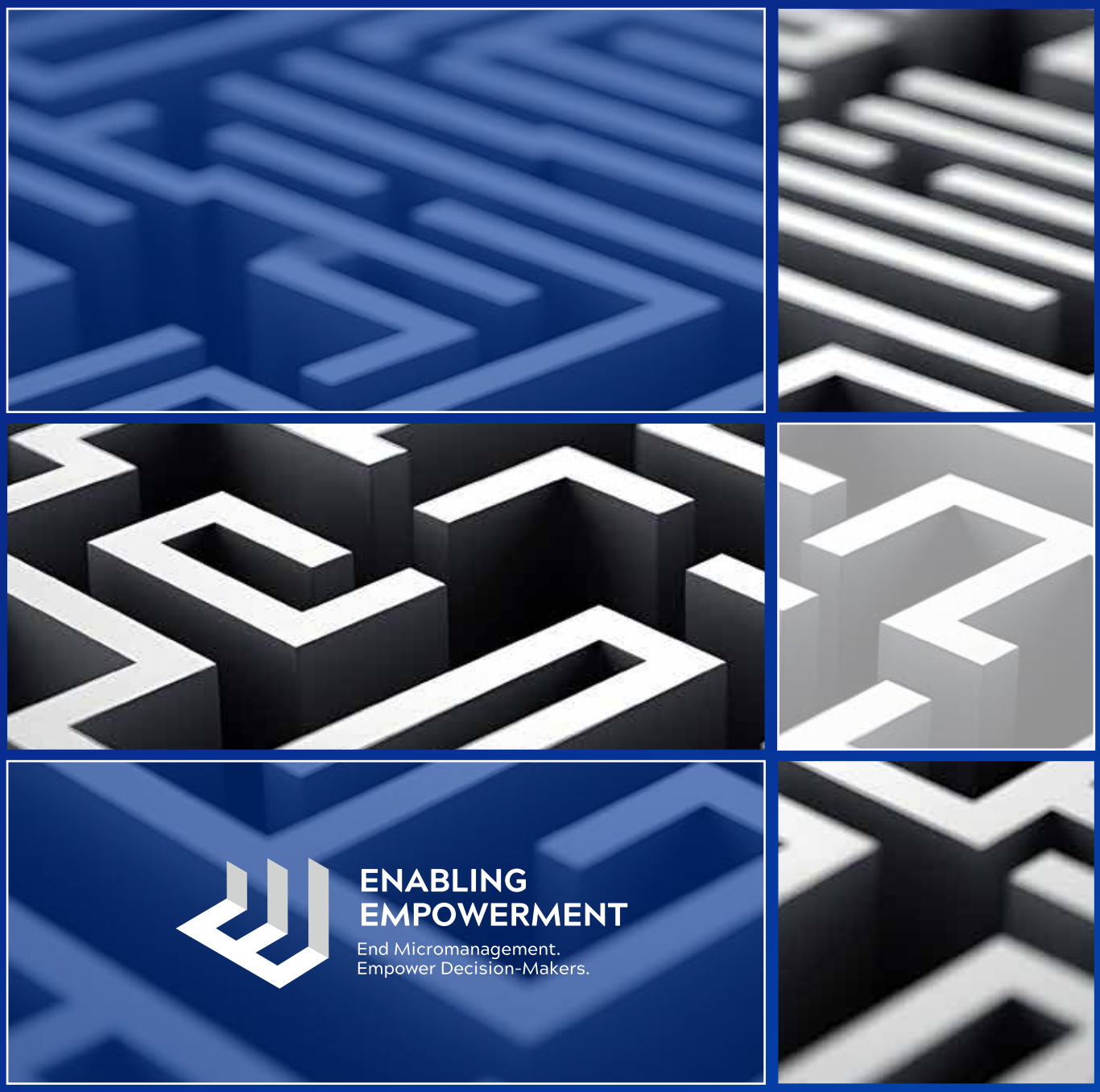
THE HIDDEN TRAPS
SABOTAGING YOUR DECISIONS

AND HOW TO AVOID THEM



ENABLING EMPOWERMENT

End Micromanagement.
Empower Decision-Makers.

UNCOVERING DECISION TRAPS:
WHY UNDERSTANDING THEM IS VITAL FOR BUSINESS LEADERS

Every business leader has faced moments of uncertainty—decisions with the potential to make or break the future of their organization. History is full of examples where critical decisions went wrong:

- **Blockbuster** had the opportunity to purchase Netflix for $50 million but dismissed it as a poor investment. Today, Netflix dominates global entertainment, while Blockbuster is a distant memory.
- **Kodak**, once the undisputed leader in photography, invented the digital camera but failed to embrace it, fearing it would cannibalize their film business. As a result, competitors seized the opportunity, and Kodak filed for bankruptcy in 2012.
- Even **Microsoft**, despite its dominant market position, famously passed on the chance to acquire Google for just $1 billion in the early 2000s. Google is now worth hundreds of billions of dollars more than Microsoft ever paid for any acquisition.

