Antecedents of Irrationality in Organizational Decision Making

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ABSTRACT

All other things being equal, it is the quality of decisions which decide the fate of any organization. Hence, decision-making is critical to the success and growth of any organization. Yet the decisions in organization are many times irrational. Previous research has suggested that billion dollars are lost due to irrational decisions. The purpose of this article is to explore the antecedents of the irrational decision-making process. This study conceptualises irrational decision-making process as a lived-in experience and an interpretative phenomenological analysis is undertaken. Participation is of hundred and twenty-three (123) employees working in various capacities in western India through theoretical sampling frame. The results indicate several antecedent’s factors for irrational decision-making. Besides moderating factor is discussed. Thus, these findings can help the organizations to understand the irrational decision-making behaviours of employees and aid managers to recognize these behaviours of their employees to mitigate the bias in irrational decisions.

KEYWORDS

Behavioural Decision Making, Decision Making, Irrational Behaviour, Psychological Biases, Psychological Decision Making, Workplace Superstition

INTRODUCTION

Decision making is a most important activity of an organization. The organization can make or break on the kind of decisions taken. In an organization, decisions are made from strategical level to operational level. On a typical day in an organization number of decisions are made. There are many tools and methodological approaches to rational
decision making. In an organizational context, most of the decisions are not taken in a rational manner (Stingl & Geraldi, 2017). Behavioral decision making delves into how an actor makes a choice and what are the factors which impact him in this choice. There are in principle, three schools of thought in behavioral decision making i.e. Reductionist, Pluralist, and Contextualist. The Reductionist school takes a realistic view. This view analyses any deviations from rationality. All deviations are treated as biases in decision making. The Pluralist school is based in pragmatism. This school comes from the various theoretical basis. Though a normative idealism is assumed here too. But the reasons for deviations are sought. The last school i.e. Contextualist embraces a phenomenological perspective. It does not focus on normative idealism. This approach takes a process view. The process of decision making is important rather than right or wrong decisions. This research takes a Contextualist view to understand the irrational decision-making process by viewing it as a phenomenology. Previous researchers have devoted considerable attention to irrational decision making (Alvesson & Spicer, 2016; Brunsson, 1985; Simon, 1993; Tzeng & Huang, 2011). Previous research has explored: 1) irrational decision making in organizations (Brunsson, 1985; Korobkin & Ulen, 2000); 2) irrational economic decisions (Helliar, Power, & Sinclair, 2005; Koenigs & Tranel, 2007); 3) psychological factors (Kasemsap, 2015; Khresna Brahmana, Hooy, & Ahmad, 2012) 4) intuition in strategic decision making (Dane & Pratt, 2007; Khatri & Ng, 2000). However, in addition, to these studies, recent studies suggest avenues for future research with wider coverage of theories in the irrational decision-making process (Stingl & Geraldi, 2017). It is estimated that organizations lost a large amount of revenues due to irrational decisions (Scandura, 2015; Stuckless, Ford, & Vitelli, 1995). Thus, an investigation in the irrational decision-making process is important because it will help in understanding the area of irrational decision making. Furthermore, an improved understanding of antecedents of irrational decision making will enable the organizations to take better decisions.

BACKGROUND

A critical way an employee learns and understands about the various tasks at work is by reaching causal inferences in view of their encounters and perceptions of nature or work situations (Sheehan, Van Reet, & Bloom, 2012). The events that happen in the meantime or in a similar space, e.g. like turning on an electric switch and the lights turning on or a somebody getting to be noticeably irate in the wake of being hollered at are now and again seen as occasions which are causally related. The elucidation of causality of situations or events is one of the fundamental standards of learning in a complex environment (Skinner, 1992). With a specific end goal to find out about the unpredictable world we live in and to comprehend the physical laws and mental standards representing the world we live in, this capacity of elucidation of causality of occasions plays an extremely basic role. Such capacity can in some cases effectively make us to draw causal deductions, when the two events are only incidental or not in the slightest degree related. Such
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