

Entrepreneurial Leadership & Organizational Behaviour

Prepared by Dr. Amany Ramadan

PMG 612

Lecture 10





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Entrepreneurial Leadership & Organizational Behaviour

Lecture 10

PMG (612)

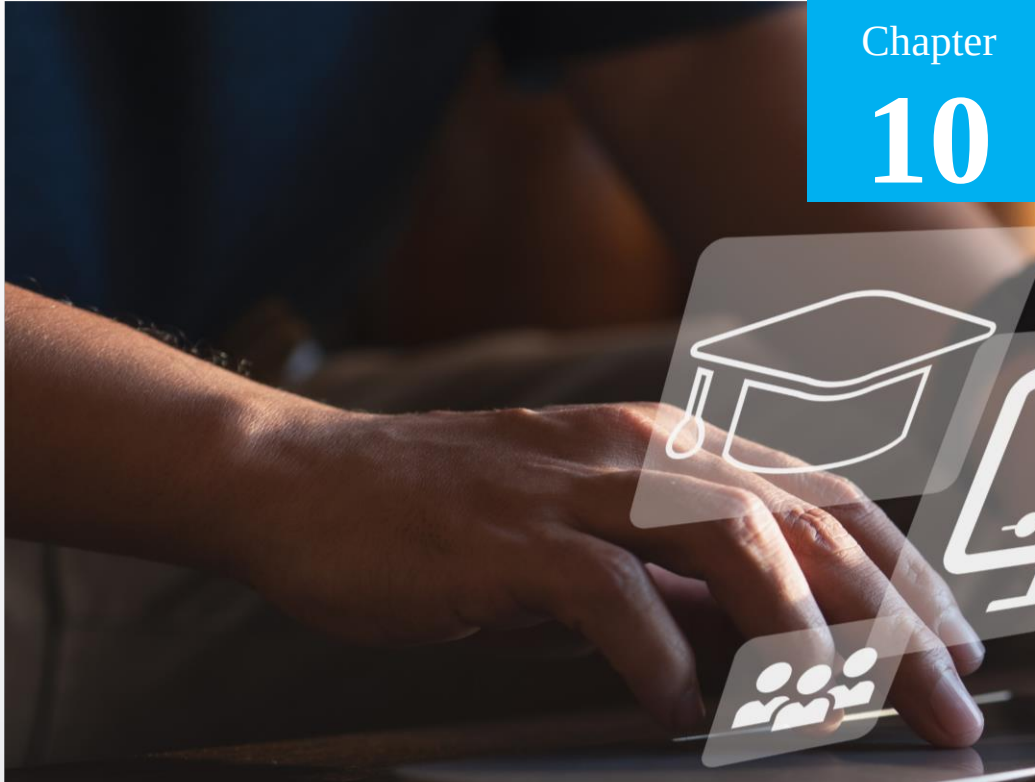
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Chapter

10

Organizational Behavior





The previous lecture covered the following topics

- Emotions and Moods
- Affective Events Theory
- Emotional Intelligence
- Emotion Regulation
- Organizational Behaviour Applications of Emotions and Moods
- Emotional contagion
- Personality and Values
- The Myers-Briggs Type Indicator
- Personality and Situations
- Situation strength theory
- Trait Activation Theory
- Values
- Value system

This lecture will cover the following topics

- Perception and Individual Decision Making
- Factors That Influence Perception
- Attribution theory
- Decision-Making in Organizations
- Common Biases and Errors in Decision Making
- Reducing Biases and Errors
- Influences on Decision Making: Individual Differences and Organizational Constraints
- Three-Stage Model of Creativity in Organizations

Perception and Individual Decision Making

What is Perception?

Perception is a process by which we organize and interpret sensory impressions in order to give meaning to their environment. What we perceive can be substantially different from objective reality. For example, all employees in a firm may view it as a great place to work—favorable working conditions, interesting job assignments, good pay, excellent benefits, understanding and responsible management—but, as most of us know, it's very unusual to find universal agreement.

Perception

A process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment.

Why is perception important in the study of OB? Simply because people's behavior is based on their perception of what reality is, not on reality itself. The world as it is perceived is the world that is behaviorally important. In other words, our perception becomes the reality from which we act.

Factors That Influence Perception

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

Perceiver

When you look at a target, your interpretation of what you see is influenced by your personal characteristics—attitudes, personality, motives, interests, past experiences, and expectations. In some ways, we hear what we want to hear and see what we want to see—not because it's the truth, but because it conforms to our thinking. For instance, research indicated that supervisors perceived employees who started work earlier in the day as more conscientious and therefore as higher performers; however, supervisors who were night owls themselves were less likely to make that erroneous assumption. Some perceptions created by attitudes like these can be counteracted by objective evaluation, but others can be insidious

Target

The characteristics of the target also affect what we perceive. Because we don't look at targets in isolation, the relationship of a target to its background influences perception, as does our tendency to group close things and similar things together. We can perceive women, men, Whites, African Americans, Asians, or members of any other group that shares some surface characteristics as alike in other, unrelated ways as well. Often, these assumptions are harmful, as when people who have criminal records are prejudged in the workplace as a result (whether or not it is known that they were wrongly arrested). Sometimes differences can work in our favor, though, such as when we are drawn to those that are different from what we expect. For instance, one study found that participants respected a professor wearing a T-shirt and sneakers in the classroom more than the same professor dressed traditionally. The professor stood out from the norm in the classroom setting and was therefore perceived as an individualist.

