

**Principles of Management**  
**Prof. S Srinivasan**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology, Kharagpur**

**Module - 03**  
**Lecture - 13**  
**Decision Making Styles and Cognitive biases in decision making**

Welcome to lecture 3 on module 3. In module 3 in the first 2 lectures we discussed about a decision making types of decision making. And we also discussed about models of decision making. Today, we are going to discuss about Styles in Decision Making and the Cognitive Biases that are going to influence the decision making. Let us get into the lecture yeah ok.

(Refer Slide Time: 00:45)

**Introduction**

All managers or the decision makers are individually unique and have their own style of influencing the decisions, despite the fact that emotions and sentiments should not be allowed in management practice to cloud objectivity and rationality.

There are two major styles of decision making we find, such as-intuitive and rational.

Aswathappa, K. (2014) has described these two styles of decision making as per dominating nature of human brain determined by two sides, left and right side. He has shown the perceptual difference of human brain between left side and right side.

The slide features a background with various icons related to management and technology, including a gear, a lightbulb, a smartphone, and a brain diagram. The bottom of the slide contains the logos of IIT Kharagpur and NPTEL.

So, why we need to study about the styles of decision making? Right. Generally the decisions are made by set of individuals or sometimes may be by only by individuals. When the decisions are made by set of individuals or individuals, there always you know possibility that can be driven by you know their behavioural pattern their attitude the way they approach the problem. So, when all managers or the decision makers or individual and they are unique. And, they have their own style of influencing the decision right.

For example I you will know you just think of a cricket match, where you know you have 11 players, let us say you know talk about the gully cricket or a street cricket. Where you know you and your all would have played with your friend's right.

So, where you would had you know few people working you know deciding on who to bowl, who to bat, see you now when one of your friend says one decision you might, be saying some different decision why there is a difference, though we are all playing the same cricket because, the style the approach towards the particular problem is different.

So, that is why you know every individuals come with their own unique set of characteristics and the way they look at the problem is different you know it varies from individual to individuals. So, they will have their own way style of influencing the decisions. Despite the fact that you know emotions and sentiments should not be allowed in any management practices to you know just distract the objectivity or the rationality.

But, you know though we talk about the decisions are made by the individuals; there is always potential likelihood that you know these styles or the characteristics of individual will influence the kind of a decision we made. We talked about you know decision is always made on pool of alternate decision right, set of alternate solutions we talked about. So, to which one solution to choose may be you know driven by the kind of a style or a individual approaches you know to the problem.

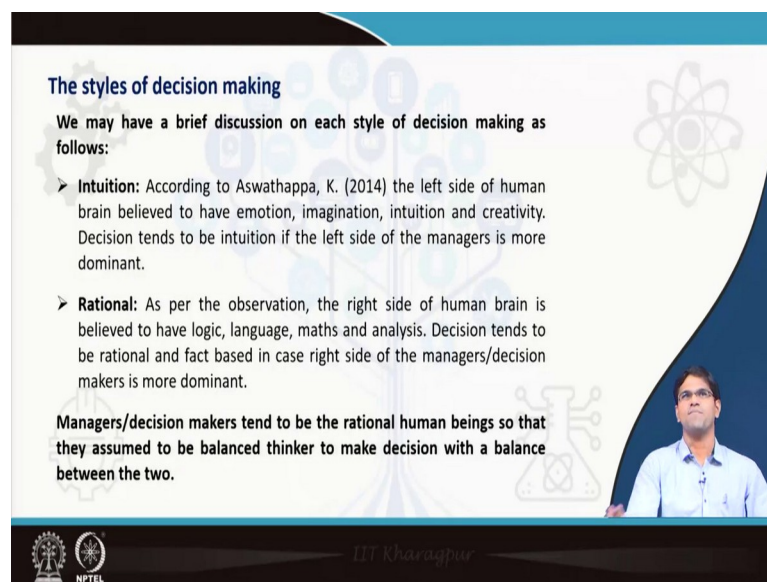
So, we will (Refer Time: 02:36) you know what are the different styles of decision making are available. First we will start with the on two basic styles, which are you know intuitive and rational. We will also discuss the other styles of you know decision making, but now we will you know currently we look at the two types one is intuitive and rational decision making.

Aswathappa in the year 2014 has described that you know these two styles, you know where the intuitive and rational decision making, as per dominating nature of human brain ok. So, we all know that you know human brains are you know having two sides one is left side and right side. So, Aswathappa has described that you know these two types of styles are you know dominated by the you know human brain, where which side of the brain is dominant either it is a left side or the right side.

Let us see you know how this whether the left side brain it is dominant what kind of a decision you individual will make, if the right side of the brain is active or dominant what kind a of decision what kind of style this individual will make in the decision making.

