COURSE TITLE

ORGANIZATION AND MANAGEMENT

Chapter 7

GROUP DYNAMICS AND CONFLICT MANAGEMENT

Lecture 7 (week 7)

Meaning and concept of perception, Perceptual process, Perceptual errors, Introduction to decision making, Types and condition of decision making

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Learning Objective

The main objective of this lecture is to understand about:

7.1 Meaning and concept of perception.
7.2 Perceptual process.
7.3 Perceptual errors.
7.4 Introduction to decision making.
7.5 Types of decision making.
7.6 Condition of decision making.

7.1 MEANING AND CONCEPT OF PERCEPTION

Our behaviour is not only a function of our personality, values, and preferences, but also of the situation. Individual differs in the way he sees, interprets and understands a particular event. A person's perception is concerned with making judgment about others. Perception is the process by which individuals select, organize, and interpret their sensory impressions in order to give meaning to their environment. [1] A process of receiving information about and making sense of the world around us is perception.

Perception differs from one person to another, depending upon needs, values, and expectation. Individuals organize and interpret things based on their past experience and the important values they consider important. People respond to situations on the basis of their perception about the reality rather than reality itself. The study of perception is very important in the organization because it is necessary for the manager to perceive individuals correctly irrespective of their status. [2]

SENSATION

People use their sensory organ to sense. Senses receives stimuli both from within and outside the body.

PERCEPTION

An individual takes in the raw data through his senses and then, refines, modifies or completely alters it by cognitive.

Nature of Perception

1. It is the process by which an individual gives meaning to the environment.
2. It is cognitive (mental) and psychological process.
3. People's action, emotions, feelings and thoughts are triggered by their perceptions.
4. Since perception refers to the acquisition of specific knowledge about objects and events at any particular moment, it occurs whenever stimuli activates the sense organs.
5. It basically refers to the manner in which a person experiences the world.
6. It is an almost automatic process and works in much the same way with each individual and yields different perceptions.
7. A stimulus that is not perceived has no effect on behaviour.
8. It is the process that operates constantly between us and reality.
9. Perception is broader and much complex than sensation.

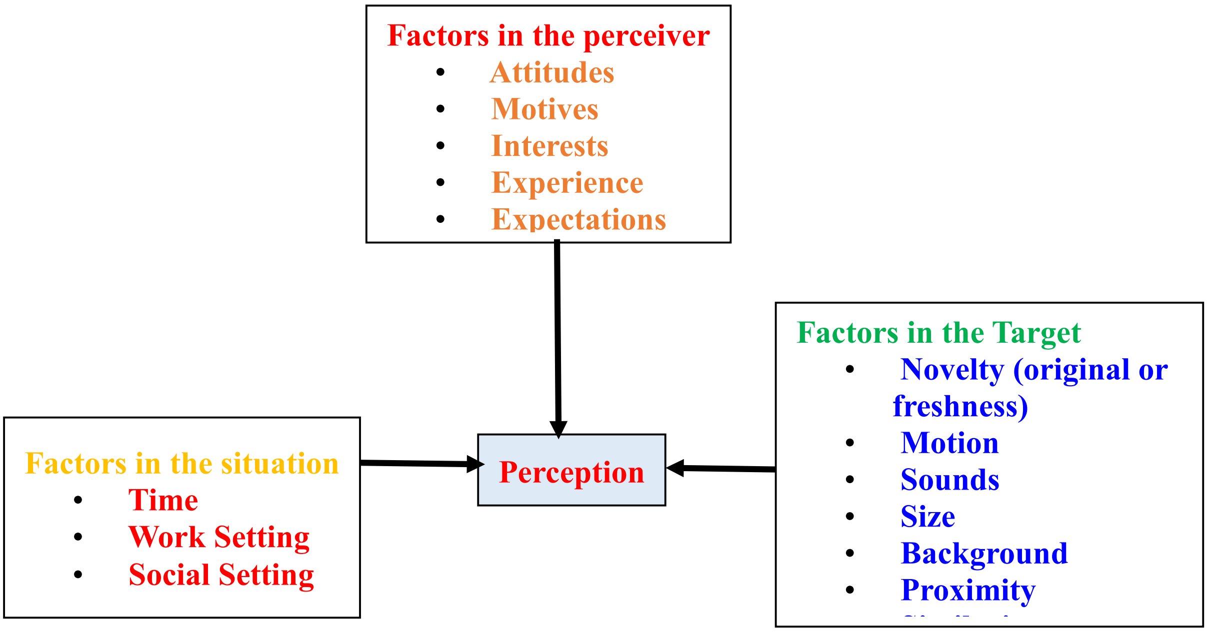
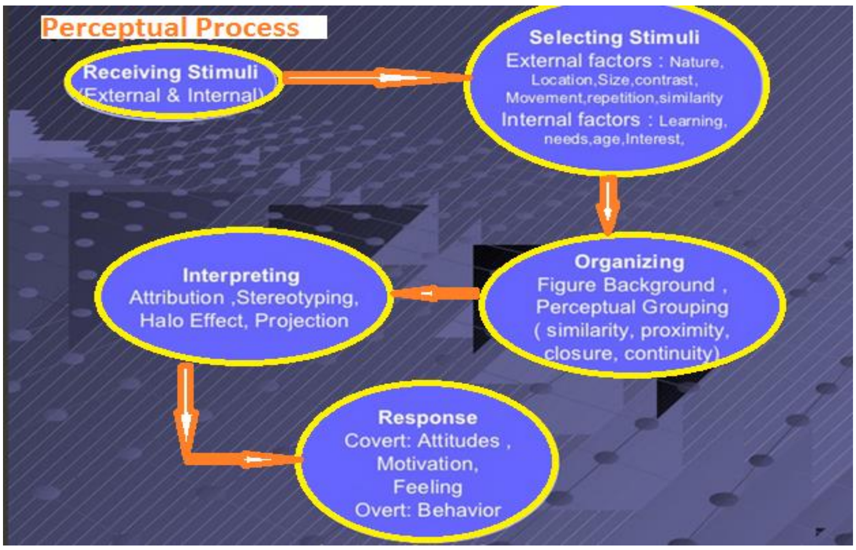


