

Decision-Making Biases and Pitfalls

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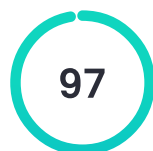
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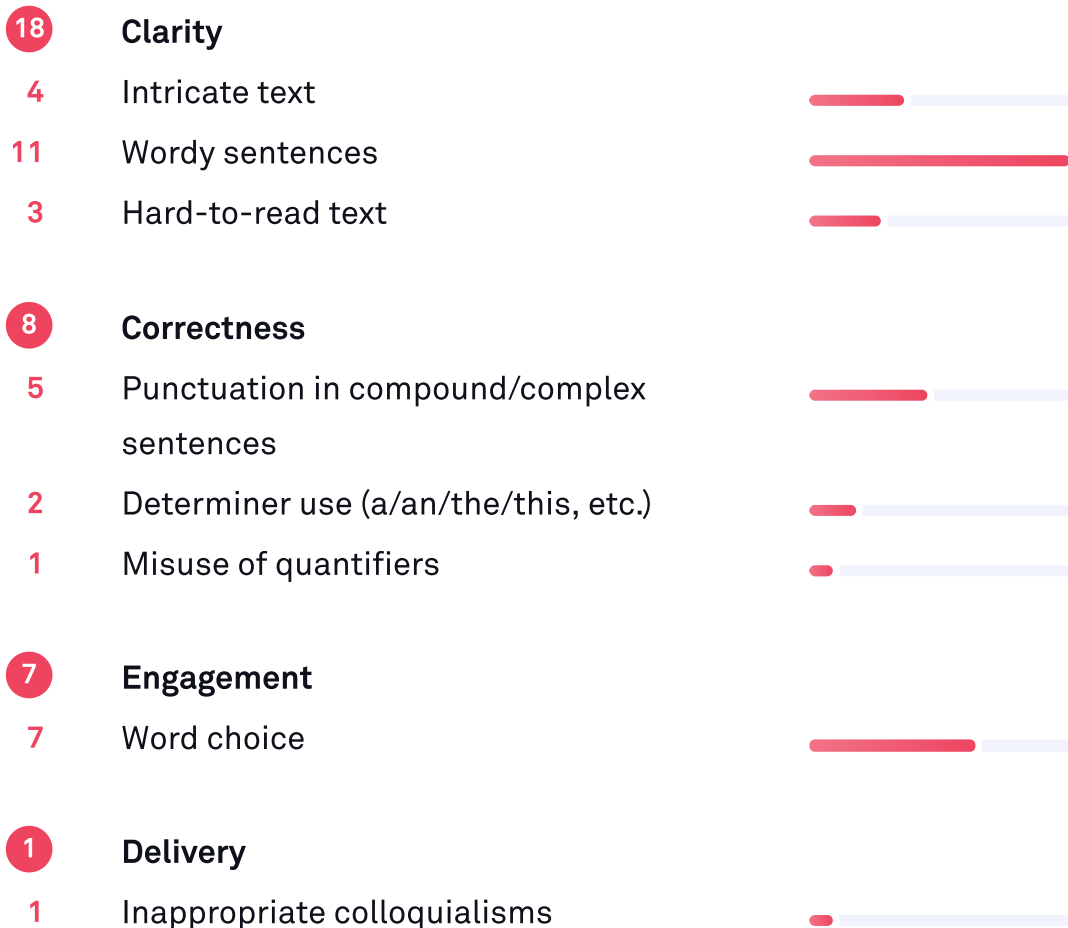
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Decision-Making Biases and Pitfalls

DECISION-MAKING BIASES IN CASE SCENARIOS AND STEPS OF AVOIDING THEM 2

Decision-Making Biases in Case Scenarios and Steps of Avoiding Them

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Institutional Affiliation

Decision-Making Biases in Case Scenarios and Steps of Avoiding Them

Introduction

Decision-making is sometimes the hardest thing to do within an organization.

²
This is the reason why many people are encouraged to learn from problems and the solutions that are accorded to the said problems.¹

In many cases, organizational leadership is left to make all the decisions. In given times, they are wrong, especially when they do not consider the pros and cons of what the decision might cost the organization. It is important to note that many leaders and their subsequent leadership styles are the channels of bias decision-making in the organization. For instance, when a leader chooses to use either democratic or autocratic leadership, the results of the decisions are weaved according to the decisions made and is proportionate to the leadership style. This paper forms a correlation between decision-making biases in case

scenarios in regard to³ the type of biased decision exemplified in literature sources. It also finds solutions to the wrong decisions given in the scenarios. Consultation is key to positively impactful decisions.