The stakes are high for business decisions—whether choosing to invest in new technologies, launch a product, or expand operations. But why do smart leaders, armed with data and experience, sometimes make decisions that lead to failure?



The answer lies in the unseen forces that influence decision-making:
cognitive biases and mental shortcuts, collectively known as decision traps. These traps arise because our brains are wired for efficiency rather than perfection, relying on two distinct systems of thinking that Nobel laureate Daniel Kahneman described as System 1 and System 2 in his groundbreaking book Thinking, Fast and Slow.

SYSTEM 1 AND SYSTEM 2:
THE TUG-OF-WAR IN OUR MINDS

System 1 operates quickly and automatically, guiding snap judgments based on past experiences and heuristics. It's the autopilot that helps us recognize patterns and make fast decisions—valuable in familiar or low-stakes situations. But it has a downside: System 1 is prone to errors when dealing with complexity or uncertainty. As Kahneman explains, The measure of success for System 1 is the coherence of the story it manages to create. The amount and quality of the data on which the story is based are largely irrelevant. In other words, System 1 often jumps to conclusions, especially when information is scarce.

Enter System 2, the slower, more deliberate problem-solver. System 2 has the capacity to analyze and critique the snap judgments of System 1, ensuring accuracy when the stakes are high.



But here's the catch—System 2 is lazy. It requires effort to engage and often rubber-stamps the conclusions of System 1 if the story sounds good enough.



This interplay leads to decision traps when leaders over-rely on System 1 in situations that demand critical thinking.

WHY BUSINESS LEADERS MUST ACT

Business decisions rarely occur in a vacuum of certainty. Leaders must navigate complexity, ambiguity, and high stakes—conditions that demand the rigor of System 2 but often fall prey to the shortcuts of System 1. As Kahneman aptly put it, the best we can do is a compromise: learn to recognize situations in which mistakes are likely and try harder to avoid significant mistakes when the stakes are high.

Understanding decision traps is not just an academic exercise; it’s a business imperative. Decision traps like anchoring bias, availability heuristics, and the illusion of control are not just theoretical concepts—they’re the silent saboteurs of effective decision-making. Recognizing and mitigating these traps can save leaders from costly missteps and help them make choices grounded in sound reasoning.

THE PATH FORWARD

The rest of this guide explores the most common decision traps leaders face, complete with real-world examples and actionable recommendations for how to avoid them. Each trap comes with practical steps that you can start applying today to improve your decision-making.

If you're ready to go even deeper, Enabling Empowerment's 7-Step Decision-Making Framework offers a comprehensive tool for avoiding all the decision traps and navigating complex, high-stakes decisions with confidence.

To learn more, you can purchase

Enabling Empowerment: A Leadership Playbook for Ending Micromanagement and Empowering Decision-Makers

or visit

www.enablingempowerment.com.

By understanding these traps and taking deliberate action to counter them, you can transform decision-making into a strategic advantage—empowering your team, driving better results, and avoiding the pitfalls that have ensnared so many others.





COMMON
DECISION TRAPS

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ACTOR-OBSERVER BIAS

The actor-observer bias refers to the way people judge themselves differently from others. When it comes to our own behavior, we tend to attribute our actions to external factors, such as the situation or circumstances. However, when we observe others' behavior, we are more likely to attribute their actions to internal factors, such as their personality or character.

Here are some examples of the actor-observer bias:



You fail a test because the instructor is biased against you, but your classmate fails a test because they haven't studied enough.



You lose your keys because you have a lot on your mind, but your spouse loses their keys because they are careless.



You miss a deadline because you have too many demands on your time, but a colleague misses a deadline because they have weak time management skills.

To avoid the actor-observer bias, it is important to:



When analyzing someone's behavior, consider the situational factors that might have contributed to it.



Before attributing someone's actions to their personality, reflect on how you would explain similar behavior in yourself.



Focus on understanding the situation and finding solutions rather than assigning blame.

AFFECT HEURISTIC

The affect heuristic involves making choices influenced by an individual's emotions at that moment. Research has shown that people in a positive mood are more likely to see decisions as having benefits and lower risks. Conversely, when people are in a negative mood, they may be more risk-averse and less likely to see the potential benefits of a decision.

Here are some other examples of the affect heuristic:



Choosing a vacation destination based on how it makes you feel rather than considering cost or convenience.



Avoiding a particular medication because of its long list of side effects, even if it is the most effective treatment option.



Buying a product because the company stands for good values and donates to charities, even if the product itself is not the best option.

To avoid the affect heuristic, it is important to:



Take time to step back and analyze your emotional state when making important decisions.



