

Decision Biases: Anchoring (How Clear are Your Decisions – Part 2)

We are continuing our discussion from last week on the decision making process and the “[Psychology of Intelligence Analysis](#)” released by the CIA. Let’s look at the different types of biases and how they affect our decision making process.

The report discusses various preconceptions such as cognitive biases, hindsight biases, biases in perception of cause and effect, biases in estimating probabilities, and subsets of these biases like anchoring. Each of these affect how we view the information set before us and can slant our judgment from reality.



Discussing each bias would take more than one blog post to do it justice. Therefore, I will focus on anchoring because it has real world implications for most of us in the way we negotiate.

The report contends that anchoring is a natural starting point from which we make judgments from other information we have received and used as a first approximation of a desired judgment. We will then adjust as we gain new information, but

the starting point, or anchor, holds us back from venturing too far and may hinder better judgment.

For example, you separate two groups of people and ask a question to which they do not likely know the answer, such as "How many miles is it from the earth to the sun?" Tell group A to give an answer but suggest it might be around 5-billion miles, but tell group B to give an answer but mention it may be around 100-billion miles. Each group will respond with an answer fairly close to the anchored suggestion even if it is far from correct.

Also, if you are selling a piece of furniture at a garage sale and think it is worth \$500, but the potential buyer offers \$100, then he has anchored you to go much lower to get the sale.

How many times have you heard that the first person to name a price in a negotiation is the loser? However, using this information, the person saying a price first wins because in doing so, he anchors the other party to the belief that if he strays too far from that number, it will be outside his comfort zone.

[Victoria Medvec](#), a negotiation expert whom I saw at the E0 Chicago University, also supports the use of anchoring. I often utilize her advice with negotiating with others.

As we mentioned last week, everyone is subject to many biases, including the CIA analysts. For the CIA, and for us, these can have serious consequences in our decision making. Being aware of and knowing how to utilize the bias of anchoring can empower you not only as a business owner but also in everyday life.

Do you recognize your own biases? How are you going to use this awareness in your future decision making and negotiating?.