Scenario 1 Decision-Making Bias and Steps of Avoiding It

The scenario entails the anchoring bias. Anchoring bias in decision-making is holding firmly to one piece of the information without looking at different lenses or alternative explanations when the decision negates the expectations (Canay, Mogstad & Mountjoy, 2020). In the scenario, the Chief Financial Officer had cut the costs of marketing because a friend advised her that budgeting for marketing was a waste of the company's finances. The reasons for her cutting the marketing costs were anchored on the belief that the products did not report increased sales. As fallacious as this concept sounds, the CFO began to witness the subsequent fall in product sales due low and almost zero costs for marketing the products. When asked by an employee, she confronts that marketing is not the case. She cannot accept the fault as a leader who initiated the whole issue.

In order to⁴ reverse this bias decision, I recommend that the CEO should begin by budgeting for the marketing department so that the product sales could go back to normalcy. In addition⁵, the CFO should often make statistical analysis of the thoughts on ideas that can work to the advantage of the company and those that could not work as discussed by Canay, Mogstad & Mountjoy (2020). The CFO should also, as indicated by Bolland & Fletche (2012), work with departmental heads of the company in order to⁶ verify their financial mandates.

Scenario 2 Decision-Making Bias and Solution

In my view, the Chief Executive Officer demonstrates overconfidence bias. He believes in his own⁷ intellectual capabilities without considering the thoughts of other top managers. The CEO holds unrealistic beliefs about his ability to

handle the merger with the rival company. The implications such as realigning the two organizational cultures, financing the merger and operationalizing the two businesses are the decisions that support the managers' opposition to the CEO's decision. Nonetheless, the CEO believes that he stands a chance to propel the two organizations through the looming change.

This leader should utilize the services of an external adviser so as to⁸ implement the needed positive decisions. The role of external experts or practitioners is, therefore, called in (Kourdi, 2011). External specialists are pivotal to decisions as they are not part of the beneficiary groups in the companies they assist. They improve trust and posit credibility required by the company as⁹ shown by Lombardo (2014). In addition,¹⁰ researching the pros and cons related to the issue at hand is important¹¹ for the better decisions required in the scenario. The leader should also investigate and understand similar implications from other companies' manifestations of similar undertakings.

Scenario 3 Decision-Making Bias and Steps of Avoiding It

It is my opinion that the CEO who purchases factory A over B citing 94% success of products in A is demonstrating the framing effect kind of decision-making bias. This bias example as¹² illustrated by Farneti & Dishman (2016) arises when a similar incident becomes difficult to comprehend because the initial interpretation has been altered. In the scenario, factory A has 94% product success while factory B posits a 5% defect in relation to¹³ the total outcome of the factory. The CEO in the scenario decides to go for factory A because of the 94% success. This¹⁴ is lower than what is impacted in factory B which¹⁵ results in 95% success.

This kind of bias can be rectified through understanding and interpreting what role emotional intelligence plays in marketing. The language used in marketing depends on how syntactical or pragmatically the marketer approaches the

customer, as demonstrated by Farneti & Dishman (2016).¹⁶ By beginning the sales of the factory with a 94% success, many buyers would run for this product as opposed to 5% defect although this inversely means 95% success. Structural¹⁷ arrangement of words is a concept to consider in marketing. It is appropriate for the CEO to consider all the possible ways of understanding business languages as shown by Canay, Mogstad & Mountjoy (2020). In addition¹⁹, clarifying the problem statement in relation to¹⁹ the language used would similarly prove vital to the decision-making outcomes.

Scenario 4 Decision-Making Bias and Steps to Avoid It

I think the automobile CEO who brings into the market the custom-made or hybrid car represents the sunk-cost bias. In this biased approach, the leader invests so much²⁰ resources and sentiments in a project that letting go of the project becomes very difficult in the moment of need (Bolland & Fletcher, 2012). The hybrid car that has been invented in this automobile company has consumed so much money and time²² than the returns it is bringing in the company.²¹ The CEO does not want to admit the mistake in the decision she had made neither does she want to let go of the hybrid car project for the most profit-generating type of cars.

The leader should immediately cut off the liabilities that the hybrid car project is creating. The leader should learn to visualize, evaluate and measure long term objectives against the resources that are needed to operationalize the project. As much as certain²³ CEO backed ideas are right, attesting their variability of decisions through results in line with set expectations can help vindicate a futuristic leader from the public relations driven chief executive. As shown by Bolland & Fletcher (2012) and Kourdi (2011), leaders need to accept mistakes and learn from them without forming attachments to prior failed decisions.