Fig: Factors Influencing Perception [1]

Importance of Perception

- It plays very important role in shaping the personality of individual.
- Perception is central in interpreting the world around us.
- Managers should be able to distinguish between perceived world and the reality.
- It affects the outcome of our behaviour because we act on the basis of what we see.
- An understanding of perception important to understand and control the human behaviour.

7.2 PERCEPTUAL PROCESS



SOURCE: [3]

1. **Selection of Stimuli**

Selection of stimuli is the first process in perception. The process of filtering information received by our sense is called selecting stimuli. We are selecting the stimuli through our senses, like...eyes, ears, tongue, nose, and skins. Factors that influence selective attention are

External factors: Nature, Location, Color, Size, Contrast, Movement, Repetition

Internal factors: Learning, Inner needs, Interest, Age difference.

2. **Organizing**

The second stage in the perception process is the organization of that stimulus in brain i.e. developing a positive or negative cerebral response to the stimulus. [3] This is a process in which people attempt to organize things in such a way that they make sense to them. This aspect of forming bits of information into meaningful wholes is called the perceptual organization.

3. **Grouping**

Selected information are grouped on the basis of similarity or proximity (nearness). For example: if in an institution, two employees resign together, then the manager tend to perceive that their departure were closely related, whereas in reality it might not be so.

4. **Interpretation**

After the selection and organizing the stimuli has to interpret them in order to make a sensible meaning. Perceiver can't draw any meaning without interpretation. It is a subjective and judgmental process. Perceiver uses his assumption of people, things, object, and situation. He makes attributions, uses his judgmental skills distorts information, adds/delete information brings his own subjective feelings, opinion, and emotions, in interpreting and drawing the measures.

7.3 PERCEPTUAL ERRORS

Perceptual errors occur when judgments about others are made using shortcuts. Common perceptual errors are selective perception, halo effect, stereotyping, contrast effect, projection and impression.

Selective perception

Everything that occur around us cannot be observed. People selectively interpret what they see based on their attitude, interest, background and experience. In an organization so many things keep happening but different people will perceive one fact differently based on individuals selectivity in perceiving which is generally based on his past experience and attitude towards work. [2]

Halo effect

It refers to the tendency of people to make judgment about others on the basis of a single trait such as intellectual ability, sociability and appearance. A halo effect occurs when one attribute of a person or situation is used to develop an overall impression of the individual or situation.

Halo effects are particularly important in the performance appraisal process because they can influence a manager's evaluations of subordinates' work performance.

Stereotyping (Generalizing)

When we judge someone on the basis of our perception of the group to which he or she belongs, we are using the shortcut called stereotyping. [1] In order to simplify matters, we often tend to classify people and events into already known categories. It is the tendency to generalize the characteristics of the objects being observed. Stereotyping often takes place based on gender, ethnicity, religion etc.

Contrast effect

We do not evaluate a person in isolation. Our reaction to one person is relative to the other. During selection process, interviewer selects a particular person for a particular job not because he fulfils all requirements but he is generally selected in relation to the other candidates. Individual selected may be academically, skill wise, experience wise better than those not selected. So it is a comparative or contrast phenomenon of perception.

