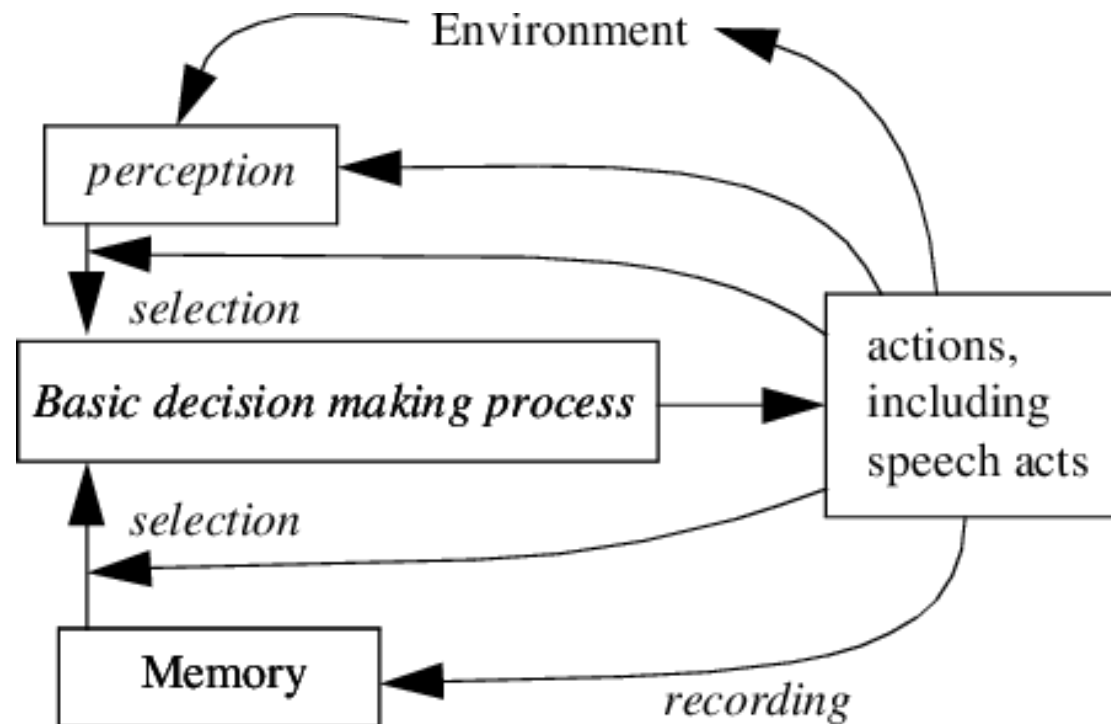# Perception and Decision Making @ work

Massimiliano Barattucci

What Is Perception, and Why Is It Important?

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.*

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Person Perception: Making Judgments 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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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.
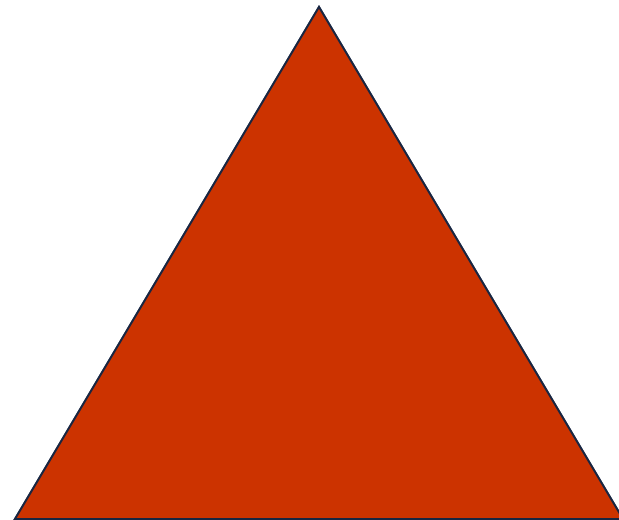
Self-Serving Bias

The tendency for individuals to attribute their own successes to internal factors while putting the blame for failures on external factors.

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

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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.

Projection

Attributing one's own characteristics to other people.

Stereotyping

Judging someone on the basis of one's perception of the group to which that person belongs.

Specific Applications in Organizations

Employment Interview

- Perceptual biases of raters affect the accuracy of interviewers' judgments of applicants.

