Organizational Behavior

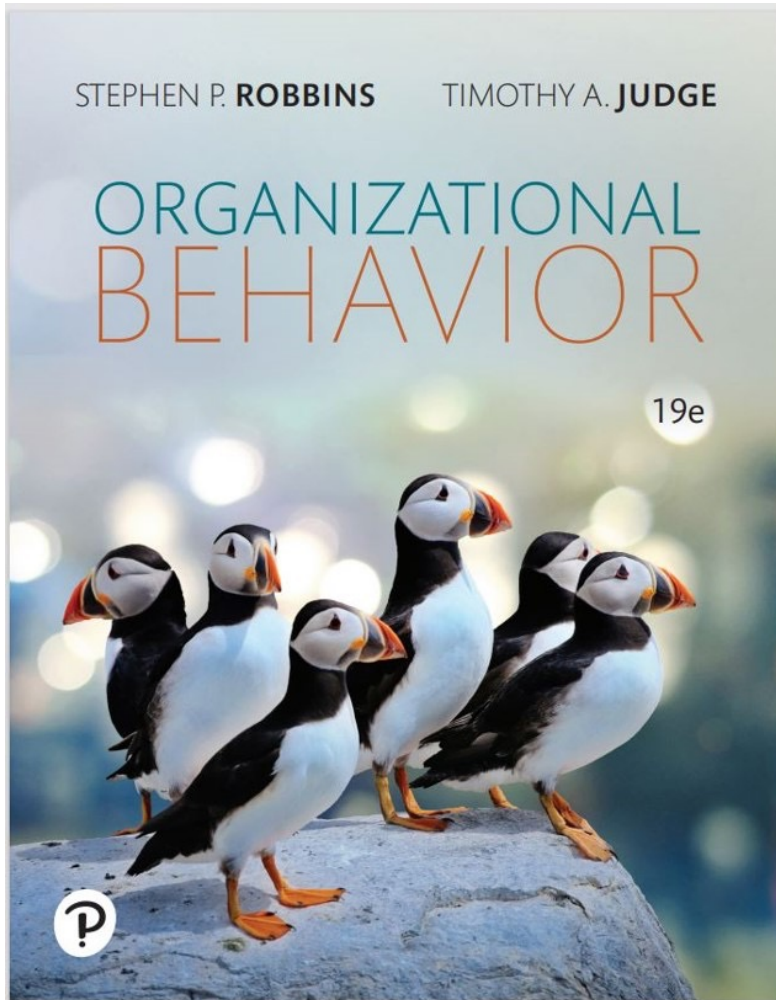## Nineteenth Edition

STEPHEN P. **ROBBINS**   TIMOTHY A. **JUDGE**

ORGANIZATIONAL
BEHAVIOR

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Chapter 6

Perception and Individual Decision Making

Learning Objectives

6.1 Explain the factors that influence perception.

6.2 Describe attribution theory.

6.3 Explain the link between perception and decision making.

6.4 Contrast the rational model of decision making with bounded rationality and intuition.

6.5 Explain how individual differences and organizational constraints affect decision making.

6.6 Contrast the three ethical decision criteria.

6.7 Describe the three-stage model of creativity.

Explain the Factors That Influence Perception (1 of 2)

- **Perception** is a process by which individuals organize and interpret their sensory impressions to give meaning to their environment.

- It is important to the study of OB because people's behaviors are based on their perception of what reality is, not on reality itself.

