### ORGANIZATIONAL BEHAVIOR AND HUMAN RESOURCE MANAGEMENT

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# Lesson 05 selecting among given options: choice overload and salience



#### AN EXPERIMENT WITH JAMS







24 different jams

What situation is the most attractive? (in what situation people stopped more often to taste the products)







#### AN EXPERIMENT WITH JAMS



6 different jams



24 different jams

In what case people bought at least one jam more frequently?







#### AN EXPERIMENT WITH JAMS



6 different jams



24 different jams

In what case people were more satisfied with their purchase?





#### RESULTS





6 jams

HOW MANY PEOPLE STOPPED TO TRY THE JAMS?





HOW MANY PEOPLE BOUGHT SOMETHING?





THE VAST MAJORITY OF BUYERS WERE HAPPY ABOUT THEIR PURCHASE

JUST A MINORITY OF PEOPLE WERE HAPPY ABOUT THEIR PURCHASE

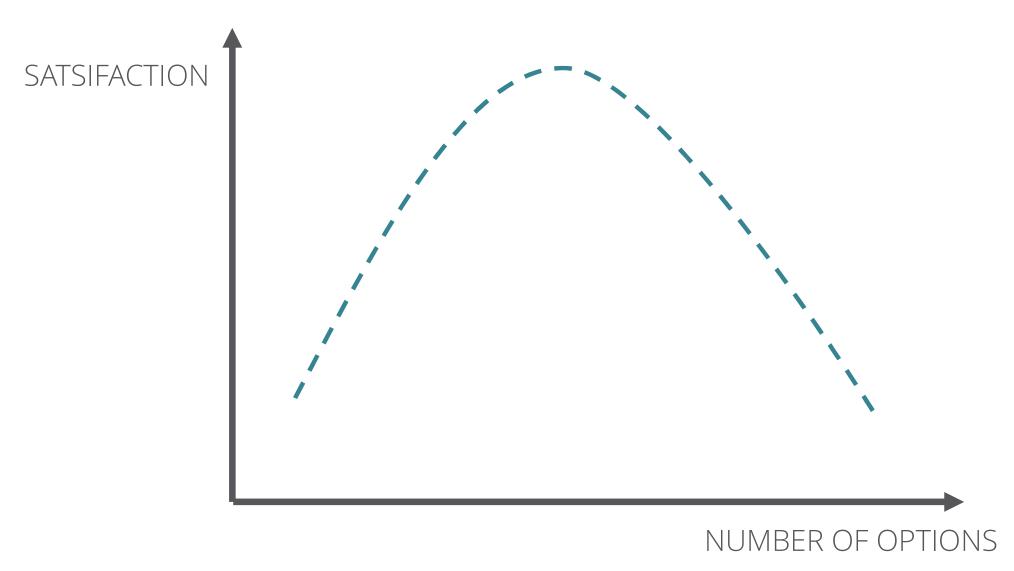






#### SET SIZE AND SATISFACTION

WE LOVE HAVING OPTIONS, BUT TOO MANY OPTIONS DON'T MAKE US HAPPY









#### THE CHOICE PARADOX: LESS IS MORE?

- «PARALYSIS» (or the complexity of choosing)
  - too many variables and factors to consider
- LESS SATISFACTION ABOUT THE OUTCOME
  - -1. more remorse for options that we didn't choose
    - -more options, more preceived opportunity cost
  - -2. expectations and satisfaction
    - -more options, higher expectations
  - -3. sense of guilt for non optimal choices
    - -more options, more responsibility for mistakes





#### CHOICE OVERLOAD: DOES IT ALWAYS HAPPEN?

#### NO. It depends on a number of factors

#### 1. CHOICE SET COMPLEXITY:

- The intricacy of the available options, considering aspects like the similarity between choices and the number of attributes each option possesses
- More complex choice sets increase the likelihood of choice overload

#### 2. DECISION TASK DIFFICULTY

- The inherent challenges associated with the decision-making process, such as time constraints or the cognitive effort required.
- Decision tasks that are more demanding can exacerbate feelings of overload

#### 3. PREFERENCE UNCERTAINTY

- The clarity (or lack thereof) of an individual's preferences regarding the available options.
- Unclear preferences make individuals more susceptible to choice overload

#### 4. DECISION GOAL

- The primary objective guiding the decision-making process, such as maximizing utility versus minimizing effort
- · When the goal is to minimize effort, larger assortments are more likely to lead to overload