Projection

You assume a person based on your own traits and not what he actually possesses. If you were hard working and dependable you would expect others to be so. People who engage in projection tend to perceive others according to what they themselves are like rather than perceiving others as they really are.

Impression

People frequently form impression of other on the first sight.

7.4 DECISION MAKING

Decision making is the act of choosing one alternative from among a set of alternatives. Decision making is the process of identifying and choosing among alternative courses of action in a manner appropriate to the demands of the situation. [5] Decision making is the process by which manager responds to an opportunities and threats by analyzing options, and making decisions about goal and course of action. We have to first decide decision has to be made and then secondly identify a set of feasible alternatives before we select one.

SIX 'C' of DECISION MAKING

CONSTRUCT a clear picture of precisely what must be decided.

COMPILE a list of requirements that must be met.

COLLECT information on alternatives that meet the requirements.

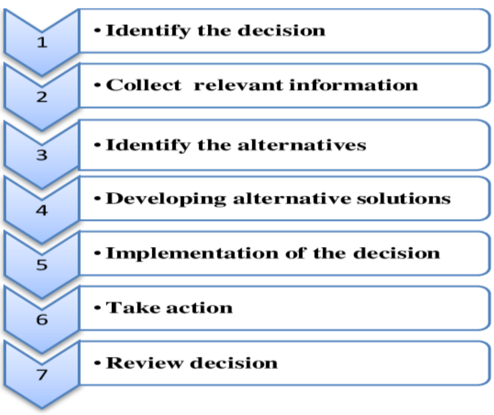
COMPARE alternatives that meet the requirements.

CONSIDER the "what might go wrong" factor with each alternatives.

COMMIT to a decision and follow through with it.

DECISION MAKING PROCESS

A process of making a choice between a numbers of options and committing to a future course of action is called decision making process. It involves following steps:



SOURCE: [6]

Step 1: Identify the Problem

- Make sure it's a problem and not just the symptoms of a problem. Problem identification is subjective.
- Problem is the discrepancy between the existing and a desired state.
- Discrepancies can be found by comparing current results with some standards.
- Managers are not likely to characterize discrepancy as a problem if they perceive that they do not have authority, information, or other resources needed to act on it.

Step 2: Diagnosing the problem

- In this stage an extensive analysis of the issues is carried out.
- It is necessary to classify the problems in order to know who must take the decision and who must be informed about the decision taken.
- Explore the issue from different perspective (using the diverse expertise from the decision making team)
- Question of what, how, why, who, when, where is asked so that the issue is fully resolved.
- Refine the decision statement based on the analysis.

Step 3: Discover alternative course of action

- In this step all the possible and desirable alternatives are listed.
- Creative skills are used and come out with alternatives that may look a little irrelevant rather than restricting yourself.
- Adequate research has to be done to come up with the necessary facts that would aid in solving the problems.

Step 4: Evaluate Alternatives

- Finding out advantages and disadvantages of each options.
- Filter out the problem that you think are impossible or do not serve your purpose.
- Rating each option with numerical digit would also help in filtration process.

Step 5: Select the best alternative

- In this step is where hard work you have put in analysing would lead to a proper decision.
- This includes selecting the alternative which seems to be best suited for you.
- Choice of the best alternative is most critical point in decision making.

Step 6: Implementing and follow up action

- In this step, the result of the decision is experienced whether or not it has solved the need identified in step 1.
- If the decision has not resolved the identified need, certain steps of the process is repeated in order to make the new decision.
- Includes gathering detailed or different information or discovering additional alternatives on which the decision is based.

Effective decision must be made to

<u>Maximize:</u>

Some set of factors such as profit, sales, employee's welfare and market share etc.

<u>Minimize:</u>

Loss, expenses, or employee turn over

Managers make decision about both problems (undesirable situation) and opportunities (desirable situation). It may take a long time before a manager can know for sure if the right decision was made.

7.5 TYPES OF DECISION MAKING

Managers need to take different decision on the basis of time and requirement. Managerial decisions may be divided into different types:

1. Strategic Decisions and Routine Decisions
2. Programmed Decisions and Non-Programmed Decisions
3. Policy Decisions and Operating Decisions
4. Organizational Decisions and Personal Decisions
5. Individual Decisions and Group Decisions

1. **Strategic Decisions and Routine Decisions**

Routine decisions are those that the manager makes in the daily functioning of the organization, i.e. they are routine. Such decisions do not require a lot of evaluation, analysis or in-depth study. In fact, high-level managers usually delegate these decisions to their subordinates. On the other hand, strategic decisions are the important decisions of the firm. These are usually taken by upper and middle-level management. They usually relate to the policies of the firm or the strategic plan for the future.

