate potential solutions and identify the best one

Causes of Creative Behavior

■ Cause of creative behavior:

1. Creative potential

- Expertise is the single most important predictor of creative potential

2. Creative environment

- Motivation
- Rewards and recognition

Creative Outcomes

- Creative outcomes: ideas or solutions judged to be novel and useful by relevant stakeholders

Implications for Managers

- Behavior follows perception, so to influence employee behavior at work, assess how employees perceive their work.

Implications for Managers

- Make better decisions by recognizing perceptual biases and decision-making errors we tend to commit.

Implications for Managers

- Adjust your decision-making approach to the national culture you're operating in and to the criteria your organization values.

Implications for Managers

- Combine rational analysis with intuition.
- Try to enhance your creativity.

Keep in Mind...

1. People have inherent biases in perception and decision making
 - Understanding those biases allows for better prediction of behavior
2. Biases can be helpful
 - Managers must determine when the bias may be counterproductive
3. Creativity aids in decision making
 - Helps to appraise, understand, and identify problems

Summary

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Reference

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