How To Avoid Bias In Your Day-To-Day Management Decisions

A focus professional paper utilizing literature review

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Executive Summary

Research has shown that bias is a factor in decision-making in medicine and business. Medical decisions are becoming less biased as the industry moves toward evidenced based medicine. Management decisions should move in the same direction. In order to begin that process we need to have a better understanding of bias and how it affects our decisions.

There are hundreds of different kinds of bias that effect decision making. One common theme of these biases is that they are short cuts to getting to a decision. These short cuts are helpful in some circumstances, but in other circumstances they lead to less than optimal decision-making. Another theme is that our emotions can lead to bias, which leads to decisions that are not always rational. We think of ourselves as very rational people, but our opinion of ourselves is biased.

Most Managers are not aware of how bias effects their decisions. Decision-making and bias research is not something normally taught in healthcare management programs. Being aware of biases is the first step in overcoming their effects on our decisions.

Specific biases, such as confirmation bias, anchoring bias, and the availability heuristic are commonly found in our management decisions. For each bias there are strategies that we can employ to overcome them. Both individuals and groups exhibit bias in decision-making, and we should be aware of how they can happen to us as individuals and when we are working as teams.

We should not be surprised that we are not totally rational beings. By learning about bias and how it affects us, we can make better decisions. We should follow our physician colleagues and move management decision making forward using evidenced based best practice.
Key Words

Bias
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Halo effect
Choice supportive bias
Outcome bias
Central tendency bias
Regression
Mean
Loss aversion
Emotions
Introduction

This paper reviews how bias effects common management decisions in healthcare, and then explains ways to avoid those biases. We know that bias is a factor in decision-making (Dominic D.P. Johnson 2013). It is evident that having a bias affect the decision-making process will lead to less than optimal decisions. Decision-making theory and training are not commonly taught to Managers. Good decision-making appears to be an expected outcome of education and experience. However, our physician colleagues learned in the 1980’s that education and experience didn’t lead to uniformly good decisions for patients. Researchers at RAND published a series of studies showing that large portions of procedures performed on patients were considered inappropriate based on medical evidence. The standard at that time for medical decision-making was education and experience. We now talk about evidenced-based medicine as the “standard”, but are healthcare managers being held to the same standard for their decision-making? If bias is a part of management decision-making, can we say that those decisions are “evidenced-based”? In the new era of “team-based care”, management decisions are having more effect on patient care than ever. For example, what is the ideal staffing ratio for primary care practices, or, what time should we start answering our phones? These are management decisions that affect patient care. This paper was written using a literature search of research on bias and management decision-making.

Intuition, Biases, and Heuristics Explained

“I knew as soon as the interview started I did (or didn’t) want to hire them.” How many times have you or a colleague said something similar to this? This is an example of making a management decision based on intuition. Intuition is defined as, “the power of direct knowledge or cognition without evident rational thought” (Merriam Webster n.d.). In a review of 17 studies on hiring, researchers at Harvard found that a simple equation outperformed human decisions by 25% in making good hiring decisions. The researchers also found that 85% to 97% of
professionals rely on some degree of intuition when making hiring decisions (Nathan R. Kuncel 2014).

Cognitive Bias is defined as, “a systematic pattern of deviation from norm or rationality in judgment” (Wikipedia 2018). There are over 200 individual cognitive biases listed in Wikipedia. Some of the more interesting titles for these biases are, The Ben Franklin Effect, The Gambler’s Fallacy, and The IKEA Effect (The IKEA Effect is found when people place a higher value on furniture that they partially assembled.)

A heuristic is defined as, “efficient cognitive processes, conscious or unconscious, that ignore part of the information” (Gert Gigerenzer 2011). As humans, we naturally need to get some answers quickly, and we like shortcuts. For example, something is coming at you quickly; you see part of it out of the corner of your eye, and you instinctively move so it does not hit you. You could have looked at it directly, determined how fast it was traveling and if the current path of the object was going to directly intersect with you, but by the time you did all that, the object would have either hit you or passed you by. You moved intuitively because you don’t want to take a chance on getting hit. Most of the biases that will be reviewed in this paper come from the fact that many of our decisions are fast, intuitive, and emotional, and all of those things happen in our brains without us being explicitly aware of them.

There is a place in management decision making for shortcuts and heuristics, but there is also a place for more rational decision-making. We as managers should at least understand when and how to employ these different processes for decision-making. We should also understand when we might be tempted to take a shortcut, when we might be using a heuristic, or when we might be having a cognitive bias affect our decision-making.

