

# Bazerman and Moore

## Chapter 12

### Improving Decision Making

# IMPROVING DECISION MAKING

## Strategy 1: Use Decision Analysis Tools

The B&M book recommends linear models, mostly multivariate linear regression models.

“Managers’ robust faith in the value of interviews is the result of a ‘perfect storm’ of cognitive biases”, specifically, availability, the affect heuristic, representativeness, and the confirmation heuristic.

(page 212)

# IMPROVING DECISION MAKING

## Strategy 2: Acquire Expertise

This strategy is based on corrective learning. Corrective learning comes in two forms – extinction and adaptation.

# IMPROVING DECISION MAKING

## Strategy 3: Debias Your Judgment

Bazerman's three stage debiasing approach

### Stage 1 – Unfreezing

Get the manager to see that intuition is a handicap, not a talent, and to revise intuition in a cognitive and corrective manner.

### Stage 2 – Change

Get the manager to actually make the change in his/her decision making process.

### Stage 3 – Refreezing

Keep the manager from reverting back.

# IMPROVING DECISION MAKING

## Strategy 4: Reason Analogically

This process rests on abstracting general principles from two or more situations. Interestingly, “... people learn far more from cases, simulations, and real-world experiences when they are able to take away an abstract form of the learning message.” (page 220)

# IMPROVING DECISION MAKING

## Strategy 5: Take An Outsider's View

“... we all have two perspectives on decision making: an *insider* view and an *outsider* view. The insider is the biased decision maker who looks at each situation as unique. The outsider, on the other hand, is more capable of generalizing across situations and identifying similarities.” (page 222)

# IMPROVING DECISION MAKING

## Strategy 6: Understanding Biases in Others

The Kahneman-Tversky five-step procedure:

Step 1 – Select a comparison group

Step 2 – Assess the distribution of the comparison group

Step 3 – Incorporate intuitive (i.e., expert) estimation

Step 4 – Assess the predicted results of the decision

Step 5 – Adjust the intuitive estimate

The text offer a simple linear adjustment model, as follows:

$$\begin{aligned} \text{adjusted estimate} &= \text{group mean} \\ &+ \text{corr. coeff.} \times (\text{initial estimate} - \text{group mean}) \end{aligned}$$

# IMPROVING DECISION MAKING

## Strategy 7: Nudge Wiser and More Ethical Decisions

Thaler and Sunstein (in *Nudge*) call their system Libertarian Paternalism. It is libertarian in that no one is compelled to change; it is paternalistic in that it will induce (i.e., nudge) individuals to make changes that are in their own best interest.