So, he has shown that you know perceptual differences of human brain between the left side of the brain and the right side of the brain. Let us go and see what is these influence of these you know, left side of the brain and the right side of the brain in decision making. It will be interesting to look at you know, how dominance on your brain is going to influence the type of decision you are going to make ok.

(Refer Slide Time: 03:51)



**The styles of decision making**

We may have a brief discussion on each style of decision making as follows:

- **Intuition:** According to Aswathappa, K. (2014) the left side of human brain believed to have emotion, imagination, intuition and creativity. Decision tends to be intuition if the left side of the managers is more dominant.
- **Rational:** As per the observation, the right side of human brain is believed to have logic, language, maths and analysis. Decision tends to be rational and fact based in case right side of the managers/decision makers is more dominant.

**Managers/decision makers tend to be the rational human beings so that they assumed to be balanced thinker to make decision with a balance between the two.**

The slide features a presenter in the bottom right corner, a stylized atom icon in the top right, and a brain diagram in the background. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

Now , so when you are talking about you know intuitions. So, when the people who make you know intuitive decisions are the one who are brains whose brains are left side dominant ok. So, according to Aswathappa the left side of human brain believed to have emotion, imagination, intuition and creativity. You know, decision sense to be intuition, if the left side of the brain is you know dominant on the managers or the anybody who is going to make a decision.

So, what is intuition in a very simple way you know decision is often you know gut feeling right. So, I assume that something that I will say ok, I am going to make these decisions. I make a gut feeling that I am going to go this. For example, let us take an example of you know 2007. you know T 20 World Cup where know Dhoni has gone

ahead with you know, Joginder Sharma to bowl the final over despite the fact that you know Misbah ul Haq is batting and he is already in form.

So, he was hitting the balls around you know the ground. But, you know despite the fact Dhoni had a different gut feeling, you know it is kind of an intuition he is not that planned in a way to execute, why to use you know Joginder Sharma. But, he had a gut feeling that you know likely he that you know Joginder Sharma might, you know distract the way Misbah ul is you know Misbah ul is focusing on the game.

So, that is an intuition feeling you know the when the left side of the brain is dominant, you will go to take you know intuitive decisions. For example, you know the tie between India and Pakistan during the same 2007 T 20 World Cup. Where we have seen that you know it that is the only time in the history of cricket, where you know it was decided by the you know hitting the stump right bowling. So, what Dhoni did? Dhoni chosen Uthappa, Harbhajan Singh, Sehwag that is very strange.

Whereas you know Pakistan they use the proper bowlers. So, that is an intuition right, you know emotion and imagination that is how you know these is you know Dhoni's decision in their particular scenario. I am just giving an analogy and explanation that why the intuition is actually driven you know when the left side of the brain is dominant. Individual tend to make you know intuitive decisions, you know where there is you know gut feeling there is an imagination and creativity come in to a picture to make the decision.

Let us talk about the rational. So, when the right side of the brain is dominant people, tend to take a rational decision making, why the right side of the brain is believed to have a logic language maths and analysis. For example, you know let us say you know the same Dhoni, he has taken intuitive decision also. Let us say in another situation, where you know he is very calculative you know, he sets the fielding to based on a kind of a bowler bowls and what kind of a batsman he is batting.

Let us say you know he we always see that you know he use to choose a right hand bowler, when there left hander is batting and you know he is very particular about picking you know, he does lot of analyze and then he sees you know you picks up sets a fielder in a gully. So, that you know there is a likely chance to you know get him out. So, you know or let us say you know he makes a bowler to bowl a short ball and then makes

a person sit on the third you know third point where likely to you know get the wicket right.

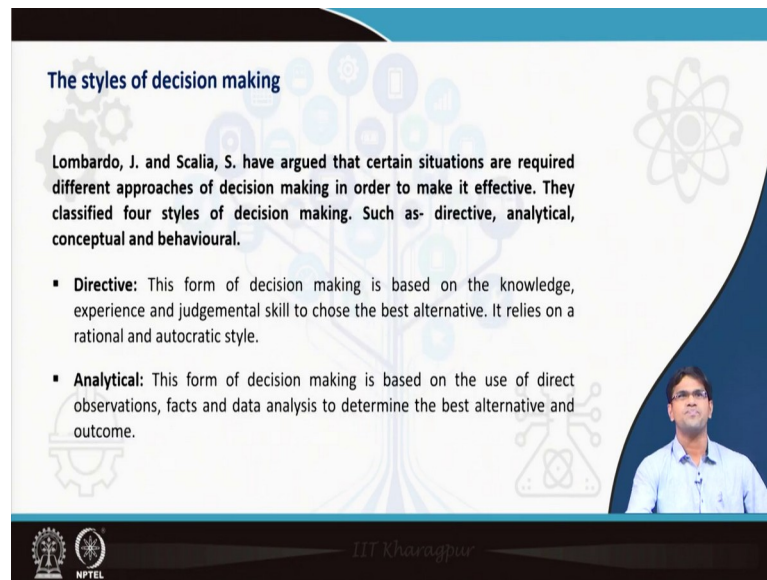
So, these are all rational decisions you know where you know right side of the brain is dominant, one analysis is been done what to do how to do and what is the likelihood when we make this decisions right. So, this is how the dominance of the sides of the brain is actually influencing the kind of a decisions one individual make.

