

# Organizational Behavior

decision-making

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# perception and decision-making

# The link between perception and decision-making

## decision

A decision is the result of a selection process (decision making) of two or more alternatives.

# problems

# problems

## selective perception

Selective perception is the tendency to interpret sensations from the environment based on one's own interests, experiences, attitudes, etc.

### **Business Example:**

In job interviews, hiring managers often favor candidates from prestigious universities, believing they are more competent, regardless of other qualifications. This bias can lead to overlooking other qualified candidates (Ruggieri, 2013).

# problems

## fundamental attribution error

Fundamental attribution error is the tendency to make judgements about behaviour of others to underestimate the influence of external factors and overestimate the influence of internal factors.

### **Business Example:**

In performance reviews, managers might attribute an employee's failure to meet deadlines to laziness or lack of commitment without considering external factors, such as unrealistic timelines (Ross, 1977).

# problems

## self-serving bias

Self-serving bias is the tendency of persons to attribute their own achievements to internal factors.

### **Business Example:**

A salesperson might attribute a successful quarter to their own hard work but blame a poor quarter on unfavorable market conditions, even if both situations had similar challenges (Miller & Ross, 1975).

# problems

## halo effect

The halo effect is the tendency to form a general opinion of a person based on one dominant characteristic.

### **Business Example:**

In corporate settings, a CEO who excels in public speaking may be perceived as competent in strategy and operations, even if they lack expertise in these areas (Thorndike, 1920).



# problems

## contrast effect

The contrast effect is an individual's tendency to evaluate persons or objects on based on recent or simultaneous experiences with other persons or objects.

### **Business Example:**

In employee evaluations, when a strong employee is reviewed before a mediocre one, the latter might be rated lower than they would have been if evaluated independently (Wilson & Ross, 2006).

# problems

## stereotyping

Stereotyping is the evaluation of a person based on one's own perception of the group to which the person belongs.

### **Business Example:**

A company might assume that younger employees are more tech-savvy and give them IT-related projects, while overlooking older employees who might have stronger expertise in the same area (Greenhaus & Parasuraman, 2006).

# problems

## self-fulfilling prophecy

A self-fulfilling prophecy is a situation in which the expectation of some behavior or outcome affects the situation in such a way that the expected behavior or outcome that would not otherwise occur occurs.

# problems: examples

- job interview
- performance expectations
- performance evaluation

# rationality and decision-making

# assumptions of the rational model

- **omniscience**
  - all information
- **omnipotence**
  - logical and rational
- **perfection**
  - choosing the best option

# intuition

## intuition

Intuition refers to a belief that a person has acquired without being able to reproduce the process of that acquisition or to provide reasons for that belief.

# intuition

## intuitive decision-making

Intuitive decision-making refers to the process of making decisions based on beliefs acquired without knowledge of their justification.

### **Business Example:**

Steve Jobs is known for relying heavily on intuition when making decisions about new products, such as the iPhone, without relying on traditional market research data (Isaacson, 2011).



## bounded rationality

### bounded rationality

Bounded rationality is a model of decision making using the construct of simplified representations that select the important ones from given situations parts without capturing their full complexity. It is associated with the search for a solution that may not be the best, but fulfils the chosen criteria (satisfactory, costly, etc.).

#### **Business Example:**

Google often uses bounded rationality in product development, choosing "satisfactory" solutions rather than optimal ones due to the complexity of user preferences (Simon, 1990).

## ecological rationality

- congruence between environment and reasoning (mind)
- realism (instead of optimism or pessimism)
- no preconceived assumptions
- no evolutionary arguments
- possibility to compare decisions

# ecological rationality

(Rich, 2017)

## ecological rationality

A process  $P$  in a context  $C$  is ecologically rational to the extent that  $P$  is fast, productive, and accurate in  $C$ .

# heuristics

(Gigerenzer, Hertwig, & Pachur, 2011)

[Heuristics] are normative in the same sense that optimization methods such as multiple regression and Bayes' rule can be normative—in one class of environments, but not in all.

## speed, productivity and accuracy

(Simon, 1956)

We see that an organism can satisfy a number of distinct needs without requiring a very elaborate mechanism for choosing among them. In particular, we do not have to postulate a utility function or a 'marginal rate of substitution.'

