

Principles of Management
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Lecture - 18
Decision Making - I

Today in this lecture I will be discussing about Decision Making, perception and individual decision making. The role of perception and its influence on decision making process. So, the learning objectives here is perception, attribution theory and its influence on decision making, decision making and its process, and types of problems. We will discuss about the structured and unstructured problems, type of decisions: programmed and non-programmed decisions and decision making conditions in certainty, risk and uncertainty, creativity in decision making, limits in decision making, decision making biases and group decision making in organizations.

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LEARNING OUTCOMES

- To gain a thorough understanding of how managers apply the rational model of decision-making in organizations under conditions of certainty, uncertainty, and risk.
- To understand how individual differences and organizational constraints affect decision-making

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Learning outcome here is to gain a thorough understanding of how managers apply the rational model of decision making in organizations under conditions of uncertainty, certainty and risk. To understand how individual differences and organizational constraints affect decision making.

So, to start this lecture, I will tell you a story of the blind men and elephant. As all of us know that six blind men went to see an elephant and each one of them cited his opinion based on personal observation.

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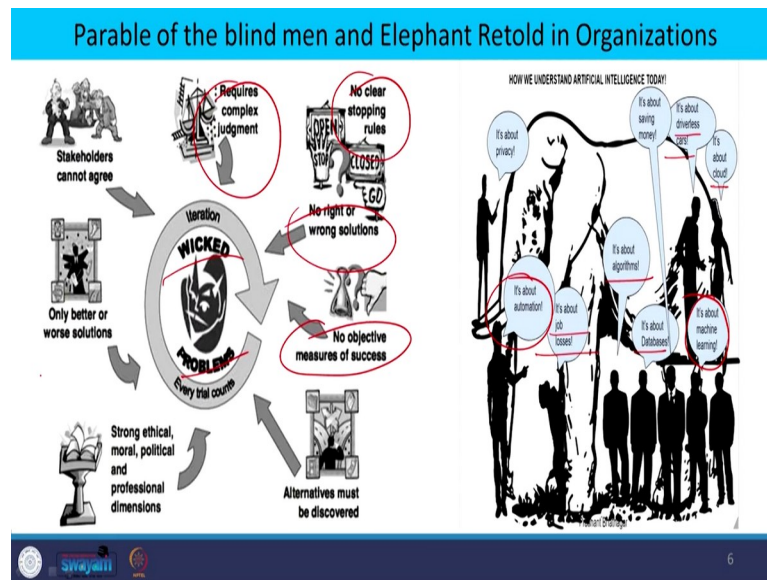
Parable of the blind men and Elephant

- Six blind men went to see an Elephant, and each cited his opinion based on observation.
- Though each of them was partly right and all were wrong

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Each of them had perceived the reality in a different way. Somebody said it is like the top, somebody touched the ears of elephant and said it appears like a fan and somebody said it appears to be like a wall and it is a rope and it is like a snake and it is a tree and it is a spear. So, though each of them was partly correct, but when you see what they said is not correct or they were completely wrong in citing their opinion.

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So, it is very much similar how people construe the meaning of organization differently based on their own opinion, their observation, based on their experience. Here the elephant is very analogous to or similar to an organization. How I am going to connect this story of the blind men and elephant in organizations, how the story can be retold in organizations.

As the elephant was perceived differently by different people, similarly, an organization is also perceived differently by different people based on their own observation. So, organization has different aspects, different elements like the elephant has different parts. So, here how we understand different problems of organization, I will give you some examples like artificial intelligence; it is perceived differently by different people like very similar to how blind men perceived an elephant.

