

**Organizational Behaviour**  
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**Lecture - 31**  
**Decision Making**

Welcome to the discussion on decision making today which is chapter 20 of the series of lectures that we are having. In this chapter, we are going to consider some of the important aspects of decision making.

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**Objectives:**

- To develop an understanding of:
- Types of Decisions
- Decision making process
- Behavioral Influences on Decision Making
- Different Decision Making Styles
- Group Decision Making
- Creativity in group decision-making.
- Types Of Organizational Decision Making Processes
- Contingency Framework For Using Decision Models
- Tools for Decision-Making
- A Systematic Approach to Decision Making
- Organizational Constraints
- Cultural Differences in Decision Making

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Firstly, we want to see what is decision, what are the different types of decision, what are the different decision making processes, what are the behavioral influences on decision making, different decision making styles, group decision making, we will try to concentrate on creativity in decision making, types of organizational decision making processes. We will also focus on contingency framework for using decisional models, tools for decision making and we go for a systematic approach to decision making, we will try to focus also on the constraints of decision making and cultural differences in decision making.

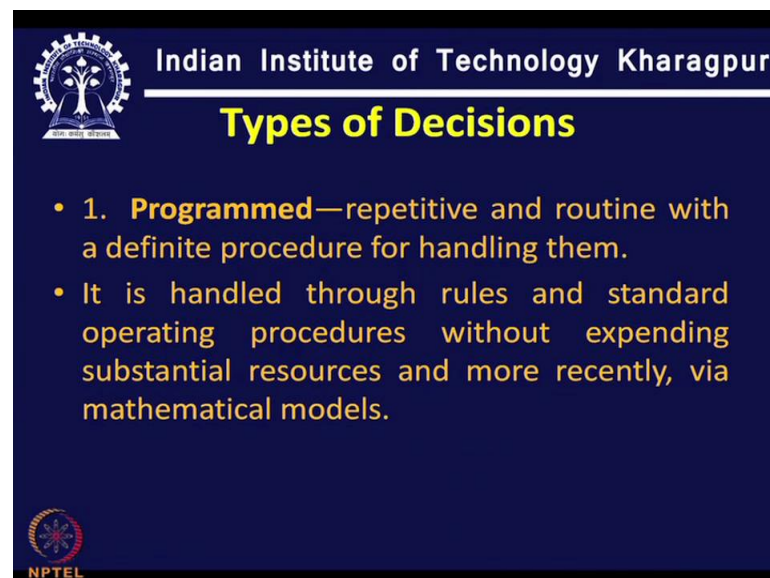
This whole span of discussion will be spread through two lecture sessions. In the first lecture, we are going to concentrate on the first few topics of, like from knowing what are the different types of decisions to decision making process, behavior influences and

the different decision making styles. So, before we try to discuss about what are the different types of decision, firstly we need to know what is a decision and why do we need to decide.

When we are talking of what is a decision then we can understand it is where a situation in our life where maybe there is a problem and there are two three alternatives to that ways of reaching that particular solution to that particular problem. Now, when we have alternatives in our life and we are to choose amongst those alternatives which are present to us, then comes the questions of decision making because we have to select the particular alternative based on certain parameters in such a way like it helps us to find the solution to the problem which is there.

So, this aspect of phenomena is called decision and how we do it, the process that we follow for doing our decisions, arriving at our decisions is called decision making. Before again we try to find out the process of decision making then we should know what are the types of decisions that people face in life? For that we will try to classify decisions required to be taken based on certain aspects. First type of decision that people in generally take is called rational decision making.

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## Types of Decisions

- 1. **Programmed**—repetitive and routine with a definite procedure for handling them.
- It is handled through rules and standard operating procedures without expending substantial resources and more recently, via mathematical models.

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And we are trying to focus more on types of decisions like if we try to classify it in that way we can classify it accordingly whether these are program decisions or non program decisions. When you are talking of program decisions these are more or less routine

decisions that we have to take and which are like repetitive decisions that we have to take in which maybe there is not much of variety regarding the problem faced for these types of decisions and there is a defined definite procedure for handling them.

They are handled generally through set standard procedures that are and rules that are defined in the organization. So, these are routine decisions, we do not have to spend much of our like thought processes for it and we generally try to follow a definite procedure stated, well established procedure for doing these type or taking these type decisions and its generally done through mathematical models.

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- 2. **Non-programmed**—novel and unstructured with no established procedure for handling the problem.
- **Managerial decision-making:**
  - 1. Top management focuses on non-programmed decision-making,
  - 2. First-level managers focus on programmed decision-making.
  - 3. Middle managers focus mostly on programmed decision making.

When we are talking of non program decisions these are novel and unstructured with no established procedure for handling the problem. So, there is a uniqueness in the problem with more of challenging aspects we do not know what are the possible alternatives, maybe we can learn from some of the past aspects, but it is not exactly like the past situation and we need to visit and revisit the problem times and again, so that we can find out amongst the alternatives which is the best solution and or how to reach a particular solution. So, these types of decisions are called non program decisions.

Now, we will find as people move up the sorry level of hierarchy in the organization what may happen is that like people in the position of lower management cadre, they are generally concerned with program decision making. People who are in the middle of the ranks in the organization, they generally, mostly it is not for all times, they also mostly

do program decision making where there is less of challenges, novelty in the decision making process.

But as we move up and therefore, there is, I will be concerned more with the top management position. There people are more concerned with decisions which are challenging in nature, which are non programmed in nature and there is lot of uncertainties in those decision making. So, after we have classified the types of decisions into these two categories of what is a programmed decision and what is a non programmed decision, we will move into decision making process which is called rational decision making process.

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**Rational Decision Making Process**

- **1. Establishing specific goals and objectives and measuring results-**
- Objectives specify desired decision outcomes and serve as guidelines in the decision process.
- **2. Problem identification and definition-**The problem comes to light when a gap exists between performance levels specified by organizational objectives and actual levels.