Management decisions are inherently uncertain because the exact outcome of those decisions cannot be predicted. How do we as humans deal with uncertainty? Error Management Theory (EMT) suggests that we choose the “error” that will have the least cost over time. In
business terms, the least costs over time also mean “best decision” but, EMT research has also found that bias is a part of error management (Dominic D.P. Johnson 2013).

For example, optimism is a psychological bias. We like optimists, they are normally cheerful and happy, resilient in adapting to difficult circumstances, and have been found to have less depression and stronger immune systems. Optimists, who are decision makers in our organizations, generally underestimate the potential risks associated with their decisions. According to the Bureau of Labor Statistics, half of all new businesses fail within 5 years. But, when the leaders of those businesses were getting started, all of their pro-forma’s showed a successful business after 5 years. If you are an optimist, how do you stop underestimating the challenges you may run into in the future? One strategy might be to make sure you understand how different biases (not just being optimistic) may be leading you toward your optimistic conclusions.

If we were all completely rational in our economic decision-making, we would always purchase products that provided the greatest benefits at the least cost. Most of us think we are rational consumers. The truth is that most of us use shortcuts to make buying decisions. We purchase the same products week after week. We purchase products that are easier to find and easier to reach (buying specific shelf-space in grocery stores is big business). We don’t have time to research every buying decision, so we take shortcuts to get our shopping done in a reasonable amount of time. We also make similar decisions when we park our cars each day. We don’t always search for the “best” spot every day but tend to park in the same spot or the same area every day. Why? It is easier to remember where we parked if we park in the same spot every day, even if it is not the best spot that particular day. Is this rational? Or, is it just easier?

Bias research has been going on for over 50 years. Some of this research has made it into the mainstream, but decision-making science and decision-making bias is not a part of normal business or healthcare management education. We won’t be able to improve our decision making until we learn how those decisions are being affected by bias. We study the good and bad
decisions others have made, but we don’t really study the cognitive “why” behind the process. We study the famous Kodak and Blockbuster cases, but we don’t really understand the common management biases that led Kodak to continue to make film and Blockbuster to turn down Netflix. A review of the common biases in this paper will provide some clues as to how some of these decision-making mistakes happened.

**Specific Biases Explained**

Anchoring bias is an overreliance on the first piece of information we hear (Rosin 2017). The most famous experiment that showed how anchoring bias works was done with students who were asked to estimate how old Gandhi was when he died. Some students were asked if he was more or less than 114 years old when he died, while other students were asked if he was more or less than 35 years old when he died. The student’s estimates were much lower when given 35 as an anchor, than those given 114 as an anchor (Kahneman 2011). The anchoring effect has also been shown to be valid in salary and contract negotiations. Research suggests that you should always offer the first price in negotiations, and not let the other party set the “anchor”.

Confirmation bias is the tendency to only look for information that confirms what you already believe (Healy 2016). Have you ever had a conversation with someone that had already made up his or her mind about something? Did they seem oblivious to your well-supported arguments, and did they seem resistant to new information that you thought should inform their decision? That is actually pretty normal behavior. A famous example of confirmation bias is the case of Iraq and the belief they had weapons of mass destruction (WMD). The people who believed they had WMD’s were looking very hard for evidence to support their belief and were not looking as hard for information that there were no WMD’s in Iraq. They even discounted information that suggested there were no WMD’s (CNN 2006).

The Bandwagon effect is discussed frequently in the sports world, but did you know that Managers are more likely to agree with information or decisions based on the number of people that already hold that belief (Baer 2015). You can imagine a scenario where you are in an
Executive team meeting with the C-suite, and the CEO and CFO think it is time to get rid of cash at all the check-in desks. You, as the Director of Patient Experience, might have a more difficult time saying, “I think that might hurt our patient experience scores.” It is easier for you to jump on the bandwagon than to question the C-Suite.

Research on the availability heuristic has shown that Managers usually overestimate the value of information that is available to them. They think, “What you see is all there is” (Kahneman 2011). Strokes cause many more deaths each year than accidents (almost twice as many) but 80% of respondents to a survey thought that accidental death was more likely. Accidents get a lot more press (the information is more available) than strokes, so the average person believes they happen more frequently. If the outcomes of lotteries were never publicized, or if the amount that you could win was always advertised with, “chance of winning is 1 in 292,000,000”, would as many people buy tickets? The positive information about the lottery is more available than the negative information, and that helps our mind to overestimate our chances of being successful. The information that is available is not always complete and is not always the information you need to make a decision. You may need to delay the decision while you gather more information.