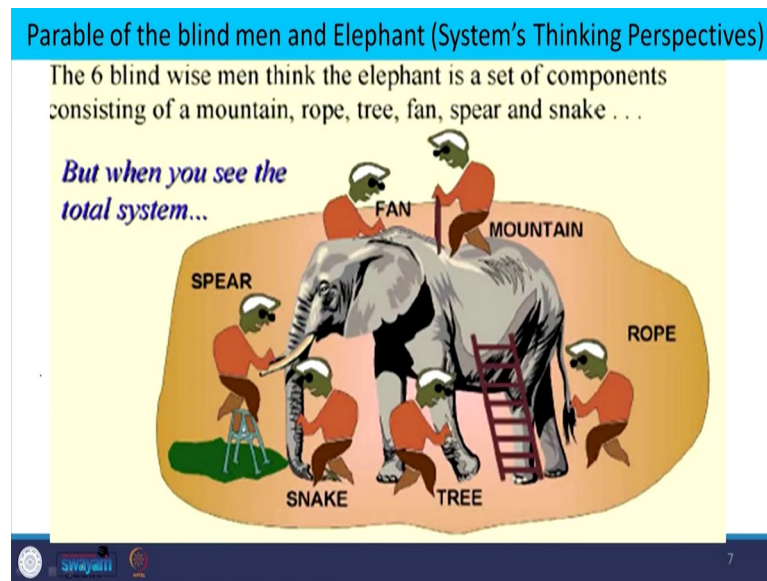
Few people perceive artificial intelligence to be a kind of say, it is all about privacy. It is about saving money and few more people perceive it as a driverless car and some perceive it as it is all about cloud. Some perceive it as it is all about machine learning and few other perceive it as all about databases, algorithms and few other people perceive it as it will lead to job loss, it is all about automation.

So, an organization has different problems or you can otherwise say, there are several wicked problems in an organization. It requires complex judgment, there is no clear rule

and no right or wrong solution there could be alternative solutions, no objective measures of success and sometimes.

So, there are several issues like some ethical issues, there are problems are known problems in the organization and it is perceived differently or people have different opinion about those problems and there has to be a rational decision for maintaining the performance or improving the efficiency of the organization.

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So, parable of the blind men and elephant is that it gives us an understanding of the systems thinking perspective of an organization; like the six blind wise men think elephant is a set of components consisting of a mountain rope, tree, fans, spear and the snake. Similarly when you see organization the different parts of organizations, different problems of organizations they can be perceived differently; however, when you see the organization as a whole, it appears to be like a complete system.


So, systems perspective systems view say that it is a set of interrelated and interdependent elements which collectively helps each part to effectively function.

So, the systems view says that there is an input, there is an output and there is a process in the organization and each of them is dependent on each other. Each part of the organizations or each element is dependent on the other part and they effectively

function when they are interdependent and they are interconnected and interdependent with each other.

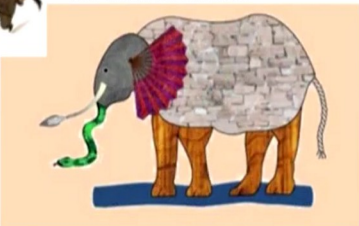
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Parable of the blind men and Elephant



Moral of the Story
People ~~tend to~~ understand only a tiny portion of Reality and then extrapolate all manner of dogmas from that, each claiming only *his* one is the correct version

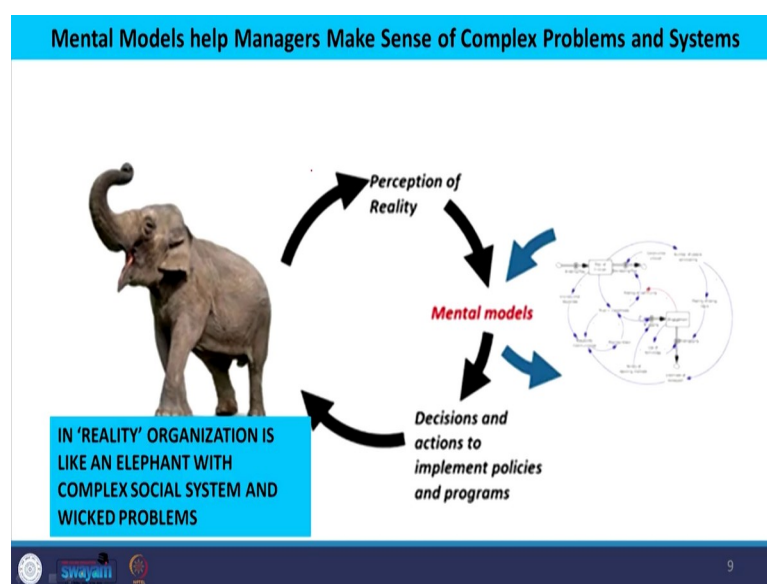
The behavior of a system cannot be known just by knowing the elements of which the system is made.