#### **EXAMPLES IN HRM**

#### Job Seekers & Recruitment Processes

- too many job openings: When candidates face an overwhelming number of job opportunities (especially in online job markets), they may experience decision paralysis or post-decision regret after accepting an offer.
- Too many applicants for a company: HR managers, when flooded with hundreds of resumes, might struggle to make a decision, leading to delays or poor hiring choices

#### Employee Benefits & Well-Being

- Many companies offer extensive benefits packages (e.g., health plans, retirement options, perks). However, too many choices can lead to employee dissatisfaction and regret because they feel they might have chosen sub-optimally.
- Simplifying choices or offering curated recommendations can improve decision satisfaction

#### • Performance Reviews & Career Development

- Employees who are given too many career advancement options (e.g., multiple training programs, leadership tracks) may struggle to choose the right path, leading to indecision or disengagement.
- Structured guidance (e.g., mentorship programs, clear career ladders) can alleviate choice overload







#### HOW TO IMPROVE THE CHOOSING PROCESS?

- Decrease the number of options, if possible
  - Prioritize quality options vs quantity
- Categorize!
  - It is often useful but be careful, cause categorization can be manipulative
- Provide useful defaults or expert recommendations
- For complex decisions, make the consequences of options as vivid and concrete as possible
- For multi-step / multi-option choices, increase the complexity of choice gradually
- Recognize and consider individual differences and preferences
  - E.g. maximizing utility vs maximizing efficiency (minimizing effort)







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68% (from 16%)

32% (from 84%)







#### ABSOLUTE VALUATION vs COMPARATIVE VALUATIONS

- When analogies and comparisons are available, or easy to make, we tend to use them (to think «comparatively») in order to choose (instead of choosing through an assessment of the «absolute» value of each option)
  - this is not irrational (indeed, it has advantages from a «computational» point of view), but it may lead to mistakes
  - the same phenomenon has been obsereved in many animal species, even in neurologically very simple animals
- The example of the Williams-Sonoma bread machine







#### SALIENCE BIAS



- We tend to choose options that are more "prominent", "salient" from a perceptual point of view
- Salience often depends on the contrast (especially if unexpected) between the option (the way it is presented) and the "background". It may also be related to elements that are emotionally or cognitively relevant to the subject
- Salience may create distortions in terms of
  - too much emphasis on immediate gratifications vs long term advantages
  - taking too many risks vis a vis very salient advantages
- It may be seen as a special case of availability bias
- A practical example







#### A social experiment in Switzerland

- The average consumption of a 5 minutes warm shower is:
  - -45 liters of water
  - -2.6 Kwh of energy to make the water warm
    - about 2.5 times the average DAILY consumption in Switzerland to illuminate a house
    - about 4 times the energy consumption of modern refrigerator
- Several experiments show a moderate savings in consumption if families are give periodical information about how much they consume in relation to their socially proximate families (up to 2% on energy consumption and 5% on water)
- The problem is that the feedback happens AFTER the consumption behavior.
   It is not SALIENT enough.
  - How can we change the behavior to reduce the energy consumption?







#### The experiment

- A device capable of showing, in real time, during the shower, the consumption of energy and water
- 3 EXPERIMENTAL CONDITIONS
- 1. Measuring consumption in real time
- 2. Measuring consumption in real time plus comparison with the previous shower
- 3. No feedback on consumption, just the water temperature is displayed (control group)
- SAMPLE: 700 families, customers of EWZ (Swiss Utility company)
- On average, the sample included families that, on average, had a lower than average environmentalist culture, in comparison with the overall Swiss population



