OB W5: JUDGEMENT & DECISION MAKING

A. **JUDGEMENT AND DECISION**
  - Purpose: intro the most common tendencies & biases in our cognitive processes:

Perception	Attribution	Judgement & Decision-Making

- Receiving & interpreting info thr our senses to give meaning to the envir.
- Reality → perception → reaction
- Sometimes perception ≠ reality
 	
Biases from the Perceiver
- Perception is influenced by some perceiver characteristics.
- Goals & needs
  - Eg. Your immediate needs might automatically filter the info received.
- Existing knowledge
  - When you have a hammer, everything looks like a nail.
  - Eg. Déformation professionnelle
- Emotions
  - Your emotional xp will shape how you see the world
 	
Biases from the Target
- A target's characteristics also shape our perception.
- Social Identity Theory: we tend to make red abt a person's characteristics based on the social category they belong to.
  - Eg. Social prototype: we automatically fill in info abt someone based on our simplified understanding of the social grp tht this person belongs to.
  - Eg. Halo effect: drawing a gen impression abt an ind based on a single characteristic (eg. Physical attractiveness)
	- Discovering the cause(s)/ motive(s) behind an event/ a behaviour.
	- When we observe an event/behaviour, we want to determine whether it's caused by internal factors (personality, ability)/ external factors (situation, social pressure).
	- We attribute using 3 characteristics of the event/behaviour:
	1. Distinctiveness: does the ind act the same way across diff situations?
	2. Consensus: does the ind act the same way toward other ppl?
	3. Consistency: does the ind act the same over time?
	
	Fundamental Attribution Error
	- Aka. "Correspondence Bias"
	- When explaining other ppl's behaviours, we tend to attribute > to internal than external factors.
	  - Eg. Road rage
	  - When observing a dangerous/annoying driving behaviour of another driver, we attribute the behaviour > to internal factors (incompetence/aggressive personality) than to external (weather/road conditions)
		- Reaching a conclusion/opinion abt something/someone & developing a commitment to a course of action accordingly.
		- Specific Biases: ↓
		
		Unconscious DM
		- Conscious mind capacity is limited
		  - 7 items max, try thinking simultaneously of work, dinner, weekend, relationship, world peace, aliens.
		  - Conscious mind can process 10-60 bits of info per sec.
		- Unconscious mind not limited by low cap, & > suitable for > complicated tasks.
		  - Entire human system processes 11,200,000 bits/sec, visual system – 10m bits/sec.
		  - Eg: property purchase decision
		- Forced conscious processing might lead to poor performance & decision.

Overconfidence Bias	- "Mother of all biases" – Griffin & Varey
	- Associated w:
	  - High rates of entrepreneurial entry & corporate mergers & acquisitions despite low success rate
	  - Scientific disasters (eg. Chernobyl)
	  - Invasion & war
	- 4 specific forms:
	<table><tr><td>Over-precision</td><td>- We're too sure tht our judgements & decisions are accurate.
	- Both lay ppl & experts are subjected to this bias</td></tr><tr><td>Illusion of Control</td><td>- Sometimes we think we hv more control over circumstances than we actually do.
	- Eg. When buying lottery tickets, wld you choose randomly generated num/ nums tht mean something special to you?</td></tr><tr><td>Planning Fallacy</td><td>- We tend to over-est the speed at which we'll complete projects/tasks.
	- Applies to both complex & simple tasks.</td></tr><tr><td>Over-placement</td><td>- We tend to believe tht we're better than others in specific ways when we're not.
	- (-) consequences (eg. Law suits)</td></tr></table>

Availability Heuristic	- We assess the freq, probability, or likely causes of an event by the degree to which instances/ occurrences of tht event are readily 'available' in memory. - Vivid info > easily accessible & thus has > influence on judgement & decisions. - Info tht is > easily retrievable from memory has > influence on judgement & decisions.
Representativeness Heuristic	- When making a judgement abt an ind/event, ppl look for characteristics the ind/event may hv in common w previously formed thoughts. (eg. Stereotypes)

Framing Heuristic	- Whether a question is framed as gain vs loss wld influence inds' risk prefs when collecting info & making decisions.
	  - When a question is framed as gain vs no gain, ppl are reluctant to take risks.
	  - When q framed as loss vs no loss, ppl willing to take > risks, presumably bc want to avoid loss.

