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**Answer All Questions**

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1. Have You Heard the Name of Big Five Model. Discuss About It Elaborately.

2. What Are the Common Biases and Error in Decision Making?

3. Discuss About Douglas McGregor's Theory X and Theory Y.

4. Write Short Notes on:

a.) Profit Sharing Plans

b.) Merit Based Pay

c.) Job Rotation

d.) Job Enrichment

**Ans to the question No. 1**

The Big Five Model is the Personality Traits model measures five key dimensions of people's personalities. It's based on findings from several independent researchers, and it dates back to the late 1950s. But the model as we know it now began to take shape in the 1990s. Lewis Goldberg, a researcher at the Oregon Research Institute, is credited with naming the model "The Big Five. It is now a respected personality scale and routinely used by businesses and in psychological research.

**The five key personality dimensions the model measures are the following:**

**Openness**: Sometimes called "Intellect" or "Imagination," this measures your level of creativity and our desire for knowledge and new experiences.

**Conscientiousness**: This looks at the level of care that you take in your life and work. If you score highly in conscientiousness where we all likely be organized and thorough, and know how to make plans and follow them through. If we score low we all likely be lax and disorganized.

**Extraversion/Introversion:** This dimension measures our level of sociability. Are we outgoing or quiet for instance? Do e draw energy from a crowd, or do we find it difficult to work and communicate with other people?

**Agreeableness**: This dimension measures how well you get on with other people. Are you considerate, helpful and willing to compromise? Or do you tend to put your needs before others'?

**Neuroticism**: Sometimes called "Emotional Stability" or "Neuroticism," these measures emotional reactions. Neuroticism is a personality trait characterized by sadness, moodiness, and emotional instability. Individuals who are high in neuroticism tend to experience mood swings, anxiety, irritability, and sadness. Those low in this personality trait tend to be more stable and emotionally resilient.

**Ans to the question No. 2**

**Some common decision-making errors and biases are as follows:**

**Overconfidence Bias**

Individuals overestimate or have excessive confidence in their ability to predict or foresee future events. This will cause the decision maker to unsupported or risky decisions.

**Hindsight Bias**

This is the tendency of individuals to see past mistakes or occurrences as obvious. After the event has occurred, individuals believe that they did or should have seen it coming. This is important when evaluating others decisions.

**Anchoring Effect**

Anchoring is when someone attaches themselves to an initial bit of information. In decision-making, it entails people placing too much emphasis on the single piece of information. This can cause the decision maker to fail to consider other important information.

**Framing Bias**

Framing bias is an individuals response to how a situation or decision is presented. This can lead to individuals being deceived or manipulated by third parties.

**Escalation of Commitment**

This is a tendency of individuals to continue to follow what has proven to be a negative or unproductive course of action. Also known as the sunk cost fallacy or sunk cost bias, because the tendency is motivated by an unwillingness to admit that they are wrong or accept that resources are lost or wasted (they may be able to recover the investment).

**Immediate Gratification**

This is the tendency to make the immediacy of a potential solution to a problem or situation the most important criteria. The result is the failure to consider all available options and settling for a sub-part outcome form a decision that fails to deliver all available value.

**Selective Perception**

This is the tendency to see a particular situation or issue from a chosen perspective. This is related to the team-based mentality. We see all situations or issues through a common lens that influences our ability to understand alternative or conflicting points of view or alternatives.

**Confirmation Bias**

Confirmation bias is to actively look for information or facts in a situation that supports a particular choice or decision. This approach causes the decision maker to ignore evidence to the contrary. This can also cause a failure to consider contrary information of positions.

**Availability Bias**

Availability bias is a focus on immediate information or situations that come to ones mind. The result is that we tend to believe the information or experience that we recall or demonstrative or explicative of a situation or scenario. This comes at the expense of looking for additional information that could lead to a further understanding of the situation. As such, a decision is made on limited or superficial information.

**Representation Bias**

This is the tendency to believe a situation is indicative of a greater tendency. That is, it is related to stereotyping. The decision maker believes that the situation represents all of the characteristics of the population of which it is a part. It causes a failure in the perception of ones ability to predict a given outcome or result.