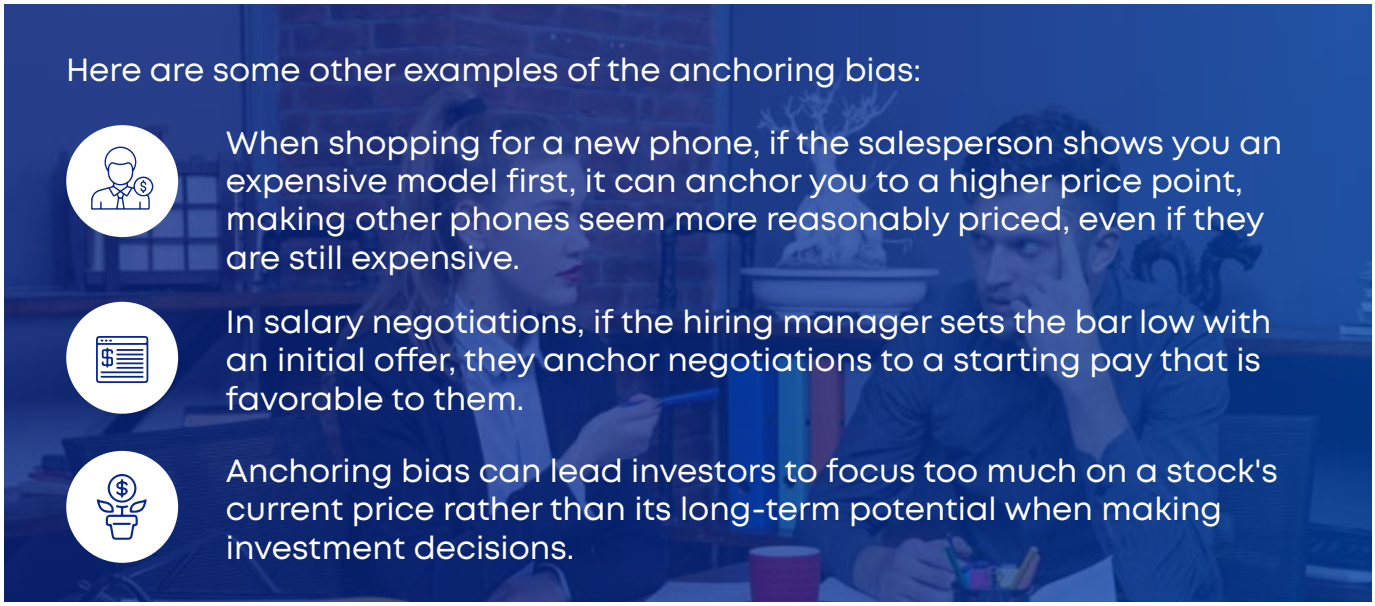
Avoid making important decisions when you are hungry or tired.



Follow Step 6 of Enabling Empowerment's Decision-Making Framework by performing economic analysis to ensure your choice is based on quantifiable data. To help with this, you can download the DMF Excel Financial Model at www.enablingempowerment.com/tools.

ANCHORING BIAS

The anchoring bias involves the tendency to be overly influenced by the first bit of information we hear or learn. This can make it more difficult to consider other factors and lead to poor choices. For example, if you are negotiating the price of a car, the first offer you receive can act as an anchor, influencing your perception of what a fair price is, even if that initial offer is unreasonably high.



Here are some other examples of the anchoring bias:

- When shopping for a new phone, if the salesperson shows you an expensive model first, it can anchor you to a higher price point, making other phones seem more reasonably priced, even if they are still expensive.
- In salary negotiations, if the hiring manager sets the bar low with an initial offer, they anchor negotiations to a starting pay that is favorable to them.
- Anchoring bias can lead investors to focus too much on a stock's current price rather than its long-term potential when making investment decisions.

To avoid the anchoring bias, it is important to:

- When brainstorming alternatives in a group, have people write down their ideas before sharing them aloud so they don't anchor on the first suggestions. For more tips on Step 2: Develop a Range of Creative Alternatives to Enabling Empowerment's Decision-Making Framework, refer to the Brainstorming Tip Sheet at www.enablingempowerment.com/tools.
- Before entering negotiations, research the market value of the item or service to establish a realistic baseline.
- Consider the opposite of the anchor and develop arguments against it to challenge its influence.

AVAILABILITY HEURISTIC (AKA RECALLABILITY TRAP)

The availability heuristic involves making decisions based on how easy it is to bring something to mind. For example, if you know several people who have been diagnosed with cancer recently, you might start to believe that cancer is more common than it actually is. This is because the memory of those diagnoses is readily available in your mind, making it seem like a more significant risk than it is.

Here are some other examples of the availability heuristic:

- You assess a proposed project as likely to succeed because a similar, recent project was successful.
- You assess the risk of a safety incident to be higher because one recently occurred.
- When shopping for laundry detergent, you may choose Tide simply because it is the first brand that comes to mind.