Context

Context matters too. The time at which we see an object or event can influence our attention, as can location, light, heat, or situational factors. For instance, at a club on Saturday night you may not notice someone “decked out.” Yet that same person so attired for your Monday morning management class would certainly catch your attention. Neither the perceiver nor the target has changed between Saturday night and Monday morning, but the situation is different.

People are usually not aware of the factors that influence their view of reality. In fact, people are not even that perceptive about their own abilities. Thankfully, awareness and objective measures can reduce our perceptual distortions. For instance, when people are asked to ponder specific aspects of their ability, they become more realistic in their self-perceptions. Let’s next consider how we make perceptions of others.

The perception concepts most relevant to OB include person perceptions, or the perceptions people form about each other. Many of our perceptions of others are formed by first impressions and small cues that have little supporting evidence. Let's unravel some of our human tendencies that interfere with correct person perception, beginning with the evidence behind attribution theory.

Attribution Theory

Nonliving objects such as desks, machines, and buildings are subject to the laws of nature, but they have no beliefs, motives, or intentions. People do. When we observe people, we attempt to explain their behavior. Our perception and judgment of a person's actions are influenced by the assumptions we make about that person's state of mind.

Attribution theory tries to explain the ways we judge people differently, depending on the meaning we attribute to a behavior. For instance, consider what you think when people smile at you. Do you think they are cooperative, exploitative, or competitive? We assign meaning to smiles and other expressions in many different ways.

Attribution theory

An attempt to determine whether an individual's behavior is internally or externally caused.

Internal and External Causation

Attribution theory suggests that when we observe an individual's behavior, we attempt to determine whether it was internally or externally caused. That determination depends largely on three factors: **(1)** distinctiveness, **(2)** consensus, and **(3)** consistency. Let's clarify the differences between internal and external causation, and then we'll discuss the determining factors.

Internally caused behaviors are those an observer believes to be under the personal behavioral control of another individual. Externally caused behavior is what we imagine the situation forced the individual to do. If an employee is late for work, you might attribute that to his overnight partying and subsequent oversleeping. This is an internal attribution. But if you attribute his lateness to a traffic snarl, you are making an external attribution.

Distinctiveness, Consensus, and Consistency

Distinctiveness refers to whether an individual displays different behaviors in different situations. Is the employee who arrives late today also one who regularly “blows off” other kinds of commitments? What we want to know is whether this behavior is unusual. If it is, we are likely to give it an external attribution. If it’s not, we will probably judge the behavior to be internal.