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So, parable of the blind men and elephant; the moral of the story is people tend to understand the tiny portion of the reality and they extrapolate all the dogmas from that each claiming only his one is the correct version. The behavior of a system can be known just by knowing the elements of which the system is made.

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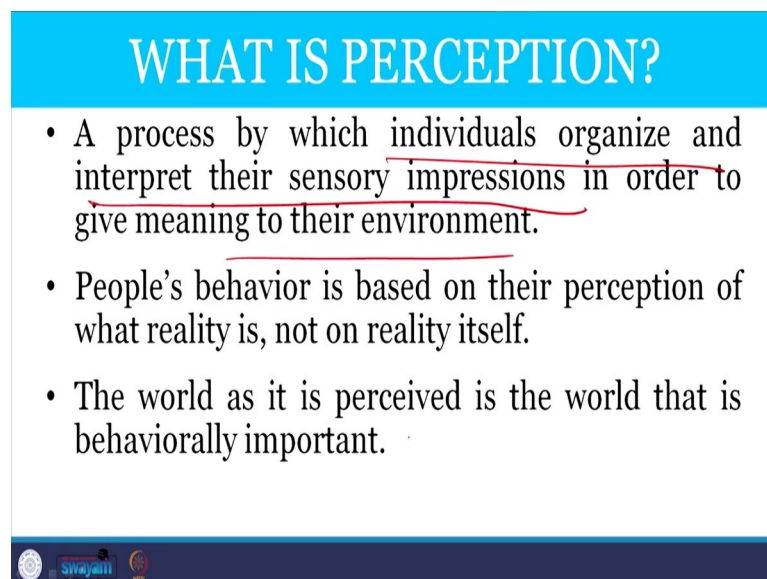
So, the mental model help managers make sense of complex problems and systems. So, in reality, organization is like an elephant with complex social system and wicked problems. There are several problems like the issues of diversity and inclusion, the problems of managing talent, the problems of customer satisfaction or customer related issues, product related problems or supply chain related issues, quality improvement related issues or say cost minimization.

So, the problems can be varied, but, however, these problems have to be solved by taking collective decisions. So, in this I would like to state that first we will define what is perception and then what are the factors that influence perception.

Then I will discuss about the attribution theory and then what are the elements of attribution theory, what are the errors and biases in attribution theory, what are the frequently used shortcuts in judging others and specific shortcut applications in organizations and perceptions and then I will finally, discuss about the perception and individual decision making.




So, coming back to what is perception, we will discuss about the first definition of perception. *Perception is a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.*

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WHAT IS PERCEPTION?

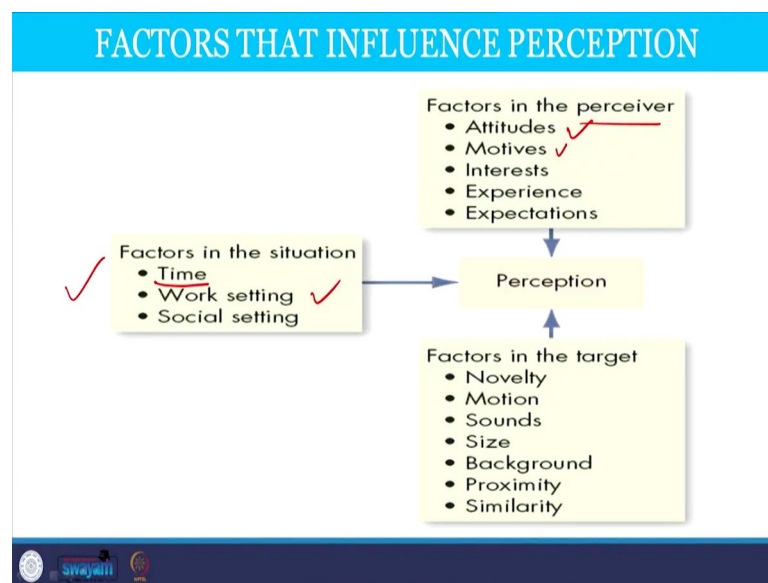
- A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.
- People's behavior is based on their perception of what reality is, not on reality itself.
- The world as it is perceived is the world that is behaviorally important.