The Halo Effect has found that Managers have an overly positive view of their employees, and a difficult time seeing or expressing areas of improvement for those employees (Maier 2016). Another aspect of the Halo Effect is that if business is good, Managers tend to think everything about the business is good, and similarly if business is bad, everything about the business is bad. The truth is that even good employees have weaknesses and areas that they could improve in, and even if business is good, there are pieces of the business that are weak and need to be improved. As a Manager, you need to be prepared to see through the “Halo” and help good people get better and good business become better.

When predicting future performance, we instinctively think that good performance will get better and poor performance will get worse. Over time, performance that fluctuates tends to
regress to the mean (Kahneman 2011). A statistics professor might explain that that is why there is a mean. But, how many Managers forecast a regression to the mean when performance is good? The concept of regression to the mean isn’t intuitive for most of us, so in order to use it in our decision-making process, it will require us to think about it with some effort. Regression to the mean may also lead us to believe that our interventions are the cause of better or worse performance when the change in performance is actually the result of regression to the mean (Dan Bang 2017). For example, if your no-show rate in a particular department has increased over the last week, and you implement an additional reminder system, and you see improvement the following week, it would be normal to associate your intervention with the improved rate. It may be your intervention, or it may be due to regression to the mean.

Choice supportive bias is observed when Managers make a decision and then feel positive about that decision even if it has flaws (Martina Lind 2017). If we return to the example of the C-Suite that wanted to stop collecting cash at patient check-in, you can imagine that those leaders will feel good about their decision, even if they start to get some feedback that certain patients don’t like it. As we discuss many of these biases, you will see that many of them protect our self-esteem, which is very natural for our species. Specifically, the self-serving bias explains that we attribute the success of something to our own personal efforts, but we attribute the failures to things beyond our control. Managers should support their decisions, but they also need to be objective and stop their support of their own ideas in order to listen for potentially better ideas.

Stereotyping is probably the most well-known bias. When we are using stereotypes, we are expecting a group or person to have certain qualities without having real information about the person or group (Baer 2015). We are all familiar with the popular negative reports of how stereotyping affects minorities in our society. From a management perspective, we have a duty to find the best individuals for our organizations. Stereotyping is lazy; a decision shortcut that harms individuals, groups, and society. Another aspect of stereotyping that does not get quite as
much press, but is also a problem for Managers, is thinking that everyone from a particular college or background would be a good fit in their organization, without ever meeting them and evaluating them as an individual.

Outcome bias is exhibited when we judge a decision on the outcome rather than the process used to get to that outcome (Baer 2015). If we make a hiring decision in the first few seconds of an interview, and then that employee turns out to be successful, our outcome bias tells us it was a good decision, and that our process was sound. The decision was good; the process that led to that decision was not a “best practice”. We should realize we were lucky, and not believe that we can use intuition to find the best candidates for our organization.

Central tendency bias is mainly found during the performance review process. When rating people’s performance, the majority of managers will rate people in the middle of the scale (Maier 2016). This bias does not provide the best feedback for either end of the performance scale. It leaves high performers with the feedback that they are closer to average than exceptional, and the low performers with feedback they are closer to average than needing improvement, neither of which is the truth. Both individuals are not getting the help they need with accurate feedback.

Recency bias occurs when Managers weigh recent information as more valuable or relevant than older information (Maier 2016). Have you ever encountered a physician that had three no-shows yesterday and wants something done about the high no-show rate? When you look at the data, the average no-show rate for that physician over the last three months is less than 5%, below the Clinic average. You wonder if you can have a productive conversation with the physician, as the recent data, from yesterday, does not correlate to the more comprehensive data you looked at over the last few months. Recency bias tends to keep us in the fire-fighting mode, always reacting to the latest data with some type of action, even if that data may not be any more relevant than data from previous months.
Loss aversion bias is based on how we feel emotionally and socially, in that it is largely dependent on how we feel about ourselves and how sensitive we are to what others think of us. Managers tend to want to avoid losses rather than pursuing equivalent gains (Sibony 2006). Some have explained this bias by saying that the pain of losses is twice as much as the pleasure of gains. Many people will not sell their house or a car for less than they paid for it, even if the current market conditions make both transactions a good deal at that time. It is much easier to sell a stock for more than you paid for it than sell a stock at a loss, both of which could be equally good or bad decisions.

Managers make decisions every day that affect employee engagement, customer service, financial performance, cultural norms, and a host of other things that materially affect the short and long-term success of their businesses. Managers that are aware of how biases may affect their decisions will be less likely to have those biases produce negative outcomes (Greenwald 2013).