Though we talked about you know intuitive decision is not all the time, you know wrong it is also you know providing lot of benefits in terms of you know reaping the you know success. But, you know as when we are talking about the management, it is always important that you know you stay away from making any intuitive decision because, it is going to cost the company in a bigger away.

Because you know let us talk about a larger firms, where the investors or the shareholder. Let us say sometime you know even a general public may be an investor. So, when the investors money is involved in making any managerial decision that is going to impact the growth of the business. Then it is always better that you know as a manager as a decision maker, you try to make a rational decision making and you know.

So, that you know you consider all the potential informations you do a lot of analysis and you know try to see the cost and benefit before, you make a decision rather than going for the intuitive decisions. These are the you know major two styles of decision making, then we will go and see you know. Other forms of you know styles of decision making also ok.

(Refer Slide Time: 07:56)



**The styles of decision making**

Lombardo, J. and Scalia, S. have argued that certain situations are required different approaches of decision making in order to make it effective. They classified four styles of decision making. Such as- directive, analytical, conceptual and behavioural.

- **Directive:** This form of decision making is based on the knowledge, experience and judgemental skill to choose the best alternative. It relies on a rational and autocratic style.
- **Analytical:** This form of decision making is based on the use of direct observations, facts and data analysis to determine the best alternative and outcome.

The slide features a background with a blue and white color scheme, including icons of gears, a lightbulb, and a network diagram. A small inset video shows a man in a light blue shirt speaking. At the bottom, there are logos for IIT Kharagpur and NPTEL.

Lombardo and Scalia. So, they argued that you know certain situations required different approaches of decision making. You know in order to make the decision making effective, it is definitely disagreed nobody can counter argue this because, you know one way of you know decision making cannot be used in all different situation.

You know let us go back to the same example may be today, I am taking lot of examples from cricket where you know take Dhoni in a different situations. He makes a different kind of a styles of you know decision making, you know he makes a different approaches towards the decision making.

So, for example, you know 2011 World Cup where you know people question, you know Yuvraj Singh was in you know you know you know, form throughout the tournament despite the fact that you know you know Dhoni made a decision that you know ok. He has to go ahead of you know Yuvraj Singh on the final right.

So, but there were you know discussions why did you know Dhoni is you know made himself you know go. Before Yuvraj Singh, but you know there were you know logically decision was been made the same person will make a difference decision based on the certain situations.

It is very important that you know you change the your style and approach, you know on the decision making based on certain situation. You cannot make a same set of decision in every place because then you will see that you know you will fail in certain incidents.

because, you know it is not likely to happen that you know you succeeded in one situation following one approach. It is not going to guarantee you that you know if you follow the same approach in a different situations you are going to get it, not really. You know may be sometimes the probability may be very low, but it is not always likely to happen. So, based on accessing the situations you need to change your approach of the decision making.

So, that you know direct decision making is very effective. Let us, say you know the uncertainty is very low in the particular business. Then, when you know when the uncertainty is very low meaning that you know, the outcome is very well known this is what it is going to be.

There you know your investment can be you know you can make a very confident decision on the how much of investment you can make. Because, you know the you know certainty of the outcome. So, but the similar situation imagine that the uncertainty is never known or it is very very limited the information provided to you is very limited.

In that situations when you are going to invest a huge amount on your business, then it is going to cost you a lot in case if something goes wrong. So, then these approach you make towards the decision making is different now right. So, in order to make it effective you need to definitely, as an individual as a manager you know as a person as a decision maker you need to follow different approaches in order to make a decision very effective.

Let us you know see what are the ways they have classified these you know, styles of decision making based on the different situations. So, Lombardo and Scalia has said there are four styles of decision making one is directive, analytical, conceptual and behavioural. Let us understand you know what is the directive styles of decision making, this form of decision making is based on knowledge experience and judgemental skill, to those the best alternatives right. So, it relies on rational autocratic style.

For example I have a person who is you know very experienced stalwart in a particular area. He was being you know he knows thing in and out in the particular domain of the business. Then this person may be of in a better position to tell you and tell you and give you the direction that you do this.

