

# Organizational Behavior

## CHAPTER 1

### The Field of Organizational Behaviour

Organizational Behaviour: the study of what people think, feel, and do in and around organizations.

Organizations: are groups of people who work interdependently toward some purpose.

#### Historical Foundations

- Emerged as a field in 1940s. Although experts have been studying organizations for years:
  - Plato (400 BCE) wrote about the essence of leadership
  - Confucius (500 BCE) praised the virtues of ethics and leadership.
  - Adam Smith (late 1700's) discussed the benefits of job specialization and division of labour.
  - Max Weber (early 1900s) wrote about rational organizations, the work ethic, and charismatic leadership.

#### Why Study Organizational Behaviour

- Three reasons why OB is important:
  - Comprehend and Predict Workplace Events:
    - Satisfies our curiosity about why events occur.
    - Reduces anxiety
    - Predict future events
  - Adopt more Accurate personal theories:
    - Confirm and refine personal theories
    - Correct false "common sense"
  - Influence organizational events:
    - Work well with others
    - Accomplish personal and organizational goals

## Contemporary Developments Facing Organizations

### Technological Change

- Long history as a disruptive force in organizations

#### **Effects of technological change**

- Higher productivity, but replaces employees / occupations
- Alters Work and behavioral patterns (ie. smartphones changed our lives)
- Improves health and well being.

#### **Effects of Information Technology**

- Greater employee voice to executives.
- Less work-home separation, less attention span, more techno-stress

### Globalization

- Refers to economic, social, and cultural connectivity with people in other parts of the world.
- Due to better information technology and transportation systems.

#### **Effects of Globalization**

- Larger markets, lower costs, more knowledge.
- Affects teamwork, diversity, cultural values, and leadership
- Increases work intensification, reduces job security

### Emerging Employment Relationships

- Due to technology, globalization and other developments, people work longer hours, and have less work-life separation.

#### Remote Work:

- When employees occasionally or regularly work away from the organization's traditional common work site.
- Working at client sites (ie. repair technician)
- Telecommuting: when employees use information technology to work from home.

- Canadians want to work from home, but only 7% do.

#### Remote work benefits:

- Better work life balance
- Valued work benefit
- Higher productivity
- Better for the environment
- Lower real estate costs for the company

#### Remote work disadvantages:

- Social isolation, less co-worker interaction
- Less casual conversation to help career advancement
- Lower team cohesion, weaker organizational culture.

#### Benefits depend on the person, job, or firm.

- People who telecommute, most of the time, fulfil their social needs more from sources outside the workplace.
- Jobs are better suited for remote work when the tasks do not require resources at the workplace, is performed independently, and task performance is measurable.
- Companies improve telecommuting success by rewarding based on performance rather than “face time”.

#### Increasing Workforce Diversity

Surface-level diversity: the observable demographic and other overt differences among members of a group. (ie. race, gender, age).

Deep-level diversity: refers to experience and thinking. It is evident from interpretation of what a person says or does.

#### Consequences of Diversity:

- Better team creativity / decisions, but slower team development.
- Easier to recognize / address community needs as cultures are now represented within the company.
- Higher risk of dysfunctional conflict, which reduce information sharing and satisfaction among co workers.

## Anchors of Organizational Behaviour Knowledge

To understand societal changes (ie. globalization, employment relationships), the field of OB relies on a set of basic beliefs or knowledge structures:

- Systemic research anchor: study organizations using systemic research methods.
  - Evidence based management: rely on research evidence, not fads, or untested assumptions.
- Multidisciplinary anchor: Import knowledge from other disciplines, not just creates its own knowledge.
- Contingency anchor: Recognize that the effectiveness of an action may depend on the situation.
- Multiple levels of Analysis anchor: Understand OB events from three levels of analysis: individual, team, organization

## Perspectives of Organizational Effectiveness

- Organizational effectiveness is considered the “ultimate dependant variable” in OB. Organizational effectiveness is the outcome that most OB theories are ultimately trying to achieve.
- Old approach - achieving stated goals. Problems:
  - Could set easy goals
  - Company might achieve the wrong goals.