# coherence not consistency

(Arkes, Gigerenzer, & Hertwig, 2016)

Coherence concerns purely syntactical relations between behaviors. Correspondence, in contrast, ... [uses] measures such as how healthy, rich, successful in school, happy in marriage, or accurate in judgments people are...

# problem solving process

## problem solving process: recommendations

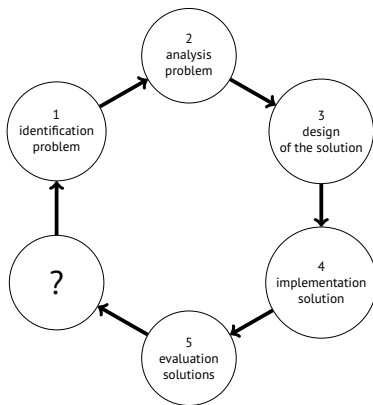
- focus on the goal, the point, the essential elements
- search for conflicting, disagreeing information or opinions
- admitting random phenomena
- expanding the number of possibilities



## problem solving process: solution model I/II

1. problem definition
2. identification of decision criteria
3. allocation of weight to each step of the criterion
4. development of alternatives
5. evaluation of alternatives
6. selection of the best alternative

# problem solving process: solution model II/II



# influences on decision making

# individual differences

- personality
  - conscientiousness
  - self-esteem
- gender
  - rumination
- mental abilities
- cultural differences
- nudging

# organisational constraints

- performance appraisal systems
- reward systems
- formal regulation
- time constraints
- historical precedents

# problems of decision-making

# problems of decision-making

## risk aversion

Risk aversion refers to the tendency to prefer a certain, albeit smaller, gain, as opposed to a more risky solution, which can be expected to yield a higher profit.

### **Business Example:**

Kodak hesitated to invest in digital photography, fearing that it would cannibalize its profitable film business. This risk aversion ultimately led to the company's downfall (Christensen, 1997).

# problems of decision-making

## availability bias

The availability fallacy refers to the tendency to base decisions on information that is readily or quickly available.



# problems of decision-making

## anchoring bias

The anchoring effect refers to the tendency to rely on anchoring bias in decision making. One (often primary) piece of information and attribute less importance to others (subsequent) information.

# problems of decision-making

## confirmation bias

Confirmation bias refers to the tendency to seek information that confirm a previous decision or opinion and to reject information that that contradicts that decision or opinion.

# problems of decision-making

## escalation of commitment

Escalation of commitment refers to the tendency to increase commitment to a previous decision despite new negative information or knowledge.

### **Business Example:**

The Concorde supersonic airplane project continued to receive funding despite increasing costs and declining viability, due to prior commitments by the British and French governments (Staw, 1976).

# problems of decision-making

## randomness error

Randomness error refers to an individual's tendency to believe that it is possible to predict the outcome of random events.

# problems of decision-making

## randomness error

The fallacy of hindsight refers to the tendency of an individual to have randomness after the occurrence of an event to believe that the event could have been correct in the past predicted.

# ethical decision-making

## ethical decision-making: approaches

### utilitarianism

Utilitarianism refers to an approach to moral decision making that is focuses on the outcomes of the actions being evaluated. The criterion for ethical decisions can be, for example, the degree of good that the act will bring and the number of the number of people to whom that good will be caused.

### deontology

Deontology refers to an approach to moral decision making that is focuses on the rights or duties of persons that are associated with actions, that are the subject of the decision.

## ethical decision-making: justice

### distributive justice

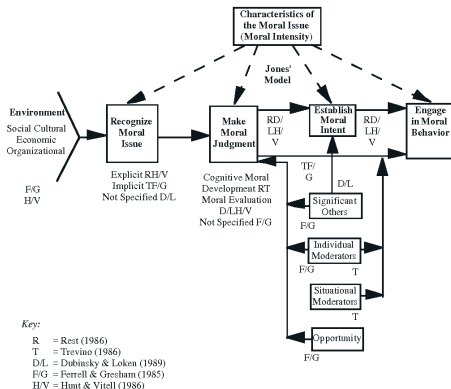
Distributive justice refers to the perceived adequacy, fairness with respect to the goods being redistributed.