Anchoring Bias	- We often dev ests by starting w an initial anchor tht is based on whether info is provided (ie an anchor). - We adjust from the anchor to provide a final est, but, adjustment is usually not sufficient to reach an accurate est. - Anchoring occurs even when anchors are subliminal. - Anchoring is stronger when it's provided in smaller units. ($18,983, not $19,000 car prices)
Self-serving Bias	- We make judgements in ways tht benefit ourselves. - Eg. We believe tht we hv contributed > to teamwork than we actually hv. (why music bands disband after success?) - Endowment Effect: we tend to perceive tht our own belongings are more valuable than others' same/similar belongings.
Escalation of Commitment	Why? - Ego protection & Self-justification: to try to change the result of prev decision to prove tht one is capable of making good decisions. Solution: - Self-affirmation (eg. Focus on good decisions in other areas) - Change of decision maker: the new dm has no motivation to protect the ego of prev dm
Hindsight Bias	- We tend to overest what we knew beforehand based upon what we later learned. - Sometimes we feel tht we were able to predict the results of independent events (eg. Result of US election) - (+): self-flattering allows us to criticise others for lack of foresight. - (-): reduces our ability to learn from the past.
Curse of Knowledge	- When we assess other's decision/behaviour, we tend to ignore the fact tht they might not hv the knowledge tht we hv. - Eg: watching a horror movie; when giving a friend directions to your house.
Winner's Curse	- We suspect tht we might hv over-bidden after we hv won a deal/auction. - Associated w emotions like regret, anger. - Can occur for various reasons (eg: competitive environment).

A. **WILL POWER & MOTIVATION**
- Purpose: intro the key concepts & theories tht help you understand how ppl hv strong will power & motivation at work (self-discipline, delayed gratification, self-control, volition)
- Def: the intensity, direction & persistence of effort a person shows in reaching a goal:
  - Direction: where effort is channelled
  - Intensity: how hard a person tries
  - Persistence: how long effort is maintained

B. **MOTIVATION PRACTICES & THEORIES**

1. THEORY X & Y

Theory X	Theory Y
- Employees dislike work & attempt to avoid it. - Employees must be coerced, controlled/ threatened w punishment if they're to perform.	- Employees like to work & are creative, seek responsibility. - Employees can exercise self-direction & self-control.

2. SELF-REGULATION THEORY
- 2-system framework:
- Cool system: cognitive, emotionally neutral, contemplative, strategic
- Hot system: emotionality, passions; impulsive & reflexive
- Self-reg: the process where you refrain from impulsive tendencies & choose to behave rationally (eg: choose LT benefit, choose delayed gratification)

Ego-Depletion
- Def: our self-reg ability (ie. Willpower) resembles a muscle & exerting self-reg consumes resources & ↓ amt of resources available for subsequent self-control efforts.
  - eg: workout before a demanding quiz might impair performance.
- Self-reg processes tht might deplete you:
  - Coping with stress, regulating (-) effect, resisting temptations
- Productivity tricks: Pomodoro technique, Don't break the chain

Regulatory Focus Theory
- We approach a goal in 2 distinct ways:
- Promo focus: emphasizing growth & opp & pursuit of (+) outcomes.
- Prevention focus: emphasizing safety & security & min of (-) outcomes.

Promo	Prevention
- Focus on their ideals & aspirations - Sensitive toward (+) outcomes/progress toward the goal - See 'gain' -success; 'non-gain'-failure - Strategies: strive for gains, insure against errors of omission	- Focus on their duties & obligations - Sensitive toward (-) outcomes/setbacks toward goal - See 'non-loss'-success; 'loss' -failure - Strategies: correctly reject losses, insure against errors of commission

- Reg focus has been shown to influence wide variety of outcomes:
  - DM, social interaction, negotiation outcomes.