4 Perspectives of Organizational Effectiveness

**Open Systems Perspective**

**Organizational Learning Perspective**

**High Performance Work Practices Perspective**

## **Stakeholder Perspective**

### Open systems Perspective

- Views organizations as complex organisms that “live” within an external environment.
  - Organizations have sub-systems (ie. accounting, sales, cultural), that transform inputs into outputs.

### Effective Organizations

- Adapt to the environment, influence the environment (ie. marketing to increase demand), and in some cases, must move to a more favorable environment (ie. resource scarcity).
- *Efficiently* transforms inputs into outputs.

Open systems are the foundation for the other perspectives.

### Organizational Learning Perspective

- An organization’s capacity to acquire, share, use, and store valuable knowledge.
- Stock: knowledge or “Intellectual Capital”
- Flow: Organizational learning processes.

## **Intellectual Capital**

- Can be broken down into 3 forms:
  - Human Capital: refers to the knowledge, skills, and abilities that employees carry around in their heads.
  - Structural Capital: even if an employee leaves, his work remains with the company. Structural capital refers to knowledge captured and retained in an organization’s systems and structures, such as documented work procedures.
  - Relationship Capital: is the value from an organization’s relationships with customers, suppliers, and others who provide added mutual value for the organization. (ie. goodwill, brand image).

## Organizational Learning

- Develops and maintains intellectual capital.

### 4 Organizational Learning Processes

- Acquiring Knowledge: learning, environment scanning, grafting (hiring skilled employees), experimentation.
- Sharing Knowledge: knowledge distribution. Communication, information systems.
- Using Knowledge: Awareness of knowledge, Sense Making of Knowledge, Autonomy to apply knowledge.
- Knowledge Storage: Human Memory, Documentation, Practices / Habits, Databases.

Retain Intellectual Capital by:

- Keeping knowledgeable employees
- Transferring Knowledge to others
- Transferring Human Capital to Structural Capital

### High Performance Work Practices Perspective

Are workplace practices that leverage the potential of human capital.

Four HPWPs:

1. Employee involvement
2. Job autonomy
3. Competency development (training)
4. Rewards for performance and competency development

### Stakeholder Perspective

Stakeholder: anyone who is affected by the firm's objectives or actions.

- The stakeholder Perspective personalizes the open systems perspective; it identifies specific social entities in the external environment as well as employees and others within the organization (internal enviro.)

Challenges with stakeholder perspective:

- Shareholders have conflicting interests
- Firms have limited resources to satisfy all shareholder needs.

Values and Ethics prioritize shareholder interests.

- Values: Stable, evaluative beliefs, guide preferences for outcomes or courses of action in various situations.
- Ethics: Moral principles/values, determine whether actions are right or wrong and outcomes are good or bad.

Corporate Social Responsibility (CSR): consists of organizational activities intended to benefit society and the environment beyond the firm's immediate financial interests or legal obligations. It is the organizations contact with society.

Triple Bottom line philosophy: "earn positive returns" in economic, social, and environmental spheres.

## CHAPTER 4

### Emotions In The workplace

- Influence almost everything we do in the workplace
- Emotions: are physiological, behavioural and psychological episodes experienced toward an object, person, or event that create a state of readiness.
- Most emotions are nonconscious; they occur without our awareness.

2 Features of all emotions:

1. Emotions vary in their level of Activation.
2. Evaluation (core effect). Emotions signal if a perceived object or event should be approached or avoided.

Types of Emotions: refer to exhibit 4.1 on page 96.

### Attitudes vs. Emotions

Attitudes are judgments, whereas emotions are experiences.

### How Emotions Influence Attitudes and Behaviour

See Exhibit 4.2 pg.97

- Emotions are usually initiated by perceptions of the world around us.
- The experienced emotions then influence our feelings towards something.