Programmed Decisions and Non-Programmed Decisions

Routine problems arise on a regular basis and can be addressed through standard responses, called programmed decisions. These decisions simply implement solutions that have already been determined by past experience as appropriate for the problem at hand. [7] These decisions are usually taken by lower management. For example, granting leave to employees, purchasing spare parts etc. are programmed decisions where a specific procedure is followed.

Non-routine problems are unique and new, having never been encountered before. Because standard responses are not available, these circumstances call for creative problem solving. These non-programmed decisions are specifically crafted or tailored to the situation at hand. [7] Usually, these decisions are important to the organization. Such decisions are left to upper management. For example, opening a new branch office will be a non-programmed decision.

Policy Decisions and Operating Decisions

Tactical decisions pertaining to the policy and planning of the firm are known as policy decisions. Such decisions are usually reserved for the firm's top management officials. They have a long term impact on the firm and require a great deal of analysis. Operating decisions are the decisions necessary to put the policy decisions into action. These decisions help implement the plans and policies taken by the high-level managers.

Organizational Decisions and Personal Decisions

When an executive takes a decision in an official capacity, on behalf of the organization, this is an organizational decision. Such decisions can be delegated to subordinates. However, if the executive takes a decision in a personal capacity that does not relate to the organization in any way this is a personal decision. Obviously, these decisions cannot be delegated.

Individual Decisions and Group Decisions

Any decision taken by an individual in an official capacity it is an individual decision. Organizations that are smaller and have an autocratic style of management rely on such decisions. Group decisions are taken by a group or a collective of the firm's employees and management. For example, decisions taken by the board of directors are a group decision.

7.6 DECISION MAKING CONDITIONS

Managers make problem-solving decisions under three different conditions: certainty, risk, and uncertainty.

1. Decision making under Certainty

2. Decision making under Risk
3. Decision making under Uncertainty

Decision making under Certainty

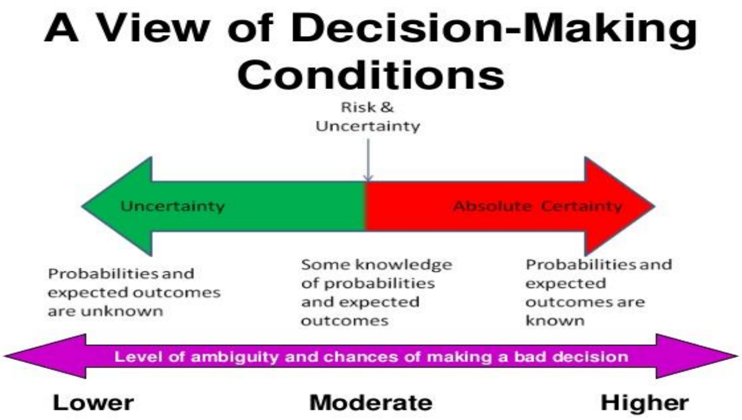
A condition of certainty exists when there is no doubt about the factual basis of a particular decision, and its outcome can be predicted accurately. [8] Very few organizational decisions are made under this condition. This condition is ideal for problem solving. The challenge is simply to study the alternatives and choose the best solution. A good example is the decision to reorder inventory automatically when stock falls below a determined level.

Decision making under Risk

A condition of risk is said to exist when a decision must be made on the basis of incomplete but reliable factual information. Reliable information, though incomplete, is still useful to managers coping with risk because they can use it to calculate the probability that a given event will occur and then to select a decision alternative with favourable odds. [8] Decision is calculated on the basis of which alternative has the highest probability of working effectively.

Decision making under Uncertainty

Condition of uncertainty exists when little or no reliable factual information is available. Most of the major decision making in today's organization is done under this condition. To make the effective decision under this condition, manager has to secure as much as relevant information as possible and approach the situation from logical rational point of view. Intuitions, judgements, and experience plays an important role in the decision making process.



SOURCE: [9]

DECISION MAKING MODEL

1. **Classical decision making model**

Classical decision theory views decision makers as acting in a world of complete certainty. It is an approach to decision making that tells managers how they should make decisions. Approach assumes managers are rational and logical and decisions will be in the best interest of organization.

2. **Rational decision making model**

The rational model of decision-making involves reasoning, facts, and data. In comparison, intuitive decision-making involves choosing among options without relying on reasoning or analysis. It involves unconsciously recalling a memory or relying on emotions to make decisions. Consist of six steps that keeps the decision makers focused on facts and logic and help guard against inappropriate assumptions and pitfalls.

Step 1: Recognizing and defining the decision situation

Step 2: Identifying alternatives

Step 3: Evaluating alternatives

Step 4: Selecting an alternative

Step 5: Implementing the chosen alternative

Step 6: Following up and evaluating the results

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