It is a process by which individuals organize and interpret their sensory impressions, each one has his or her own learning, their own value system, their own interpretation of events and which they try to attribute and through the learning, through their values, through their understanding, then and through their cognition, they try to attribute meaning to the objective reality or they try to give meaning to their environment.

So, people's behavior is based on their perception of what reality is and not the reality itself the world as it is perceived is the world that is behaviorally important.

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So, here what are the factors that influence perception? Factors in the situation, factors in the perceivers and factors in the target. All these factors help in building perception. So, let us first start with factors in the situation. Time can be one of the factors which can help in perception. So, what you see yesterday and what you do today, what you see today there is different.

So, the time can change your perception; that the perception that you build about a particular object today and maybe you see after a month, there will be a whole lot of change in your perception. Work setting the workplace in which you are working will can also influence your perception there is a comfort in the workplace maybe your perception will be different.

If you slightly get discomforted in the workplace, the setting, the location so, there would be an influence on your perception or it will influence your sense of interpretation of objective reality. Similarly, the social setting the peer group affiliation in the interaction with the social group will also have an influence on the perception building.

The factors associated with perceiver: one who perceives the attitude, the motives, then interest and experience expectation of individuals also influences the perception attitude. Whether, you have a favorable or unfavorable attitude towards an object will influence your decision will influence your perception building. Motives; what is a motive of an individual?

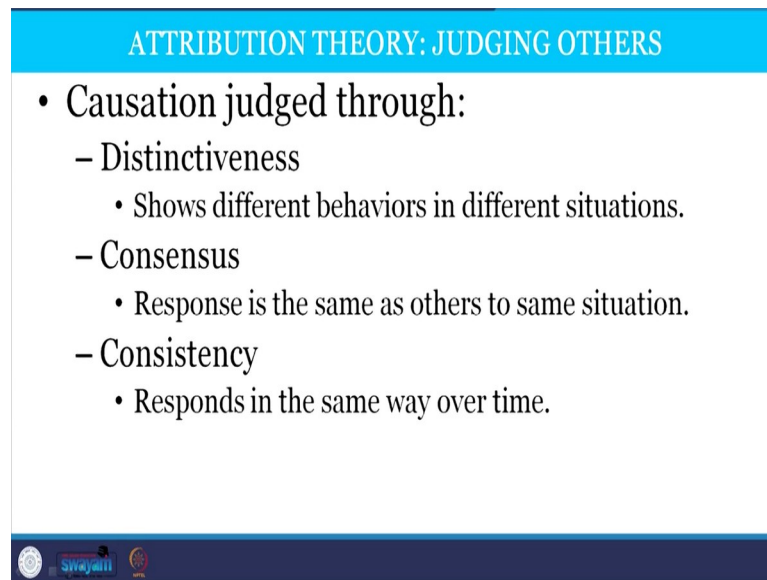
What is the objective behind the person's intention and what is the interest of the individual; whether you are motivated or whether you have a liking towards a particular object?

So, based on that you can also form your perception; experience based on the past events. Based on your experience with the similar product, based on experience with the person in the past. So, a person can also build a perception. Expectations; so, these factors collectively help in forming perception.

Factors in the target like novelty, motion, sound, size, background, proximity and similarity. These factors also influence in perception building. Then let us talk about the attribution theory, judging others or how we judge others? Attribution theory states that our perception and judgment about others is influenced by our assumption of other persons' internal state.

So, which means that when individuals observe behavior, they attempt to determine whether it is internally or externally caused. Internal causes are under the persons self-control; external causes are forced to act in that way.