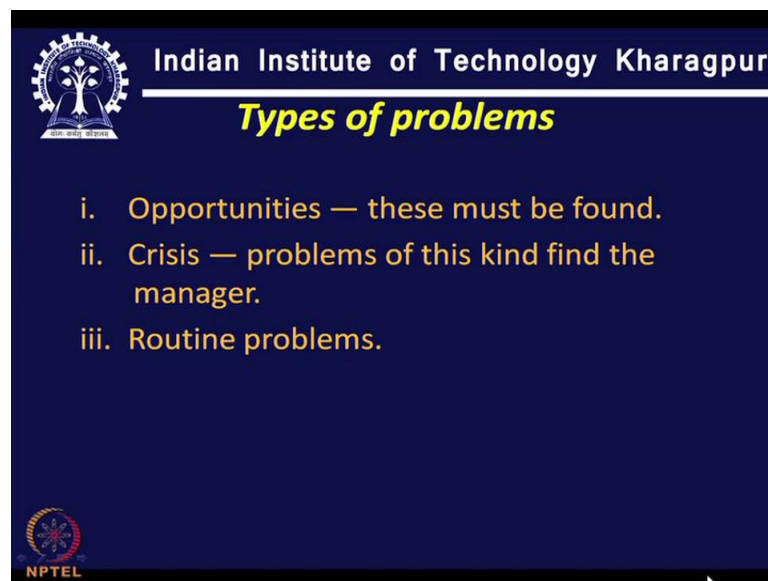
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And these types of decision making process is more concerned with like establishing specific goals and objectives and trying to find out solutions for it. So, in this case what happens like in the, we can think of the best decision making process as a rational one which tries to maximize the value which is present and value maximizing choices and taking care of the constraints which are there in life. It relies on number of assumptions that has been made and it takes care of things like we know all the possibilities which are there, alternatives which are there in the decision making process.

So, first the different steps which are concerned with rational decision making. First step is establishing specific goals and objectives and trying to measure the results for it. So, objectives what they will do, they will describe the desired outcomes and state for how to

reach those outcomes. When we are talking of problem identification and the definition part of that problem identification and these problems come to light when there is a gap in the performance level of the specified organizational objectives and what actual levels of performance are reached by the organizations. So, when we find there is a gap in performance we know like there is a problem somewhere. Why this problem and like how, what happen so that we could not reach the objective as as was defined.

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**Types of problems**

- i. Opportunities — these must be found.
- ii. Crisis — problems of this kind find the manager.
- iii. Routine problems.

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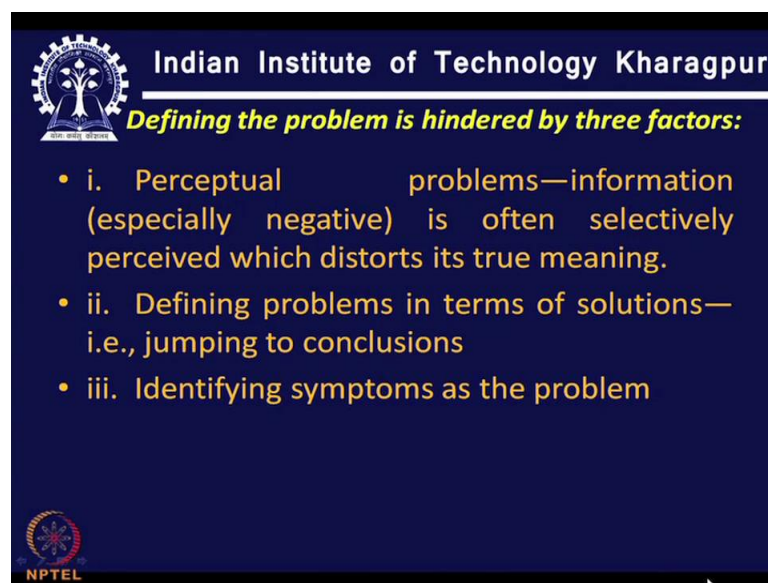
Next, step in this decision making process is to define the types of problems and if you see the types of problems can be hierarchically classified into these three types, one is the routine problems, day to day problems which are like problems that you find in day to day operations and how you try to solve it. Next, is when you are talking of some crisis situations occurring and you have to answer those crisis situations. So, there is where that you find like there is a gap happening and you try to answer those issues.

Third type of problem which is like when you talk of finding opportunities, here maybe, what happens? You try to find out how you can explore the feeling which is their outside your organization, in the environment and you can better your performance or how you can utilize the assets that you are having in terms of the people and the resources that you are having and how you can use this resources to tap certain field which is maybe still not very crowded in the environment. That is where you try to know what you, where

your opportunities lie and in what sense. So, these are the problems which if you take opportunities to be one of the problem situations these are to be found.

Voluntarily, you have to find this opportunities and then you have to prepare yourself for like so that you can maybe prepare yourself, keep yourself ready for grabbing this opportunities that that are present in the environment for you. So, these are the three types of problems if you are trying to classify problems according to their natures and complexities.

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**Defining the problem is hindered by three factors:**

- i. Perceptual problems—information (especially negative) is often selectively perceived which distorts its true meaning.
- ii. Defining problems in terms of solutions—i.e., jumping to conclusions
- iii. Identifying symptoms as the problem

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When we are talking of defining the problems if it maybe hindered, definition of the problem is hindered by three major factors. So, perceptual, one is the perceptual problems where where we try to select information. So, we selectively perceive the problem based on certain information and what sometimes does is distorts the meaning of the problem at hand. This may happen due to like the person perception and the problems that of the person who is living this problem and alternatives based on his or her personality pattern, attitudes, values the person may see the problem in a certain light, see some parts of the problem and may miss out some other parts of the problem or highlight on the selectively perceive only the negative part of that problem and try to overlook or generally cannot visualize the opportunity in that situation.