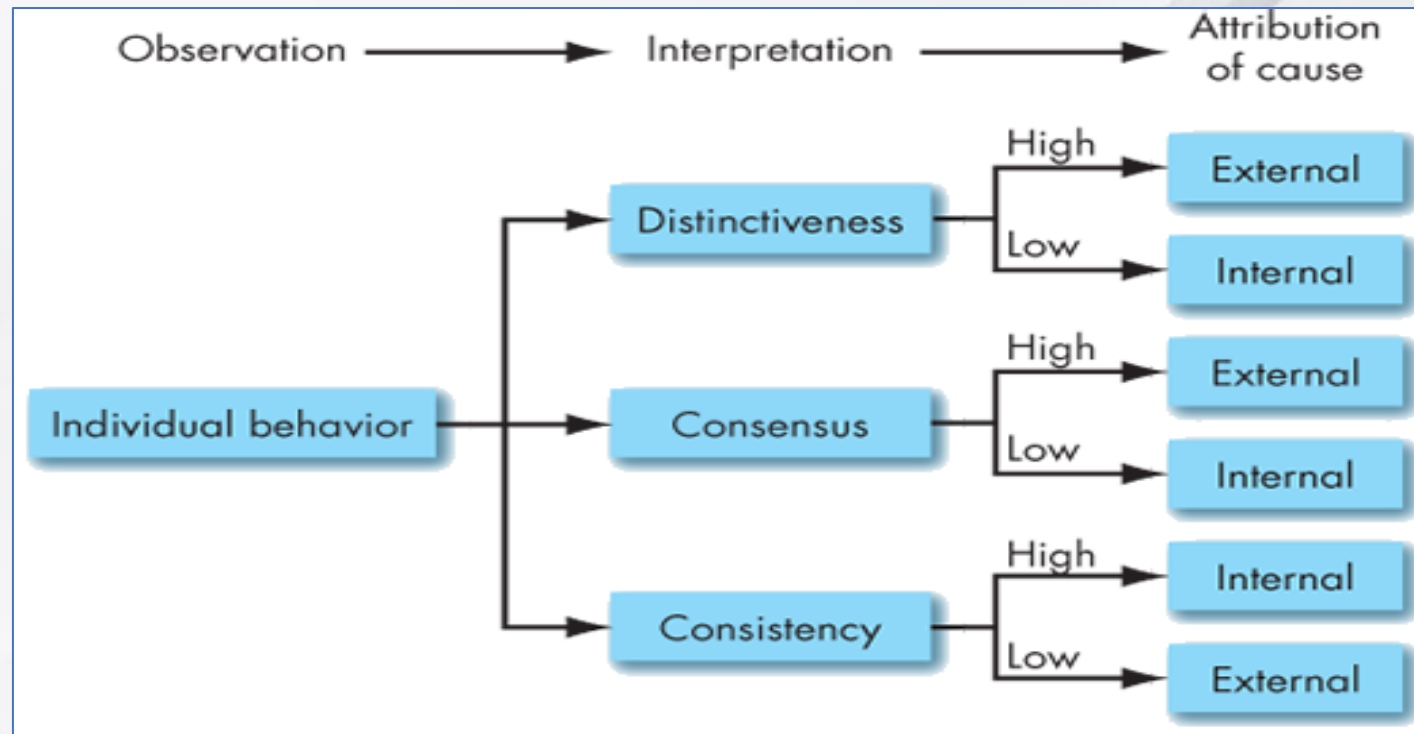
If everyone who faces a similar situation responds in the same way, we can say the behavior shows consensus. The behavior of our tardy employee meets this criterion if all employees who took the same route were also late. From an attribution perspective, if consensus is high, you would probably give an external attribution to the employee’s tardiness, whereas if other employees who took the same route made it to work on time, you would attribute his lateness to an internal cause.

Finally, an observer looks for consistency in a person’s actions. Does the person respond the same way over time? Coming in 10 minutes late for work is not perceived the same for an employee who hasn’t been late for several months as for an employee who is late three times a week. The more consistent the behavior, the more we are inclined to attribute it to internal causes.

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Attribution theory

Exhibit 6-1 summarizes the key elements in attribution theory. It tells us, for instance, that if an employee, Katelyn, generally performs at about the same level on related tasks as she does on her current task (low distinctiveness); other employees frequently perform differently—better or worse—than Katelyn on that task (low consensus); and Katelyn's performance on this current task is consistent over time (high consistency), anyone judging Katelyn's work will likely hold her primarily responsible for her task performance (internal attribution).



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Attribution theory

Errors and Biases

Errors or biases distort attributions. When we make judgments about the behavior of other people, we tend to underestimate the influence of external factors and overestimate the influence of internal or personal factors. This fundamental attribution error can explain why a sales manager attributes the poor performance of her sales agents to laziness rather than to a competitor's innovative product line. Individuals and organizations tend to attribute their own successes to internal factors such as ability or effort, while blaming failure on external factors such as bad luck or difficult coworkers. Similarly, people tend to attribute ambiguous information as relatively flattering, accept positive feedback, and reject negative feedback. This is called self-serving bias.

Fundamental attribution error

The tendency to underestimate the influence of external factors and overestimate the influence of internal factors when making judgments about the behavior of others.

Self-serving bias

The tendency for individuals to attribute their own successes to internal factors and put the blame for failures on external factors.

Common Shortcuts in Judging Others

Shortcuts for judging others often allow us to make accurate perceptions rapidly and provide valid data for making predictions. As we've seen, they can and do sometimes result in significant distortions. Let's explore this further.

Selective Perception

Any characteristic that makes a person, an object, or an event stand out will increase the probability we will perceive it. Why? Because it is impossible for us to assimilate everything we see; we can only take in certain stimuli. Thus, you are more likely to notice cars like your own, and your boss may reprimand some people, but not others, for doing the same thing. Because we can't observe everything going on around us, we use selective perception. We don't choose randomly: we select according to our interests, background, experience, and attitudes. Seeing what we want to see, we sometimes draw unwarranted conclusions from an ambiguous situation.

Selective perception: The tendency to selectively interpret what one sees on the basis of one's interests, background, experience, and attitudes.

Halo effect & stereotyping

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Attribution theory

Halo Effect

When we draw an impression about an individual on the basis of a single characteristic, such as intelligence, sociability, or appearance, a halo effect is operating. The halo effect is easy to demonstrate. If you knew someone was, say, gregarious, what else would you infer? You probably wouldn't say the person was introverted, right? You might assume the person was loud, happy, or quick-witted, when in fact gregarious does not include those other attributes. As managers, we need to be careful not to draw inferences from small clues.

Halo effect

The tendency to draw a general impression about an individual on the basis of a single characteristic.