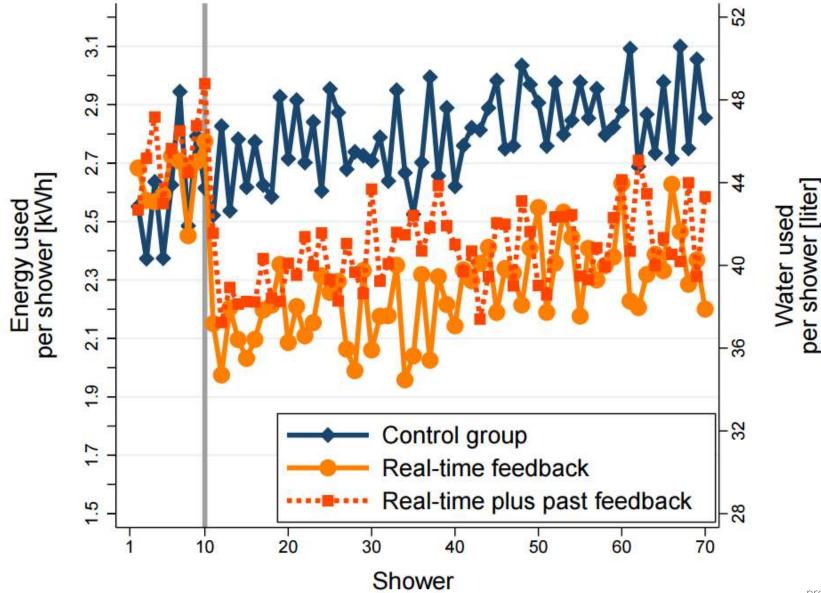






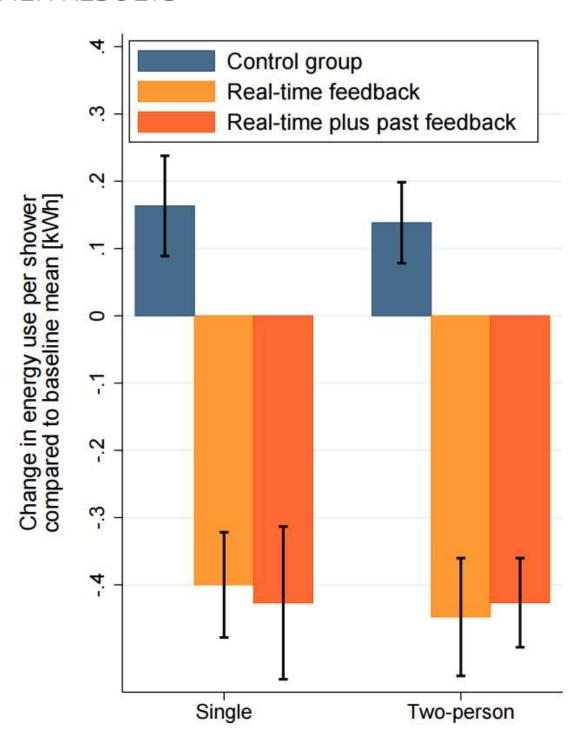
#### RESULTS

- Reduction of 22% in both experimental condition, in relation to the control group
- Immediate effect after the activation of the consumption feedback
- No tendency to a reduction of the positive effect overtime



#### OTHER RESULTS

- no difference between the two treatment groups, or between singles and couples
- the behavioral change concerned the duration of showers, not the number of showers or the temperature
- no significant effect of demografic variables
- more significant results for families with higher baseline consumption
- a moderate additional positive effect for subjects with less conscientious personality









## CONCLUSIONS on decision making







#### A SUMMARY OF SUGGESTIONS TO IMPROVE DECISION MAKING (1)

- BE AWARE OF THE FRAMES THAT YOU USE TO UNDERSTANDS PROBLEMS.
- EXPERIMENT WITH MORE / DIFFERENT FRAMES
- UTILIZE A VARIETY OF INFORMATION SOURCES
- BE VERY SELECTIVE ABOUT THE QUALITY AND RELIABILITY OF YOUR INFORMATION SOURCES
- LOOK FOR DISCONFIRMATORY INFORMATION
- BE OPEN, WILLING AND GLAD TO CHANGE YOUR MIND, WHEN YOU HAVE GOOD REASONS TO DO SO
- PAY ATTENTION NOT JUST ABOUT WHAT YOUR OPTIONS ARE, BUT ALSO TO HOW THEY ARE PRESENTED TO YOU
- BEWARE THE EASILY AVAILABLE SOLUTIONS AND TAKEN FOR GRANTED JUDGMENTS (ANCHORS)
- BE AWARE OF THE **DEFAULTS** YOU USE, AND **EVALUATE THEM** IN RELATION TO YOUR PREFERENCES AND GOALS
- DO NOT RUSH IMPORTANT, COMPLEX DECISIONS