To avoid the availability heuristic, it is important to:

- Maintain data records on the frequency of events like project successes, safety incidents, or marketing campaign performance.
- In Step 3 of Enabling Empowerment's Decision-Making Framework, Identify Key Drivers, consult historical data, statistical base rates, and industry benchmarks for a broader perspective.
- Deliberately seek out information that contradicts your initial assumptions.

BASE RATE NEGLECT

Base Rate Neglect is a decision trap that occurs when people focus on specific information while ignoring broader statistical data. This can lead to inaccurate estimations or forecasts, as the specific information may not represent the overall population.

Here are some other examples of Base Rate Neglect:



A manager might be overly impressed by a candidate's charisma and interview performance, leading them to overlook their unimpressive resume or history of job hopping.



Excited by glowing reviews from a small focus group, a product manager might overestimate the market demand for a new product.



Influenced by the hype surrounding a new social media platform, a marketing manager might allocate a significant portion of their budget to advertising on that platform.

To avoid Base Rate Neglect, it is important to:



In Step 2 of Enabling Empowerment's Decision-Making Framework, Identify Key Drivers, gather base-rate data for each driver. Where there is uncertainty, use sensitivity analysis to determine which Key Drivers matter the most.



While individual stories can be compelling, they don't always reflect the overall reality. Encourage a culture of critical thinking where team members question assumptions and look for data to support or refute claims. For example, if someone suggests a new product is guaranteed to be a hit because everyone who's seen it loves it, ask for data on market size, competitor analysis, and projected sales figures.

CONFIRMATION BIAS
(AKA CONFIRMING-EVIDENCE TRAP)

Confirmation bias is the tendency to search for, interpret, and remember information that confirms our beliefs. In short, we prefer information that tells us we're right, and we're more likely to remember the hits and forget the misses. This can lead us to ignore evidence that contradicts our beliefs and to make decisions that are not based on objective facts.

Here are some examples of confirmation bias:

- Try these three different Google Searches about whether dogs or cats make better pets, and consider which search you might use if you had a strong existing preference for either dogs or cats:

  ? Do dogs make better pets than cats?

  ? Do cats make better pets than dogs?

  ? Which makes better pets, cats or dogs?

To avoid confirmation bias, it is important to:



Use “Red Teaming,” the practice of assigning one or more individuals to actively prove something wrong.



When evaluating information, look for disconfirming evidence that challenges your beliefs.



When making future estimates of costs or benefits, consider both the best-case and worst-case estimates as part of Step 4: Manage Risk and Upside of Enabling Empowerment’s Decision-Making Framework.

CURSE OF KNOWLEDGE

The curse of knowledge is a cognitive bias that occurs when an individual, when communicating with others, unknowingly assumes that others have the background to understand. Once we know something, it is hard to imagine what it is like not to know it.

Here are some other examples of the curse of knowledge:



When explaining code to a non-programmer, a programmer uses highly technical jargon without explaining it.



When explaining their proposed solution to an equipment issue, an engineer doesn't explain the root cause of the issue.



A leader assumes that their team understands why they made their decision, even though they haven't explained it.

To avoid the curse of knowledge, it is important to:



When communicating with others, be mindful of the audience and tailor communication in a way they will understand.



Ask the audience clarifying questions to ensure they understand what you are conveying.



Use real-world examples and analogies to make complex topics more easily understood.

FALSE CONSENSUS EFFECT

The false consensus effect is the tendency to overestimate the extent to which other people share our beliefs and behaviors. This can lead us to believe that our views are more common and valid than they actually are.

Here are some examples of the false consensus effect:



Believing that the political candidate you favor has more support in the population than other candidates, even when that isn't the case.



Assuming that most people dislike a popular TV show because you dislike it, despite its high ratings and widespread popularity.



Overestimating the number of people willing to purchase a good or service because you would be willing to purchase it.

To avoid the false consensus effect, it is important to:



Actively seek diverse perspectives and opinions, especially from people outside your usual circles.



Before assuming others agree with you, gather data or conduct surveys to gauge actual opinions.



Be mindful of the limitations of your own experience and avoid generalizing from it.

FAMILIARITY HEURISTIC

The familiarity heuristic, which Tversky and Kahneman studied, stems from the availability heuristic. It describes how people tend to have more favorable opinions of things, people, or places they've experienced before than of new ones. This can lead to a preference for the familiar, even if it is not the best option.

Here are some examples of the familiarity heuristic:



Choosing a familiar brand of shampoo over a new one, even if the new one might be better.



Taking the same route to work every day, even though there might be a faster way.



Buying the same brands over and over, regardless of the quality of the products.

To avoid the familiarity heuristic, it is important to:



Review your preferred vendors and suppliers to ensure they meet your needs.