Contrast Effects

An old adage among entertainers is "Never follow an act that has kids or animals in it." Why? Audiences love children and animals so much that you'll look bad in comparison. This example demonstrates how the contrast effect can distort perceptions. We don't evaluate a person in isolation. Our reaction is influenced by other people we have recently encountered.

Contrast effect

Evaluation of a person's characteristics that is affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics.

Stereotyping

When we judge someone on the basis of our perception of the group to which he or she belongs, we are stereotyping. Stereotypes can be deeply ingrained and powerful enough to influence life-and-death decisions. One study, controlling for a wide array of factors (such as aggravating or mitigating circumstances), showed that the degree to which Black defendants in murder trials looked “stereotypically black” essentially doubled their odds of receiving a death sentence if convicted. Another study found that students tended to assign higher scores for leadership potential and effective leadership to Whites than to minorities, supporting the stereotype of Whites as better leaders.

Stereotyping: Judging someone on the basis of one’s perception of the group to which that person belongs.

The Link Between Perception and Individual Decision Making

Individuals make decisions, choices from among two or more alternatives. Ideally, decision making would be an objective process, but the way individuals make decisions and the quality of their choices are largely influenced by their perceptions. Individual decision making is an important factor of behavior at all levels of an organization.

Decisions: Choices made from among two or more alternatives

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Perceptual theory

Decision making occurs as a reaction to a problem. That is, a discrepancy exists between the current state of affairs and some desired state, requiring us to consider alternative courses of action. If your car breaks down and you rely on it to get to work, you have a problem that requires a decision on your part. Unfortunately, most problems don't come neatly labeled. One person's problem is another person's satisfactory state of affairs. One manager may view her division's 2 percent decline in quarterly sales to be a serious problem requiring immediate action on her part. Her counterpart in another division, who also had a 2 percent sales decrease, might consider it quite acceptable. So awareness that a problem exists and that a decision might or might not be needed is a perceptual issue.

Problem

A discrepancy between the current state of affairs and some desired state.

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Attribution theory

Every decision requires us to interpret and evaluate information. We typically receive data from multiple sources that we need to screen, process, and interpret. Which data are relevant to the decision, and which are not? Our perceptions will answer that question. We also need to develop alternatives and evaluate their strengths and weaknesses. Again, our perceptual process will affect the outcome. Finally, we have to consider how our perceptions of the situation influence our decisions. For instance, how good are you at saying no? Research indicates that we perceive that saying no is uncomfortable, and often after saying no we will feel obligated to say yes to subsequent requests. In fact, people are so uncomfortable saying no that they may agree to unethical acts. When student participants in a study asked 108 strangers to write “pickle” in library books, half of them did it!

Decision Making

Decision Making in Organizations

Business schools train students to follow rational decision-making models. While such rationalistic models have merit, they don't always describe how people make decisions. OB improves the way we make decisions in organizations by addressing the decision-making errors people commit in addition to the perception errors we've discussed. First, we describe some decision-making constructs, and then outline a few of the most common errors.

The Rational Model, Bounded Rationality, and Intuition

In OB, there are generally accepted constructs of decision making each of us employs to make determinations: rational decision making, bounded rationality, and intuition. Though their processes make sense, they may not lead to the most accurate (or best) decisions. More importantly, there are times when one strategy may lead to a better outcome than another in a given situation.

Rational Decision Making

We often think the best decision maker is rational and makes consistent, value-maximizing choices within specified constraints.

The rational decision-making model assumes the decision maker has complete information, is able to identify all relevant options in an unbiased manner, and chooses the option with the highest utility. In reality, though, most decisions don't follow the rational model; people are usually content to find an acceptable or reasonable solution to a problem rather than an optimal one. We tend to limit our choices to the neighborhood of the problem's symptom and the current alternative at hand. As one expert in decision making put it, "Most significant decisions are made by judgment, rather than by a defined prescriptive model." People are remarkably unaware of making suboptimal decisions

Bounded Rationality

Often, we don't follow the rational decision-making model for a reason: Our limited information-processing capability makes it impossible to assimilate all the information necessary to optimize, even if the information is readily obtainable. Because we cannot formulate and solve complex problems with full rationality, we operate within the confines of bounded rationality. We construct simplified models that extract the essential features from problems without capturing all their complexity. We can then behave rationally within the limits of the simple model.

Bounded rationality

A process of making decisions by constructing simplified models that extract the essential features from problems without capturing all their complexity.

One outcome of bounded rationality is a tendency to satisfice, or seek solutions that are satisfactory and sufficient ("good enough" in our estimation). While the satisficing answer is acceptable but not necessarily optimal, it's not always a bad method. Often, a simple process may frequently be more sensible than the traditional rational decision-making model. To use the rational model, you need to gather a great deal of information about all the options, compute applicable weights, and then calculate values across a huge number of criteria. All these processes can cost time, energy, and money. If there are many unknown weights and preferences, **the** fully rational model may not be any more accurate than a best guess. Sometimes a fast-and-frugal process of solving problems might be your best option.