And this is the best way to do it. So, that is what the you know directive style of you know where we are talking about you know autocratic style, where you know you need somebody own a position let us say ok. You better follow what I am saying because you know I have the judgemental, skill I have the experience. I have a better knowledge on this particular domain.

So, I am very certain if you make this decision it is going to help you. So, then this kind of you know directive style of relation style of you know decision making. Because, you know you are very certain you are knowledgeable and you are having a judgmental skill to make a particular decision. And you also know that when you make this particular decision, it is going to pay off.

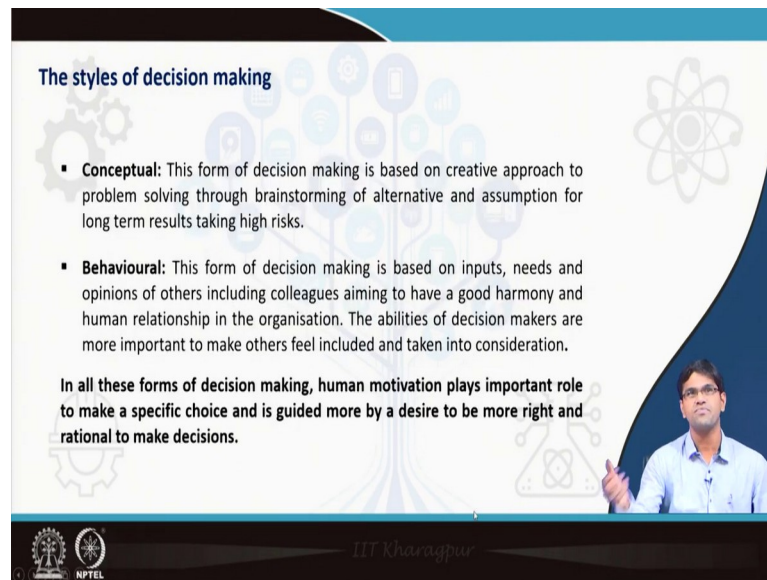
Then it is that time when you are talking about a directive style of decision making, then analytical. This form of decision making is based on use of you know direct observations facts, data, analysis to determine the best alternative or outcome. See in this situations for analytical is you know when you have provided with the lot of information's and data is provided and then you are having an opportunity to observe the facts.

And you know do some statistical analysis or apply some you know analytical tools, to you know try to estimate or forecast the likelihood of the outcome or the possible you know situations. Let us, say you know you have provided with a lot of information's you have also supplied with the what are the possible alternate decision making you know possible solutions for the particular problem.

Then, you know using this analytical method of you know analysing what will be the possible outcome considering the information provided present and the past information provided to me, and controlling the certain variables I will be able to predict which one I can choose. So, it is kind of a analytical style when you have lot of information provided to you and you go with you know data analysis approach to determine the best alternate and the outcome.



(Refer Slide Time: 12:56)



**The styles of decision making**

- **Conceptual:** This form of decision making is based on creative approach to problem solving through brainstorming of alternative and assumption for long term results taking high risks.
- **Behavioural:** This form of decision making is based on inputs, needs and opinions of others including colleagues aiming to have a good harmony and human relationship in the organisation. The abilities of decision makers are more important to make others feel included and taken into consideration.

**In all these forms of decision making, human motivation plays important role to make a specific choice and is guided more by a desire to be more right and rational to make decisions.**

IIIT Kharagpur

Then conceptual this form of decision making is based on creative approach to problem solving through, brainstorming of a alternative and assumptions for long term results taking high risks. See you know in the conceptual, where you know you have to be you know conceptually strong about, what we are talking about the acumen of the business.

And you know you need to have a lot of creative approach in a problem solving. Let us say you know go for a brainstorming because, you have to you know increase the ideas. You know you need to bring lot of ideas into a place. So, that you know you will be able to better handle the situation.

For example, you are talking about you know something a new product development, or some you know new application development mobile app or the software or whatever we are talking about. We need multiple ideas you know you cannot just go with single idea. So, you are looking at a creative solutions, where you can follows a several approaches like brain storming of alternative bring people and say ok. These are the solutions proposed there are four solutions for a particular problem.

Now, brainstorm with the people you say what will be the cost and benefit of this particular alternative what will be the cost and benefit of the other alternative. So, then they will you know debate around all these alternative possibles and then try to you know choose the best one. So, that is the conceptual style of decision making.

Then behavioural. So, behavioural style of decision making this form of decision making is based on inputs needs and opinion of others including colleagues, aiming to have a good harmony and human relationship in the organisations. This type of you know style of relationship. You know, you and me would have been every time would have experience.

For example, you know you we often compromise on certain of our decisions because, you know if we wanted to make sure that you know our relationship stays alive. And you know there is no conflict between, you and your friend or you and your parents or your sibling or whatever we are talking about.