### Cognitive Dissonance

- Occurs when our behaviour and beliefs are in conflict. Generates emotions (such as feeling hypocritical).
- (the whiteboard example)
- One dissonance-reducing strategy is to develop more favourable attitudes toward specific features of the decision, such as forming a more positive opinion about the whiteboards.
- Another would be to discover positive features of the decision that you didn't notice earlier that alternatives are not capable of.
- Third would be to compensate by looking at other decisions made.

## **Managing Emotions at Work**

**Emotional Labour** : the effort, planning, and control needed to express organizationally desired emotions during interpersonal transactions.

Emotion displays vary among cultures:

- Emotions discouraged: Japan, Ethiopia
  - Encouraged: Kuwait, Spain
- Hard to hide true emotions.
- Emotional Dissonance: tension when trying to display required emotions which contrast with true emotions.

### Emotional Labour Solutions

- Perceive emotional labour as a professional skill
- Engage in deep acting not surface acting.

### **Emotional Intelligence**

4 dimensions of emotional Intelligence (from worst to best)

- Awareness of our own emotions
- Management of our own emotions
- Awareness of others' emotions
- Management of others emotions

### **EI outcomes and Development**

#### **Outcomes:**

- better teamwork
- Better emotional labour
- Effective leadership
- Better decisions with others
- Positive, creative mindset

#### **Development:**

- Training, coaching, feedback, and age.

## **CHAPTER 3**

Planning- for what has to happen

Organize- the people

Leading- inspire people

Controlling

Absenteeism- have to pay more to replace

Turnover- have to pay for replacement and training

Low Morale- lower motivation for working in the organization therefore lower performance.

Supervisor is responsible for productivity of the shift.

The more you do nothing, the worse the problem gets.  
Deal with your problems at work.

## **Self Concept: How we Perceive Ourselves**

“Who am I?” and “How do I feel about Myself?”

- Guides our decisions and actions
- We compare current with desired self

Three self-concept levels: individual, relational, collective

4 Self-Concept Processes:

1. Social Self
2. Self enhancement
3. Self Verification
4. Self-Evaluation

Self Concept Characteristics (3 Cs):

1. Complexity:
  - We have multiple selves (eg. student, friend, son, etc.)
  - Complexity increases with:
    - Number of selves
    - High separation among selves (ie. they don't correlate with each other).
  - Self-Expansion: motivation to increase one's complexity
2. Consistency:
  - Higher when:
    - Multiple selves require similar attributes
    - Person's attributes are compatible with self-concept.

### 3. Clarity:

- Is the degree to which a person's self concept is clear, confidently defined, and stable.
- Clearer with age, and when a person's multiple selves have higher consistency.

### Outcomes of Self-Concept Characteristics

People have better well being with:

- Multiple Selves (complexity)
- High consistency selves
- Well established selves (clarity)

### Effects on individual behaviour / performance

Complexity:

- High: more adaptive, diverse networks, but more stressful
- Low: more resources to develop identities.

Clarity:

- High: better performance, leadership, career development, less threatened in conflict.
- Very High: role inflexibility (cannot adapt to changing job duties).

### Self-Enhancement

Drive to promote and protect a positive self-view

Self Enhancement Outcomes:

- Better personal adjustment and mental/physical health
- Higher motivation due to "can-do" beliefs
- Riskier decisions, inflated perceived personal credit, slower recognition of mistakes

### Self-Verification

Motivation to confirm / maintain self-concept

- Communicate self-concept to others
- Seek confirming feedback

Self-verification outcomes:

- Tend to recall information consistent with self-concept
- Dismiss/forget feedback inconsistent with self-concept
- Motivated to interact with those who affirm our self-view.

