Perception and Individual Decision Making In Organization

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Abstract

People's behaviour is based on their perception of what reality is, not on reality itself. The world as it is perceived is the world that is behaviourally important. In other words, our perception becomes the reality from which we act. This review study x-trayed the issues within the domain of perception and individual decision making. The paper observed that individuals behave in a given manner based not on the way their environment actually is, but rather on what they see or believe it to be. The study suggest that to influence behaviour at work, managers should assess how people perceive their work.

Key Words: Perception, Individual, Decision, Making, Organization, Manager, Employee, Environment, Work.

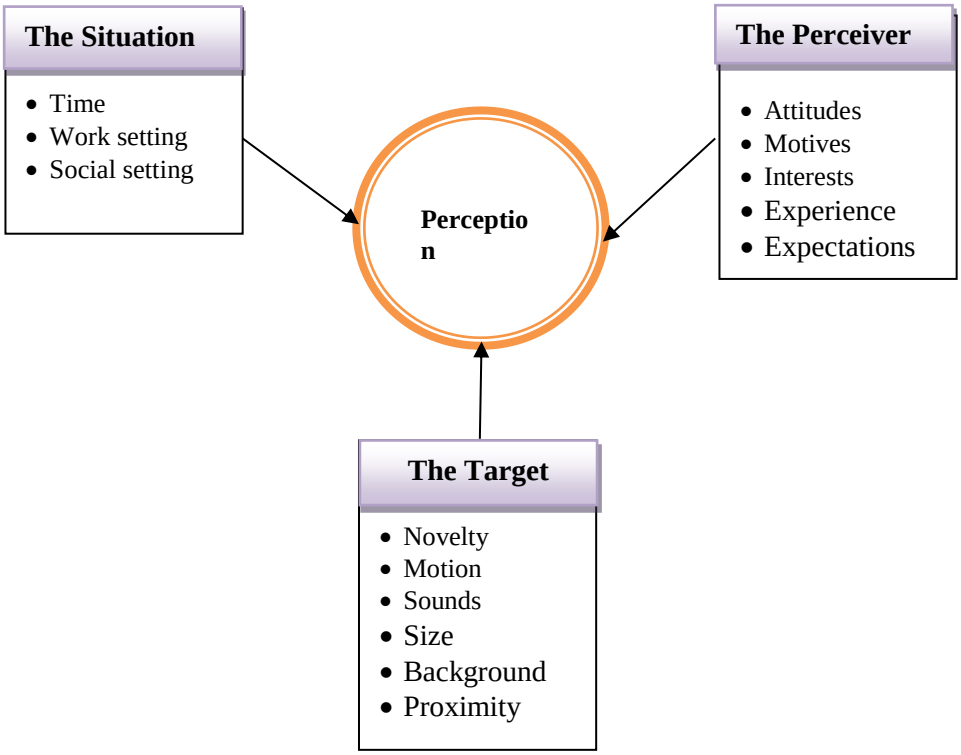
Introduction

Perception is the process by which individuals organize and interpret their impressions in order to give meaning to their environment. Thus, what we perceive can be substantially different from objective reality. We often disagree about what is real. Employees and managers have different views of their workplace conditions. According to Cole (1999) " a lot of things in life are perception". He backs this up by noting that as chair of Metropolitan Toronto for eleven years, he had little real power, but people believe he could get things done and so he did. Employees in a firm may view their work as a great place to work, this favourable working conditions, interesting job assignments, good pay, excellent benefits, understanding and responsible management, but as most of us know, it is very unusual to find agreement universal opinion. Individuals behave in a given manner based not on the way their environment actually is but, rather, on what they see or believe it to be. An organization may spend millions of naira to create a pleasant work environment for its employees. However, despite these expenditures, an employee who believes that his or her job is lousy will behave accordingly.

Factors Influencing Perception

A number of factors shape and sometimes distort perception. These factors can reside in the perceiver, the object or target being perceived, or the situation in which the perception is made. See Exhibit 1.

Exhibit 1: Factors Influencing Perception



Perceiver: When an individual (the perceiver) looks at something, (the target) and attempts to interpret what he or she sees, that interpretation is heavily influenced by the perceiver's personal characteristics such as attitudes, personality, motives, interests, past experiences and expectations. Thus, we often interpret others' behaviours based on our own characteristics. People who take an optimistic approach to life act as if others will be just as update, while those who are dishonest suspect others are equally dishonest.

Target: A target's characteristics also affect what is perceived. Laud people are more likely to be noticed in a group than are quiet ones. Extremely attractive or unattractive individuals are also more likely to be noticed. Novelty, motion, sounds, size, and other characteristics of a target shape the way we see it. Because

targets are not looked at in isolation, the relationships of a target to its background influence perception.