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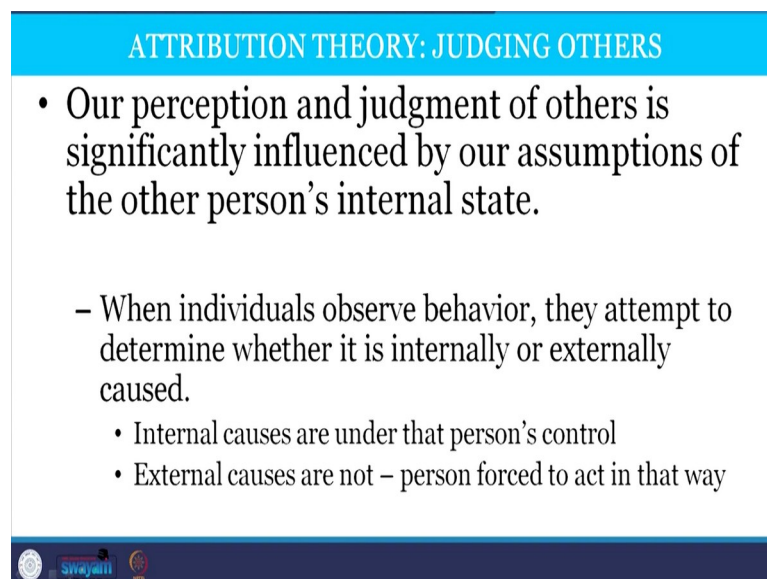


ATTRIBUTION THEORY: JUDGING OTHERS

- Causation judged through:
 - Distinctiveness
 - Shows different behaviors in different situations.
 - Consensus
 - Response is the same as others to same situation.
 - Consistency
 - Responds in the same way over time.

Causation is judged through distinctiveness, shows different behavior in different situation, consensus, response is the same as the others to the same situation; consistency means response in the same way over time.

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ATTRIBUTION THEORY: JUDGING OTHERS

- Our perception and judgment of others is significantly influenced by our assumptions of the other person's internal state.
 - When individuals observe behavior, they attempt to determine whether it is internally or externally caused.
 - Internal causes are under that person's control
 - External causes are not – person forced to act in that way

So, what we discussed is perception basically is judgment of others is influenced by our assumptions of other person's internal state of affairs. Internal causes are under the persons control and external causes are not under the persons control they are the person is forced to act in a particular way. So, what is attribution theory? Attribution theory says


that when individuals observe behavior, they attempt to determine whether it is internally or externally caused it can be sometimes internally caused and maybe and externally caused..

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PERSON PERCEPTION: MAKING JUDGEMENT ABOUT OTHERS

Attribution Theory

When individuals observe behavior, they attempt to determine whether it is internally or externally caused.



Distinctiveness: shows different behaviors in different situations.
Consensus: response is the same as others to same situation.
Consistency: responds in the same way over time.

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So, here what is distinctiveness? Shows different behavior in different situation which is distinctiveness. Consensus means responses in the same way as others to the same situation. Consistency is defined as the individual response in the same way over a period of time.

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Attribution Theory

When individual observes behavior, they attempt to determine whether it is internally or externally caused.

DISTINCTION

Employee is late due to internal or external Attribution
Late night partying then oversleeping
Accident on the road tied up traffic.

CONSENSUS ✓

Other people using same rout but on time then causation will be internal
If all responds in the same way then We can say behavior shows consensus.

CONSISTANCY

She is regularly late 2-3 times/ a week
Internal causes
If she has not been late for several months external causes may be

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So, how does attribution theory help? Attribution theory helps individuals observe behavior, they attempt to determine whether it is internally or externally caused which means an employee is late due to internal or external attributions, late night partying, then oversleeping, accident on the road, tied up traffic and for consensus other people using the same route, but on time, then the causation will be internal.

If all responds in the same way then we can say behavior shows consensus. Here I will explain these things in detail: what is distinctiveness. As we have discussed that distinctiveness shows different behavior in different situations; that means, an individual exhibits different behavior in different situations.