3. GOAL SETTING THEORY
- Thesis: specific & diff goals tgt w feedback → ↑performance.
  - Specific goals (vs. do your best) ↑ performance.
  - Diff goals, when accepted, → ↑ performance than easy goals.
- Feedback → ↑performance than non -feedback.
- For goals to be effective, shld be SMART:
  - Specific, Measurable, Attainable, Results Oriented, Time Bound

Self-Efficacy
- Ind's belief tht they are capable of performing a task.
- Frm social cognitive theory & social learning theory
- ↑ SE will help employees accomplish goals > successfully.
- 4 ways to effectively ↑ SE:

Enactive Mastery	Practicing & gaining rev xp
Vicarious Modelling	Confidence gained by seeing one else perform task successfully
Verbal Persuasion	Confidence gained bc someone convinces you tht you hv necessary skills to succeed
Arousal	An energised state can drive a person to complete a task

Goal Orientation
- Learning goal orientation: see task as opp to acquire new skills & knowledge.
- Performance goal orientation: focus on demo performance to prove competence & avoid failure.
- Compared to performance g.o, learning g.o leads to: (5)
  - > motivational beliefs; ↑ self -efficacy; < task anxiety; > effort
  - ↑ performance

4. EXPECTANCY THEORY
- One's motivation to engage in a task is dependent on 3 critical conds. Motivation is high only when ALL 3 satisfied.

Expectance	Belief tht exerting certain amt of effort will lead to desired performance lvl
Instrumentality	Belief tht performing at particular lvl will lead to certain reward from org
Valence	An est of extent to which org'l rewards can satisfy one's needs/ are attractive to ind

- ↑ expectancy:

Expectance	-Skills & training -Reasonable goals & tasks
Instrumentality	-Recog performance, deliver reward as promised -Est employees' trust tht good performance will be rewarded
Valence	-Analyse what employees truly need -Customise reward for employees w diff needs

5. EQUITY THEORY
- Employees compare inputs they invest in a job & outcomes they receive from job to the inputs & outcomes of other workers.
- Response to inequity:
  - Ask for more reward
  - Reduce her effort in the job
  - Adjust perception of self & co-worker performance
  - Choose a diff co-worker to compare with
  - Quit the job

6. SELF-DETERMINATION THEORY

Intrinsic Motivators	Extrinsic Motivators
- A person's internal desire to do something due to things as interest, challenge, personal satisfaction - Xp of Intrinsic Motivators: -Sense of choice, competence, meaningfulness, progress	- Motivation tht comes from outside the person (pay, bonus, tangible rewards). - Intro of extrinsic rewards for work effort tht was prev'ly rewarded intrinsically will ↓ employee's motivation - Eg: artists paint to live vs artists live to paint

7. COGNITIVE EVALUATION THEORY

8. JOB CHARACTERISTIC MODEL
- Identifies 5 core job dimensions of a job position & their relationship to personal & work outcomes.

Skill Variety	Scope of skills involved in the job (CEO vs Cashier)
Task Identity	Extent to which one is involved in all parts of an end product (making a whole table vs making the legs only)
Task Significance	Meaningfulness of the job (capturing murders & major criminals vs giving out parking tickets)
Autonomy	Amt of freedom one has while on the job (writing manuscript from home vs serving in a restaurant)
Feedback	Amt of feedback one receives when doing the job

Job Characteristics Model

Core Job Characteristics	Critical Psychological States	Outcomes
Skill variety, task identity, task significance	Meaningfulness	Work motivation
Autonomy	Responsibility	Growth satisfaction General satisfaction
Feedback from job	Knowledge of results	Work effectiveness

$$\text{Motivating Potential Score (MPS)} = \left[\frac{\text{Skill variety} + \text{Task identity} + \text{Task significance}}{3}\right] \times \text{Autonomy} \times \text{Feedback}$$

