

“A great many people think  
they are thinking when they  
are merely rearranging their  
prejudices.”

William James

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## BIASES AND BLOCKS IN GROUP DECISION- MAKING

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Oregon

Richard Alper and Robert Fisher

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## Session Overview

- Gathering
- Ice-Breaker / Plan
- Survey of Selected Biases – Current Research
- Two Biases in Detail
- Exercise and Discussion (*in small groups*)
- Biases in Action - Clinic / Open Discussion
- Take Away

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Salvatore Vuono

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## What's Bias?

- Decisions which depend upon emotions, instincts, and mental shortcuts.
- Subjective judgments based on data of limited validity.

*Sources: Lehrer, Tversky, Kahneman*

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## Survey: Biases of the Heart

- Reactive Devaluation:
  - Things offered are less valuable than things not offered
  - Offers from an opponent are evaluated relative to the status
- Fundamental Attribution Error: Others' mistakes reflect on their character while our mistakes are best understood as responses to the situation.

*Sources: Birke, Bazerman, Mauboussin*

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## Survey: Biases of the Heart

- Loss Aversion: Taking risks to avoid perceived losses.
- Risk Aversion: Avoiding risk when there is an expectation of gain.
- Scarcity of Deadlines: fleeting ideas or disappearing goods / services seem more valuable than if they were plentiful or available at any time.

*Sources: Birke, Bazerman, Mauboussin*

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## Survey: Biases of the Mind

- Confirmation Bias:
  - Creating cause and effect when two things happen closely together in time
  - Looking for information that re-affirms beliefs and pre-existing hypothesis from sources likely to produce it
- Naive Realism / Biased Assimilation: Believing you see the world as it is and thus overweighing information conforming to pre-existing hypotheses and under weighing disconfirming information

*Sources: Birke, Bazerman, Mauboussin*

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## Survey: Biases of the Mind

- Optimistic Overconfidence: People are overconfident in their abilities and/or assess uncertainty levels optimistically
- Base Rate Neglect: People over-rely on misleading specific information that happens to be particularly vivid, and undervalue objective, collected data about similar situations.

*Sources: Birke, Bazerman, Mauboussin*

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## Survey Biases of the Mind

- Preference for Known Risk: “Prefer the devil you know to the devil you don’t.” Preferring known risks to unknown risks even when the known preference yields worse results.
- Time-based Nature of Preference: People are not good at predicting their future preferences. Future forecasts of preferences are poorly aligned with present desires.

*Sources: Birke, Bazerman, Mauboussin*

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### Confirmation Bias



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## Handling Confirmation Bias

- Recognize when it might be happening
- Engage people in reflective activities that consider other possible explanations
- Ask people to go to the balcony
- Seek evidence
- Challenge the “because”

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**Susceptibility to Framing**

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## Framing #1

- **You sit down to play blackjack at a casino. How likely are you to start with a \$100 bet?**
- **Imagine that you have been playing blackjack for an hour and are down \$600. How likely are you to make a \$100 bet?**
- **Research shows that people are more willing to risk another \$100 when they are already down \$600.**

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## Framing #2

- **Imagine the stock market declined yesterday and you lost \$600.**
- **Tonight you visit the casino to play blackjack. How likely are you to start with a \$100 bet?**
- **Research shows that people are far less willing to take the same risk after losing \$600 in the stock market than after losing \$600 at the casino.**

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## Framing

- **What's the difference if you just lost \$600 either way?**

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## Framing Effects

- **FRAME OF REFERENCE is the difference.**
- **GAIN vs. LOSS Frame -- we generally treat risks of perceived gains and losses differently**
- **Our behavior is susceptible to the effects of our FRAME of REFERENCE. A perceived:**
  - **Loss frame: risk accepting (or loss averting)**
  - **Gain frame: risk-averting / want a "sure thing"**

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## Handling Framing Effects

- **Recognize when it might be happening**
- **Engage people in reflective activities to consider their expectations of gain or loss and their perceptions of risk**
- **Ask people to go to the balcony and consider other possible Frames of Reference**
- **Ask whether the strategy still makes sense if they change the Frame of Reference**

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## Limitations?

- Individual biases are rarely encountered in isolation
- Little is known about whether one bias might trump another bias when more than one is triggered in a situation
- Advances in neuroscience may shed light on this issue as well as the interplay between individual biases
- Stay tuned...

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## Exercise

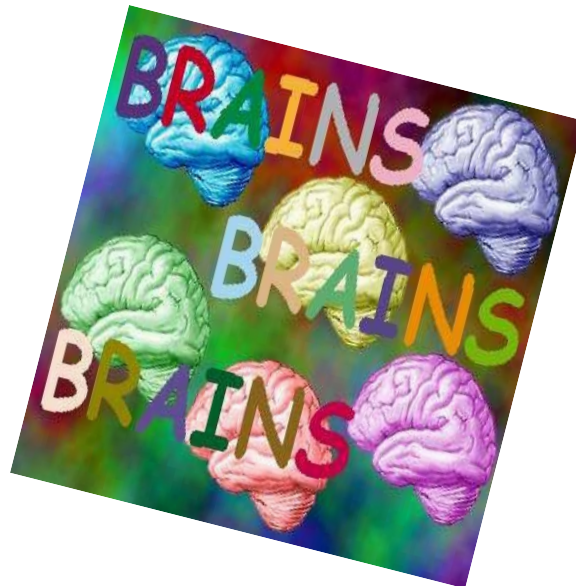
### Working Individually

- Two examples of bias in action
- Compare the two examples focusing on principles, not particulars
- How are the two situations related?
- What lessons do they have in common?

Triads: discuss principles and learning

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# BIAS CLINIC AND DISCUSSION

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**THE END**

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