With this particular style of relationship will be concerns more about the behavioural perspective, you know colleagues. You know maintaining a good harmony in the relationship its more of you know relationship oriented, where you know the decision making style or kind of a decision.

We are going to make are going to be driven by, you know how much of harmony that particular decision going to relate or how much of you know broadness it is going to increase. For example, you know when your friend says something and you know you are saying that you know you are not really liking that particular, you know decision is been proposed by your friend he is a close friend he or she is your close friend imagine ok.

Then you know if you refute the decision or disregard that particular you know suggestions are proposed by your friend, you know that now he or she will be disappointed. And you are likely to foresee that you know your relationship may be weakened.

If you disregard or you know you know let us say you know put down the opinion or the suggestions. So, what will happen in that situations you likely to take a different approach, like you know you tend to agree or support the proposed decision or a choice. So, that is actually where we are talking about the behavioural style of relationship right.

So, the ability of decision makers are more important to make others feel included and taken into considerations is very simple, and that is an example I gave you. Now, at the most of the time in a you know relationship, we make lot of decisions based on the

consideration the now much you are going to make the other person happy in whatever decision we make.

For example, you know in the labour disputes between the management and the workers category, we always likely to see that you know how we are going to let say you are a manager, who is a you know mid link between the worker and the management. And, you know you have to ensure that you know you are also going to make your workers happy, at the same time you are also have to make your management happy.

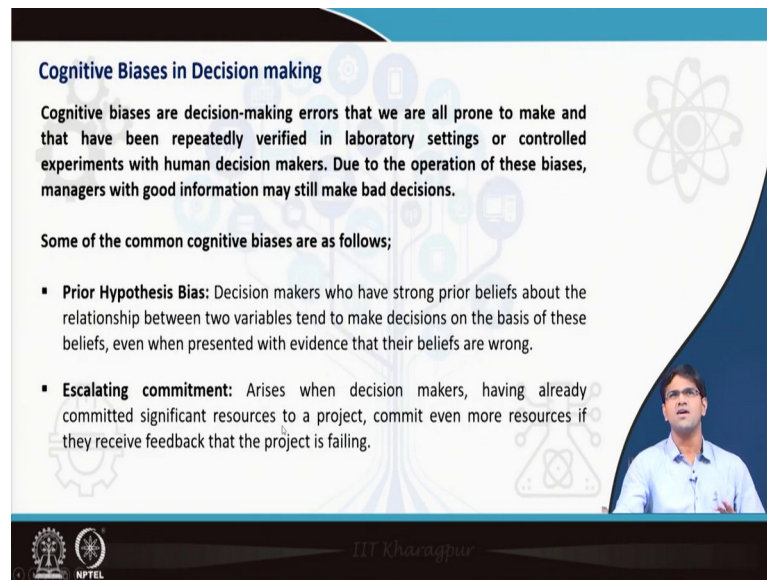
So, then it is kind of a behavioural decision making you will have to do right. So, how much I am going to make some compromises. So, that know both the parties like management and workers are happy. So, as a manager you try to use a behavioural approach right.

So, not you know dismissing any of the concerns of the workers rather, I will also ensure that you know some of these decision you know some of the solutions which will also favour the workers also considered. So, that is why we are talking about you know placing the behavioural perspective, where you know trying to include the others opinion taking into consideration ok.

So, in all these form of decision making human motivation play an important role to make a specific choice and is guided more by a desire to be more right and rational to make decisions. So, though we are talking about there are different styles and you know how decision making are driven we have talked about lot of models, but you know most often human motivation plays an important role.

And you know especially at the top level management decision making it is often driven by the kind of motivation that particular leader has or the manager has in the particular kind of a decision they make right ok.

(Refer Slide Time: 17:40)



**Cognitive Biases in Decision making**

Cognitive biases are decision-making errors that we are all prone to make and that have been repeatedly verified in laboratory settings or controlled experiments with human decision makers. Due to the operation of these biases, managers with good information may still make bad decisions.

Some of the common cognitive biases are as follows;

- **Prior Hypothesis Bias:** Decision makers who have strong prior beliefs about the relationship between two variables tend to make decisions on the basis of these beliefs, even when presented with evidence that their beliefs are wrong.
- **Escalating commitment:** Arises when decision makers, having already committed significant resources to a project, commit even more resources if they receive feedback that the project is failing.

The slide features a background with a blue and white color scheme, including a stylized atom icon and various gear and network symbols. A small inset video shows a man in a light blue shirt speaking. At the bottom, there are logos for IIT Kharagpur and NPTEL.

So, now, we have seen about the you know styles of decision making. And now we will also see some of the biases. So, when we are talking about you know styles of decision making then there is also likely that you know. Since I said you know coming back to the same discussion that you know, decision made by the individuals decision made by the human beings.

