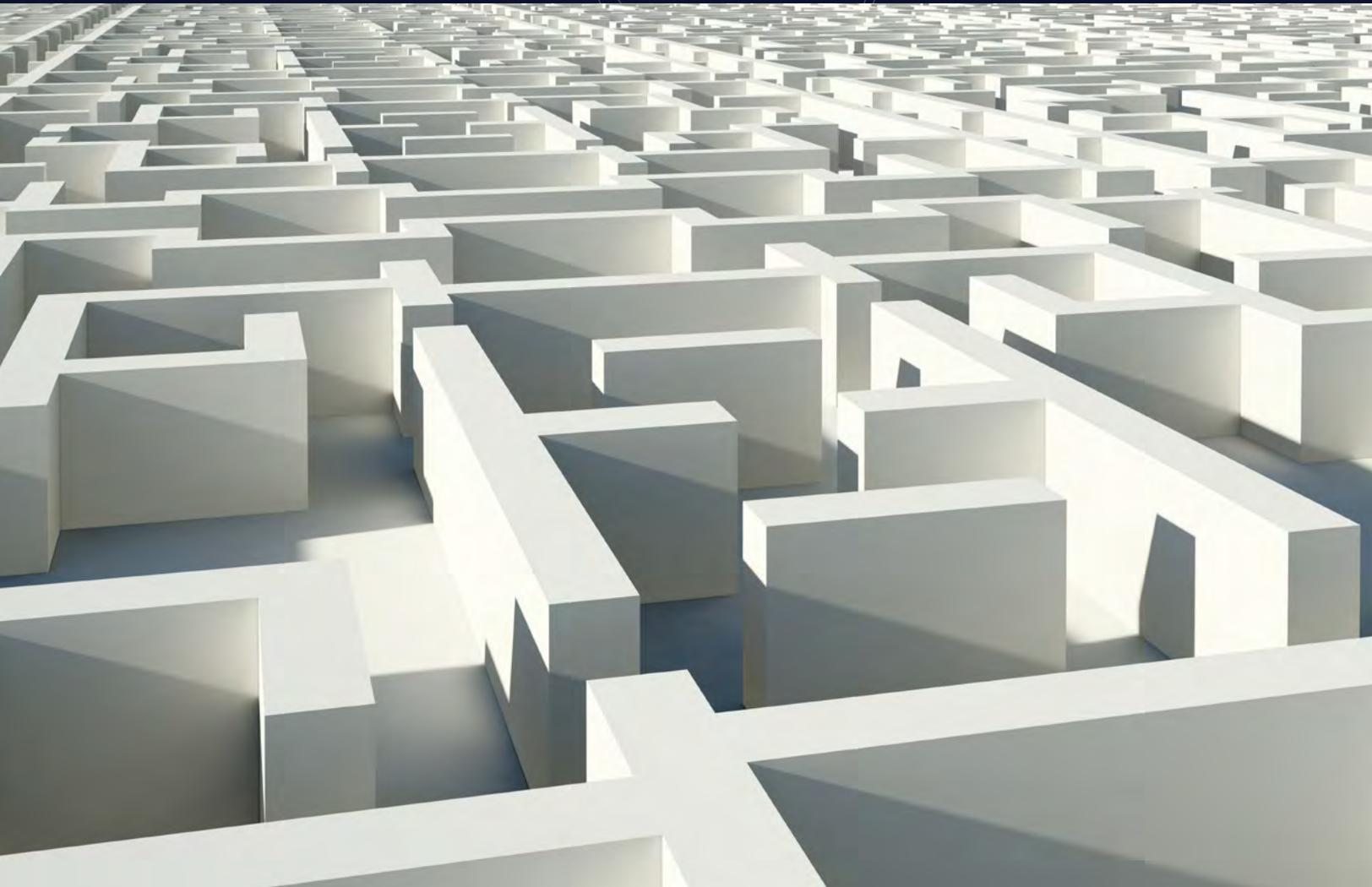


THE CHALLENGE OF DECISION MAKING

Using third parties to overcome bias



MAKING A DECISION

“The greatest obstacle to discovery is not ignorance – it is the illusion of knowledge.”