The Most Dangerous Decision-Making Bias of all the Scenarios

I believe that the most dangerous decision-making bias of all the four biases discussed is the one in scenario four. When the automobile CEO chooses to go with her ideology of selling the hybrid cars, losses have already been made ²and ²⁵when she remains adamant about letting go, she will soon fall out due to limited sales and subsequent bankruptcy. This decision-making bias is preliminary of the fallout among the fellow managers and colleagues in the company. Like Carmichael (2020) and Lombardo (2014) view it, visible liabilities should inform a change of perspective ²⁶in order to avoid consequent failure. The other three decision-making biases can be avoided. For instance, in scenario one, the CFO can be advised to quickly fund the marketing department. Scenario two bias can be changed by readily accessing services of external adviser to help the CEO see the ²⁸wider effects of merging culturally diversified rival businesses. Lastly, scenario three bias can be changed by explaining the simple language difference used to market factory A and B. Scenario four is worse for the ready ²⁹negative effects of a ³⁰bad decision have been seen.

Conclusion

Decision making in business requires ³¹ardent participation and consultations from all the organizational stakeholders. Leaders of corporations need to work in incongruence with the subordinate staff through teamwork and participation in problem-solving and decision-making. Impeccable leaders are not the corporation accentuated statuses ³²but are determined by the ability to recognize change and plan for it through the inclusion of specialists and company staff for the said changes to be positively materialized. Decision-making biases such as overconfidence, framing effect, sunk-cost and anchoring can be avoided through carrying out research for analysis of similar

decisions as applied elsewhere, encouraging teamwork and initiating collaboration in decision making.

References

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Farneti, C., & Dishman, G. (2016). Chapter 2: Optimizing Decision Making and Avoiding Pitfalls. In Solutions (pp. 19-34). EBSCO Publishing.

Kourdi, J. (2011). Chapter 10: Avoiding ³³the pitfalls and developing an action plan. ³⁴Effective Decision Making: 10 Steps to Better Decision Making and Problem Solving.

Lombardo, J. (2014). Common Biases and Judgment Errors in Decision Making Organizational Behavior. Education Portal <https://www.youtube.com/watch?v=cAbdmV3VOwA>

1.	<i>This is the reason why many people are encouraged to learn from problems and the solutions that are accorded to the said problems.</i>	Intricate text	Clarity
2.	<i>This</i>	Intricate text	Clarity
3.	in regard to → regarding, concerning, about, with	Wordy sentences	Clarity
4.	In order to → To	Wordy sentences	Clarity
5.	In addition → Also, Besides	Wordy sentences	Clarity
6.	in order to → to	Wordy sentences	Clarity
7.	own	Wordy sentences	Clarity
8.	so as to → to	Wordy sentences	Clarity
9.	, as	Punctuation in compound/complex sentences	Correctness
10.	In addition → Also, Besides	Wordy sentences	Clarity
11.	important → essential, vital	Word choice	Engagement
12.	, as	Punctuation in compound/complex sentences	Correctness
13.	in relation to → about, to, with, concerning	Wordy sentences	Clarity
14.	<i>This</i>	Intricate text	Clarity
15.	, which	Punctuation in compound/complex sentences	Correctness
16.	<i>The language used in marketing depends on how syntactical or pragmatically the</i>	Hard-to-read text	Clarity

	<i>marketer approaches the customer, as demonstrated by Farneti & Dishman (2016).</i>		
17.	The structural	Determiner use (a/an/the/this, etc.)	Correctness
18.	In addition → Also, Besides	Wordy sentences	Clarity
19.	in relation to → about, to, with, concerning	Wordy sentences	Clarity
20.	much → many	Misuse of quantifiers	Correctness
21.	<i>The hybrid car that has been invented in this automobile company has consumed so much money and time than the returns it is bringing in the company.</i>	Intricate text	Clarity
22.	, and	Punctuation in compound/complex sentences	Correctness
23.	certain → particular, confident	Word choice	Engagement
24.	, and	Punctuation in compound/complex sentences	Correctness
25.	and when → . When	Hard-to-read text	Clarity
26.	in order to → to	Wordy sentences	Clarity
27.	to fund the marketing department quickly	Inappropriate colloquialisms	Delivery
28.	wider → broader	Word choice	Engagement
29.	negative → adverse	Word choice	Engagement
30.	bad → wrong	Word choice	Engagement
31.	ardent → enthusiastic	Word choice	Engagement

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|-----|---|---|-------------|
| 32. | but are → . Still, they are | Hard-to-read text | Clarity |
| 33. | the pitfalls | Determiner use
(a/an/the/this, etc.) | Correctness |
| 34. | Effective → Practical, Significant | Word choice | Engagement |