So, that results in perceptual problems and how it affects the definition of a particular problem. Generally, what happens? Again, like sometimes we jump too quickly towards

a particular solution like defining a problem, as if what could be the solution for this particular problem is instantaneously known and people try to jump to solution without taking into considerations the different alternatives that could be present, the situational variables that could be present which can act as constraints in the decision making process and help to materialize one of the alternatives chosen and maybe the other alternatives will not.

It is not possible to go for the other alternative keeping in view the constraints which are there for the decision making, but sometimes people do not give time for all these factors and they try to jump to a particular solution which if this hasty decision is taken sometimes it may backfire in the sense your solutions are not working or you find it was not timely enough to take this decisions or because people were not (( )) did not take care of the constraints which are present in the decision making process.

So, this is another of the hindrances when we are talking of types of problems and the hindrances that you face. Third is sometimes what happens we do not go to the root of the problem, but we take the symptoms of the problem as a problem. So, what happens? Like if, when there is a certain problem in the organization, what they, there could be various symptoms which expresses people's dissatisfaction with the issues at hand or why, we are not reaching certain objectives.

So, if we are concentrating more on the symptoms and take the symptoms to be the problem we are not going to the root of the problem and trying to find out the solution for it. What we become more engrossed with is the working with the sub symptoms and maybe trying to clarify issues related with the symptoms, but the root of the problem remains and maybe in certain other situations for temporarily if we take care of the symptoms and we handle it may be temporarily we can find answer to a particular problem, but because the root remains and the main cause is not removed or answered to and we do not find alternatives to it.

It may again come to the surface again some at lesser point of time. So, these could be the three hindrances while we are talking of hindrances, while we are freezing in defining the problem. Number one, there could be distortion in how we define the problem itself by whether we take it something to be a problem in the negative sense and we do not try to feature, we do not try to see the positive points of it. Second is when we

try to jump to a very hasty conclusion, solution without going through the steps of decision making and third is when we mistake some symptoms for a point problem and do not try to go deep into the roots of the point problem and find out what are reasons for it. So, what we generate maybe some superfluous solutions and not answering the root of the problem. So, these could be the three hindrances in the three factors which act as hindrances for defining the particular problem.

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- **3. Establishing priorities**—Scarce resources demand that managers deal with problems in order of significance.
- Significance determined by:
  - *i. Urgency*—time pressure.
  - *ii. Impact*—seriousness of the problem's effects.
  - *iii. Growth tendency*—future considerations.

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Next step in the decision making process, what happens is we have to establish the priorities of dealing with the problems and like if we have two, three, four problems at a particular time and we have to and there is a scarce resource as far as decision making is concerned in terms of time, money, involvement of people and all these things. Then maybe we have to prioritize the issues based on certain parameters and try to find out which are the problems which needs immediate attention to be solved like when we are talking of selecting the problems which requires immediate attention to be solved, maybe we are focusing on three ways of choosing those problems.

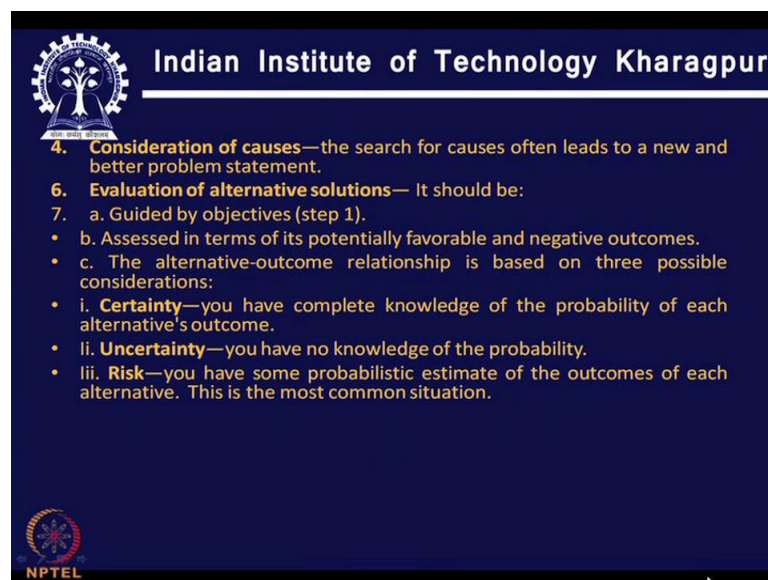
One is based on the urgency of the problem which is if we are under very time pressure and that problem has to be answered immediately then that is called urgency of the problem. What is the impact of the problem if it has a very induct impact in the organizations performance like day to day performance or even performance like some aspects of the performance which are very much related to its positioning and completely



filled and these impacts we have to take care of. Third is growth tendency, whether whether there is a chance of this problem to come up again in future, whether this problem if not taken care of now can like again generate in future with maybe further intensity.

So, this becomes further aggravated. So, these are the three conditions which determines, three yardsticks to determine, if two three problems are there simultaneously they exist in the organization which are the problems which are to be attended first in terms of problem solving and decision making regarding those problems.

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4. **Consideration of causes**—the search for causes often leads to a new and better problem statement.
6. **Evaluation of alternative solutions**— It should be:
  - a. Guided by objectives (step 1).
  - b. Assessed in terms of its potentially favorable and negative outcomes.
  - c. The alternative-outcome relationship is based on three possible considerations:
    - i. **Certainty**—you have complete knowledge of the probability of each alternative's outcome.
    - ii. **Uncertainty**—you have no knowledge of the probability.
    - iii. **Risk**—you have some probabilistic estimate of the outcomes of each alternative. This is the most common situation.
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Next step in dealing with the problem solving is of course, consideration of the causes of the problem. So, like we are telling if you remember like when we are talking of the not going by the symptoms of the problem, but trying to go to the root of the problem like if we are considering the cause of the problem, why, why this is so and what is the exact problem and why this is happening may maybe we try to find out the exact cause of a particular problem and it helps to solve and it helps to make a better problem statement and find solutions to it in a much better way.