Intuition

Perhaps the least rational way of making decisions is intuitive decision-making, an unconscious process created from distilled experience. Intuitive decision-making occurs outside conscious thought; relies on holistic associations, or links between disparate pieces of information; is fast; and is affectively charged, meaning it engages the emotions. While intuition isn't rational, it isn't necessarily wrong. Nor does it always contradict rational analysis; the two can complement each other.

Intuitive decision making:

An unconscious process created out of the distilled experience.

Does intuition help effective decision-making? Researchers are divided, but most experts are skeptical, in part because intuition is hard to measure and analyze. Probably the best advice from one expert is: "Intuition can be very useful as a way of setting up a hypothesis but is unacceptable as 'proof.'" Use hunches derived from your experience to speculate, yes, but test those hunches with objective data and rational, dispassionate analysis.

Common Biases and Errors in Decision Making

Decision makers engage in bounded rationality, but systematic biases and errors can creep into their judgments. To minimize effort and avoid trade-offs, people tend to rely too heavily on experience, impulses, gut feelings, and convenient rules of thumb. Shortcuts can distort rationality.

Reducing Biases and Errors

Overconfidence Bias

We tend to be overconfident about our abilities and the abilities of others; also, we are usually not aware of this bias. For example, when people say they're 90 percent confident about the range a certain number might take, their estimated ranges contain the correct answer only about 50 percent of the time—and experts are no more accurate in setting up confidence intervals than are novices.

Individuals whose intellectual and interpersonal abilities are weakest are most likely to overestimate their performance and ability. There's also a negative relationship between entrepreneurs' optimism and performance of their new ventures: the more optimistic, the less successful. The tendency to be too confident about their ideas might keep some from planning how to avoid problems that arise.

Anchoring Bias

Anchoring bias is a tendency to fixate on initial information and fail to adequately adjust for subsequent information. As we discussed earlier in the chapter in relationship to employment interviews, the mind appears to give a disproportionate amount of emphasis to the first information it receives. Anchors are widely used by people in professions in which persuasion skills are important—advertising, management, politics, real estate, and law.

Anchoring bias

A tendency to fixate on initial information, from which one then fails to adequately adjust for subsequent information.

Any time a negotiation takes place, so does anchoring. When a prospective employer asks how much you made in your prior job, your answer typically anchors the employer's offer. (Remember this when you negotiate your salary, but set the anchor only as high as you truthfully can.) The more precise your anchor is, the smaller the adjustment. Some research suggests people think of making an adjustment after an anchor is set as rounding off a number: If you suggest a salary of \$55,000, your boss will consider \$50,000 to \$60,000 a reasonable range for negotiation, but if you mention \$55,650, your boss is more likely to consider \$55,000 to \$56,000 the range of likely values.

Confirmation Bias

The rational decision-making process assumes we objectively gather information. But we don't. We selectively gather it. Confirmation bias represents a case of selective perception: we seek out information that reaffirms our past choices, and we discount information that contradicts them. We also tend to accept at face value information that confirms our preconceived views, while we are skeptical of information that challenges them. We even tend to seek sources most likely to tell us what we want to hear, and we give too much weight to supporting information and too little to that which is contradictory. Fortunately, those who feel there is a strong need to be accurate in making a decision are less prone to confirmation bias.

Confirmation bias

The tendency to seek out information that reaffirms past choices and to discount information that contradicts past judgments.

Availability Bias

People tend to fear flying more than driving in a car. But if flying on a commercial airline was as dangerous as driving, the equivalent of two 747s filled to capacity would crash every week, killing all aboard. Because the media give more attention to air accidents, we tend to overstate the risk of flying and understate the risk of driving.

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

Availability bias

The tendency for people to base their judgments on information that is readily available to them.

Escalation of Commitment

Another distortion that creeps into decisions is a tendency to escalate commitment, often for increasingly nonrational reasons. Escalation of commitment refers to our staying with a decision even if there is clear evidence it's wrong. When is escalation most likely to occur? Evidence indicates it occurs when individuals view themselves as responsible for the outcome. The fear of personal failure even biases the way we search for and evaluate information so that we choose only information that supports our dedication. It doesn't appear to matter whether we chose the failing course of action or if it was assigned to us—we feel responsible and escalate in either case. Also, the sharing of decision authority—such as when others review the choice we made—can lead to higher escalation.

Escalation of commitment

An increased commitment to a previous decision in spite of negative information.

Randomness error

The tendency of individuals to believe that they can predict the outcome of random events.

Risk aversion

The tendency to prefer a sure gain of a moderate amount over a riskier outcome, even if the riskier outcome might have a higher expected payoff.

We turn here to factors that influence the way people make decisions and the degree to which they are susceptible to errors and biases. We discuss individual differences and then organizational constraints.