So, an employee is late. So, you can say that employee is late because of some internal factors. He is late because he missed the bus, he is late because he woke up late or external attribution; an employee is late because of some external factors, there was some kind of road jam or there was a roadblock and so, some kind of reasons which are not within his control. Late night partying, then oversleeping, some reasons you can attribute accident on the road. So, tied up traffic and so on.

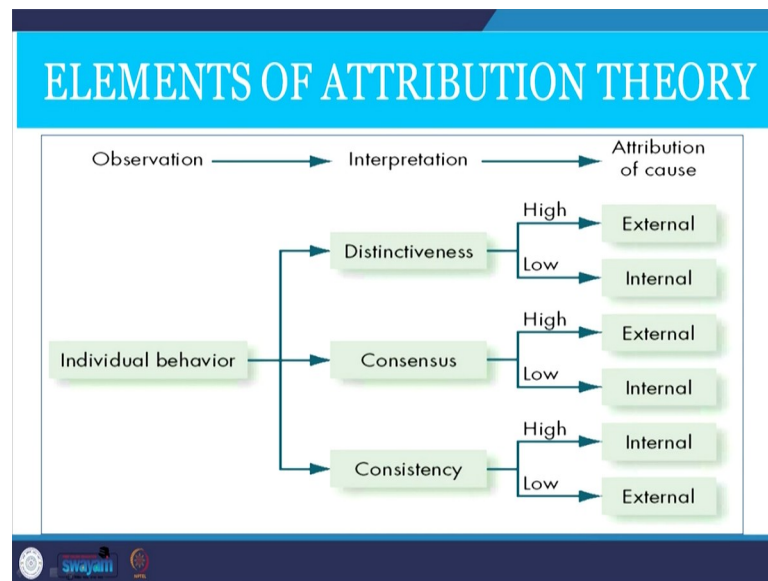
Consensus is defined as response is the same as others to the same situation; that means, an individual responds similarly as other people in when reacted in a similar situation. So, other people using the same route, but they are on time then you can say all other people using the same route, but they come to a place or they come to office on time, then you can say that cause is internal, the person who came late is because he missed it is because of his fault.

If all people respond in the same way, if everybody who is using that same route, they respond in the same way they are late. So, then you can say that behavior shows consensus the person was also late because there are some external factors attributed to it.

Then moving on to the third point is consistency. Consistency means a person responds in the same way over time. Say, if you see somebody coming to a particular place or somebody who is coming to the office at a particular time and everyday you observe his behavior, he comes reports to the office in the same time, then, you say that the person shows or exhibits response to a particular the person exhibits a behavior over time. So, this is called consistency.

She is regularly late 2-3 times a week then you can say that it is because of the internal factors or internal causes. If she has not been late for several months, external causes maybe, she has never been late, she has always been on time. So, you can say if somebody is late today; that means, there is some external factor which has led to the persons coming to office late.

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So, what is the learning here? What we discussed so far; we were discussing that how perception is built. Perception is built by an individual, there are some factors associated and the factors are like time, work setting, social setting factors in the perceiver's domain and factors in the target.

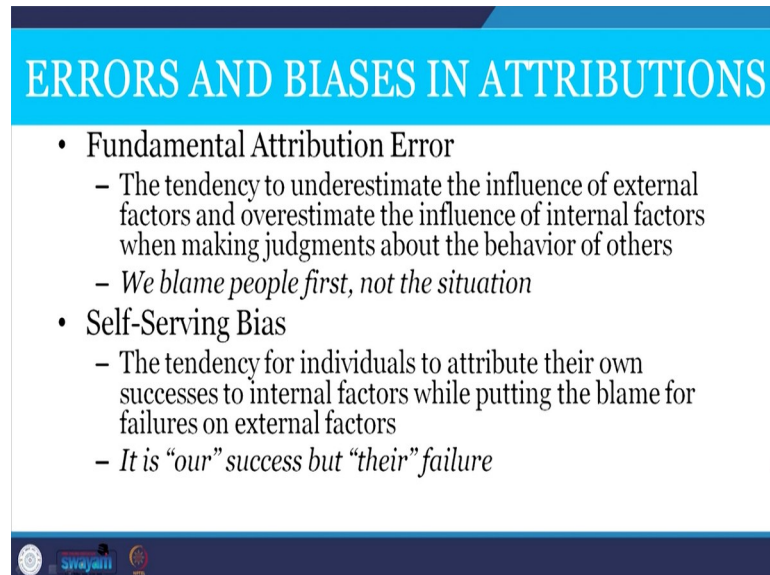
So, we discussed that a person perceives a particular object, makes a perception or judges based on his or her understanding and interpretation, based on his or her experience and so, we can put this discussion in a diagrammatic manner.