Explain the Factors That Influence Perception

Exhibit 6.1 Factors That Influence Perception
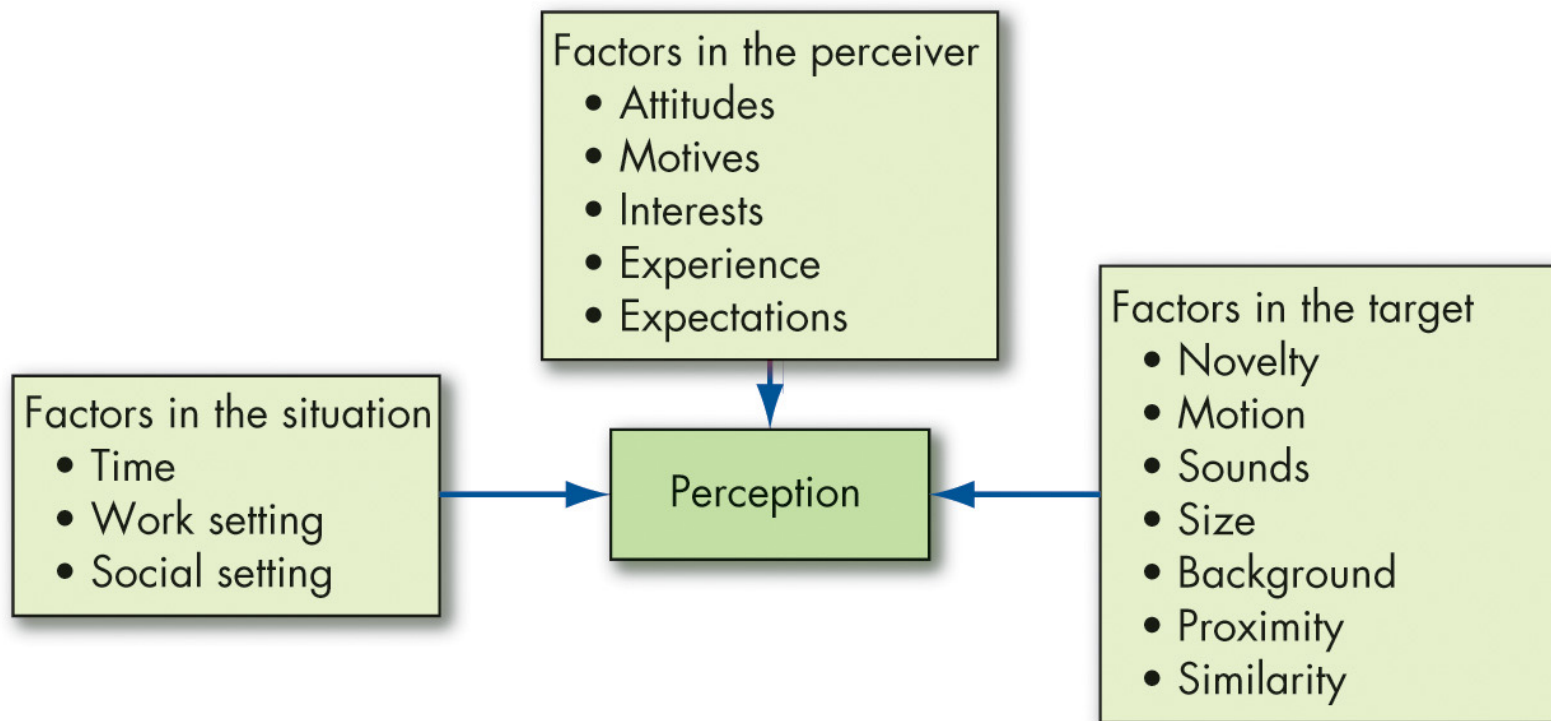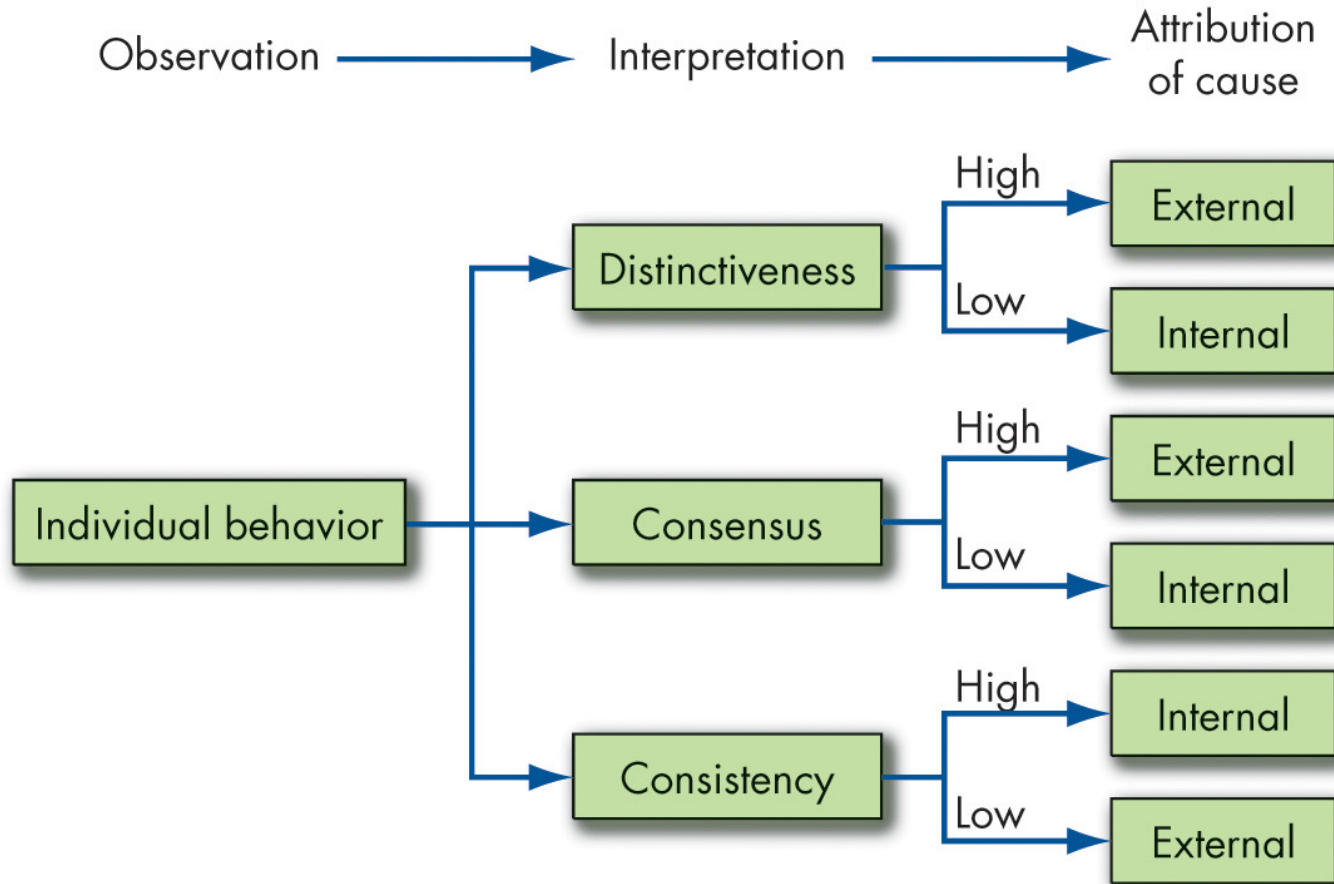
Explain Attribution Theory