Individual Differences

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

Personality

Specific facets of conscientiousness—particularly achievement striving and dutifulness—may affect the escalation of commitment. **First**, achievement-oriented people hate to fail, so they escalate their commitment, hoping to forestall failure. Dutiful people, however, are more inclined to do what they see as best for the organization, so they are less likely to escalate their commitment. **Second**, achievement-striving individuals appear more susceptible to hindsight bias, perhaps because they have a need to justify their actions. We don't have evidence yet on whether dutiful people are immune to this bias.

Gender

Who makes better decisions, men or women? It depends on the situation. When the situation isn't stressful, decision making by men and women is about equal in quality. In stressful situations, it appears that men become more egocentric and make more risky decisions, while women become more empathetic and their decision making improves.

General Mental Ability

We know people with higher levels of general mental ability are able to process information more quickly, solve problems more accurately, and learn faster, so you might expect them to be less susceptible to common decision errors. However, GMA appears to help people avoid only some of them. Smart people are just as likely to fall prey to anchoring, overconfidence, and escalation of commitment; probably because being smart doesn't alert you to the possibility you're too confident or emotionally defensive. It's not that intelligence never matters. Once warned about decision-making errors, more intelligent people learn more quickly to avoid them.

Organizational Constraints

Organizations can constrain decision-makers, which is both good (to help prevent biases) and bad (to circumvent rational evaluation). For instance, managers shape decisions to reflect the organization's performance evaluation and reward systems, to comply with formal regulations, and to meet organizationally imposed time constraints. Precedents can also limit decisions.

Performance Evaluation Systems

Managers are influenced by the criteria on which they are evaluated. If a division manager believes the manufacturing plants under his responsibility are operating best when he hears nothing negative, the plant managers will spend a good part of their time ensuring that negative information doesn't reach him.

Reward Systems

The organization's reward systems influence decision-makers by suggesting which choices have better personal payoffs. For example, if the organization rewards risk aversion, managers are more likely to make conservative decisions.

Formal Regulations

David, a shift manager at a Taco Bell restaurant in San Antonio, Texas, describes constraints he faces on his job: “I’ve got rules and regulations covering almost every decision I make—from how to make a burrito to how often I need to clean the restrooms. My job doesn’t come with much freedom of choice.” David’s situation is not unique. All but the smallest organizations create rules and policies to program decisions and get individuals to act in the intended manner. In doing so, they limit decision choices.

System-Imposed Time Constraints

Almost all important decisions come with explicit deadlines. For example, a report on new product development may have to be ready for executive committee review by the first of the month. Such conditions often make it difficult, if not impossible, for managers to gather all information before making a final choice.

Historical Precedents

Decisions aren’t made in a vacuum; they have context. For example, it’s common knowledge that the largest determinant of the size of any given year’s budget is last year’s budget. Choices made today are largely a result of choices made over the years.

What About Ethics in Decision Making?

Ethical considerations should be important to all organizational decision-making. In this section, we present three ways to frame decisions ethically. We also address the important issue of how lying affects decision-making.

Three Ethical Decision Criteria

The first ethical yardstick is utilitarianism, which proposes making decisions solely on the basis of their outcomes, ideally to provide the greatest good for the greatest number. This view dominates business decision-making and is consistent with goals such as efficiency, productivity, and high profits. Keep in mind that utilitarianism is not always as objective as it sounds. One study indicated that the ethicality of utilitarianism is influenced in ways we don't realize. Participants were given a moral dilemma: The weight of five people bends a footbridge so it is low to some train tracks. A train is about to hit the bridge. The choice is to let all five people perish, or push the one heavy man off the bridge to save four people. In the United States, South Korea, and France, 20 percent of respondents chose to push the man off the bridge, in Spain, 18 percent, and in Korea, none. This might speak to cultural utilitarian values, but a minor change, asking people to answer in a non-native language they knew, caused more participants to push the man overboard: in one group, 33 percent pushed the man, and in another group 44 percent did. The emotional distance of answering in a non-native language thus seemed to foster a utilitarian viewpoint. It appears that even our view of what we consider pragmatic is changeable.

Utilitarianism

A system in which decisions are made to provide the greatest good for the greatest number

A second ethical criterion is to make decisions consistent with fundamental liberties and privileges, as set forth in documents such as the U.S. Bill of Rights. An emphasis on rights in decision-making means respecting and protecting the basic rights of individuals, such as the right to privacy, free speech, and due process. This criterion protects whistle-blowers when they reveal an organization's unethical practices to the press or government agencies, using their right to free speech.

Whistle-blowers

Individuals who report unethical practices by their employer to outsiders.

A third criterion is to impose and enforce rules fairly and impartially to ensure justice or an equitable distribution of benefits and costs. Justice perspectives are sometimes used to justify paying people the same wage for a given job regardless of performance differences and using seniority as the primary determinant in layoff decisions.