OB W7: SOCIAL NETWORKING, POWER, POLITICS

    A.   POWER
    B.   INFLUENCE STRATEGIES
    C.   SOCIAL NETWORK
    D.   EMPOWERMENT
    E.   ORGANISATIONAL POLITICS

    A.   <u>POWER</u>
- Def: relative control over valued outcomes.
- The amt of power an ind has reps the relative value they have in a social system.
- 6 basic types of power:

Legitimate Power	The power from an ind's formal title &/ position within an org
Reward Power	The power from an ind's ability to confer valued rewards & benefits
Expert Power	Comes from the skills, knowledge, expertise of an ind tht are desirable to others & the whole society
Information Power	The power from one's access to & control over important info
Coercive Power	Power from an ind's ability to negatively influence others wellbeing
Referent Power	From an ind/org's charisma & interpersonal skills, & the person's ability to attract others & build loyalty (Nationalism/Patriotism)

    B.   <u>INTERPERSONAL INFLUENCE STRATEGIES</u>
- 6 fundamental principles underlying interpersonal influence:

Reciprocity	We are generally programmed to give back if we are given. (Take a sick child to the zoo; Ethiopia & Mexico)
Scarcity	Ppl tend to consider g&s tht are scarce to be of higher value. (Selling Aus beef in Canada; Hunger marketing strategy)
Authority	Ppl tend to value info/advice from inds w authority/power/expertise more. (Using experts/doctors in ads; celebs in charity campaign)
Consistency	Ppl need consistency bet what they do & what they say, /bet their past & current behaviour. (Reservation; Yes momentum)
Consensus	Ppl tend to follow the crowd & do what others are doing similarly. (Fashion mags – hottest trends; shopping channels wants to attract more custs – operators are waiting, please call now or if operators are busy, please call again)
Liking	We are more influenced by ppl who we like. We like those w similarity, compliment, cooperation.

    C.   <u>SOCIAL NETWORK</u>
- Def: a social structure tht consists of a grp of social parties (eg. Inds/grps), sets of dyadic ties, & other social exchange bet parties.
- Common networking strategies: socialising, maintain contacts, professional activities, community activities, increasing internal visibility.
- The key of social networking – dev connection & personal branding thr interpersonal influence.
- Main purpose of networking is to ↑ one's network centrality.
  - o Def: the extent to which one is central & valuable to the social network tht they belong to.
  - o Inds w > network centrality tend to:
    - ▪ Have more social capital & power
    - ▪ Perform better & more creatively
  - o 3 dimensions:
    - ▪ Degree centrality: # of connections 1 has to others.
    - ▪ Closeness: strength of ties 1 has w others.
    - ▪ Betweenness: how much 1 is located bet others.

    D.   <u>EMPLOYEE EMPOWERMENT</u>
- Def: Increasing the freedom & the ability of employees to make decisions & commitments.
- Empowerment content:
  - o Job content: Tasks & procedures necessary for carrying out a particular job.
  - o Job context: The setting in which the job is done, including org's structure, culture & reward systems.
- Empowered employees tend to xp:
  - o Sense of self-determination: employees are free to choose how to do their work; they're not micromanaged.
  - o Sense of meaning: employees feel tht their work is important to them; they care abt what they're doing.
  - o Sense of competence: employees are confident abt their ability to do their work well; they know they can perform.
  - o Sense of impact: employees believe tht they can hv influence on their work unit; others listen to their ideas.

    E.   <u>ORGANISATIONAL POLITICS</u>
- Political behaviours: those tht influence/attempt to influence, the distribution of advantages & disadvantages within the org.
- Eg of political rules:
  - o Get others to do the work for you, but always take the credit
  - o Pose as a friend, work as a spy
  - o Keep ppl dependent on you
  - o Don't commit to anyone
  - o Discover each man's thumbscrew
- Specific political behaviours in business orgs:
  - o Managing impressions
  - o Attacking & blaming
  - o Controlling info
  - o Forming coalitions
  - o Cultivating networks
- When perceiving high org'l politics, employees would:
  - o Xp ↓ job satisfaction
  - o Xp ↑ anxiety & stress
  - o Be more willing to leave the org voluntarily
  - o Exhibit reduced performance