

5.11: Barriers to Individual Decision Making

Learning Outcomes

- Describe the barriers to decision making.

Obviously, not all decisions prove to be good ones. Sometimes that is due to unfortunate situations that would have been impossible to foresee. Other times, however, the problem with the decision could have been avoided. What are the potential barriers that we should be aware of during the decision-making process?

Information-Related Barriers

Almost every decision is based at least in part on information that the decision maker trusts. The reliability and use of that information can potentially lead to multiple problems.

One of the most obvious information-related problems occurs when the information is either incorrect or incomplete. Trusting information that is faulty leads to many wrong deductions and conclusions. If information is incomplete, even if the decision maker is aware of that fact, uncertainty is introduced, and any decision based on that partial information could prove to be misguided.

On the other hand, a contrasting problem can arise when there is too much information available. An information overload can make it difficult to grasp the big picture and recognize which pieces of information are most important. Another problem it can create is that large sets of data may contain data that seems contradictory, leading the analyst to confusion or uncertainty and an inability to synthesize it as a whole.

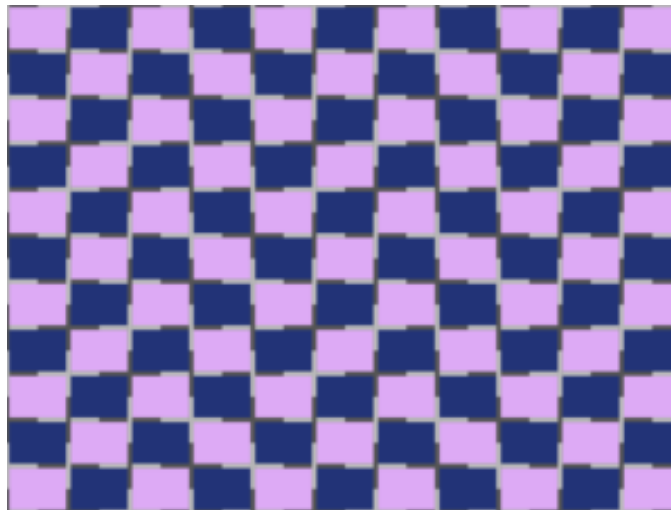
An overabundance of information can also lead to an inability to process everything to the decision maker's satisfaction. The result can be a harmful delay in the decision-making process as the over-abundance of information is being considered for an undue amount of time. Similarly, if the decision maker is excessively concerned to find every possible piece of information, the same problem can arise.

Circumstance and Time-Related Barriers

A variety of difficulties can also arise from the circumstances in the midst of which a decision maker must work. One of the most common issues is stress, which can arise from a great number of sources. If the decision maker is experiencing abnormal levels of stress either in his personal life or work environment, that can often lead him to poor decisions that are out of character. He may be less objective or less disciplined in following the decision-making process he usually trusts. Recognizing high stress levels can provide the opportunity to intentionally protect against those tendencies.

Also, when time is a restricting factor, that often contributes to poor decisions. Unsurprisingly, evidence suggests that when decision makers feel rushed for time, their judgment often suffers. This is true even when there actually is sufficient time for the decision-making process: just the feeling of a lack of time causes problems. It is important to commit to taking sufficient time for decisions if at all possible (and it usually is).

Cognitive Biases



In this optical illusion all lines are parallel. Perceptual distortion makes them seem crooked.

Even when circumstances are conducive to good decisions and a sufficient supply of accurate information is available, there are still a number of ways in which decision makers might be at fault in their manner of judgment. For instance, their perception can be distorted. Understanding how this happens is relevant for managers because they make many decisions daily. They must also deal with many people making assessments and judgments.

Faulty ways of thinking during the analysis stage are often referred to as cognitive biases. A few common ones follow:

Confirmation Bias

Confirmation bias is the tendency to seek out or prefer information and opinions that we believe will confirm our own judgment. We want to be confirmed, so we pay more attention to information that we think supports us, and we ignore or diminish the significance of information to the contrary. We also tend to accept information at face value that confirms our preconceived views while being critical and skeptical of information that challenges these views. For example, if you believe your new diet of bananas and almonds is the healthiest foods to eat, you will search for and accept any supporting information on the virtues of bananas and almonds, and ignore and discount any contradictory information.