So, observation leads to interpretation and interpretation to attribution of cause. Individual exhibits a behavior, individuals observation based on distinctiveness; that means, interpretation how he interprets distinctiveness consensus and consistency.

So, distinctiveness is what we have discussed is shows different behavior in different situation and consensus is response in the same response is the same as others to the same situation and consistency responds in the same way over time.

So, these three are the ways in which a person can interpret things and he can attribute either external factors or internal factors in each situation.

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The slide has a blue header with the title "ERRORS AND BIASES IN ATTRIBUTIONS" in white capital letters. Below the header, on a white background, are two bullet points. The first bullet point is "Fundamental Attribution Error" followed by two sub-points: "The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgments about the behavior of others" and "We blame people first, not the situation". The second bullet point is "Self-Serving Bias" followed by two sub-points: "The tendency for individuals to attribute their own successes to internal factors while putting the blame for failures on external factors" and "It is 'our' success but 'their' failure". At the bottom of the slide, there is a dark blue footer containing three small logos.

ERRORS AND BIASES IN ATTRIBUTIONS

- Fundamental Attribution Error
 - The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgments about the behavior of others
 - *We blame people first, not the situation*
- Self-Serving Bias
 - The tendency for individuals to attribute their own successes to internal factors while putting the blame for failures on external factors
 - *It is "our" success but "their" failure*

Generally, we come across some errors and biases in attribution; they distort the perception of an individual. What is fundamental attribution error? *The tendency to under underestimate the influence of external factors and overestimate the influence of internal factors.*

As we discussed that attribution of causes sometimes for a genuine cause we may erroneously take decisions and we may attribute external factors when internal factors were actual cause of the delay of a person or internal factors could be one of the reasons, but we erroneously blame or shift the or attribute external factors to be one of the reasons.

So, here the we are not taking decisions rightly, but based on our perception. So, fundamental attribution error says, *it is a tendency to underestimate the influence of external factors and overestimate or escalate the influence of internal factors when making judgments about the behavior of others.* We blame people first and not the situation; generally it is a tendency in organizations we commonly come across situations when there is a mistake a manager often blames his subordinate rather than the situation.

So, that means, the person is taking decisions based on the interpretation he or she has about the person, about the subordinate like distinctiveness, consensus and consistency. He may have attributed the extra internal factors because of the attribution error fundamental attribution error and self-serving bias. The tendency for individuals to attribute their own success to internal factors while putting the blame for failures on the external factors.

So, it is our success, but their failure. Generally, managers generally try to claim success. They shift the blame on others and success is attributed as their own or they claim the success as their own and shift the failure to others. So, they frequently use shortcuts in judging others. Selective perception is *when people selectively interpret what they see on the basis of their interest, background, experience and attitude.*

So, this is called **selective perception** which is when they selectively interpret what they see on the basis of their interest, their background, their experience and attitude.

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FREQUENTLY USED SHORTCUTS IN JUDGING OTHERS

- Selective Perception
 - People selectively interpret what they see on the basis of their interests, background, experience, and attitudes
- Halo Effect
 - Drawing a general impression about an individual on the basis of a single characteristic
- Contrast Effects
 - Evaluation of a person's characteristics that are affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics

So, I will explain a few points here. When we see the advertisements, generally on television; what commonly or what people commonly observe is what is of interest to them. There is an advertisement of Coca-Cola or there is an advertisement of Nirma which people record in their memory and people are easily able to recall.

So, why this happens? It is because of selective perception. We generally remember things which we have interest in; if there is a song or if there is a jingle which we like. So, we would try to recall it selective perception. Background experience is while in the interview, generally there is the role of selective perception which leads to some shortcuts in judging others.