Situation: The time at which we see an object or event can influence our attention, as can location, light, heat, or situational matters. The context in which we see objects or events is important. Elements in the surrounding environment influence our perceptions.

Making Judgements About Others

Many of our perceptions of others are formed by first impressions and small cues that have little supporting evidence. Research indicates we form our strongest impressions based on what we perceive about other's moral character, but our initial information about this can be sketchy and unfounded (Goodwin et al, 2014). Thus, perceiving and interpreting why others do what they do takes time. As a result, we develop techniques to make this task more manageable. These techniques are frequently value, that is, they can allow us to make accurate perceptions rapidly and provide valid data for making predictions. They are however, not foolproof. They can and do get us into trouble. Some of the errors that distort the perception process are attribution theory, selective perception, halo effect, contrast effects, projection and stereotyping.

Attribution Theory: According to Harvey et al (2014), attribution theory tries to explain the ways we judge people differently, depending on the meaning we attribute to a behaviour. For instance, consider what you think when people smile at you. Do you think they are cooperative, exploitative or competitive? We assign meaning to smiles and other expressions in many different ways (de Melo, 2014). Basically, the theory suggests that when we observe what seems like atypical behaviour by an individual, we try to make sense of it. We consider whether the individual is responsible for the behaviour (the cause is internal) or whether something outside the individual caused the behaviour (the cause is external).

Selective Perception: Any characteristics that makes a person an object, or an event stand out will increase the probability we will perceive it. Because it is impossible for us to assimilate everything we see; we can take in only certain stimuli. Thus, this tendency explains why, you are more likely to notice cars that

look like your own. It also explains why some people may be reprimanded by their manager for doing something that goes unnoticed when other employees do it. Since we cannot observe everything going on about us, we engage in selective perception. We select according to our interests, background, experience, and attitudes.

Halo Effect: When we draw an impression about an individual on the basis of a single characteristic, such as intelligence, sociability, or appearance a halo effect is operating (Bechger et al, 2010).

Contrast Effect: An old adage among entertainers is "Never follow an that has kids or animals in it". Why? Audience love children and animals so much that you will look bad in comparison. This example demonstrates how the contrast effect can distort perceptions. We do not evaluate a person in isolation. Our reaction is influenced by other people we have recently encountered. Consider what happens when a manager interviews job candidates from a pool of applicants. The evaluation of a candidate can be distorted as a result of his or her place in the interview schedule. The candidate is likely to receive a more favourable evaluation if preceded by mediocre applicants, and a less favourable evaluation if preceded by strong applicants.

Projection: People who engage in projection tend to perceive others according to what they themselves are like, rather than perceiving others as they really are. Because they always judge people as being similar to themselves, when they observe someone who is actually like them, their perceptions are naturally correct. Managers who engage in projection compromise their ability to respond to individual differences. They tend to see people as more homogeneous than they really are.

Stereotyping: When we, judge someone on the basis of our perception of the group to which he or she belongs, we are stereotyping (Clark et al, 2015). Stereotyping can be deeply ingrained and powerful enough to influence life-and—death decisions. Eberhardt et al (2006) study for a wide array of factors such as aggravating or mitigating circumstances, showed that the degree to which black defendants in murder trials looked "stereotypically back" essentially doubled

their odds of receiving a death sentence if convicted. In another research Rosette et al (2008) found that students tended to assign higher scores for leadership potential and effective leadership to whites than to minorities, supporting the stereotype of whites as better leaders. Thus, stereotypes can lead to strong negative reactions, such as prejudice. Prejudice is an unfounded dislike of a person or group based on their belonging to a particular stereotyped group. For instance, an individual may dislike people of a particular religion, or state that they do not want to work with someone of a particular ethnicity. Thus, prejudice can lead to negative consequences in the workplace and, in particular, to discrimination.

Decision Making in Organizations

There are generally accepted constructs of decision making each of us employs to make determinations; rational decision making, bounded rationality, and intuition.

Rational Decision Making: We often think the best decision maker is rational and makes consistent, value-maximizing choices within specified constraints (Shafir and LeBoeuf, 2002).

Rational Decision Making: The rational decision-making model assumes the decision maker has compete information, is able to identify all relevant options in an unbiased manner, and choose the option with the highest utility (March 2009; Hardman and Harris, 2002). Business schools train students to follow rational decision-making models. While such rationalistic models have merit, they do not always describe how people make decisions. In reality, though, most decisions do not follow the rational model: people are usually content to find an acceptable or reasonable solution to a problem rather than an optimal one. However, Russo et al (2006) wrote that "most significant decisions are made by judgement, rather than by a defined prescriptive model. People are remarkably unaware of making suboptimal decisions".