So, and next step is finding alternative solutions to the problem. So, when we are talking of alternative solutions to a particular problem, first is it should be number one, guided by the objectives that are set by the organization. So, if you have to reach the objectives then what could be the possible steps to reach that objective in a much better way? So,

next is the alternatives should be judged in terms of the potential positive and negative outcomes like it is not enough to take or decide about or think about a particular alternative.

Alternative should also always be stated in terms of the positive and negative outcomes like if you have chosen some path what you gain by choosing that particular path and what are the negative consequences if you take that particular path for a decision making, for problem solving. Those are the things that should be clearly stated, should be should be there in your mind before you decide on, zero down on a particular alternative to be taken.

Next is what, like when you are talking of the or choice of your alternative and the probable outcomes that it, it should be leading to then we have to judge about the probability of the alternative and it is whatever possible outcomes that we are thinking of it. So, one is point one is that of certainty, how much certain you are that one particular alternative that you, that you have, you are thinking of will definitely lead to some type of outcomes whether either it is positive or negative in nature, how much surety you have about the probability of certain outcome.

Next is when you are talking of uncertainty like when we really have no knowledge of the probability of certain outcome, you know the alternatives maybe this is a new alternative that you are thinking of, you have not tested it, you do not know like it is never been tested by others also. So, totally new thing that you are working on and you do not know the probability and you are very uncertain of like whether it would lead to a positive outcome or a negative outcome.

And next is when you are ready to take certain risk in the sense you have some mental idea about the outcomes whether positive or negative in nature, but you are not very sure about the weightage of these two outcomes like whether it will lead to more positive outcome or negative outcome and maybe you want to take certain risk by just working with those alternatives and try to find out like whether actually it leads to positive outcome or a negative outcome.

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- **7. Solution selection:** With multiple objectives, often the objectives can't be optimized simultaneously; with two objectives, one is optimized, the other is sub-optimized. Situations exist where attaining an organizational objective is done at the expense of a societal objective. In managerial decision-making, optimal decisions are often impossible. Instead of an **optimizer**, the decision maker is a **satisfier**, selecting the alternative that meets an acceptable standard.
- **8. Implementation:** It usually involves people. Decisions must be transformed into behavior.
- **9. Follow-up-**Involves periodically measuring the decision results (comparing to planned results specified by the objectives) and acting to reduce/eliminate the desired-actual results gap.

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So, next step is decided as like the solution seeking phase. So, solution selection; in this what happens like if the problem at hand is with multiple objectives and again what happens like if there are multiple objectives which are maybe not too much related to each other, if it is to be reached simultaneously at certain point of time then what happens? Maybe, we cannot reach multiple objectives simultaneously if they are, they demand different, if they demand different priorities from you.

So, what happens at this time is again we have to choose between this objectives, in the sense like which is the one that that we are going to optimize and you know which is the one maybe like which is the sub optimized. So, what happens like the situation mentioned over here like sometimes in search for profit, I mean search of organizational objectives some, we sometimes we do it as a (( )) of the societal objectives and now like if you are talking of sustainability issues and we are talking of taking care of the environment, people and also the profit making objectives like if some organizations may find it very hard to balance all these three objectives if they are not able to establish the link between like how can we maximize profit also while maximizing the other two things also like the concern for the environment and the concern for the society at large.

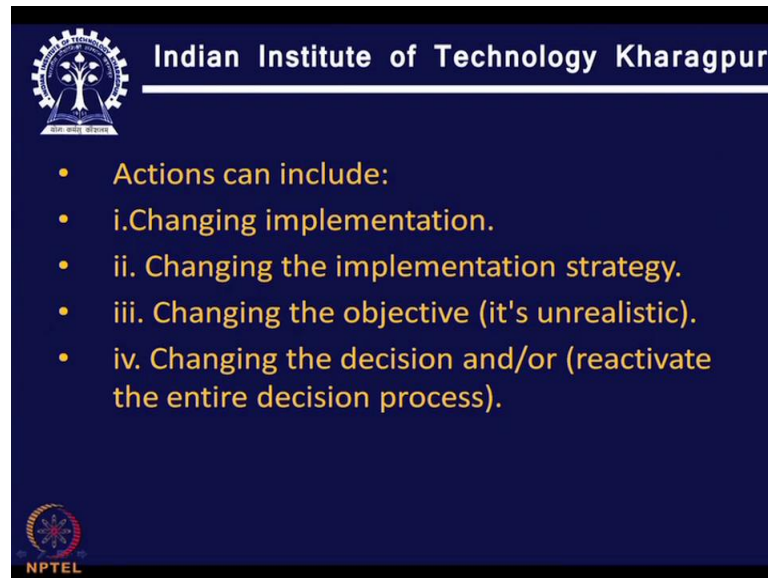
If we are not able to balance this three issues so what happens we may find like we are at crossroads of decision making and we may neglect or sub optimize one of the objectives and try to optimize the other things. So, what what may happen in this case? So, in order

to find a balance between the multiple objectives, so that all can be reached simultaneously and we do not neglect one of the objectives while giving much priority to the other objectives, so instead of optimizing for certain objectives what we can go for is a decision making which is a more satisfying in nature is selecting the alternative that that will help the acceptable standards.

And which will help to answer to take care of all the objectives which are decided for at a particular point of time. So, maybe we do not, it is not possible for make an optimal decision making, what we go for is satisfying decision making when if you have to take care of the multiple concerns, multiple objectives which are there set for a at a particular point of time and if we have to reach all these objectives simultaneously. Next, is when you are talking of implementation. So, that is where people are involved and decision making must be transformed into behavior, while we are talking of implementation and how people react to it, how they visualize the problem, how do, how do the act of the alternatives and how they reach the solutions or where it is concerned like implementation of the decision.