Framing Bias

Framing bias is the tendency to be influenced by the way that a situation or problem is presented. Framing a message with a positive outcome has been shown to be more influential than framing a message with a negative outcome. For example, public health messages that depict nonsmokers as happy and popular with sparkling white smiles has proven more effective than displaying a smoker's diseased lung. Numerous studies have demonstrated framing effects in our everyday lives.

- We are more likely to enjoy meat labeled 75 percent lean meat as opposed to 25 percent fat.
- 93 percent of PhD students registered early when the framing was in terms of a penalty fee for late registration, with only 67 percent registering early when the framing was in terms of a discount for earlier registration.
- More people will support an economic policy if the employment rate is emphasized than when the associated unemployment rate is highlighted.^[1]

It is important to be aware of this tendency because, depending on how a problem is presented, we might choose an alternative that is disadvantageous simply because of how it is framed.

Hindsight Bias

Hindsight bias is the tendency to believe falsely that we would have accurately predicted the outcome of an event after that outcome is actually known. When something happens and we have accurate feedback on the outcome, we appear to be very good at concluding that this outcome was relatively obvious. For example, a lot more people claim to have been sure about the inevitability of who would win the Super Bowl the day after the game than they were the day before.

What explains hindsight bias? We are very poor at recalling the way an uncertain event appeared before we realize the actual results of the event, but we can be exceptionally talented at overestimating what we actually knew beforehand as we reconstruct the past. Just listen to a call-in sports show after a big game, and hindsight bias will be on full display.

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Anchoring

Anchoring bias is a tendency to fixate on initial information and then fail to adjust for subsequent information. When our opinion becomes anchored to that piece of information, we cannot stray very far from it. For example, in a mock jury trial, one set of jurors was asked to make an award in the range of \$15 million to \$50 million. Another set of jurors was asked for an award in the range of \$50 million and \$150 million. The median awards were \$15 million and \$50 million respectively with each set of jurors.

Halo Effect

Halo effect concerns the preferential attitude that we have toward certain individuals or organizations. Because we are impressed with their knowledge or expertise in a certain area or areas, we unconsciously begin to give their opinions special credence in other areas as well. This would, for example, be exhibited when sports stars express their political opinions and the public gives strong weight to what they say. There is no logical reason to think that they have sound political opinions just because they have great skill in the realm of sports.

Overconfidence Bias

Overconfident bias is particularly easy to understand. It basically amounts to the idea that an individual decision maker trusts his own judgment (usually his intuition) and allows that judgment to override evidence to the contrary. His opinion counts more strongly to him than that of experts who are more knowledgeable and often more than factual data that contradicts his views. From an organizational standpoint, as managers and employees become more knowledgeable about an issue, the less likely they are to display overconfidence. And overconfidence is most likely to arise when employees are considering issues outside of their area of expertise.

Status-Quo Bias

Some decision makers prefer to avoid change and maintain the status quo. This desire, perhaps unrecognized, often leads them to favor ideas that do not lead to significant changes. Evidence and ideas that support change are neglected as a result.

Pro-Innovation Bias

Pro-innovative bias is the opposite of the status-quo bias. Rather than prefer things to stay the same, the innovation bias gives preference to any new and innovative idea simply because it represents something new. The feeling is that new ideas must be better than old ones. Even if no objective evidence supports the new idea as useful and helpful, it is still attractive just by virtue of being new.

Here is an explanatory video that will help you understand some of these biases along with others:

A link to an interactive elements can be found at the bottom of this page.

You can [view the transcript for “Common Biases and Judgement Errors in Decision Making Organizational Behavior \(by Jennifer Lombardo\)”](#) here (opens in new window).

? Practice Question

<https://assessments.lumenlearning.co...essments/12188>

1. “The Framing Effect Bias: Improving Decision Making Skills for Cognitive Misers.” IQ Mindware.
<http://www.highiqpro.com/willpower-self-control/the-framing-effect-improving-decision-making-skills-with-capacity-strategy-training>↵

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