Human beings are likely to have lot of limitations human beings always bring into the table of some biases with their, their you know nurturing or they whatever they learnings the behaviour their attitude. There can be potentially and likely that there can be a bias in the kind of decisions they make. So, we will try to understand what are the cognitive biases in decision making, see cognitive biases are decision making errors.

So, you know that we are all prone to make right you and me will make this decision, you know cognitive biases right now, because we are all individual and human beings the moment we are a human beings, we are likely to make some of the cognitive biases that is going to you know influence the kind of decision we make.

And you know this kind of this biases which been listing down here. Its been you know verified in the laboratory settings and its been controlled experiment, they have time and again they have proven that yes these biases often come out in any of the decision making.

So, we will you know due to the you know operation of these biases manager despite the good information is provided, they still make a bad decisions. Because, as I said we are individuals you know human beings we are likely to make you know decision and that has been impacted by the biases, cognitive biases example may be from learning our previous learning experiences that will also drive our biases. Let us go and see some of the common cognitive biases that actually impact the decision making.

You know there are so many biases, but we are focusing some of the cognitive biases which are most likely repeatedly, influence the decision making. So, why we need to be aware about these biases? Because, when the moment you are aware about the biases you can refrain from indulging in this biases, or refrain from you know ensuring that the biases is not impacting our decision making.

Let us see one by one you know when the moment you are learning about this, you will even appreciate you know connecting certain situations, where you know you also had these biases in you when you are making some certain decisions. Yes let us get in to the biases first now prior hypothesis biases. So, you know decision makers who have a strong prior belief about the relationship between two variables, and they tend to make decision on the basis of these beliefs ok.

Even when presented with evidence that their beliefs are wrong ok. So, you know for example, you are going to be a decision maker. So, as a decision maker you may be had a you know strong, you know prior belief that you know these two variables will have a strong relationship. And basis on that you know strong belief you will make a decision.

Though the information's are provided to you disproving that particular fact. But you know you feel still feel that you know ok, I am going to make a decision because, I know this is going to be a strong relationship. Let me give you a very interesting you know example. You know see there can be a high correlation between an ice cream and you know sale of an ice cream and the you know you know summer right. See the Ok.

Now, there is a high correlation between these two and let us say now, I am going to make a season. Let us not about take the summer let us say you know there is a high correlation between the sale of an ice cream on the seasonality. So, there is a high you know as the summer approaches the sales of the ice cream is going to increase. So, there is a high correlation.

So, I feel that you know these two variables are highly related, but now imagine you know where we I am going to give an example that you know there is a you know pandemic breakout where everybody, would have experience to it you know lockdown and all that has happened.

Now, in that situations there are lot of imposition restrictions. So, let us say you know I am a you know I am the management. So, I am you know I ice cream maker ok. So, let us say imagine you know I am belong to one of the companies or I say know that there is a strong relation between seasonality and the sale of an ice cream, I said you know I we are going to make a huge investment come up with the new flavours.

And you know we are going to set up a new plant you know increase our sales volumes or let us say increase the production volumes and all that. But, the factors that you know there is an information says that you know it is going to be a pandemic outbreak. There can be you know people will be a certain to go for buying the ice cream or let us say there is not even a place you know to open up the outlets.

Despite the information given I make a prior belief that you know, there is going to be strong relation between the seasonality and the sale of an ice cream, I will invest. So, this is where the biases right, no?

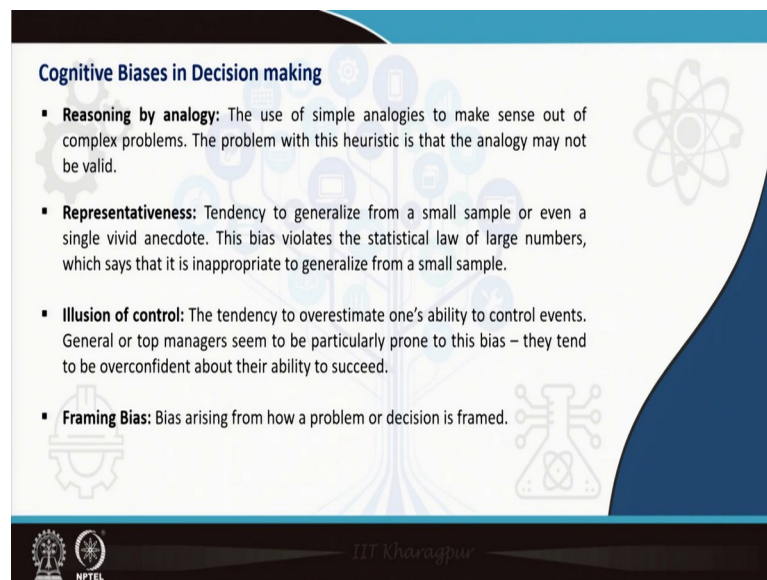
I made a strong you know I know a prior belief that these two variables are going to be related. So, I have made an investment but despite, I am not considering the other information that is the bias, escalating commitment. Now, this you know most of the time every one of us does let us understand what is it. So, this escalating of commitment this kind of bias which arises when decision makers, having already committed significant resources to a project. They continue to commit even more resources, if they receive a feedback that project failing.