- **Attribution theory** suggests that when we observe an individual's behavior, we attempt to determine whether it was internally or externally caused.

- Determination depends on three factors:
    - Distinctiveness
    - Consensus
    - Consistency

Explain Attribution Theory

- Clarification of the differences between internal and external causation
  - **Internally caused**—those that are believed to be under the personal control of the individual.
  - **Externally caused**—resulting from outside causes.

Exhibit 6.2 Attribution Theory

Explain Attribution Theory

- **Fundamental attribution error**
  - We have a tendency to underestimate the influence of external factors and overestimate the influence of internal or personal factors.

- **Self-serving bias**
  - Individuals attribute their own successes to internal factors.

Explain Attribution Theory

- Common Shortcuts in Judging Others
  - **Selective perception**
    - Any characteristic that makes a person, object, or event stand out will increase the probability that it will be perceived.
    - Since we can't observe everything going on around us, we engage in selective perception.

Explain Attribution Theory

- **Halo effect**
  - The halo effect occurs when we draw a positive general impression based on a single characteristic.

- **Horns effect**
  - The tendency to draw a negative general impression about an individual based on a single characteristic.

- **Contrast effects**
  - We do not evaluate a person in isolation.
  - Our reaction to one person is influenced by other persons we have recently encountered.

Explain Attribution Theory

- **Stereotyping**
  - Judging someone based on one's perception of the group to which that person belongs.
    - We have to monitor ourselves to make sure we're not unfairly applying a stereotype in our evaluations and decisions.

- Applications of Shortcuts in Organizations
  - Employment Interview
    - Evidence indicates that interviewers make perceptual judgments that are often inaccurate.
      - Interviewers generally draw early impressions that become very quickly entrenched.
      - Studies indicate that most interviewers' decisions change very little after the first four or five minutes of the interview.

- Performance Expectations
  - Evidence demonstrates that people will attempt to validate their perceptions of reality, even when those perceptions are faulty.
    - **Self-fulfilling prophecy**, or the *Pygmalion effect,* characterizes the fact that people's expectations determine their behavior.
      - Expectations become reality.

Explain Attribution Theory

- Performance Evaluation
  - An employee's performance appraisal is very much dependent upon the perceptual process.
    - Many jobs are evaluated in subjective terms.
    - Subjective measures are problematic because of the errors we have discussed.

Explain Attribution Theory

- Social Media
  - About four in ten organizations use social media or online searches to screen applicants for jobs.
  - Research supports the social media decision-making bias link.

- Potential Remedies
  - AI-assisted performance assessments
  - Other decision-support systems

Explain the Link Between Perception and Decision Making

- Individuals make **decisions**—choosing from two or more alternatives.

- Decision making occurs as a reaction to a **problem**.
  - There is a discrepancy between some current state of affairs and some desired state, requiring consideration of alternative courses of action.
    - One person's problem is another's satisfactory state of affairs.

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Rational Model of Decision Making Versus Bounded Rationality and Intuition (1 of 11)

Exhibit 6.3 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.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- Assumptions of the Rational Model
  - The decision maker…
    - Has complete information.
    - Is able to identify all the relevant options in an unbiased manner.
    - Chooses the option with the highest utility.
- Most decisions in the real world don't follow the rational model.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- Bounded Rationality
  - Most people respond to a complex problem by reducing it to a level at which it can be readily understood.
    - People *satisfice*—they seek solutions that are satisfactory and sufficient.
  - Individuals operate within the confines of **bounded rationality**.
    - They construct simplified models that extract the essential features.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- **Intractable problem**—a problem that may change entirely or become irrelevant before we finish the process of organizing our thoughts, gathering information, analyzing the information, and making judgments or decisions.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- Intuition
  - **Intuitive decision making** occurs outside conscious thought; it relies on holistic associations, or links between disparate pieces of information, is fast, and is affectively charged, meaning it usually engages the emotions.
  - While intuition is not rational, it is not inherently bad or necessarily wrong, nor does it always contradict rational analysis.

Exhibit 6.4 Reducing Biases and Errors

Focus on Goals. Without goals, you cannot be rational, you do not know what information you need, you do not know which information is relevant and which is irrelevant, you will find it difficult to choose between alternatives, and you are far more likely to experience regret over the choices you make. Clear goals make decision making easier and help you eliminate options that are inconsistent with your interests.