## Self Evaluation

Is defined by 3 elements:

- **Self-Esteem:** the extent to which people like, respect, and are satisfied with themselves.
  - High Self-Esteem; less influenced by others, more persistent, more logical thinking.
- **Self-Efficacy:** refers to a person's belief that he or she can successfully complete a task.
  - General self-efficacy: "can-do" belief across situations
- **Locus of Control:** is defined as a person's general beliefs about the amount of control he or she has over personal life events.
  - Higher self-evaluation with locus of control.

## The Social Self

Opposing Motives:

- a) People define themselves as unique and distinctive (personal identity).
- b) People define themselves as socially connected to groups (social identity)
  - **Social Identity Theory:** we define ourselves by the groups to which we belong or have an emotional attachment to.

## Perceiving the World around Us

**Perception:** the process of receiving information about and making sense of the world around us.

Selective Attention: the process of attending to some information received by our senses and ignoring other information.

- Influenced by characteristics of the persever or object being perceived.

- Selective attention biases:
  - Assumptions and Expectations
  - Confirmation bias: (is the tendency for people to screen out info that is contrary to their decisions, while more readily accepting info that confirms them.)

## Perceptual Organization and Interpretation

- Perceptual grouping processes reduce information volume and complexity.
- **Categorical thinking:** nonconscious process of organizing people and objects into preconceived categories.

### Perceptual Grouping Principles

- Similarity (ie. gender, race), and proximity (ie. groups)
- **Cognitive Closure:** when your mind fills in unstated details (ex. Hearing about a meeting that you missed)
- Perceiving trends (athlete or gambler is more likely to win because he is on a streak.)

### Interpreting Incoming Information

- Emotional markers automatically evaluate information

### Mental Models In Perception

- **Mental Models:** Knowledge structures we develop to describe, explain, and predict the world around us.
  - Visual: image road maps
  - Relational: cause and effect

### Important for sense-making

- Fill in missing pieces
- Predict events

### Problem with mental models:

- May block recognition of new opportunities/perspectives

## Specific Perceptual Processes and Problems

### Stereotyping in Organizations

**Stereotyping:** Assigning traits to people in social categories

Why people stereotype:

- Categorical thinking
- Drive to comprehend and predict others' behaviour
- Supports self-enhancement and social identity

Social identity and self-enhancement reinforce stereotyping through:

- Categorization process: Categorize people into groups
- Homogenization process: Assign similar traits within a group; different traits to other groups
- Differentiation process: Assign more favourable attributes to our groups; less favourable to other groups.

Problems with Stereotyping

- Overgeneralizes, doesn't represent everyone in category
- **Stereotype threat:** a phenomenon where members of a stereotyped group are concerned that they might exhibit a negative feature of the stereotype.
- Foundation of systemic and intentional discrimination

Overcoming stereotype biases

- Difficult to prevent stereotype activation
- Possible to minimize stereotype application

### Attribution Process

**Attribution:** involves forming beliefs about the causes of behaviour or events.

- **Internal Attribution:** perception that behaviour is caused by person's own motivation or ability.
- **External Attribution:** Perception that behaviour is caused by factors beyond persons control.

### Attribution Rules

- **Consistency:** Did this Person act this way in this situation in the past?
- **Distinctiveness:** Does this person act this way in other situations?
- **Consensus:** Do other people act this way in this situation?

### Attribution Errors

- **Self-Serving Bias:** the tendency to attribute our failures to external causes more than internal causes, while crediting our successes more to internal than external factors. (take credit for our successes and blame others or the situation for our mistakes).
- **Fundamental attribution error:** which is the tendency to overemphasize internal causes of another person's behaviour and to discount or ignore external causes of their behaviour. (people like to think human beings (not the situation) are the prime sources of their behaviour.)

### Self Fulfilling Prophecy

- Occurs when our expectations about another cause that person to act in a way that is consistent with these expectations.

### Effect is strongest...

- ...at the beginning of a relationship
- ...when several people have similar expectations about the person
- ...when the employee has low rather than high past achievement.