Daniel J. Boorstin

There’s a scale to decision-making. At one extreme you might be deciding what to have for lunch. At yet another you might be on the precipice of a decision that could change the course of your company. Are we headed in the right direction on our product roadmap? Does this marketing message resonate with our potential audience? Are these the product features that our customers really want? The growth of your company depends on these questions.

When we approach a problem, it is in our best interest to do so with objectivity. We can rationally consider all solutions, sort them, test them, and arrive at the best solution for a given situation.

THE NEED FOR A THIRD PARTY

The human experience reveals that objectivity is—at best—an illusion. Bias is simply part of being human. Most companies have a brain trust, a group of people who you can depend on to offer wise counsel: your board, fellow managers, go-to customer panels, colleagues in the C-suite. But all these groups share your interest. They are predisposed to believe that the road not taken is indeed the wrong road.

This is what makes third party expertise so valuable, it gives you the ability to get out of your company’s collective head. It enables you to escape your own biases and expectations, and truly learn from others.

According to Larry E. Greiner’s and Robert O. Metzger’s seminal book, **Consulting to Management**, the third party in strategic decision-making falls into three general categories:

1. The Expert

Who has in-depth knowledge of a specific content area

2. The Provocateur

Who can act as a “decision counselor”

3. The Legitim�izer

Who serves as a combination of the two

Todd Saxton, Associate Prof. of Strategy and Entrepreneurship at Kelley School of Business, wrote about these categories in his research paper, “The impact of third parties on strategic decision making”.

According to Saxton the **expert** “brings specific knowledge or skills related to an industry or function which are otherwise unavailable.”

The **provocateur**, when brought in early on, can “help identify critical information needs” and “ask difficult and perhaps unanticipated questions” that might challenge the status quo.

- ✓ They provide independence and unbiased judgement.
- ✓ They present new ideas and a fresh approach.
- ✓ They possess the ability to diagnose problems and evaluate solutions.
- ✓ They can perform tasks with specific technical skills
- ✓ They supplement a company’s institutional knowledge

THE PROBLEM OF BIAS

Third-party interactions do not exist in a vacuum. We bring our own assumptions to nearly every situation, every interaction, and every conversation, unless you make a concerted effort to avoid doing so. Your bias can be implicit in the very questions you ask, and those questions can dramatically influence the answers. Unconscious bias can turn what seem to be objective answers into answers that simply confirm your own expectations.

This is not the result you want.

OVERCOMING BIAS

Speaking to an expert outside of your circle of influence should be a key factor in your decision-making process, so you don't want to waste the opportunity. To avoid bias in these situations you must understand the types of bias, know what it sounds like when bias slips into your questions, and determine how to phrase unbiased questions.

These are some of types of bias to avoid:

Availability Bias

Human beings tend to recall their most recent experience. You can inadvertently trigger availability bias by connecting it with recent events.

- ❌ **AVOID ASKING:** What assay are you most familiar with for diagnosing X?
- ✅ **INSTEAD, ASK:** What assays provide the best data for diagnosing X? What are the pros and cons?
- ❌ **AVOID ASKING:** Have you previously used X imaging device? Do you like that it offers a greater field of view?
- ✅ **INSTEAD, ASK:** What clinical utility would an increased field of view offer?

Anchoring

Anchoring occurs when the questioner offers a specific piece of information to set up a question. Most people will base their answer about that proffered information.

- ❌ **AVOID ASKING:** Cloud providers like AWS have seen their revenue grow significantly in the last year and a half. Do you expect this trend to continue?
- ✅ **INSTEAD, ASK:** What are the revenue you expect to see in companies like AWS or Amazon?

Confirmation Bias

Confirmation bias exists when you frame a question (or a series of questions) to extract an answer that confirms your own opinions.

- ❌ **AVOID ASKING:** Do you think this surgical robotics system is a good idea for a product that does x?
- ✅ **INSTEAD, ASK:** Can you rank the most important features of a surgical robotics system that does x?

Motivational Bias

A leading product development executive of marketing software might consider SaaS differently simply because she has so much invested in her own product. You must carefully consider your subject's biography carefully and prepare questions accordingly.

Leading Questions

A leading question guides the respondent toward the "correct" answer when the questioner inserts his opinions into the question itself.

- ✔ **AVOID ASKING:** Do you expect this market to continue its 20% growth rate?
- ✘ **INSTEAD, ASK:** How do you believe this market will perform in the coming year?

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