Bounded Rationality: Often, we do not follow the rational decision-making model for a reason. According to Kahneman (2003); Halery and Chou (2014), our limited information-processing capability makes it impossible to assimilate all the information necessary to optimize, even if the information is readily obtainable.

Many problems do not have an optimal solution because they are too compacted to fit the rational decision-making model, so people satisfice; they seek solutions that are satisfactory and sufficient. We tend to reduce complex problems to a level we can readily understand. Because the human mind cannot formulate and solve complex problems with full rationality, we operate within the confines bounded rationality. We construct simplified models that extract the essential features from problems without capturing all their complexity. We can then behave rationally within the limits of the simple model.

Intuition: Perhaps the least rational way of making decisions is intuitive decision making, an unconscious process created from distilled experience (Kruglanski and Gigereneer, 2011). Intuitive decision making occurs outside conscious thought; relies on holistic associations, or links between disparate pieces of information; is fast; and is not rational, it is not necessarily wrong. Nor does it always contradict rational analysis; the two can complement each other.

Common Biases and Errors in Decision Making

Decision makers engage in bounded rationality, but they also allow systematic biases and errors to creep into their judgements (Robbins, 2004). To minimize effort and avoid trade-offs, people tend to rely too heavily on experience, impulses, gut feelings, and convenient rules of thumb. Shortcuts can distort rationality. Following are the most common biases in decision making.

Overconfidence Bias: We tend to be overconfident about our abilities and the abilities of others; also, we are usually, not aware of this bias (Ludwig and Nafziger, 2011). Individuals whose intellectual and interpersonal abilities are weakest are most likely to overestimate their performance and ability (Larrick et al, 2007).

Anchoring Bias: Anchoring bias is a tendency to fixate on initial information and fail to adequately adjust for subsequent information (Simmons et al, 2010). Anchors are widely used by people in professions in which persuasion skills are important such as advertising, management, politics, real estate, and law.

Confirmation Bias: The rational decision making process assumes we objectively gather information. But we do not. We selectively gather it. Jonas et al (2001); Heart et at (2009) observed that confirmation bias represents a case of selective perception; we seek out information that reaffirms our past choices, and we discount information that contradict them. We also tend to accept at face value information that challenges them.

Availability Bias: Availability bias is our tendency to base judgements on readily available information. A combination of readily available information and our previous direct experience with similar information has a particularly strong impact on our decision-making. Also, events that evoke emotions, are particularly vivid, or are more recent tend to be more available in our memory, leading us to overestimate the chances of unlikely events such as being in an airplane crash, suffering complications from medical treatment, or getting fired (Pachur et al, 2012). Morgenson (2009) noted that availability bias can also explain why managers give more weight in performance appraisals to recent employee behaviours than to behaviours of 6 or 9 months earlier.

Escalation of Commitment: Escalation of commitment refers to our staying with a decision even if there is clear evidence it is wrong. Evidence indicates it occurs when individuals view themselves as responsible for the outcome. Sleesman et al (2012) demonstrated that the sharing of decision authority such as when others review the choice we made, can lead to higher escalation.

Randomness Error: Most of us like to think we have some control over our world. Our tendency to believe we can predict the outcome of random events is the randomness error. Decision making suffers when we try to create meaning in random events, particularly when we turn imaginary patterns into superstitutions (James and Wells, 2002; Hahn and Warren, 2009). These can be completely contrived or they can evolve from a reinforced past pattern of behaviour. Decisions based on random occurrences can handicap us when they affect our judgement or bias our major decisions.

Risk Aversion: The tendency to prefer a sure thing over a risky outcome is risk aversion. Risk aversion has important implications. For example, to offset the

inherent risky employees accept in a commission-based wage, companies may pay commissioned employees considerably more than they do those on straight salaries. Second, risk-averse employees will stick with the established way of doing their jobs rather take a chance on innovative methods. Continuing with a strategy that has worked in the past minimize risk, but it will lead to stagnation. Third, ambitious, people with power that can be taken away (most managers) appear to be especially risk averse, perhaps because they do not want to gamble with everything they have worked so hard to achieve (Maner et al, 2007). Chief Executive Officers at risk of termination are exceptionally risk averse, even when a riskier investment strategy is in their firms best interests.

Hindsight Bias: Hindsight bias is the tendency to believe falsely, after the outcome is known, that we would have accurately predicted it. (Guilbault et al, 2004). When we have feedback on the outcome, we seem good at concluding it was obvious. Dash and Greswell (2008) observed that "what is clear in hindsight is rarely clear before the fact".