And when you are talking of follow up this is the stage where we are trying to see the effect of decision making. It is not enough to, it is not enough to just decide about something and then maybe implement something whether you have decided what is correct or not and whether it is working or not. These factors can be only understood when we are measuring these things where we are taking a follow up of the decision making process and so and whether we are taking a review of it and trying to see it like whether it is working or not and trying to improve on the processes like find out where we are lacking and how to improve on those issues and find out the gap between what is the desired result and the actual result and we try to fill up that gap. So, this whole chain completes the decision making process.

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- Actions can include:
  - i. Changing implementation.
  - ii. Changing the implementation strategy.
  - iii. Changing the objective (it's unrealistic).
  - iv. Changing the decision and/or (reactivate the entire decision process).

Now, when we are talking of taking some actions as far as decision making is concerned then there could be few actions like changing the implementation, like how it has been implemented on, who are implementing it and changing the implementation strategy like how it is getting implemented, at what time, whom do I choose to implement my strategy or if it is not possible we may think of changing the objective which is very unrealistic, if we are in the sense established the objective with much environmental scanning and discussion, internal discussions and taking those decisions at the very strategic level.

If those, if the signals are not that we have decided or an objective which is too much which is unrealistic in nature or then it is not proper to go for a change in the objective perceived. If it is not too much out of place and your review signals like the original problem that you chose for the objective that you choose for was not properly selected.

Next is change the, all this is changing the decision means going for another alternative and or like reactivate it from start like looking from the reviewing the situations from the start itself like what could be the other alternatives possible, did we choose a proper alternative, did we do a proper survey of the solutions that could be done before we jump into solution, are we taking care of all the constraints that were present and then after reviewing maybe we reactivate the whole decision making process. This could be the possible actions which is there when we take, after we try to fill up the gap of the desired result and the actual result.

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**Alternatives to Rational Decision Making**

- **Bounded Rationality.**
- *i. Decision makers rarely have all the information they need or want.*
- *ii. Decision makers are not aware of all possible alternatives and cannot predict consequences. iii. Early alternatives and solutions are quickly adopted because of constraints and limitations. iv. The organization's goals constrain decision-making.*
- *v. Conflicting goals of different constituents can restrict decisions, forcing a compromise solution*

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So, these are the possible steps of rational decision making, but one of the points of like rational decision making which is maybe very hard to reach is to know all the possible alternatives that are present to a particular objective at hand. Because, what happens sometimes people rarely have all the information they need or want and people do not have access to it or certain times it is not possible to predict all the consequences. So, and sometimes people add up to like early solutions.

So, early solutions because they appear to be quick fixes sort of thing and they have to like select, reach some conclusions, early conclusions and we do not have to go to the complexity of the issues. So, and what happens like there could be conflicting goals of different constituents, when these things happen, then what we are maybe shifting from a complete rational model of decision making to what is known as a bounded rationality model of decision making.

So, because in some cases like you are making a complete rational decisions will, is very time consuming and costly and problems have to be answered fast, solutions have to be arrived at. So, it, it is not possible to go for all these, search for all the alternatives and then reach a particular solution. So, what is the best next alternative to go for a decision making which is not so much of rational, but like when which we talk of as like bounded rationality model, bounded model, rational decision making model where it is somewhat rational in nature, but it is not too much of rational and we can arrive at solutions

somewhat (( )) cost, lesser cost and faster than when you are talking of rational model of decision making.

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**Behavioral Influences on Decision Making**

- **A. Values:** Values are the guidelines used when confronting a situation that requires a choice. Values are acquired early in life and exert a profound influence on the decision-making process, influencing:
  - a. Establishing objectives (making value judgments about selecting opportunities and assigning priorities).
  - b. Developing alternatives (making value judgments about selecting opportunities and assigning priorities).
  - c. Selecting an alternative.
  - d. Implementing (values influence means chosen).
  - E. Evaluating and control (value judgments affect corrective action taken).

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Another influence, another types of decision making which is least rational in the sense like when you are talking of intuitional models of decision making, where what happens, where this is based on, it is based on an experiences and years of experience and intuitions people that have gathered and it is based on distil sort of experiences. So, it is, in it, it is sometimes emotionally charged also emotional process of decision making. So, what happens like when you are talking of intuitive decision making maybe it is not, maybe it is not rational in nature, but it does not mean like it is wrong, it is wrong because, or it does not always mean like it acts opposite to the way of rational decision making.

So, what is happened is intuition is something that it depends on experiences that have been gathered through years, measuring that has been developed through years and we have tested it and it is there, lies there in a unconscious level and we try to utilize it when you are arriving for a certain decision. It does not mean like it is a very stereotypical decision, but yes we have a certain foresight and hindsight like when you are talking of intuitive decision making and sometimes it works because again it depends on the storehouse of knowledge and though and some because it sometimes not quantifiable, people do not try to like rely to on this intuitive decision making, but it works and it is

some, so what is the best option could be like to work for both going hand in hand for both rational decision making processes and intuitive decision making processes.

Next, we can concentrate like after we know these different types of decision making processes we can like try to find out what are the common errors or biases in decision making. What we find is that like one of the, like most common error is like or bias if you may tell is a bias of overconfidence like sometimes what happens? We are overconfident that whatever path we have chosen, alternative that we have chosen is going to yield result and we are overconfident of our ability to make a correct decision, we do not want to consult others, we do not want to go for searching for solutions and we rely too much on our ability for decision making and that bias is called bias for overconfidence.

Next type of bias is which was called an anchoring bias. In anchoring bias what happens? If we take one initial course of action, so we go, we become hooked to that alternative. If you can use that might become hooked to that alternative and we do not like to concentrate, we do not like to visit other alternatives that may come up in the later part of the decision making. We try to reject those alternatives and we remain like loyal to the initial alternative that we have chosen for ourselves for particular decision making.

So, that that bias is called anchoring bias. Third bias which is present which is called confirmation bias. In that type what happens like we try to seek out information which tries to reaffirm the alternative that we have chosen and we try to reject those alternatives which are may be giving us a feedback like our chosen path is not working. So, will we try to stick to those alternatives which reaffirms the decision that you have taken initially and we try to reject those options which are giving us a different feedback that is called a confirmation bias.