Choosing between Criteria

Decision makers, particularly in for-profit organizations, feel comfortable with utilitarianism. The “best interests” of the organization and its stockholders can justify a lot of questionable actions, such as large layoffs. But many critics feel this perspective needs to change. Public concern about individual rights and social justice suggests managers should develop ethical standards based on nonutilitarian criteria. This presents a challenge because satisfying individual rights and social justice creates far more ambiguities than utilitarian effects on efficiency and profits. However, while raising prices, selling products with questionable effects on consumer health, closing down inefficient plants, laying off large numbers of employees, and moving production overseas to cut costs can be justified in utilitarian terms, there may no longer be a single measure by which good decisions are judged.

This is where Corporate Social Responsibility (CSR) comes in to affect a positive change. As we can see by looking at utilitarian ideals, organizations are not motivated to respond equitably when they are looking only at a balance sheet. However, public pressure on organizations to behave responsibly has meant sustainability issues now affect the bottom line: consumers increasingly choose to purchase goods and services from organizations with effective CSR initiatives, high performers are attracted to work for CSR organizations, governments offer incentives to organizations for sustainability efforts, and so forth. CSR is now beginning to make good business sense, folding ethics into utilitarian computations.

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Behavioral Ethics

Increasingly, researchers are turning to behavioral ethics—an area of study that analyzes how people behave when confronted with ethical dilemmas. Their research tells us that while ethical standards exist collectively in societies and organizations, and individually in the form of personal ethics, we do not always follow ethical standards promoted by our organizations, and we sometimes violate our own standards. Our ethical behavior varies widely from one situation to the next.

Behavioral ethics: Analyzing how people actually behave when confronted with ethical dilemmas.

Lying

Are you a liar? Many of us would not like to be labeled as a liar. But if a liar is merely someone who lies, we are all liars. We lie to ourselves, and we lie to others. We lie consciously and unconsciously. We tell big lies and create small deceptions. Lying is one of the top unethical activities we may indulge in daily, and it undermines all efforts toward sound decision making.

Lying is deadly to decision making, whether we detect the lies or not. Managers—and organizations—simply cannot make good decisions when facts are misrepresented and people give false motives for their behaviors. Lying is a big ethical problem as well. From an organizational perspective, using fancy lie-detection techniques and entrapping liars when possible yields unreliable results. The most lasting solution comes from OB, which studies ways to prevent lying by working with our

Creativity

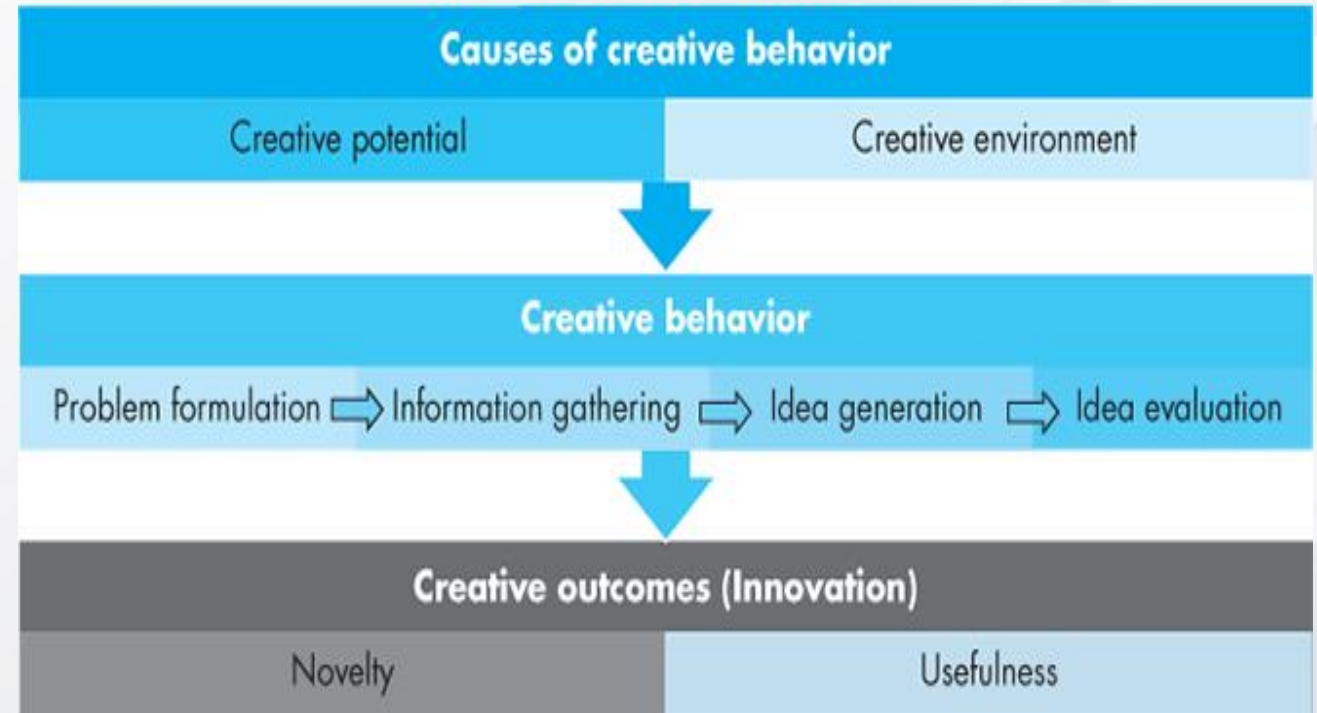
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Creativity, Creative Decision-Making, and Innovation in Organizations