See what will happen? Let us say you know I have invested something you know I have you know committed, I have you know invested lot of resources my time on a particular project. So, then if I try to learn that you know this project is failing instead of you know being very rational and you know shutting down the project you know. Because I am so, associated what will happen my commit my escalating commitment instead I when they say you know project is going down, I try to invest more on the particular project right.

So, you know that is called the escalating of the commitment. So, you know what will happen as a rational decision maker what you would have done. You would have you know analyze the project and benefit and then say ok. This cost is not viable and then this not going to reap any benefit, let us close down the project, but the bias of the escalating commitment.

Because, I have already spent a lot of resources why should I withdraw let me also invest some more resources. So, that you know I can see a benefit, but you know you should know that you know this is going to cost you, but this is a bias you know escalating a commitment.

(Refer Slide Time: 23:43)



**Cognitive Biases in Decision making**

- **Reasoning by analogy:** The use of simple analogies to make sense out of complex problems. The problem with this heuristic is that the analogy may not be valid.
- **Representativeness:** Tendency to generalize from a small sample or even a single vivid anecdote. This bias violates the statistical law of large numbers, which says that it is inappropriate to generalize from a small sample.
- **Illusion of control:** The tendency to overestimate one's ability to control events. General or top managers seem to be particularly prone to this bias – they tend to be overconfident about their ability to succeed.
- **Framing Bias:** Bias arising from how a problem or decision is framed.

IIT Kharagpur  
NPTEL

Now, we will also see other biases. So, reasoning by analogy. So, the use of simple analogies to make sense a bit of complex problems, see we are often you know always use to make analogy for you know anything right. Because, you know it is always in (Refer Time: 23:59) or it is always make the you know participants or the you know stakeholders to understand the problem in a much better way.

So, we use to give lot of analogy. So, when you are making analogy you need to give an analogy which are exactly reflecting the particular situation or particular problem. But, if you are making a analogy which are you know, let us say you know the problem existing is huge and a complex, but the analogy you give is a very simple.

So, what will happen based on the analogy you are given so, you know so you might feel that you know the problem its self very small and it is easy to handle. So, the problem with heuristic is that you know analogy may not be valid. So, the analogy you made may not be even valid for example, when you need to talk about a elephant.

You should talk about an elephant you cannot talk about a cat, and then compare the cat with an elephant. So, because the these both are you know absolutely contrasting to each other nowhere related nowhere close to each other right.

So, you know when you give an analogy, if you wanted to talk about an elephant. You need to talk about something like an elephant not something like a small animal, I know when you are talking about big animal you need to talk about a big animal. So, that is an analogy. So, when you give a you know small analogies to make a sense of the complex problem, then it is going to you know influence your decision making

Then representativeness see you know this representativeness is a tendency to generalize from a small sample or even a single vivid anecdote. So, what will happen you know, what we do you know we in order to you know make our decisions. We go with a very small sample and then they we decide that you know ok; yeah this is the going to be the quality or a characters of the complete set.

See what is happening is actually this; this representativeness is actually violates the statistical of large numbers. Which says that it is inappropriate to generates from a small sample. So, we also always say right in a statistics or in the mathematics, we are talking about we always say you know representative samples.

Is the sample size adequate enough to estimate the characteristics of the population that is what you be first starts with you know. Before we make you know inferences about the population from a sample, first what do we do we try to see whether the sample is adequate enough to represent a population. So, in the representativeness what will happen we based on a small sample we come to conclusion that, you know this is going to be either situation ok.

Let us say a large conglomerate company which has so, many business units business functions and you know based on one or two areas. If we make a you know decision that you know yes, you know this company is very successful we are going to invest. We are



going to acquire some of their or we are going to introduce, new product we are going to get into an agreement with this particular company. Because, they are excellently doing well in one region you did not necessarily that, you know they are going to do well in the other way.

Let us take an example that you know, some business firms who are very good in the one particular sector, not necessary they are going to be excelling in the other domain ok. So, based on that assumption if you make that assumption and then apply somewhere, but you will make a wrong decisions that is the representativeness.

Now, illusion of control everybody has it right, you and me will definitely have. What is that illusion of control? The tendency to over estimate once ability to control events. See imagine that know you believe that you know I can handle any volume of business, let us I can handle any volume of my you know number of my employees under me. So, that is you know sometimes whenever over estimate wants ability to control the events.