**Randomness Bias**

This is the tendency to see a pattern in otherwise random data or information. We increasingly seek to harness new sources of information in the decision-making process. Our search for meaning in information leads to an unreasonable reliance on insignificant results.

**Self-Serving Bias**

This is ones tendency to attribute the positive results of a decision or situation to ones own actions or decision. Likewise, it causes individuals to attribute negative consequences to factors outside of our control. This can cause an inability to accurately assess or affect a situation through decision making.

**Fundamental Attribution Error**

The tendency for people to over-emphasize personality-based explanations for behaviors observed in others while under-emphasizing the role and power of situational influences on the same behavior.

**Rationalization**

The process of constructing a logical justification for a decision that was originally arrived at through a non-rational decision process. Can be conscious, but is mostly subconscious.

**Bandwagon Effect**

The tendency to do (or believe) things because many other people do (or believe) the same.

**Status Quo Bias**

The tendency for people to like things to stay relatively the same. The preference towards alternatives that maintain or perpetuate the current situation even when better alternatives exist.

**Illusion of Control**

The tendency for human beings to believe they can control or at least influence outcomes which they clearly cannot.

**Prudence Trap**

When faced with high-stakes decisions, we tend to adjust our estimates or forecast to be "on the safe side".

**Recallability Trap**

Giving undue weight to recent, dramatic events.

**Sunk Cost Bias**

To make choices in a way that justifies past choices, even when the past choices no longer seem valid.

**Loss Aversion**

The tendency for people to strongly prefer avoiding losses than acquiring gains.

**Survivorship Bias**

For example, the frequent mistake to forget to include companies that no longer exist in research reports studying various forms of corporate performance.

**Decision-Making Mistakes Related to Bias**

1. In their book Decision Traps, Russo and Shoemaker reveal the ten most common mistakes in decision-making, many of which are related to cognitive bias:
2. Plunging In: Beginning to gather information and reach conclusions too early.
3. Frame Blindness: Creating a mental framework for your decision.
4. Lack of Frame Control: Failing to define the problem in more than one way.
5. Overconfidence in Your Judgment: Failing to gather key factual information.
6. Shortsighted Shortcuts: Relying inappropriately on “rules of thumb”.
7. Shooting from the Hip: Failing to follow a systematic procedure when making the final decision.
8. Group Failure: Failing to manage the group decision-making process.
9. Fooling Yourself About Feedback: Failing to interpret the evidence from past outcomes correctly.
10. Not Keeping Track: Failing to keep systematic records to track the results of your decisions.
11. Failure to Audit Your Decision Process: Failing to create an organized approach to understand your own decision-making.

**Ans to the question No. 3**

**McGregor’s Theory X and Theory Y:**

Theory X and Theory Y were proposed by management theorist Douglas McGregor. Both theories rest on the assumption that management is required to coordinate all aspects of the value delivery process to be productive. As part of this theory, managers must be able to motivate employees. Importantly, different types of employees are motivated by different sorts of rewards. The idea that a manager’s attitude has an impact on employee motivation was originally proposed by Douglas McGregor, a management professor at the Massachusetts Institute of Technology during the 1950s and 1960s. In his 1960 book, The Human Side of Enterprise, McGregor proposed two theories by which managers perceive and address employee motivation. He referred to these opposing motivational methods as Theory X and Theory Y management. Each assumes that the manager’s role is to organize resources, including people, to best benefit the company. However, beyond this commonality, the attitudes and assumptions they embody are quite different.

**Theory X**

According to McGregor, Theory X management assumes the following:

* Work is inherently distasteful to most people, and they will attempt to avoid work whenever possible.
* Most people are not ambitious, have little desire for responsibility, and prefer to be directed.
* Most people have little aptitude for creativity in solving organizational problems.
* Motivation occurs only at the physiological and security levels of Maslow’s hierarchy of needs.
* Most people are self-centered. As a result, they must be closely controlled and often coerced to achieve organizational objectives.
* Most people resist change.
* Most people are gullible and unintelligent.

Essentially, Theory X assumes that the primary source of employee motivation is monetary, with security as a strong second. Under Theory X, one can take a hard or soft approach to getting results.