#### A SUMMARY OF SUGGESTIONS TO IMPROVE DECISION MAKING (2)

- BE CONFIDENT, BUT TRY NOT TO BE OVER-CONFIDENT
- DO NOT GENERALIZE FROM ANEDOCTAL NARRATIVES, EVEN WHEN COME FROMN YOUR OWN EXPERIENCE
- ALWAYS ASK YOURSELF, REGARDLESS OF YOUR OUTCOMES: WHAT KIND OF DECISION PROCESS AM I USING? HOW CAN I IMPROVE IT?
- LEARN FROM OTHERS' DECISION MAKING, BUT ALWAYS CONSIDER THE CONTEXTUAL SPECIFICITY OF YOUR OWN SITUATION AND GOALS
- TRUST YOUR INTUITIONS BUT ONLY FOR PROBLEMS AND JUDGMENT ON WHICH YOU HAVE A LOT OF EXPERIENCE
- TRY TO THINK IN TERMS OF **FUTURE COSTS AND BENEFITS**, NOT IN TERMS OF SUNK COSTS
- THINK CAREFULL ABOUT WHETHER YOU NEED A COLLECTIVE / GROUP DECISION MAKING PROCESS RATHER THAN AN INDIVIDUAL PROCESS
  - WE WILL TALK ABOUT THIS LATER IN THE COURSE







#### **GENERAL CONCLUSIONS**

- WE MOSTLY FOCUSED ON SYSTEM 1 PROCESSES AND ON THE "BIASES" THAT CAN THEY GENERATE
- FOCUSING ON BIASES DOES NOT MEAN THAT WE SHOULD NOT USE INTUITIVE THINKING
- ON THE CONTRARY, SYSTEM 1 PROCESSES ARE ESSENTIAL AND VERY USEFUL, IF WE KNOW WHAT THEY ARE, HOW TO AVOID THOSE BIASES AND HOW TO USE INTUITIVE THINKING TO OUR ADVANTAGE
- SELF-AWARENESS AND KNOWLEDGE IS THE KEY
- FROM A POLICY IMPLEMENTATION AND ORGANIZATIONAL POINT OF VIEW, THE NUDGING APPROACH IS AN EMPIRICAL WAY TO LEVERAGE THIS KNOWLEDGE IN ORDER TO MAKE POLICIES AND ORGANIZATIONS MORE EFFECTIVE AND/OR EFFICIENT
- HUMAN RESOURCE MANAGEMENT IS ABOUT PEOPLE, MUCH MORE THAN ABOUT TECHNIQUES
  - AND SO IS MANAGEMENT IN GENERAL
- SO, IT IS ESSENTIAL FOR ANY HRM TO KNOW HOW AND WHY PEOPLE MAKE DECISIONS AND BEHAVE
  - INCLUDING HIMSELF/HERSELF!!
- DECISION MAKING IS INVOLVED IN ALL HRM PROCESSES.
  - RECRUITMENT AND SELECTION
  - PERSONNEL DEVELOPMENT
  - CARFFR PLANNING
  - COMPENSATION
  - LEADERSHIP
  - ETC







#### WHERE DO WE GO FROM HERE?

- WE WILL TALK ABOUT MOTIVATION AS A KEY LEVER THAT HRM SHOULD USE TO IMPROVE ORGANIZATIONAL PERFORMANCE AND INDIVIDUAL WELL-BEING
- WE WILL SEE:
  - DIFFERENT IDEAS AND CONCEPTUAL APPROACHES ON HUMAN MOTIVATION
  - HOW MOTIVATION IS DIRECTLY CONNECTED TO MULTIPLE HRM AND ORGANIZATIONAL PRACTICES, ESPECIALLY WORK ORGANIZATION (BUT NOT ONLY)
- AS AN INCREASINGLY LARGE PART OF THE MOST IMPORTANT, COMPLEX AND CREATIVE WORK IS DONE COLLECTIVELY, WE WILL THEN FOCUS ON GROUP DYNAMICS
- WE WILL SEE:
  - HOW SOCIAL DYNAMICS INFLUENCE GROUP PROCESSES
  - THE ADVANTAGES AND DANGERS OF GROUP PROCESSES
  - HOW TO IMPROVE GROUP PROCESSES
  - HOW LEADERSHIP PLAYS A KEY ROLE IN GROUP PROCESSES
- FINALLY, WE WILL SEE EXAMPLES OF INTERESTING, INNOVATIVE COMPANIES AND HOW THEY IMPLEMENT HRM POLICIES
- WE WILL SEE EXAMPLES ABOUT
  - RECRUTIMENT AND SELECTION
  - ORGANIZATIONAL CULTURE AND PERSONNEL DEVELOPMENT
  - COMPENSATION
  - ORGANIZATIONAL CHANGE AND LEADERSHIP







#### BEHAVIORAL SCIENCES AND PUBLIC POLICIES