Actively evaluate new technologies and solutions that could improve your work.



Create a culture of experimentation and innovation where trying new things is encouraged.

FRAME BLINDNESS

Frame blindness is a decision trap in which we set out to solve the wrong problem because we have created a mental framework for our decision, with little thought, that causes us to overlook the best options or lose sight of important objectives. This can lead us to make decisions that are not in our best interests.

Here are some examples of frame blindness:

- Focusing on the symptoms of a problem rather than the underlying cause.
- Defining a problem too narrowly, which can limit the range of possible solutions.
- Failing to consider all relevant stakeholders when making a decision.

To avoid frame blindness, it is important to:

- Challenge your initial framing of the problem and consider alternative perspectives.
- Engage with stakeholders to ensure you understand their needs and concerns.
- During Step 1 of Enabling Empowerment's Decision-Making Framework, Defining Opportunity and Objectives, refer to the Opportunity Framing Tipsheet at www.enablingempowerment.com/tools.

FRAMING TRAP

The framing trap is a decision trap in which we allow the way a question is asked or worded to influence our conclusion. This can lead us to make different decisions based on the same information, depending on how it is presented.

Here are some examples of the framing trap:



Being more likely to buy a product advertised as 90% fat-free than one advertised as 10% fat.



Being more willing to take a risk if it is framed as a potential gain than if it is framed as a potential loss.



Being more likely to support a policy if it is framed in positive terms than if it is framed in negative terms.

To avoid the framing trap, it is important to:



During Step 1 of Enabling Empowerment's Decision-Making Framework, Defining Opportunity and Objectives, refer to the Opportunity Framing Tipsheet at www.enablingempowerment.com/tools.



Reframe the question or problem in different ways to see how your decision might change.



Focus on the underlying data and objective facts rather than how they are presented.

GAMBLER'S FALLACY

The Gambler's Fallacy is a cognitive bias that occurs when people believe that the outcome of a random event is influenced by previous outcomes, even though the events are statistically independent.

Here are some other examples of the Gambler's Fallacy:



A person flips a coin three times and gets heads each time. They then believe that the next flip is more likely to be tails because tails is due. However, the probability of getting tails on the next flip is still 50%.



A roulette player sees that the ball has landed on red four times in a row. They then believe that the next spin is more likely to be black because black is due. However, the probability of getting black on the next spin is still the same as it was on the previous spins.



A basketball player misses their first three free throws. They then believe that they are due to make the next one. However, the probability of making the next free throw is still the same as it was on the previous free throws.

To avoid the Gambler's Fallacy, it is important to:



Remember that the outcome of a random event is not influenced by previous outcomes.



Do not let the Gambler's Fallacy influence your decisions, especially when gambling or making other risky decisions.



If you find yourself falling prey to the Gambler's Fallacy, take a break from the situation and try to think more clearly about the probabilities involved.

HALO EFFECT

The halo effect is a cognitive bias in which our overall impression of a person influences how we feel and think about their character. For example, if we find someone physically attractive, we may also assume that they are intelligent, kind, and successful, even if we have no evidence to support those assumptions.

Here are some examples of the halo effect:



Believing that a wealthy person must be smarter than everyone else because they are wealthy.



Believing that a student who gets good grades is also a good person.



Thinking that a well-dressed colleague is a hard worker.

To avoid the halo effect, it is important to:



When evaluating someone's performance, use objective criteria and specific metrics.



Focus on individual skills and behaviors rather than generalizations based on overall impressions.



When brainstorming alternatives in a group, have junior (or less influential) people share their ideas first so that people don't associate a particular idea with senior (or more influential) people and ascribe more positive traits to it. For more tips on Step 2: Develop a Range of Creative Alternatives to Enabling Empowerment's Decision-Making Framework, refer to the Brainstorming Tip Sheet

HINDSIGHT BIAS

Hindsight bias is the tendency to see events as more predictable than they are. After an event has occurred, people often overestimate their ability to predict it, leading to the common expression, I knew it all along. This can lead to overconfidence in our judgment and a failure to learn from our mistakes.

Here are some examples of hindsight bias:



Football fans often criticize or question the actions of players or coaches in what is known as "Monday morning quarterbacking." They claim that the players or coaches could have known the play's results before calling it and that the outcome was easily preventable.



Assessing a strategy to enter a new market is a failure because a competitor undercuts your prices when it is impossible to know how the competitor will behave in advance.

To avoid hindsight bias, it is important to:



When making a decision, document your predictions, assumptions, and reasoning before an event occurs. This is Step 7: Show Your Work of Enabling Empowerment's Decision-Making Framework.



When reviewing past decisions, focus on the process and what you knew at the time, not just the outcome.



Remember, you can't judge the quality of a decision by its outcome. For example, if you go to a casino, bet $100 on blackjack, and win, was that a good decision? The quality of a decision should be judged based on the information available at the time and the analysis done using that information.