Creativity, Creative Decision-Making, and Innovation in Organizations

Models will often improve our decisions, but a decision-maker also needs creativity, the ability to produce novel and useful ideas. Novel ideas are different from what's been done before but which are appropriate for the problem.

Creativity: The ability to produce novel and useful ideas.



Creativity allows the decision-maker to fully appraise and understand problems, including seeing problems others can't see. Although all aspects of OB are complex, that is especially true for creativity. To simplify, Exhibit 6-4 provides a three-stage model of creativity in organizations. The core of the model is creative behavior, which has both causes (predictors of creative behavior) and effects (outcomes of creative behavior).

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Exhibit 6-4: Three-Stage Model of Creativity in Organizations

Three-stage model of creativity

The proposition that creativity involves three stages: causes (creative potential and creative environment), creative behavior, and creative outcomes (innovation).

Creative Behavior

Creative behavior occurs in four steps, each of which leads to the next:

Problem formulation. Any act of creativity begins with a problem that the behavior is designed to solve. Thus, problem formulation is the stage of creative behavior in which we identify a problem or opportunity that requires a solution that is as yet unknown.

Information gathering. Given a problem, the solution is rarely directly at hand. We need time to learn more and to process that learning. Thus, information gathering is the stage of creative behavior when knowledge is sought and possible solutions to a problem incubate in an individual's mind. Information gathering leads us to identifying innovation opportunities.

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Exhibit 6-4: Three-Stage Model of Creativity in Organizations

Information gathering

The stage of creative behavior when possible solutions to a problem incubate in an individual's mind.

Idea generation. Idea generation is the process of creative behavior in which we develop possible solutions to a problem from relevant information and knowledge. Sometimes we do this alone, when tricks like taking a walk and doodling can jump-start the process. Increasingly, though, idea generation is collaborative.

Idea evaluation. Finally, it's time to choose from the ideas we have generated. Thus, idea evaluation is the process of creative behavior in which we evaluate potential solutions problems to identify the best one.

Creative Potential

Is there such a thing as a creative personality? most people have some of the characteristics shared by exceptionally creative people. The more of these characteristics we have, the higher our creative potential. Innovation is one of the top organizational goals for leaders, with the facets of:

Intelligence and Creativity Intelligence is related to creativity. Smart people are more creative because they are better at solving complex problems. However, they may also be more creative because they have greater “working memory,” that is, they can recall more information related to the task at hand.

Creative Environment

Most of us have creative potential we can learn to apply, but as important as creative potential is, by itself it is not enough. We need to be in an environment where creative potential can be realized. Of the many environmental factors, perhaps most important is motivation. If you aren't motivated to be creative, it is unlikely you will be. Intrinsic motivation, or the desire to work on something because it's interesting, exciting, satisfying, and challenging, correlates fairly strongly with creative outcomes. However, it is also valuable to work in an environment that rewards and recognizes creative work

Creative Outcomes (Innovation)

The final stage in our model of creativity is the outcome. We can define creative outcomes as ideas or solutions judged to be novel and useful by relevant stakeholders. Novelty itself does not generate a creative outcome if it isn't useful. Thus, "off-the-wall" solutions are creative only if they help solve the problem. The usefulness of the solution might be self-evident (the iPad), or it might be considered successful by only the stakeholders initially.

Lecture 10

Implications for Managers

- Behavior follows perception, so to influence behavior at work, assess how people perceive their work. Often behaviors we find puzzling can be explained by understanding the initiating perceptions.
- Make better decisions by recognizing perceptual biases and decision-making errors we tend to commit. Learning about these problems doesn't always prevent us from making mistakes, but it does help.
- Adjust your decision-making approach to the national culture you're operating in and to the criteria your organization values. If you're in a country that doesn't value rationality, don't feel compelled to follow the decision-making model or to try to make your decisions appear rational. Adjust your decision approach to ensure compatibility with the organizational culture.
- Combine rational analysis with intuition. These are not conflicting approaches to decision making. By using both, you can actually improve your decision-making effectiveness.
- Try to enhance your creativity. Actively look for novel solutions to problems, attempt to see problems in new ways, use analogies, and hire creative talent. Try to remove work and organizational barriers that might impede creativity.

Organizational Behavior 14th Edition by
Stephen P Robbins and Timothy A Judge.

Chapter
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References:





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Thank You