### Other Perceptual Effects

- **Halo effect:** One trait affects perception of person's other traits
- **False-consensus effect:** Overestimate extent that others share our beliefs/traits
- **Primacy effect:** First impressions are difficult to change
- **Recency effect:** Most recent information dominates perception

### Improving Perceptions

#### 1. Awareness of perceptual biases

- More mindful of our thoughts/actions
- Problems: has limited effect, may reinforce stereotypes

## 2.Improving self-awareness

- Implicit association test
- Applying Johari Window
  - 4 windows:
    - **Open Area:** info about you that is known by you and others.
    - **Blind Area:** info is known to others but not you (ie. when you act awkward)
    - **Hidden Area:** info known self but not others.
    - **Unknown Area:** values, beliefs, talents, behaviours that aren't known to you or others.

## 3.Meaningful interaction

- Based on contact hypothesis
- Improves empathy
- Specific conditions for meaningful interaction

## Global Mindset

- Ability to understand and respect other views/practices
- Ability to empathize and act effectively across cultures
- Ability to process complex information about novel environments
- Ability to comprehend and reconcile intercultural matters with multiple levels of thinking

## Developing a Global Mindset

- Improve self-awareness
- Compare mental models with people from other cultures
- Develop better knowledge of people and cultures – especially through immersion

WHy people quit their jobs? Their Manager.

Case Study

Note the major players

Note the context- small company, big company.

## CHAPTER 2

### MARS MODEL OF INDIVIDUAL BEHAVIOUR AND PERFORMANCE

Performance = Ability X Motivation

MARS - Motivation - Ability - Role Perception - Situational Factors

- Motivation: represents the forces within a person that affect his or her direction, intensity, and persistence of voluntary behaviour.
  - Direction: refers to the path along which people steer their effort.
  - Intensity: the amount of effort allocated to the goal.
  - Persistence: refers to the length of time that the individual continues to exert effort towards and objective. Will i actually get this done?
  - Driving a car:
    - effort = thrust of engine
    - Direction = steering
    - Intensity = speed
    - Persistence = how long you drive for.
  
- Ability: includes both the natural aptitudes and the learned capabilities required to successfully complete a task.
  - Aptitudes: are the natural talents that help employees learn specific tasks more quickly and perform them better.
  - Learned capabilities are the physical and mental skills and knowledge you have aquired.
    - These tend to wane over time.
  - The challenge is to match a persons abilities with the jobs requirements
    - 1) select aplicants who already demonstrate the required competencies.
    - 2) train employees
    - 3) redesign the job to fit the employee (ie. splitting a job up into multiple roles.)
  
- Role Perceptions: refer to how clearly people understand the job duties (roles) assigned to or expected of them.

- Role Clarity:
  - Understand their duties
  - Understand the priorities of their duties
  - Understand the preferred behaviours for accomplishing tasks.
- People are more confident exerting the required effort when they know what is expected of them.
  
- Situational Factors: anything beyond the employee's immediate control.
  - Constraints , work context constraints or facilitates behaviour or performance. (ie. lacking time, budget, physical work facilities, and other resources).
  - Cues, the work environment provides cues to guide and motivate people.

## TYPES OF INDIVIDUAL BEHAVIOUR

Task performance: refers to the individual's voluntary goal- directed behaviours that contribute to organizational objectives.

- Three types of task performance:
  - Proficient: was the work completed efficiently and accurately.
  - Adaptive: how well did the employee adapt to change.
  - Proactive: how well employees take the initiative to anticipate and introduce new, beneficial, work patterns.

Organizational Citizenship: Organizational citizenship behaviours (OCBs) includes various forms of cooperation and helpfulness to others that support the organization's social and psychological context. (ie. assisting co workers, showing courtesy towards co-workers, sharing work resources, supporting the company's public image, attending voluntary functions that support the organization.)

Counterproductive Work Behaviours: CWBs are voluntary behaviours that have the potential to directly or indirectly harm the organization or its stakeholders.