Look for Information That Disconfirms Your Beliefs. One of the most effective means for counteracting overconfidence and the confirmation and hindsight biases is to actively look for information that contradicts your beliefs and assumptions. When we overtly consider various ways we could be wrong, we challenge our tendencies to think we are smarter than we actually are.

Exhibit 6.4 Reducing Biases and Errors

Do Not Try to Create Meaning out of Random Events. The educated mind has been trained to look for cause-and-effect relationships. When something happens, we ask why. And when we cannot find reasons, we often invent them. You have to accept that there are events in life that are outside your control. Ask yourself if patterns can be meaningfully explained or whether they are merely coincidence. Do not attempt to create meaning out of coincidence.

Increase Your Options. No matter how many options you have identified, your final choice can be no better than the best of the option set you have selected. This argues for increasing your decision alternatives and for using creativity in developing a wide range of diverse choices. The more alternatives you can generate, and the more diverse those alternatives, the greater your chance of finding an outstanding one.

Source: Based on S. P. Robbins, *Decide & Conquer: Making Winning Decisions and Taking Control of Your Life* (Upper Saddle River, NJ: Financial Times/Prentice Hall, 2004), 164–68.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- Common Biases and Errors in Decision Making
  - **Overconfidence Bias:** individuals whose intellectual and interpersonal abilities are weakest are most likely to overestimate their performance and ability.
  - **Anchoring Bias:** fixating on initial information as a starting point and failing to adequately adjust for subsequent information.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- **Confirmation Bias:** type of selective perception.
  - Seek out information that reaffirms past choices, and discount information that contradicts past judgments.

- **Availability Bias:** tendency for people to base judgments on information that is readily available.

- **Escalation of Commitment:** staying with a decision even when there is clear evidence that it's wrong.
  - Likely to occur when individuals view themselves as responsible for the outcome.

- **Randomness Error:** our tendency to believe we can predict the outcome of random events.
  - Decision making becomes impaired when we try to create meaning out of random events.

Rational Model of Decision Making Versus Bounded Rationality and Intuition

- **Risk Aversion:** the tendency to prefer a sure thing instead of a risky outcome.
  - Ambitious people with power that can be taken away appear to be especially risk averse.
  - People will more likely engage in risk-seeking behavior for negative outcomes, and risk-averse behavior for positive outcomes, when under stress.

- **Hindsight Bias:** the tendency to believe falsely that one has accurately predicted the outcome of an event, after that outcome is actually known.

Individual Differences, Organizational Constraints, and Decision Making

- Individual Differences
  - Personality
    - Intuition
    - Self-esteem
    - Narcissism
  - Gender
  - Mental Ability
  - Cultural Differences

Individual Differences, Organizational Constraints, and Decision Making (2 of 2)

- Organizational Constraints
  - Performance Evaluation Systems
  - Reward Systems
  - Formal Regulations
  - Time Constraints
  - Historical Precedents
  - Decision-Making in Times of Crisis

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Contrast the Three Ethical Decision Criteria (1 of 3)

- **Utilitarianism:** decisions are made solely on the basis of their outcomes or consequences.

- Focus on rights: calls on individuals to make decisions consistent with fundamental liberties and privileges as set forth in documents such as the Bill of Rights.
    - Protects **whistleblowers**.

- Impose and enforce rules fairly and impartially to ensure **justice** or an equitable distribution of benefits and costs.

Contrast the Three Ethical Decision Criteria

- **Behavioral ethics:** an area of study that analyzes how people behave when confronted with ethical dilemmas.
  - Individuals do not always follow ethical standards promulgated by their organizations, and we sometimes violate our own standards.
    - Why good people can still do bad things.
  - Consider cultural differences.

Contrast the Three Ethical Decision Criteria (3 of 3)

- **Lying**
  - Lying and dishonest behavior are very common.
  - It undermines all efforts toward sound decision making.
- Managers—and organizations—simply cannot make good decisions when facts are misrepresented and people give false motives for their behaviors.
- Lying is a big ethical problem as well.

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