ILLUSION OF CONTROL

The illusion of control is a bias in which we overestimate our ability to control events. This can lead us to make poor decisions by making us believe we have more influence over outcomes than we do.

Here are some examples of the illusion of control:



Believing that you can control the outcome of a coin toss by how you flip it.



Thinking that you can influence the outcome of a sporting event by wearing your lucky jersey.



Feeling more confident in your ability to win a lottery if you choose your numbers.

To avoid the illusion of control, it is important to:



Focus on the factors you can control, such as your effort, preparation, and decision-making process.



Recognize that chance or factors outside your control influence many events.



Avoid making decisions based on superstition or a false sense of control.

LAW OF SMALL NUMBERS

The Law of Small Numbers is a decision trap that occurs when people tend to draw broad conclusions from small data sets. This arises partly because our brains are not naturally inclined toward statistical thinking or complex mathematical concepts.

Here are some other examples of the Law of Small Numbers:



There are two hospitals. One deliers 100 babies annually. The other delivers 1,000. While the average ratio of boys vs girls born daily will be 50:50, the hospital that delivers 100 babies annually is more likely to have higher variability in the daily ratio of male to female births, compared to the hospital that delivers 1,000 babies annually.



Assuming that a baseball player who gets up to bat four times and strikes out each timemust be a terrible hitter.



A company is considering installing a new machine. To estimate the expected capacity of the machine, the project engineer uses the average of only 3 trials.

To avoid the Law of Small Numbers, it is important to:



Do not overestimate the significance of information derived from a small sample size.



Do not underestimate the potential for limited data to mislead you.



Look at a larger sample size for a more accurate assessment.

MISINFORMATION EFFECT

The misinformation effect occurs when a person's recall of episodic memories becomes less accurate because of post-event information. This can happen when people are exposed to misleading information after an event, such as leading questions or inaccurate news reports. The misinformation can then become incorporated into their memory of the event, even if it contradicts their original perception.

Here are some examples of the misinformation effect:



A witness recalls seeing a weapon at a crime scene after hearing news reports, even though there was no weapon.



Someone remembers a conversation differently after discussing it with others with different recollections.



An employee misremembers a meeting's outcome after hearing a colleague's version of events.

To avoid the misinformation effect, it is important to:



After important meetings or events, document your key takeaways and decisions in writing.



Be cautious about discussing events with others before documenting your recollections.



Keep witnesses of an incident separate before interviewing them. When interviewing them, let them tell the recollection all the way through, then go back and ask questions.

NOT KEEPING TRACK (AKA SHOOTING FROM THE HIP)

Not keeping track is a decision trap in which we assume that experience will make its lessons available automatically. Therefore, we fail to keep systematic records to track the results of our decisions and fail to analyze these results in ways that reveal their key lessons. This can prevent us from learning from our experiences and improving our decision-making.

Here are some examples of not keeping track:



Making the same mistakes over and over again because you don't remember the outcomes of your past decisions.



Failing to identify patterns in your decision-making that could lead to better choices.



Not tracking the results of your investments which can make it difficult to assess your performance and adjust.

To avoid not keeping track, it is important to:



Follow Step 7 of Enabling Empowerment's Decision-Making Framework, Show Your Work, and document your decisions, their assumptions and reasoning, and their outcomes. Use the DMF Summary Template at www.enablingempowerment.com/tools.



Regularly review your past decisions to identify patterns and learn from your experiences.



Use data and analytics to track the results of your decisions and measure their effectiveness.

OPTIMISM BIAS
(RELATED TO THE PLANNING FALLACY)

Optimism bias is the tendency to overestimate the likelihood of positive events and underestimate the likelihood of negative events. This can lead us to make unrealistic plans (aka The Planning Fallacy) and take unnecessary risks.

Here are some examples of the optimism bias:



Believing that you are less likely to experience negative events, such as a car accident or a serious illness, than others.



Underestimating the time and effort it will take to complete a project.



Overestimating the likelihood of achieving your goals.

To avoid the optimism bias, it is important to:



In Step 4: Manage Risk and Upside of Enabling Empowerment's Decision-Making Framework, consider ranges of outcomes instead of single-point forecasts. Consider the "best case" and the "worst case" and discuss what would drive each.



Use the "Best Case/Worst Case Planning Template" found at www.enablingempowerment.com/tools.



In Step 6 of Enabling Empowerment's Decision-Making Framework, Determine Required Capabilities and Next Steps, use historical data and experience to inform your estimates and timelines. Develop contingency plans to address potential setbacks and unexpected events.

OVERCONFIDENCE TRAP

The overconfidence trap is a decision trap in which we believe we are better at making predictions and estimates than we actually are. This can lead us to make overly optimistic plans and to take unnecessary risks.

