



THE HIDDEN TRAPS IN DECISION MAKING

WHY DO BODY CORPORATES MAKE BAD DECISIONS AND WHAT TO DO ABOUT
IT?

THE ANCHORING TRAP

- When considering a decision we give disproportionate weight to the first information we receive.
- Old numbers become anchors making it hard to project future numbers.
- Good negotiators use anchors as a bargaining tactic.

How to Avoid the anchoring trap:

- View a problem from different perspectives.
- Think through your position before any negotiations.
- Be wary of the information you give to consultants.

THE STATUS QUO TRAP

- Decision makers display a strong bias towards maintain the status-quo.
- Breaking the status quo-means taking action and responsibility. People are afraid of that because it opens them to criticism and regret.
- The more choices you are given, the more pull the status quo has.
- People often say they will rethink something 'later' but later is usually never.

How to avoid the status-quo trap:

- The status quo may be the best choice but don't choose it because it makes you comfortable.
- Ask whether you would choose the status quo if it wasn't the status quo.
- Avoid exaggerating the effort or cost of change.

THE SUNK COST TRAP

- Sunk costs are expenses that cannot be recovered.
- We know that sunk costs are irrelevant to present decision making but they prey on our minds.
- People can't free themselves from past decision making because they are unwilling to make a mistake.

How to avoid the sunk cost trap:

- Listen to views of people who were uninvolved in earlier decisions.
- Don't blame people if a decision is changed.
- When you find yourself in a hole the best thing to do is stop digging.

THE FRAMING TRAP

- The first step in making a decision is to frame the question.
- When choosing between two identical beef products, most people will select the one labeled "80% lean" because it sounds healthier, even though it's the same as the "20% fat" option.
- People tend to adopt the frame presented to them rather than reframing a situation in their own way.

AWARENESS

- The best protection against psychological traps is awareness.
- Forewarned is forearmed.
- Even if you can't eradicate psychological distortions you can build tests into your decision making process that can uncover errors in thinking.