Bias and our Day-to-Day Decisions — Performance Reviews

What types of bias affect the common management practice of performance reviews? A CEB (now Gartner) survey found that nine in ten HR leaders don’t believe annual performance reviews result in accurate information (Maier 2016). If you like the person you are reviewing, the Halo Effect may lead you to focus on their good qualities and ignore their weaknesses. The recency bias will lead you to weigh more heavily their most recent performance, at the expense of relevant but less recent performance. The central tendency bias will cause you to review your entire team near the mean. As you think about how it is normal for everything to regress toward the mean, you may think differently about a high flyer from last year that seems to be coming back down to earth this year. Or you may think about how to support your high-flyers, as above average performance may be more difficult to sustain over time. Being aware of these biases is the first step to stopping their impact on your next set of performance reviews.

Hiring Decisions
We learned earlier that a simple equation makes more effective hiring decisions than the average manager (Bohnet 2016). Which biases should you be on the lookout for as you review resumes and participate in interviews? A very obvious one is stereotyping. As you think about stereotyping, think about it both in terms of how it can affect the positive and negative preconceptions you create in your mind about someone. Not everyone from your Alma mater is a good fit for this position, and not everyone from Canada is a good hockey player. Confirmation bias will lead you to work hard at confirming what you already think, and if what you already think is based on limited information (a quick glance at their resume) the result will be a decision that isn’t based on all the information. The availability heuristic will lead you to think that the information you have (resume, interview, references) is everything you need. Would your decision be better if you had more information? What if you had their Myers Briggs or emotional intelligence assessment? As you think about the hiring process, the candidate usually has control over the information you see. They prepare their resume, they choose their references, and they answer questions with examples and stories that they choose. The information you receive is not objective. There are best practices for hiring and interviewing that help us avoid these biases, but how many of us follow these best practices as thoroughly as we should? Many of us don’t because we don’t have the time, but when you think about the long-term impact of your hiring decisions, should we re-prioritize how we spend our time?

**Strategic Planning**

There are some great strategic planning processes out there. A healthy SWOT analysis or Balanced Scorecard process will certainly lead to better strategic plans than using the back of a few napkins. But what should we watch out for during the process, as even actuaries have found that bias creeps into their mathematical analysis regarding risk and reward (Wolf 2012)? Loss aversion will influence us to avoid losses rather than pursue equivalent gains. Were the executives at Blockbuster influenced by loss aversion when they turned down an offer from struggling Netflix? It certainly would have caused their quarterly earnings to suffer while they...
invested in the start-up. In forecasting growth for next year, if the average growth of visits at all
locations will be 5%, what will the specific growth be at each individual location? Intuitively it
seems like the busy locations would be busier, and the less busy locations would grow more
slowly, but regression to the mean would predict that your less busy locations would grow faster
on a percentage basis (Kahneman 2011). When you are sitting around at your next strategic
planning retreat and the CEO says, “we’re going to open a series of new retail clinics next year”,
how many people jump on the bandwagon. Do we apply the same rigor to all ideas and
suggestions for growth, or does the source of the suggestion or number of people who agree have
some impact on whether it moves forward or not? Most Executives really do try and get as much
information as possible before making a decision, especially when making strategic decisions.
But, we know that management decisions are inherently uncertain. The availability heuristic
makes us feel like we have all the information there is to make a decision, which helps us feel like
we have done our due diligence.

**Group Decision Making**

Committee’s or groups have some advantages over individuals when making decisions.
Some of these advantages are diverse opinions and experience, mitigation of individual biases,
and better buy-in for the agreed upon decisions.(Dan Bang 2017). Some biases also influence
groups, so groups or committees need to be aware of them. The most obvious is the bandwagon
effect. Executives need to be explicit in their communication with their teams in order to make
everyone feel safe to always share their thoughts in meetings. Anchors and recency can also
affect committees. In group negotiations, one group can set an anchor by making an offer first.
Subsequent offers will be based on that first offer or anchor. Also, groups and committees will
value more recent information more than information that is older. Choice supportive bias is also
something that can affect an entire committee as well as individual managers. Committees want
their decisions to be successful, so they will feel positive about them even if they have flaws.

**Forecasting and Budgeting**
As Managers, we all have to predict the future when we forecast and budget. If we were experts at predicting the future, we could all retire at an earlier age. What should we learn about biases that will affect our forecasting and budgeting? If your last quarter was good, how hard is it to budget based on your entire last year and not just your last quarter? Will others say, “Hey, your last quarter was great, so your budget should be more optimistic.” The recency bias would suggest it is going to be difficult to tell them no. Regression to the mean is also difficult to overcome. Statistical regularity and regression effects have been said to, “hide in plain sight”(Kahneman 2011). “Average” seems like gravity, it is always pulling you back to the middle. Loss aversion is also a bias that can affect your budgeting. If emotionally the pain of loss is twice the joy of success, you will want to take fewer risks during the budgeting process.