Here are some examples of the overconfidence trap:

- Underestimating the time it will take to complete a task.
- Overestimating your ability to succeed in a new venture.
- Blindly relying on an expert's opinion without considering other perspectives.

To avoid the overconfidence trap, it is important to:

- When making predictions or estimates, consider ranges of outcomes (best case/worst case) instead of single-point estimates.
- Avoid making decisions based on your intuition or gut feeling. Instead, use Enabling Empowerment's 7-Step Decision-Making Framework.
- In Step 4 of Enabling Empowerment's Decision-Making Framework, Manage Risk and Upside, conduct a Pre-Mortem by asking yourself or your team the following question: It is a year from now, and this decision resulted in us losing $1M. What happened? Refer to the Pre-Mortem Tipsheet at www.enablingempowerment.com/tools

PRUDENCE TRAP

The Prudence Trap is a decision trap that occurs when decision-makers are overly cautious or conservative in their estimations or forecasts, often due to a fear of negative consequences or a desire to avoid risk.

Here are some other examples of the Prudence Trap:



A project manager overestimates the time and resources needed to complete a project to avoid the risk of missing deadlines.



A financial analyst underestimates the potential return on an investment to avoid the risk of disappointment.



A salesperson sets low sales targets to avoid the risk of not meeting them.

To avoid the Prudence Trap, it is important to:



Consider a range of expert opinions to counteract the tendency toward excessive caution.



In Step 4 of Enabling Empowerment's Decision-Making Framework, Manage Risk and Upside, use ranges instead of single-point estimates. This allows you to consider the best and worst cases, so there is no need to "pad" the estimate.

REPRESENTATIVENESS HEURISTIC

The representativeness heuristic is a mental shortcut we use when estimating probabilities. When trying to assess how likely a certain event is, we often estimate how similar it is to another existing mental prototype. For example, if you meet a soft-spoken older woman, you might immediately assume she is kind, gentle, and trustworthy because she reminds you of your grandmother. However, this assumption may not be accurate, as people can be very different from their perceived stereotypes.

Here are some other examples of the representativeness heuristic:



Assuming that a job candidate who went to a prestigious university is more qualified than a candidate who went to a less prestigious university, even if their skills and experience are comparable.



Believing that someone with a tattoo and piercings is rebellious and anti-establishment, even though they might enjoy expressing themselves through body art .

To avoid the representativeness heuristic, it is important to:



Use structured interviews with standardized questions to reduce reliance on subjective impressions.



Develop objective criteria for evaluating candidates or ideas based on skills and experience, not stereotypes.



In Step 3 of Enabling Empowerment's Decision-Making Framework, Identify Key Drivers, consider an event's base rate or probability, not just how well it fits your expectations.

RISK AVERSION/CONSERVATISM

Risk aversion is a cognitive bias where individuals tend to favor certain outcomes with lower but guaranteed payoffs over uncertain outcomes with potentially higher payoffs, even if the uncertain option offers a higher expected value.

Here are some other examples of Risk Aversion/Conservatism:



A sales manager might opt for a smaller, guaranteed contract with a known client rather than pursuing a larger contract with a new client, even if the potential rewards are significantly higher.



A manager might be reluctant to allocate funds to research and development (R&D) due to the inherent uncertainty of its success.



To improve the company's financial performance, a manager might focus excessively on cost-cutting measures, such as laying off employees or reducing marketing spend, rather than exploring strategies to generate new revenue streams.

To avoid Risk Aversion/Conservatism, it is important to:



In Step 1 of Enabling Empowerment's Decision-Making Framework, Define Opportunity and Objectives, make sure the problem is framed in a neutral way that combines gains and losses or embraces different reference points.



In Step 4 of Enabling Empowerment's Decision-Making Framework, Manage Risk and Upside, use ranges instead of single-point estimates to ensure you consider both the upside and the downside.



When others recommend decisions, examine the way they framed the problem. Challenge them with different frames.

SCARCITY HEURISTIC

The scarcity heuristic is a mental shortcut in which we view things that are scarce or less available as inherently more valuable. Marketers often use this heuristic to influence people to buy certain products by creating a sense of urgency or exclusivity.

Here are some examples of the scarcity heuristic:



Buying a product because it is labeled as a limited edition or "only available for a limited time."



Approving a project or purchase because we will miss the opportunity if we don't act "right now."



Paying a premium for a product in short supply, even if it has no new features or added utility.

To avoid the scarcity heuristic, it is important to:



When evaluating a purchase, focus on the objective value of the item, not its perceived scarcity.



Consider whether the scarcity is real or manufactured to create artificial demand.



If you feel pressured by scarcity, take a step back and re-evaluate your needs.

SELF-SERVING BIAS

Self-serving bias is the tendency to attribute our successes to internal factors and our failures to external factors. While this can protect our self-esteem and make us feel better about ourselves, it can also prevent us from learning from our mistakes and taking responsibility for our actions.