### procedural justice

Procedural justice refers to perceived adequacy, fairness of the process, the procedure that is used in the redistribution of goods.

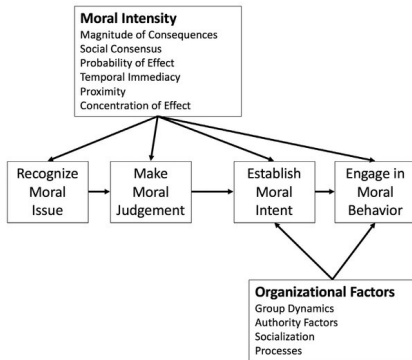


# Jones' Synthesis of Ethical Decision-Making Models



(Jones, 1991)

# An Issue-Contingent Model of Ethical Decision Making in Organizations



(Jones, 1991)

# ethical decision-making: ethics, economics and organisation

- behavioural ethics
- lying
- cheating
- whistleblowing
- ...

# creativity

## creativity: definition

### creativity

Creativity refers to the ability to come up with new (and useful) ideas.

## creativity: convergent and divergent thinking

### convergent thinking

Convergent thinking is aimed at presenting the single best or correct or adequate answer to a well-defined problem. It is characterized by speed, accuracy, logical construction, etc.

### divergent thinking

Divergent thinking is aimed at presenting multiple possible answers within a given situation. It is characterized by multiplicity, flexibility, originality, creativity, etc.

(Cropley, 2006; Guilford, 1950, 1967)

## creativity: vertical and lateral thinking

### vertical thinking

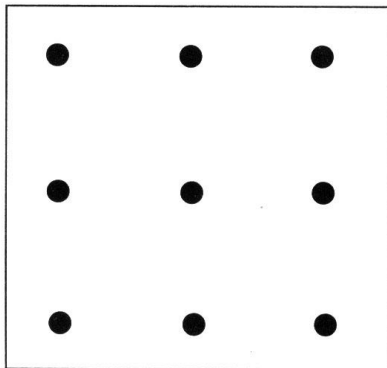
Vertical thinking focuses on correctness.

### lateral thinking

Lateral thinking is focused on quantity.

(De Bono, 1970)

# creativity: Nine Dot Problem



(Art of Play, 2016)



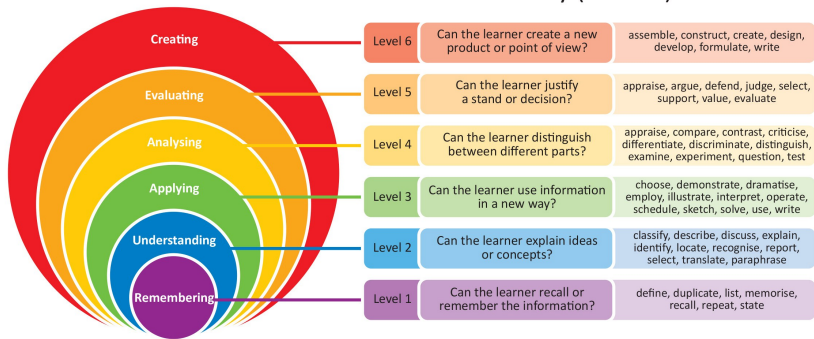
## creativity: HOTS

### Higher Order Thinking Skills (HOTS)

A model of thinking that includes three domains: knowledge base, critical thinking and creative thinking.

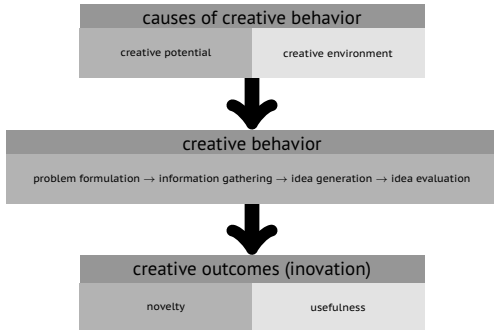
# creativity: HOTS

## Bloom's taxonomy (revised)



(McNulty, 2016)

# creativity: model



(Robbins & Judge, 2017)

# CONCLUSION

# cognitive failures

(Kitcher, 1992)

Cognitively inferior performances can be based on laziness, methodological ignorance or misinformation, failure to perceive relevant similarities, lack of imagination, and numerous other kinds of factors

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