Say it is you know it is very important to understand what is your limitations are what is our capacity and capability and abilities are unless otherwise knowing the abilities and capacity. And you cannot do a better one right. So, if you are over estimate that you know you were you can handle.

So, such a huge volume of business, but your knowledge is very less then, that is a kind of an illusion of control that is also we use to make. Now, generally who does this general managers or the people who were at the top level seems to be particularly prone to this bias because, they tend to be over confident about their ability to succeed.

Because, you know I have done that particular project my I have succeed in that particular project. So, so I have become very over confident and then say that ok. This is this is going to be yet another the project I can be very successful. So, that is actually a bias where you know we are over confident about our ability, or underestimate or overestimates our ability that you know. I am capable of it and then I can handle anything ok.

Then framing bias which is another important bias you know. So, this bias arising from how a problem or decision itself is framed see you know you need to know frame the problem in a proper way. You know if you do not frame the problem or even the

decisions, then it is going to actually you know create lot of biases see if you wanted to compare an apple with an orange then it is wrong right.

When you frame something about an apple you need to frame something about an apple like, you know you draw something similar to an apple and say this is an apple. Then that is the you know better thing right know? When we when the problem framing itself is wrong, you know where we based on that framing lot of decisions or the influences been happened.

So, the framing biases also going to impact in a larger way ok. See you know why we are studying about this biases or why would we you know learn about this biases because, when we learn about this basis we know how this actually impacting on decision making. So, as an individuals you know we need to stay away from you know making this biases influence our decisions ok.

See now as we said you know we are all individuals humans, humans are likely to make some biases. Because, they come up with the certain set of learnings personalities and attitude. But, it is very important in especially in a managerial decision making, you need to make a very rational decisions.

Considering giving lot of weightage to information's provided data provided to you and you know looking at what are the possible alternatives, how these alternatives is going to benefit my company. Rather than you know driven by which kind of alternative you like the most.

It is not about the what you like the most, it is about the what will fit the company in a better sense rather than you know what you like the most ok. So, it is very important the styles and biases of you know, styles of decision making and the biases cognitive biases that it going to impact the decision making is very important when we are learning about the decision making ok.

(Refer Slide Time: 30:45)



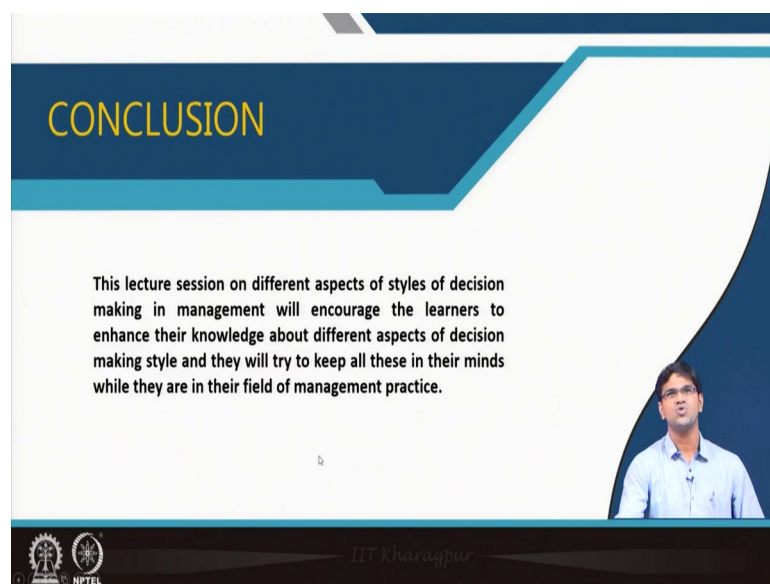
**REFERENCES**

- Bhattacharyya DK. (2012). Principle of Management, Text and Cases, Pearson, New Delhi
- Charles WL Hill and Steven L McShane. (2008). Principles of Management, Published by McGraw-Hill/Irwin
- Stoner AF. Principle of Management, Pearson, New Delhi.
- Ellen A. Benowitz. Clifford Quick Review Principle of Management, Hungry Minds, New York, NY 10022
- [www.jenniferspoelma.com](http://www.jenniferspoelma.com)

IIT Kharagpur

NPTEL

(Refer Slide Time: 30:48)



**CONCLUSION**

This lecture session on different aspects of styles of decision making in management will encourage the learners to enhance their knowledge about different aspects of decision making style and they will try to keep all these in their minds while they are in their field of management practice.

IIT Kharagpur

NPTEL

So, these are the some of the references and you know today, we learnt about the different styles of decision making starting from intuitive decision making to rational decision making. Then, we also learnt about the certain cognitive biases that will have impact the decision making.

Thank you.