Performance Expectations

- Self-fulfilling prophecy (*pygmalion effect*): The lower or higher performance of employees reflects preconceived leader expectations about employee capabilities.

Ethnic Profiling

- A form of stereotyping in which a group of individuals is singled out—typically on the basis of race or ethnicity—for intensive inquiry, scrutinizing, or investigation.

Specific Applications in Organizations

Performance Evaluations
- Appraisals are often the subjective (judgmental) perceptions of appraisers of another employee's job performance.

Employee Effort
- Assessment of individual effort is a subjective judgment subject to perceptual distortion and bias.

The Link Between Perceptions and Individual Decision Making

Problem
A *perceived* discrepancy between the current state of affairs and a desired state.

Decisions
Choices made from among alternatives developed from data *perceived* as relevant.

Perception of the decision maker

Outcomes

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Assumptions of the Rational Decision-Making Model

Rational Decision-Making Model

Describes how individuals should behave in order to maximize some outcome.

Model Assumptions

- Problem clarity

- Known options

- Clear preferences

- Constant preferences

- No time or cost constraints

- Maximum payoff

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Creativity

The ability to produce novel and useful ideas.

Three-Component
Model of Creativity

Proposition that individual creativity requires expertise, creative-thinking skills, and intrinsic task motivation.

How Are Decisions Actually Made in Organizations

Bounded Rationality

Individuals make decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

How Are Decisions Actually Made in Organizations

How/Why problems are identified
- Visibility over importance of problem
  - Attention-catching, high profile problems
  - Desire to "solve problems"
- Self-interest (if problem concerns decision maker)

Alternative Development
- Satisficing: seeking the first alternative that solves problem.
- Engaging in incremental rather than unique problem solving through successive limited comparison of alternatives to the current alternative in effect.

Common Biases and Errors

Overconfidence Bias
- Believing too much in our own decision competencies.

Anchoring Bias
- Fixating on early, first received information.

Confirmation Bias
- Using only the facts that support our decision.

Availability Bias
- Using information that is most readily at hand.

Representative Bias
- Assessing the likelihood of an occurrence by trying to match it with a preexisting category.

Common Biases and Errors

Escalation of Commitment
- Increasing commitment to a previous decision in spite of negative information.

Randomness Error
- Trying to create meaning out of random events by falling prey to a false sense of control or superstitions.

Hindsight Bias
- Falsely believing to have accurately predicted the outcome of an event, after that outcome is actually known.

Intuition

Intuitive Decision Making
- An unconscious process created out of distilled experience.

Conditions Favoring Intuitive Decision Making
- A high level of uncertainty exists
- There is little precedent to draw on
- Variables are less scientifically predictable
- "Facts" are limited
- Facts don't clearly point the way
- Analytical data are of little use
- Several plausible alternative solutions exist
- Time is limited and pressing for the right decision

Organizational Constraints on Decision Makers

Performance Evaluation
- Evaluation criteria influence the choice of actions.

Reward Systems
- Decision makers make action choices that are favored by the organization.

Formal Regulations
- Organizational rules and policies limit the alternative choices of decision makers.

System-imposed Time Constraints
- Organizations require decisions by specific deadlines.

Historical Precedents
- Past decisions influence current decisions.

Cultural Differences in Decision Making

Problems selected

Time orientation

Importance of logic and rationality

Belief in the ability of people to solve problems

Preference for collect decision making

Ethics in Decision Making

Ethical Decision Criteria

- Utilitarianism
  - Seeking the greatest good for the greatest number.
- Rights
  - Respecting and protecting basic rights of individuals such as whistleblowers.
- Justice
  - Imposing and enforcing rules fairly and impartially.

Ethics in Decision Making

Ethics and National Culture
- There are no global ethical standards.

- The ethical principles of global organizations that reflect and respect local cultural norms are necessary for high standards and consistent practices.

Ways to Improve Decision Making

1. Analyze the situation and adjust your decision making style to fit the situation.

2. Be aware of biases and try to limit their impact.

3. Combine rational analysis with intuition to increase decision-making effectiveness.

4. Don't assume that your specific decision style is appropriate to every situation.

5. Enhance personal creativity by looking for novel solutions or seeing problems in new ways, and using analogies.