Next, when you are talking of like availability bias. In availability bias, what happens? There is a tendency for us to base our judgment on things, on information that is readily available. We do not want to like work for in searching for the alternative, something is readily available to us and we want to utilize only those information for decision making, we do not want to like work for finding other alternatives which could be there, we do not want to like think of generating other alternatives also that that part of the bias is called availability bias.



Another type of bias which is their which is called escalation of commitment. In escalation of commitment what happens? Like the, it is an increased commitment, escalation is an increased commitment to a previous decision. So, in spite of realizing fully like there is a negative feedback that you were getting of the original decision that is taken and somewhere we need to change, but because we chose a decision and initial decision and much of our emotional involvement was there in the decision that we chose.

So, this part we go on showing our loyalty to that decision because if we are changing our decision at a later point of time and may be realizing the negative part of the thing in what we are doing may be negating our original decision which was going to lower our self esteem or be a threat to our self like may be at that point of time we were not good decision makers. So, to prevent that threat to the self what people do in many cases like they go on escalating their commitment to a particular initial decision taken realizing fully well that in certain point of time like it is not working and it needs to be changed.

So, that this path, this type of decision making is called escalation of commitment. There is another type of error which is called randomness error. In randomness error what happens? The, there is a certain belief about which people nurture like they can decide for everything possible or not, they can even change random events, there, they that much powerful the good decision makers that they can take care of the random issues also.

So, this is again called a type of error which is called randomness error. Next part of error which is more important over here is like when we are talking of risk aversive behavior. What happens? Sometimes, people reach a particular solution because they do not want to take much risk with the alternatives which are based more on uncertainty. We do not know what are the possible outcomes to it, we do not have any first hand information about the weight age of the outcomes like whether we get a more positive outcome or a negative outcome for it.

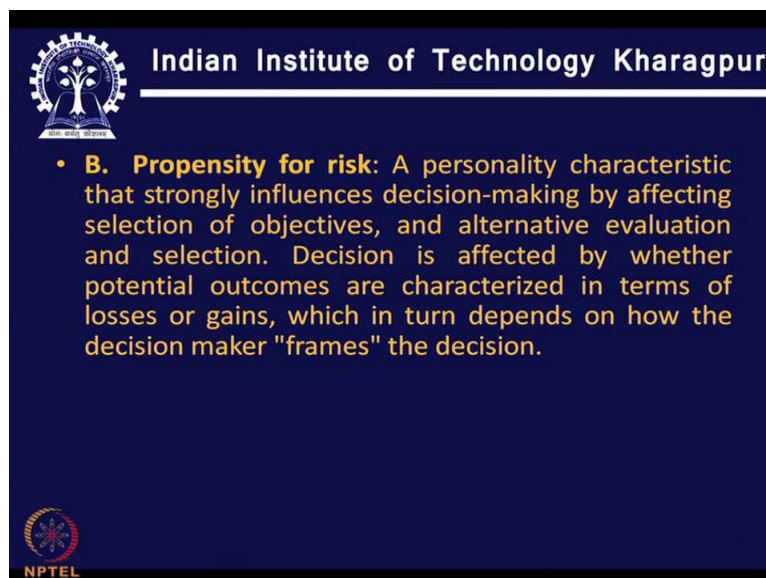
So, so what people want to do is they try to prefer less risky solution in the sense and they settle for a moderate outcome as far as the gains are concerned. So, these are in certain cases some of the errors which are involved in the process of decision making. Next, we will try to focus on some of the behavioral components of the decision making or rather we will talk of the behavioral influences in decision making. One of the primary

influences that we have in the decision making process and is like, is that of like the values like people are having and these values are idolized when which are used in confronting a particular situation and which requires a choice. So, sometimes values come in place and try to help us to decide like which is the best alternative for a particular problem.

So, what is done is establishing the objectives based on the and try to make value judgments, selecting the opportunities and try to find out which is the best alternative based on whether the, what is the giving weightage to the objectives based on this value dimensions, trying to look in the alternatives based on its value judgments again like which is more virtuous in nature and how it adds values to the organization. And after that we select a particular alternative and there may be when it comes to implementation values actually influence the means chosen for implementation.

Then we take a ethical route or not. All this will be guided by the values that influence the implementation phase. So, again evaluating and control the value judgments will define like what are the corrective action that needs to be taken. So, persons value system and whether that influences his decision on taking for the organization that matters a lot specifically when we are choosing for the objectives, when we are choosing for the alternatives and when you are choosing again for how to implement this decision making process.

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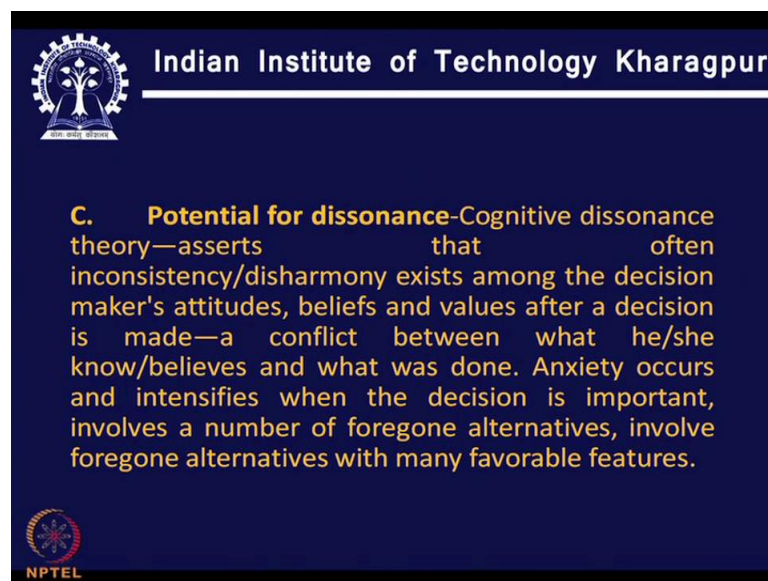
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- **B. Propensity for risk:** A personality characteristic that strongly influences decision-making by affecting selection of objectives, and alternative evaluation and selection. Decision is affected by whether potential outcomes are characterized in terms of losses or gains, which in turn depends on how the decision maker "frames" the decision.