Managers often select people who have a similar background as theirs, who have an experience similar to theirs. So, there is some kind of similarity attraction theory which helps in making or which are used as shortcuts in judgment of others. Similarly, having experience, the past experience with the person.

Customers having past experience with a product would like to select the product; generally what we see, people tend to buy the product which they had a very good experience, they try to pick up a product or they try to often buy those brands which they had a very good experience in the past.

So, these are the shortcuts which are used in judging or in judgments. **Halo effect** drawing a general impression about an individual on the basis of a single characteristics. On the basis of one characteristic, we tend to find that some individuals make decisions. **Contrast effects** evaluation of a personal of a person's characteristics that are affected by comparison with other persons recently encountered who rank higher or lower on same characteristics. Try to see and take judgment on the basis of the comparison between two individuals. So, the this is also one of the shortcuts in judgment of others.

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The slide has a blue header with the title "FREQUENTLY USED SHORTCUTS IN JUDGING OTHERS". Below the header, there are two bullet points. The first bullet point is "Stereotyping" with a red checkmark to its right. It has a sub-point: "Judging someone on the basis of one's perception of the group to which that person belongs – a prevalent and often useful, if not always accurate, generalization." The words "person belongs" are underlined, and "the group" is circled in red. A red checkmark is also next to this sub-point. The second bullet point is "Profiling" with a red checkmark to its right. It has a sub-point: "A form of stereotyping in which members of a group are singled out for intense scrutiny based on a single, often racial, trait." The words "single, often racial, trait" are underlined. At the bottom of the slide, there is a dark blue bar with logos on the left, including a circular logo and the word "Swayam".

FREQUENTLY USED SHORTCUTS IN JUDGING OTHERS

- Stereotyping ✓
 - Judging someone on the basis of one's perception of the group to which that person belongs – a prevalent and often useful, if not always accurate, generalization. ✓
- Profiling ✓
 - A form of stereotyping in which members of a group are singled out for intense scrutiny based on a single, often racial, trait.

Stereotype judging someone on the basis of one's perception of the group to which the person belongs. We also come across some kind of stereotypes which are also shortcuts in judgment of others. If a person belongs to a particular group so, he is considered to be similar or he is considered to be exhibiting the similar characteristics and similar behavior.

So, stereotyping means judging someone on the basis of one's perception of the group to which the person belongs. A prevalent and often useful if not always accurate generalization. So, this is stereotyping; we can find mostly in organizations, say gender stereotyping, racial stereotyping, where a person from a particular racial group or a gender is perceived to exhibit behavior similarly. So, these shortcuts influence in forming judgment about others.

The next point is **profiling**. A form of stereotype which members of a group are singled out of intense scrutiny based on some kind of a single trait. So, this is also profiling a person based on his belongingness to a particular group. So, what we discussed? The commonly use shortcuts in judging others selective perception, Halo effect, contrast effect, stereotyping and profiling.

Selective perception is basically people selectively interpret what they see on the basis of their interest, what is most interesting to them. Like I said if I like a particular advertisement, if I like a particular jingle.

So, my interest would be I will record that in my memory, background is when people have a similarity of background, they tend to select the person when he appears for an interview, based on our past experience with the product, based on our past experience with a person, we remember and next time we take judgment based on our experience, based on how much favorable or unfavorable our attitude is towards a particular object or a towards a subject.

Halo effect is drawing an impression about an individual on the basis of one particular characteristics and contrast effect is, while evaluating a person we are generally; we tend to compare with the other people who recently encountered or who whom we have come across in a particular situation. So, all these are biases and here what we have discussed, I will just like to conclude the session with what we discussed so far.

We have discussed about perception, we have discussed about the various factors of attribution theory, the factors that influence perception, building of an individual and then we also discussed about the elements of attribution theory. Specifically, we discussed about the distinctiveness, consensus and consistency.

And then how perception helps in decision making. Perception and individual, the specific shortcut applications; what shortcuts are used. In the next lecture we will discuss about the specific shortcut applications in organizations and how they influence in decision making.

Thank you.