Influences on Decision Making: Individual Differences and Organizational Constraintsss

1. **Individual Differences**

Decision making in practice is characterized by bounded rationality, common biases and errors, and the use of intuition. Individual differences such as personality also create deviations from the rational model.

Personality: Research suggests personality influences our decisions. Moon et al (2003) observed that specific facets of conscientiousness, particularly achievement striving and dutifulness, may affect escalation of commitment. First, achievement-oriented people hate to fail, so they escalate their commitment, hoping to forestall failure. Dutiful people, however, are more inclined to do what they see as best for the organization, so they are less likely to escalate their commitment. Second, achievement–striving individuals appear more susceptible to hindsight bias perhaps because they have a need to justify their actions (Musch 2003).

Gender: Who makes a better decisions, men or women? It depends on the situation. When the situation is not stressful, decision making by men and women

is about equal in quality. In stressful situations, it appears that men become more egocentric and make more risky decisions, while women become more empathetic and their decision making improves (Huston 2014). Research on rumination, or reflecting at length, offers further insights into gender differences in decision making (Borders and Hennebry, 2015). Women spend more time than men analyzing the past, present, and future. They are more likely to overanalyze problems before making a decision and to rehash a decision once made. This can make problems harder to solve, increase regret over past decisions, and increase depression. Women nearly twice as likely as men to develop depression (Connery and Davidson, 2006), but why women ruminate more than men is not clear. However, Elias (2003) believe that the gender difference seems to lessen with age. Differences are largest during young adulthood and smallest after age 65, when both men and women ruminate the least.

Mental Ability: People with higher levels of mental ability are able to process information more quickly, solve problems more accurately, and learn faster; so you might expect them to be less susceptible to common decision errors. However, Stanovich and West (2008), note that mental ability appears to help people avoid only some of them. Once warned about decision-making errors, more intelligent people learn more quickly to avoid them.

Cultural Differences: The rational model makes no acknowledgement of cultural differences, nor does the bulk of organizational behaviour research literature on decision making. Indonesians, for instance, do not necessarily make decisions the same way Australians do. Therefore, we need to recognize that the cultural background of a decision maker can significantly influence the selection of problems, the depth of analysis, the importance placed on logic and rationality, and whether organizational decisions should be made autocratically by an individual manager or collectively in groups (Adler, 2002). Thus, cultures differ in time orientation, the value they place on rationality, their belief in the ability of people to solve problems, and their preference for collective decision-making.

Nudging: In organizations, nudging usually involves strategic placement of facts and resource that subtly suggest a better decision. For instance organizations that automatically enroll employees in retirement plans have greater participation than

those whose employees choose from many options, including not to enroll (Lukits 2014). Nudging uses psychology to circumvent our natural negative tendencies. According to Burrough (2014), nudging has also been used positively in the development of corporate social responsibility initiatives to change people's expectations for organizations. People differ in their susceptibility to suggestion, but it is probably fair to say we are all receptive to nudging to some degree.

Organizational Constraints

Organizations can constrain decision makers, creating deviations from the rational model. For instance, managers shape decisions to reflect the organization's performance evaluation and reward systems, to comply with formal regulations and to meet organizationally imposed time constraints. Precedents can also limit decisions.

Link Between Perception and Individual Decision Making

Individuals make decisions, choices from among two or more alternatives. Ideally, decision making would be an objective process, but the way individuals make decisions and the quality of their choices are largely influenced by their perceptions. Individual decision making is an important factor of behaviour at all levels of an organization. However, decision making occurs as a reaction to a problem. That is, a discrepancy exists between the current state of affairs and some desired state, requiring us to consider alternative courses of action.

Conclusions

Individuals based their behaviour not on the way their external environment actually is, but rather on the way they see it or believe it to be. An understanding of the way people make decisions can help use explain and predict behaviour, but few important decisions are simple or unambiquous enough for the rational model's assumptions to apply. We find individuals looking for solutions that satisfice rather than optimize, injecting biases and prejudices into the decision process, and relying on intuition. Managers should encourage creativity in employees and teams to create a route to innovative decision making.

Recommendations

The study recommend the following points:-

1. To influence behaviour at work, manager should assess how people perceive their work.
2. Manager should make better decisions by recognizing perceptual biases and decision making errors we tend to commit.
3. Manager should adjust his or her decision making approach to the national culture he or she is operating in and to the criteria his or her organization values.
4. Manager should combine rational analysis with intuition. These are not conflicting approaches to decision making. By using both manager can actually improve his or her decision making effectiveness.
5. Manager should try to enhance his or her creativity. Actively look for novel solutions to problems, attempt to see problem in new ways, use analogies, and hire creative talent. Manager should also try to remove work and organizational barriers that might impede creativity.

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