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We have already discussed about the propensity of risk which is like when we talked about risk (( )) this is the part of personality characteristics which tells like how much risk taking we are. So, sometimes we find people are more or less prone and in other cases they are risk aversive which decides the propensity for taking a particular risk and if we are deciding on a particular outcome based on the losses or gains. So, it actually, it is the person's idea of what are the actual losses or gains and whether should, he or she will opt for that decision or not based on the propensity or that he or she has for taking a particular risk in life.

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**C. Potential for dissonance**—Cognitive dissonance theory—asserts that often inconsistency/disharmony exists among the decision maker's attitudes, beliefs and values after a decision is made—a conflict between what he/she know/believes and what was done. Anxiety occurs and intensifies when the decision is important, involves a number of foregone alternatives, involve foregone alternatives with many favorable features.

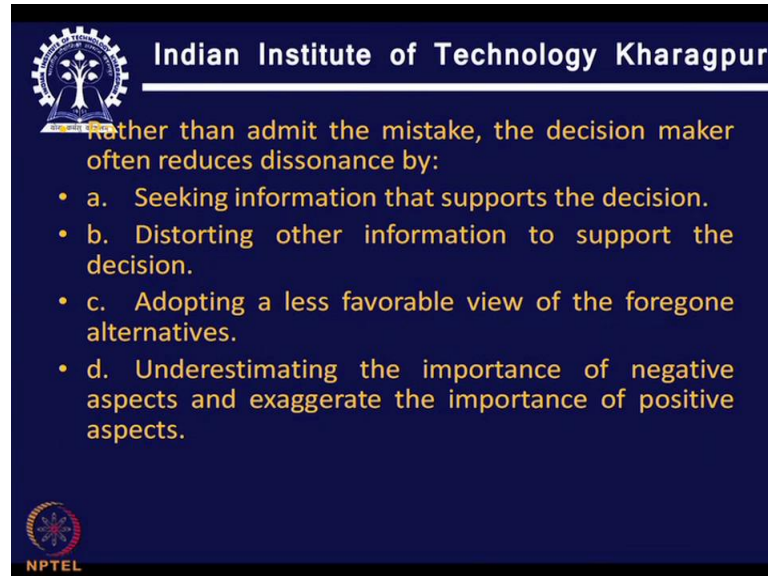
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Next is point, important point is that of potential for dissonance in which what happens is like cognitive dissonance asserts like when there is a disharmony existing between the decisions to be taken, when there is a objective and the decisions to be taking the alternatives and people have to reach those objectives, alternatives and it is not may be disharmony exists between them due to the persons attitudes, patterns and believe system.

So, there may be a conflict between what that person actually believes, wants to do and what was decided and that may result in anxiety and this is again intensified, feeling is intensified when they were number of alternatives which could be chosen, but some of the alternative was chosen based on certain other criteria and we had to forego many alternatives with some of the favorable features, because this was chosen due to some

other constraints. So, that results in cognitive dissonance on the part of the person who is not able to identify with the decisions made in the organization.

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Rather than admit the mistake, the decision maker often reduces dissonance by:

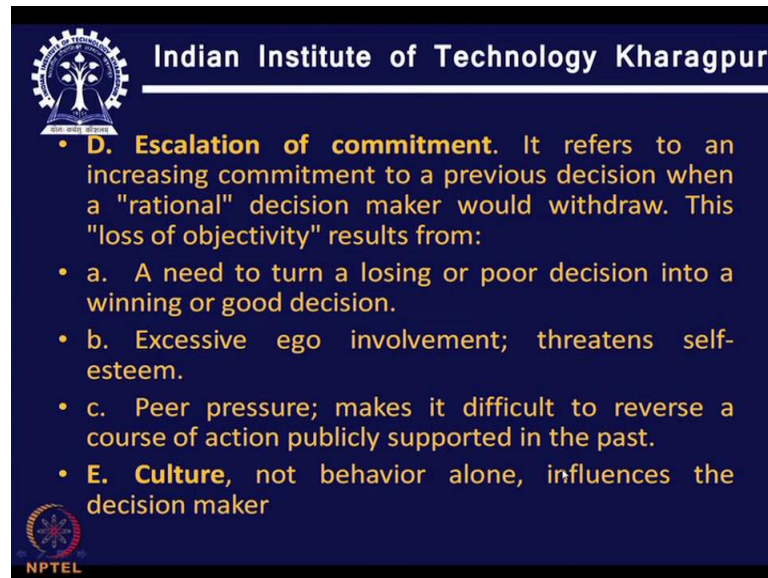
- a. Seeking information that supports the decision.
- b. Distorting other information to support the decision.
- c. Adopting a less favorable view of the foregone alternatives.
- d. Underestimating the importance of negative aspects and exaggerate the importance of positive aspects.

NPTEL

So, what is happening over here is rather than to admit the mistake that was happened, what the person tries to do, we try to seek support like which helps to support the decision information which seeks to support the decision. So, we try to distort other information to support the decision. And we take a less favorable view of the opportunities or the alternatives that we did not take and underestimating the importance of negative aspects.

So, what we try to do? We try to reduce the negative aspect of the decision making by working on all these steps like either looking at other alternatives, giving less importance to them or giving less importance to the negatives in the present decision that has been done. Only in that way we want to reduce dissonance that is been there because something we really wanted to do and some decision that has been taken and that does not match with our attitudes, values, qualities and other things.