Joining And Staying With The Organization: companies need employees to stay with them as turnover is expensive and detrimental to the organization.

Maintaining Work Attendance: Absenteeism is a problem for organizations. The opposite of Absenteeism is Presenteeism: occurs when people attend work even though their capacity to work is significantly diminished by illness, fatigue, personal problems, or other factors.

- Presenteeism is more common among employees with low job security.

## Personality in Organizations

### Nature Vs. Nurture

- Influenced by **nature**- the genes we inherit.
  - Explains about 50% of behavioural tendencies.
- Influenced by **nurture**- our socialization, life experiences, and other forms of interaction with the environment.

### Personality stabilizes in young adulthood

- Self-concept gets clearer, more stable with age
- Executive function regulates behaviour
- But some traits change throughout life

## Five Factor Model of Personality (Big 5)

### Five-Factor Personality Model (CANOE)

**Conscientiousness**- Organized, dependable, goal-focused, disciplined

**Agreeableness**- trusting, helpful, good-natured

**Neuroticism**- anxious, insecure, depressed

**Openness to experience**- imaginative, creative, unconventional

**Extraversion**- outgoing, talkative, energetic

### Jungian Personality Theory

- Preferences for perceiving the environment and obtaining / processing info.

### Myers-Briggs Type Indicator (MBTI)

- Measures Jungian Types
- Most widely used personality test in business
- Good for self and others awareness
- Poor predictor of performance, leadership, team development

- People are fundamentally different, and people are fundamentally alike.
- Developed the MBTI to understand individual differences

Preferences:

- **Extraversion / Introversion** : how one re-energizes
- **Sensing / Intuition** : how one gathers information
- **Thinking / Feeling** : how one makes decisions
- **Judging / Perceiving** : how one orients to the outer world

## Values in the workplace

Stable, evaluative beliefs that guide our preferences

- Define right/wrong, good/bad – what we “ought” to do
- Direct our motivation, potentially decisions/behaviour
- Value system -- hierarchy of values

Compared with personality, values are:

- Evaluative (not descriptive)
- May conflict strongly with each other
- Affected more by nurture than nature

Schwartz's Values Model

- 57 values clustered into 10 categories, further clustered into 4 quadrants
  - **Openness to Change**: motivation to pursue innovative ways.
  - **Conservation**: motivation to preserve the status quo.
  - **Self-Enhancement**: motivated by self interests.
  - **Self-Transcendence**: motivated to promote welfare for others and nature.

## Values and Individual Behaviour

How personal values influence decisions/behaviour:

1. Affect the relative attractiveness of choices
2. Frame perceptions
3. Act consistently with self-concept and public image

Why personal values have limited influence:

- Situation -- interferes with values-consistent behaviour
- Counter-motivational forces – influences us to act contrary to our values

- Awareness (salience) -- relevance of values isn't obvious
  - Values are abstract
  - Routine behaviour isn't evaluated for values consistency

## Values Congruence

Similarity of a person's values hierarchy to the company's

Importance of Values Congruence:

- Team values congruence — higher team cohesion and performance
- Person-organization values congruence -- higher job satisfaction, loyalty, and organizational citizenship, lower stress and turnover.

## **Ethical Values and Behavior**

**Ethics:** study of moral principles/values –whether actions are right/wrong, outcomes are good/bad.

Three ethical principles:

- Utilitarianism – greatest good for the greatest number
- Individual rights – everyone has same natural rights
- Distributive justice – benefits/burdens should be proportional

## Influences on Ethical Conduct

Moral intensity

- Degree an issue demands application of ethical principles

Moral sensitivity

- Person's ability to detect presence/importance of moral issue
- Higher moral sensitivity due to:
  - expertise
  - previous dilemma experience
  - empathy
  - ethical self-concept

- mindfulness

Situational influences

- External forces to act contrary to moral principles and values

## CHAPTER 7 -DECISION MAKING-

### **Rational Choice Paradigm**

View that effective decision makers identify, select, and apply the best possible alternative

