SENDERO

Common Types of Biases and How to Mitigate Them

Appendix to "Unconscious Biases Impacting Your Business" by Omar Khan, Senior Manager

Anchoring

Problem: Anchoring is a well-known bias where an initial piece of information can change how we perceive something. We often see it exploited in negotiations and marketing. Anchors can be completely arbitrary (e.g., a unrelated number like your SSN) or just a decoy choice (also known as a dominated option, click here for an example starting just after the 11 minute mark).

Example: The exploitation of anchoring happens all around us all the time as described in the video referenced above. In the business world, anchoring often presents itself in business cases where we are influenced by things that aren't related to the actual decision needing to be made, like if you're making a choice between two pieces of software and there is a reference to a third piece of software that is not being considered (effectively a decoy option). Similarly, there are a lot of things you never pay list price for, but vendors will be quick to include this theoretical cost on the invoice (for example, showing you that the list price value of the software you're getting is $1,000,000, but you're also getting a discount of $900,000, so you only pay 1/10 the list price). In these cases, the realness of the list price needs to be considered, as does the contractual language, for renewal purposes. On performance reviews, it is easy for employees to self-assess to the highest rating possible and thus influence you into limiting your assessment into the highest rating and the rating just below that as options.

How to Mitigate: If someone is trying to sell you something, either literally like a vendor or figuratively like an employee writing a review, it is important think about whether what you're being told is relevant or just a distraction – an anchor. And if there is an option that is close to another option, but just slightly worse, it is likely a decoy trying to trick you into an option you likely don't need.

Availability Bias

Problem: One of the first biases studied by Daniel Kahneman and his long-time coauthor, Amos Tversky, the Availability Bias is the tendency we all have to give more weight to examples that come to mind quickly, and therefore make us more susceptible to thinking whatever information we've heard recently or whatever perspective we've recently gained

is more meaningful than information we learned further in the past or even new information we may research.

Example: When developing a project plan, you may think back to what went wrong on your last project and add more tasks than are necessary out of an abundance of caution rather than necessity. Similarly, when you're doing a performance review of a team member, you may be overly influenced by the way they facilitated the last meeting you sat in on or by the quality of their last deliverable.

How to Mitigate: If you're reflecting on something (like a performance review), the Availability Bias can be easily offset by being proactive – take notes during meetings with your team members, note feedback from stakeholders, and review these notes before you write the review. Best practices such as these, while often generic, can help ensure you're addressing all topics. Additionally, experience (yours or someone else's who is providing you a sanity check) can help ensure you're giving appropriate attention to items and not just focusing on what comes to mind.

Clustering Illusion

Problem: Humans are great at pattern detection. However, this skill is can be our downfall as well – especially since people often find patterns that don't really exist.

Example: On a project, there may be a series of milestones that end up running late, are over budget, or are for some other reason in a red status. And there may just happen to be the same one person associated with all those milestones. As a manager, you see this and assume the person must be the issue.

How to Mitigate: Related to the Focusing Effect, it is important to get multiple data points and to really understand what is happening before deciding that there is really a pattern. That person that is associated with all those red milestones might have so much work on their plate they can't ever get ahead of things and they need help. Or maybe that person is the most skilled person on the team and they get assigned to everything when they are in danger of being red, so they just so happen to be associated with all the red milestones.

Focusing Effect

Problem: Sometimes we can get zoned in on something so much, we lose sight of everything else. The Focusing Effect is a bias wherein we place too much weight on a single event or piece of data and allow that to color expectations of a future event.

Example: As normal issues arise on a project, it isn't uncommon for a manager who is somewhat removed to want to know who "caused" the problem and then to be cautious of anything else that person has worked on.

How to Mitigate: Like with the Clustering Illusion, it is important to get multiple data points before allowing yourself to see causation where there is really only correlation.

IKEA Effect

Problem: Have you assembled the seemingly ubiquitous Billy bookcase from IKEA? And then maybe a friend or family member has suggested you part ways with your bookcase in favor of a higher quality alternative… but you just can't bring yourself to part with the Billy? That is exactly the IKEA Effect – the tendency for people to put a high value on something they've had a hand in making, even when they're offered a better alternative.

Example: This bias can lead people to become overly attached to a business case and see its success as their personal mission rather than letting it stand on its own. Similarly, this bias can come into play in a merger or acquisition scenario when determining which of two similar systems to keep – everyone is invested, usually positively, with the system they are used to and will lobby to keep theirs at the expense of the other – regardless of which system is the actual better fit for the company.

How to Mitigate: By relying on objective metrics that are important to the business (e.g., requirements scorecards, ROI, NPV), you can remove some of the subjectivity and bias that the IKEA Effect injects in decision making. Additionally, an invested individual's input could be excluded from a data set (e.g., requirements scorecards) or they can recuse themselves to ensure their bias doesn't unjustly impact the overall analysis.

Planning Fallacy

Problem: People tend to underestimate the time and cost of a future task. As you gain experience – and ultimately expertise – with a particular type of project, the speed and accuracy of your estimates will increase.

Example: Often, Project Managers (PMs) treat training as an afterthought by allocating a couple weeks right before go-live to create, QA, and deliver all the training material. As PMs gain more experience with delivering training, or at least facilitating the delivery of training, they realize that two weeks might not be enough and right before go-live might not be the best time to get Subject Matter Experts (SMEs) to perform detailed reviews of material.

How to Mitigate: To help overcome this issue, you can have more experienced people provide a sanity check on your estimates or challenge your assumptions. If you can't get someone else to provide a sanity check, you can also leverage other similar projects, particularly if you have both a planned and actual project plan, to use as inputs into your own project.