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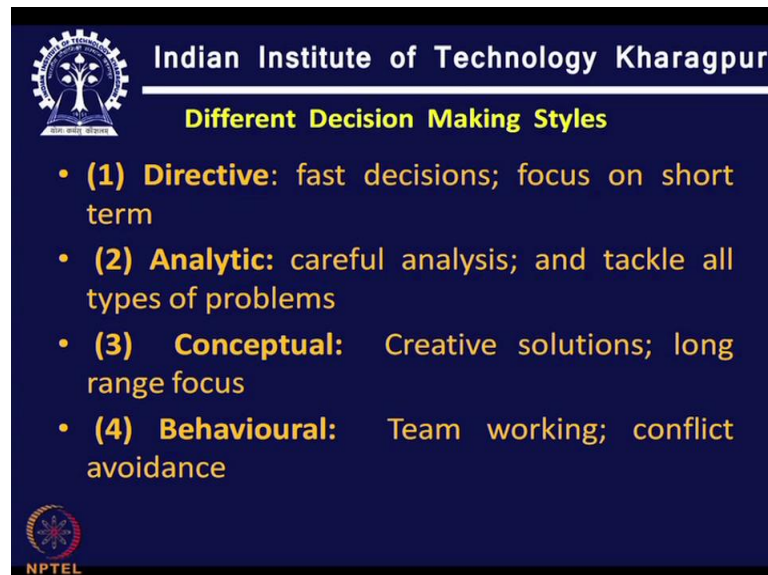
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- **D. Escalation of commitment.** It refers to an increasing commitment to a previous decision when a "rational" decision maker would withdraw. This "loss of objectivity" results from:
  - a. A need to turn a losing or poor decision into a winning or good decision.
  - b. Excessive ego involvement; threatens self-esteem.
  - c. Peer pressure; makes it difficult to reverse a course of action publicly supported in the past.
- **E. Culture,** not behavior alone, influences the decision maker

NPTEL

Now, we have already discussed about escalation of commitment which occurs and how people are moving towards that commitment. So, another part which is very important for decisions taken is like the culture and its influence on behavior. So, and it influences the decision making process.

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**Different Decision Making Styles**

- **(1) Directive:** fast decisions; focus on short term
- **(2) Analytic:** careful analysis; and tackle all types of problems
- **(3) Conceptual:** Creative solutions; long range focus
- **(4) Behavioural:** Team working; conflict avoidance

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Then we have certain biases which are called like high insight biases where sometimes we state like we know, we knew from for a certain from earlier times only like this is going to happen, this sum like if you take a survey and you find specifically about the

experience people like as if they can predict the outcome of a happening before that occurrence itself, then that is called the high insight bias like even something has happened and you try to take the, you try to take the opinion of these people.

They will always tell I knew that this outcome is going to happen, but maybe you never listened to me or never took my opinion on these things. This part of bias is called the high insight bias. Next, what happens? There could be individual differences in decision making regarding not only if in a personality pattern, but also differences in, when we are talking of influence of gender in the decision making process. Sometimes, like men and women think differently while they are going for a decision making.

So, when it comes to like reflecting back on situations which, which we call may be like influences of like rumination or while we were going back to the thinking of the problems before thinking of the past, present and future and at the time length. So, reflecting at times, it is generally found like women do not ruminate more while male and they are more likely to over analyze a particular problem before like they go for a particular decision.

And they maybe try to revisit to take it and again before they arrive at a particular solution. So, that is where the people may vary. People also vary in their mental ability to make decisions. Sometimes, people are quick to learn from mistakes and they can take care of those mistakes and decision, meanwhile decision making. Sometimes, people do not have that capability to learn from mistakes and they go on doing the errors time and again.

So, people differ in their mental abilities also like while it comes to decision making process. Next, we will try to concentrate here more on the different decision making styles. What we find for here, we can classify different decision making styles into four groups like directive decision making which are fast decisions which are focused on short term, analytic decisions which are careful analysis and tackle all types of problems, conceptual decision making style which are creative solutions, long range focus is there and behavioral decision making which is team working and conflict avoidances what, what is the focus of this decision making style.

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- **The four styles emerge from the premise that people differ along two broad dimensions :**
  - **(a) Way of thinking :**
    - **(i) logical rational, serial way of thinking,**
    - **(ii) Creative, intuitive, holistic**
  - **(b) Tolerance for ambiguity**

And we can have a, based on these four things we can have a combination from the premise like it emerges from the premise that people differ into broad dimensions in the way that they are thinking which is either logical or rational or serial way of thinking or creative or intuitive or holistic in nature and also there is some tolerance for ambiguity. So, when we are talking of rational decision making in serial we have decision making. It is one way of thinking that we are looking into where we are analyzing facts or finding out alternatives, going for calculative decision making, taking on judging each of the alternatives and reaching to a particular solution.

When you are talking of creative decision making it is more of emotional involvement and working from intuitions, working from foresight, working from hindsight even and we arrive at a particular, taking cares of the past, present and upcoming future and arrive at, we take care of all these things very holistically and arrive at some creative solutions. So, these are two ways, different ways of decision making when we have been discussing the way of thinking, and also when we are talking of tolerance for ambiguity.

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- **People using the Directive style have low tolerance for ambiguity.**
- **People of analytic style have a much greater tolerance for ambiguity.**
- **People with conceptual style tend to have broad outlooks and normally good at taking creative decisions after generating several alternatives.**
- **Persons with behavioural style work well with others and readily accept suggestions**

So, some people have low tolerance and some people have high tolerance for ambiguity. So, when we are talking of directive style these people have low tolerance for ambiguity. People who are on the analytic style have much greater tolerance for ambiguity. People with conceptual style tend to a broad outlooks and normally good at taking creative decisions and generate several alternatives. People with behavioral style work well with others and readily accept suggestions.

So, these are different things like we take when we are talking of this different ways of thinking and the tolerance of ambiguity, and how it leads to this decision making style. So, in the next session maybe we continue with decision making at the groups levels and organizational constraints of decision making, what are the different ways of making decisions and how we arrive at a proper decision regarding the problems at hand.

Thank you.