Two main elements of rational choice

1. Subjective expected utility –determines choice with highest value (maximization)
2. Decision making process – systematic stages of decision mak

Rational Choice Decision Making Process

1. Identify the problem
2. Choose the best decision
3. Discover possible choices
4. Select the choice with the highest maximization
5. Implement your choice
6. Evaluate selected choice

### **Problem Identification Challenges**

- Problems/opportunities are constructed from ambiguous information, not “given” to us.
- Influenced by cognitive and emotional biases

Five problem identification challenges

- Stakeholder framing: hiding information that makes the decision maker see the situation as a problem, opportunity, or steady sailing.
- Decisive leadership: announcing problems or opportunities before having a chance to logically assess the situation.
- Solution-focused problems: describing the problem as a veiled solution. (ex. “The problem is that we need more control over our suppliers”).

- Perceptual defense: refusing to recognize information that threatens their stance.
- Mental models: seeing things for how they should be instead of for what they are.

### Identify Problems Effectively

- Be aware of perceptual and diagnostic limitations
- Fight against pressure to look decisive
- Maintain “divine discontent” (aversion to complacency)
- Discuss the situation with colleagues -- see different perspectives

### Biased Decision Heuristics

#### Anchoring and adjustment

- We are anchored by and don't move far from an initial anchor point (e.g. opening bid).

#### Availability heuristic

- We estimate probabilities by how easy we can recall the event, even though other factors influence ease of recall (ie. traumatic shark experience will cause us to overestimate the events frequency).

#### Representativeness heuristic

- We estimate probability of something by its similarity to something known rather than by more precise statistics.
- Clustering Illusion: tendency to see a pattern from complete random events (ie. having the hot hand in basketball).

### Problems with Maximization

People don't try to select choice with highest value (maximization) Because:

- Alternatives appear sequentially, not all at once
- People lack motivation/ability to process volumes of information

How decision makers respond to maximization problems:

- Satisficing – choose first “good enough” alternative

- Oversimplifying decision calculations (e.g. few evaluation criteria)
- Avoiding the decision

## **The Role of Emotions and Intuition**

### Emotions and Making Choices

- Emotions form preferences before we consciously evaluate those choices
- Moods and emotions influence how well we follow the decision evaluation process.
- We 'listen in' on our emotions and use that information to make choices.

### Intuitive Decision Making

- Ability to know when a problem or opportunity exists and select the best course of action without conscious reasoning.

#### Intuition as emotional experience:

- Gut feelings are emotional signals
- Not all emotional signals are intuition, it depends on our level of experience in that situation.

#### Intuition as rapid nonconscious analysis:

- Uses action scripts (programmed decision routines that speed up our response to pattern matches or mismatches).

### Making Choices more Effectively

1. Systematically evaluate alternatives against relevant factors
2. Be aware of effects of emotions on decision preferences and evaluation process
3. Scenario planning (a disciplined method for imagining possible outcomes).

### Evaluating Decisions Better

1. Separate decision choosers from evaluators
2. Establish a preset level to abandon the project
3. Find sources of systematic and clear feedback
4. Involve several people in the evaluation process

## Decision Evaluation Problems

### Confirmation bias

- Inflate quality of the selected option; forget or downplay rejected alternatives

### Escalation of commitment -- repeating or further investing in an apparently bad decision

- Caused by:
  - **self-justification effect:** continuing to support those decisions even when there is evidence that they are not having the desired outcomes.
  - **self-enhancement effect:** feeling luckier, more competent, and more successful than average. Operates mostly unconsciously, unlike self-justification.
  - **prospect theory effect:** is the tendency to experience stronger negative emotions when losing something of value than positive emotions when gaining something of equal value (loss aversion).
  - **sunk costs effect:** making decisions based on the size of resources invested earlier instead of by the expected future gains and risk.