

How Specific Perceptual Biases Influence Managerial Decision Making

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### Introduction

We make hundreds or even thousands of decisions every day. Probably not even notice most of them, as they may be not too relevant. However, there are some decisions that require more attention from us, so we dedicate time and effort to organize and structure a lot of information in our heads to make sure we made the right decision. It is during this process of reflection and evaluation of the entries that have at our disposal that perception plays a key role. In management, perception biases and decision making can lead to serious mistakes and that's why it makes sense to devote a comment on this subject (Proctor,2013).

### Discussion

#### Perception

Perception is the way we interpret the messages of our senses to provide some order and meaning to our environment. Perception also acts as a mediating variable that influences our behavior, and by the perception that we select and organize data into meaningful information for us (Robbins et al,2013).

#### The role of systems of perception and decision making

A schema is a mental model that people impose an information environment to shape and give meaning. This construction allows systematized knowledge and organized information about other people, situations, objects and ideas generated through the experience. In addition, programs do not have to organize sensory data from scratch every time we perceive and

accelerate our decision-making process. Schemes can also act as heuristic devices or rules of thumb for judging others and judging all situations. However, these heuristics can skew our decision making in a harmful way. Schemes may be specific to a particular domain, but can also be common to everyone, making cognitive biases (Russ,2011).

### **Cognitive Biases In Judging Others**

In Judging another we could also face the following cognitive biases:

#### **Selective perception**

We tend to focus our attention on issues that relate to our own interests, experiences, attitudes, not just when judging others, but in any situation (Sadi et al,2011).

#### **The halo effect**

when there is a trend toward an overall impression of an individual based on a characteristic alone.

#### **The contrast effect**

when evaluating the characteristics of a person is affected by comparisons with others recently found that can rank higher or lower on the same characteristics.

Stereotypes - when we judge someone based on our perception of the group to which the person belongs (Wierenga,2011).

**Climbing cognitive determinants of Commitment**

It is performed when decision makers tend to stick to a previous course of action and continue to invest resources despite objective evidence suggesting that staying the course is unwise. This may be related to the concept of sunk costs and reflects the need to be able to stop, take a deep breath, and be able to recognize their own mistakes. Those leaders who will not be able to do so, are at great risk of losing not only his reputation but also lose their business (Russ,2011).

Some common cognitive explanations for escalation of commitment are:

**Theory of self-justification**

When it comes to prove himself to be right in taking a decision.

**Confirmation bias**

In search of evidence.

**Loss aversion**

We tend to perceive the losses to be larger than the gains, and as a result we want to avoid losses by all means. We can reduce potential bias in our perception if we understand the impact on our decision making process. By remaining objective, we will increase the quality of our decisions, and will benefit our organization (Robbins et al,2013).

A few elements impact the decision making. These elements including past experience, cognitive biases ,age and individual contrasts ,faith in individual importance and a heightening of duty, impact what individuals settle on decisions. Understanding the elements that impact

decision-making is essential to comprehend what decisions are made. That is, the components affecting the methodology can influence the outcomes (Proctor,2013).

Have created numerous sorts of heuristics to clarify the methodology of decision making; basically, people work to decrease the exertion needed to spend in decision-making and heuristic offer people a general manual for take after, lessening the push to be called. By and large, heuristics and the variables that impact decision-making is a critical part of discriminating considering (Sadi et al,2011).There are a few evidences that this can be taught, it advantages the individuals who are figuring out how to use sound judgment and the best in distinctive circumstances (Wierenga,2011).

Individuals settle on decisions about numerous things. They take political decisions; individual decisions, including restorative choices, sentimental decisions and vocation decisions; and monetary decisions, which might likewise incorporate some different sorts of decisions and judgments. All the time, the methodology of decision making is truly particular that decision. A few choices are straightforward and appear basic, while others are intricate and oblige a multi-step decision-making methodology (Proctor,2013).

### **The variables affecting the decision making**

There are a few essential variables influencing the decision making. Essential components incorporate the encounters of the previous, various cognitive biases, a heightening of duty and profound results, singular contrasts, for example, age and financial status, and faith in individual importance. These things affect the decision making procedure and the decisions taken (Robbins et al,2013).

Past encounters can influence future decisions. Robinson Et al (2013) reported past decisions impact the decisions individuals make later on. It makes sense that when something constructive results from a decision, individuals are more prone to choose in a comparative way, given a comparable circumstance. Then again, individuals have a tendency to abstain from rehashing past missteps (Russ,2011).This is noteworthy to the degree that future decisions made in light of past encounters are not so much the best decisions. In making monetary decisions, exceptionally effective individuals don't settle on venture decisions in light of the outcomes depressed past rather by looking at alternatives with no respect for past experience; this methodology clashes with what one would expect (Sadi et al,2011).

Not notwithstanding past encounters, a few cognitive biases that influence decision making. Cognitive biases are deduction and speculations taking into account perceptions that can prompt memory lapses, incorrect judgments and defective rationale designs (Proctor,2013). Cognitive biases incorporate, yet are not restricted to: bias conviction, unnecessary reliance on earlier information to achieve decisions; knowledge of the past bias, individuals have a tendency to effortlessly clarify an occasion as unavoidable, once it has happened; oversight bias, typically, individuals tend to overlook data saw as dangerous; and affirmation bias, in which individuals see what they expect in the perceptions (Robbins et al,2013).