The hard approach to motivation relies on coercion, implicit threats, micromanagement, and tight controls— essentially an environment of command and control. The soft approach, however, is to be permissive and seek harmony in the hopes that, in return, employees will cooperate when asked. However, neither of these extremes is optimal. The hard approach results in hostility, purposely low output, and extreme union demands. The soft approach results in a growing desire for greater reward in exchange for diminished work output.

It might seem that the optimal approach to human resource management would lie somewhere between these extremes. However, McGregor asserts that neither approach is appropriate, since the basic assumptions of Theory X are incorrect.

Drawing on Maslow’s hierarchy of needs, McGregor argues that a need, once satisfied, no longer motivates. The company uses monetary rewards and benefits to satisfy employees’ lower-level needs. Once those needs have been satisfied, the motivation disappears. Theory X management hinders the satisfaction of higher-level needs because it doesn’t acknowledge that those needs are relevant in the workplace. As a result, the only way that employees can attempt to meet higher-level needs at work is to seek more compensation, so, predictably, they focus on monetary rewards. While money may not be the most effective way to self-fulfillment, it may be the only way available. People will use work to satisfy their lower needs and seek to satisfy their higher needs during their leisure time. However, employees can be most productive when their work goals align with their higher-level needs.

McGregor makes the point that a command-and-control environment is not effective because it relies on lower needs for motivation, but in modern society those needs are mostly satisfied and thus are no longer motivating. In this situation, one would expect employees to dislike their work, avoid responsibility, have no interest in organizational goals, resist change, etc.—creating, in effect, a self-fulfilling prophecy. To McGregor, a steady supply of motivation seemed more likely to occur under Theory Y management.

**Theory Y**

The higher-level needs of esteem and self-actualization are ongoing needs that, for most people, are never completely satisfied. As such, it is these higher-level needs through which employees can best be motivated.

In strong contrast to Theory X, Theory Y management makes the following assumptions:

1. Work can be as natural as play if the conditions are favorable.
2. People will be self-directed and creative to meet their work and organizational objectives if they are committed to them.
3. People will be committed to their quality and productivity objectives if rewards are in place that address higher needs such as self-fulfillment.
4. The capacity for creativity spreads throughout organizations.
5. Most people can handle responsibility because creativity and ingenuity are common in the population.
6. Under these conditions, people will seek responsibility.

Under these assumptions, there is an opportunity to align personal goals with organizational goals by using the employee’s own need for fulfillment as the motivator. McGregor stressed that Theory Y management does not imply a soft approach.

McGregor recognized that some people may not have reached the level of maturity assumed by Theory Y and may initially need tighter controls that can be relaxed as the employee develops.

If Theory Y holds true, an organization can apply the following principles of scientific management to improve employee motivation:

**Decentralization and delegation**: If firms decentralize control and reduce the number of levels of management, managers will have more subordinates and consequently need to delegate some responsibility and decision making to them.

**Job enlargement**: Broadening the scope of an employee’s job adds variety and opportunities to satisfy ego needs.

**Participative management**: Consulting employees in the decision-making process taps their creative capacity and provides them with some control over their work environment.

**Performance appraisals**: Having the employee set objectives and participate in the process of self-evaluation increases engagement and dedication.

If properly implemented, such an environment can increase and continually fuel motivation as employees work to satisfy their higher-level personal needs through their jobs.

**Ans to the question No. 4**

**Short Discussion:**

a.) **Profit Sharing Plans:**

A profit-sharing plan is a type of defined contribution plan that allows companies to help their employees save for retirement. Employers use these plans to give their workers a stake in the company's success. It's also a nice benefit that can be used to attract new hires.

b.) **Merit Based Pay:**

Merit pay, also known as pay-for-performance, is defined as a raise in pay based on a set of criteria set by the employer. This usually involves the employer conducting a review meeting with the employee to discuss the employee's work performance during a certain time period. Merit pay is a matter between an employer and an employee (or the employee's representative.

c.) **Job Rotation:**

Job rotation is a technique used to increase employee learning and motivation. In this article, we will explain what job rotation is, list its benefits and drawbacks, and give 5 examples of companies who successfully apply job rotation in their activities.

d.) **Job Enrichment:**

Job enrichment and job enlargement are both methods for increasing employees' enthusiasm and commitment. By increasing the scope of their jobs, both approaches can engage employees more fully. Job enlargement involves adding responsibility; job enrichment involves making the work more meaningful.