Here are some examples of the self-serving bias:



A student gets a good grade on a test and tells herself that she studied hard or is good at the material, but she gets a bad grade and blames the teacher or the test.



An athlete attributes winning a game to their skill and hard work but attributes losing a game to bad luck or the other team's unfair tactics.



A salesperson takes credit for closing a deal when it goes well but blames the customer or the product when it doesn't.

To avoid the self-serving bias, it is important to:



When reviewing project outcomes, analyze your contributions and the influence of external factors.



Seek feedback from others to get a more objective assessment of your performance.



Focus on learning from successes and failures rather than simply taking credit or assigning blame.

STATUS QUO TRAP

The status quo trap is a decision trap in which we bias our decisions in favor of what we do today. This can lead us to resist change, even when change is necessary or beneficial.

Here are some examples of the status quo trap:



Staying in a job you hate because it is familiar and comfortable.



Continuing to use outdated technology because you are used to it.



Resisting new ideas or ways of doing things because you prefer the way things have always been done.

To avoid the status quo trap, it is important to:



Ask yourself, “If I didn’t already own this today, would I buy it?”



Conduct a cost-benefit analysis of potential changes, considering risks and rewards.



Create a culture that embraces change and innovation.

SUBSTITUTION HEURISTIC

The substitution heuristic is a decision trap where we replace a complex question with a simpler one, even though the easier question may have little or nothing to do with the decision at hand. This can lead us to make poor decisions by oversimplifying complex issues.

Here are some examples of the substitution heuristic:



Instead of evaluating the long-term financial health of a company, we focus on how much we like its products.



Instead of assessing the risks and benefits of a medical procedure, we rely on the doctor's recommendation without fully understanding the procedure.



Instead of objectively evaluating a recommendation or proposal based on quantifiable data, we approve it based on the confidence of the person presenting it.

To avoid the substitution heuristic, it is important to:



Break down complex problems into smaller, more manageable parts.



Gather all the necessary information and consider all relevant factors before making a decision.



When people recommend or present a proposal, have them explain their decision using the 7 Steps of Enabling Empowerment's Decision-Making Framework.

SUNK COST TRAP

The Sunk Cost Trap is a cognitive bias that occurs when decision-makers, faced with a complex decision, factor in the costs already spent on a prior decision that is no longer relevant to the current choice that needs to be made.

Here are some other examples of the Sunk Cost Trap:



A company continues investing in a failing project just because they have already invested a lot of money.



A person continues watching a boring movie just because they have already spent money on the ticket.



A person continues eating a meal they are not enjoying just because they have already paid for it.

To avoid the Sunk Cost Trap, it is important to:



In Step 6 of Enabling Empowerment's Decision-Making Framework, Perform Economic Analysis, focus on future costs and benefits, not past costs.



Seek out and listen carefully to the views of people who were uninvolved in the earlier decisions and are, hence, unlikely to be committed to them.



Examine why admitting to an earlier mistake distresses you.

TRIAL AND ERROR HEURISTIC

Trial and error is a heuristic in which people randomly use various strategies to solve problems until they find what works. While this can be an effective way to learn and solve problems, it can also be time-consuming and inefficient.

Here are some examples of the trial-and-error heuristic:



Playing video games and trying different strategies until you find one that works.



Finding the fastest driving route to work by trying different roads and routes instead of using a tool like Google Maps.



Trying to solve a problem with a machine by randomly trying different settings.

To avoid the pitfalls of the trial-and-error heuristic, it is important to:



Before starting a trial-and-error process, clearly define the problem and desired outcome. Refer to the Opportunity Framing Tipsheet at www.enablingempowerment.com/tools for tips on Step 1: Define Opportunity and Objectives of Enabling Empowerment's Decision-Making Framework.



Systematically document each attempt, the results, and any lessons learned.



Set a limit on the number of trials to avoid wasting time and resources.





	Key Questions/Actions
Define Opportunity/Problem and Objectives	• Write a statement that defines the opportunity/problem...not the solution • Determine the "size of the prize"
Develop a Range of Creative Alternatives	• Brainstorm ways the opportunity could be captured • List advantages/disadvantages of each idea • Narrow down list to top 3 or 4 ideas
Identify Key Drivers	• Identify the Key Drivers of success • What are the 3 to 4 variables that drive 80% of the outcome?
Manage Risk and Upside	• Determine the full range of outcomes for each of the Key Drivers • What is the best and the worst outcome for each Driver?
Perform Economic Analysis	• Calculate cashflow and return on investment for each alternative and the upside/downside case
Explore Required Capabilities	• Identify what capabilities will be needed to implement • What will we have to stop doing to pursue this?
Outline Next Steps	• What is the next step and who owns it? • How will we measure progress?
Show Your Work	• Document your decision-making framework • Validate the actual results