In decision making, cognitive biases impact individuals making them more needy than anticipated perceptions and former information is given, while releasing the data or perceptions that are seen as questionable, without taking a gander at the greater picture.

Aside from past encounters and cognitive biases, decisions can be affected by a heightening of the consequences of responsibility and indented, which are sunk expenses. Robbins et al (2013) finished up individuals settle on decisions taking into account a silly

acceleration of duty, ie, people contribute a lot of time, cash and exertion in a decision that they feel submitted; further, individuals have a tendency to continue taking unsafe decisions when they feel in charge of sunk expenses, time, cash and exertion spent on a venture. Subsequently, decisions can now and again be impacted by 'how far in the red "the individual feels that he or she is (Robbins et al,2013).

Some individual contrasts might likewise impact decision-making. Examination has demonstrated that age, financial status (SES), and decision making impacts cognitive aptitudes. secured a critical distinction in decision-making through age; i.e. as diminished cognitive capacities as a consequence of age, so the decision execution might likewise decrease. Likewise, more established individuals may be more pompous in their capacity to decide, which hinders their capacity to execute methodologies (Wierenga,2011).Finally, as for age, there is no confirmation to backing the thought that more established grown-ups lean toward less decisions than more youthful grown-ups (Sadi et al,2011).

Age is simply an individual distinction that impacts decisions. As indicated by Russ (2011), individuals in low SES gatherings may have less access to instruction and assets, making them more defenseless to negative life occasions, frequently outside their control; thus, low SES people can settle on poorer decisions, in light of past decisions (Russ,2011).

Past encounters, cognitive biases, and individual contrasts; an alternate impact on decision-making is the confidence in individual significance. At the point when individuals accept what they pick things that are more inclined to settle on a decision. Sadi et al (2011) analyzed the voting examples of people, and presumed that individuals will vote all the more effectively when they think their conclusion is characteristic of the disposition of the all inclusive community, and in addition when they a feeling they could call their own significance in the

outcomes. Individuals vote when they accept that their vote numbers. Sadi et al (2011) prominent this marvel voting is unexpected; when more individuals vote, the individual votes incalculable in electing math (Sadi et al,2011).\\

## **Heuristic Decision Making**

Heuristics are decision making people strategies commonly used based on the little information, however, very often correct; heuristics are mental shortcuts that reduce the cognitive load associated with decision making (Shah and Oppenheimer, 2008). Wierenga and Oppenheimer argued to reduce labor heuristics in decision-making in several ways. Heuristics offer the user the opportunity to examine some signs and / or alternative options in decision-making. In addition, heuristics duce the retrieve and store information in memory; streamlining the process of decision making by reducing the amount of integrated information needed to make the choice or prosecute (Wierenga,2011).

As a result of research and theorizing, cognitive psychologists have outlined a number of heuristics people use in making decisions. The heuristic price, which people judge items to higher quality for greater things down priced prices, is specific consumption patterns; while the heuristic indignation, which people consider how a crime is negligible when deciding the punishment (Wierenga,2011).According to Shah and Oppenheimer three important heuristics are representative heuristic, availability and anchoring and adjustment.

In making decisions, people rely on a set of heuristics for comfort and speed. An important heuristic is the representative heuristic (RH), which is a very reasonable heuristics (Russ,2011).In the event that one of two things is recognizable, people tend to choose the recognized thing; use or to reach a decision with the least amount of effort or information

(Wierenga,2011).Hilbig and Pohl commented that it is difficult to investigate and respond definitively if a person is using the RH alone, or if you are using other information in drawing a conclusion.

Maintenance of recognition memory is perceptive, reliable and more accurate than chance alone; argued less recognition leads to better decisions. On the other hand, according to Hilbig and Pohl, people often use additional information when the RH is used; ie not based solely on recognition over decision making. Moreover, Hilbig and Pohl concluded that, even when the sound recognition was established, people use additional information, together with the relative humidity (Proctor,2013).

Another highly researched heuristic is the availability heuristic. According to this heuristic, people tend to retrieve information that is more readily available in making a decision (Sadi et al,2011).Interestingly, this is an important heuristic, since it is the basis of many of our judgments and decisions. For example, when people are asked to read a list, then identify the names of the list, often the names identified are names of famous people, with which participants are familiar (Russ,2011).

In the field of medicine, Redelmeier medical diagnoses reported that losses are often attributable to heuristics, the availability heuristic being one of those responsible. Redelmeier said heuristics are beneficial because they are cognitively economical, but warned doctors and professionals must recognize when heuristics have to be set aside in favor of broader approaches to decision making (Proctor,2013).

### **Conclusion**

It can be concluded, that decision making in the future is based on past decisions and levels of satisfaction or regret. Although there is no evidence to support this idea, in many cases, especially when the decision can be reversed, decisions can be based on the reversibility factor (Sadi et al,2011).Significantly to the satisfaction of individuals is that people are willing to pay a premium for the opportunity to change your mind at a later date (Proctor,2013).

For example, buyers purchase catalog items in a two-step process; first decide to buy the items, then once the items arrive, they decide whether to keep them. Gilbert and Ebert examined whether people prefer to make decisions that are reversible. They concluded that people prefer to have the option to change your mind; although the ability of people to change their minds actually inhibits their ability to be satisfied with their choice.

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