**New Services**

Few things are potentially more risky than opening a new location or offering a new service. While we do our due diligence by looking at the best available information we can find, and working on a pro-forma, we know that the outcome is uncertain. What should we watch out for while making our plans? Confirmation bias will create in our minds the need to look for information that confirms what we already believe, and ignore information that may make us change our mind. For example, if you hear a rumor that your competitor is looking for office space close to where you are just about to sign your lease for office space, confirmation bias will tempt you to think the rumor has little merit. On the other hand, if you have just decided to not go forward with the new location, the rumor that your competitor is about to lease some space will become a big reason for your decision. The bandwagon effect can also make starting that new cosmetic service in your ENT practice seem like a sure thing because everybody thinks it is a good idea. You may also be affected by outcome bias, where the outcome of your last new venture was so positive, that you think the next one will be just as successful. The details of the new opportunity may not be similar to the last one, but because the last one was successful, the new one will be too.
Overcoming Our Biases

Now that you are scared to make a decision because you might be suffering from a bias or two, what do you do about it? One of the first things to do is to understand how your mind works when faced with making a decision. If you think back to the definition of intuition (knowing something without evident rational thought), how do you really know something that is uncertain? Realize that your brain wants to help you feel certain, but being humble and realizing that you really don’t “know” the best decision is a healthy way to start. Think of the 30-second decision on the interview candidate (or did you make the decision from glancing at the resume and the interview is just “confirmation” of your bias to hire the person?) Sometimes we’re just too busy to go through a behavioral interviewing process, talk to the other stakeholders, references, and then make a group decision based on the totality of the information available. If you don’t spend much time on the process, realize you will be taking some mental shortcuts to make a decision.

We do make some decisions with attention and effort. Some people are more natural at making decisions based on data and processes. It is always good to have at least one of those kinds of people on your team. Think of decisions made by attention and effort as a long division problem. You have to show your work. Even if you think you know the answer, you can’t really know the answer until you have written it all down. Can you imagine having to write out the long division for 150/12 instead of just reciting the quick feeling you have that the answer is 12.5? That is the battle going on inside our brain as it struggles with making a quick decision or taking the attention and effort to go through a longer more difficult process. Our brain does not like to go through the effort of taking the long way to the answer or decision if we think we already know it. But we know that some decisions, to be the best we can make, take attention and effort. So as Managers, how can we avoid some of the specific cognitive biases that are tempting us to take a shortcut?
Understanding each bias is the first step to overcoming its effects (Greenwald 2013). As we’ve already discussed, there are over 200 cognitive biases listed in Wikipedia (with references for each), and we are just discussing a few in this paper. Being aware of the two methods your brain uses to make decisions is helpful in understanding your cognitive decision making process. As Humans, we had to develop both of these systems because you can’t do math on a piece of paper when something is chasing you. Can you imagine a life or death word problem like “a lion is chasing you at 18 miles-per-hour, you can run 10 miles-per-hour, the lion is 275 yards behind you, and there is a big tree 150 yards ahead of you, will you make it to the tree before you get caught?” For most of us, we would be dinner before we finished our first equation. On the other end of the spectrum, you don’t start building the Golden Gate Bridge without doing some math.

**Processes That Help Overcome Bias**

We can institute some processes within our organizations to help us combat many forms of bias. Kahneman suggests checklists (Kahneman 2011), which have been shown to be very effective first in aviation and now later in surgery. It is harder to take a shortcut when you have a checklist in your hand. You can also ask someone to take the “devil's advocate” role in your group or committee (Healy 2016). This will help you avoid the bandwagon effect and confirmation bias. For interviews, you should have structured interview questions (Bohnet 2016), and not just ask whatever comes to mind. And while you might not want to let the data make the decision for you, you should use data to inform your decision (Lattice 2017).

**Recommendations for Overcoming Bias**

Remember anchoring bias, where the first offer or number used in negotiation becomes the “anchor” or reference for all future offers? If you follow negotiation best practice, you should have your own number and justification for using that number as part of your negotiation preparation. So you need to offer that number, even if the anchor has already been set and your number is far enough away to make you feel uncomfortable. Stick to your guns. Don’t let the anchor drag you away from the number you brought with you.
To avoid confirmation bias, look for information that supports an opinion opposite to yours. If you think a stock is going to go up, instead of reading commentary that agrees with you, try and find some that disagrees with you. You may be right, but at least you will be exposed to a different opinion. You may learn something that you didn’t know.

If everyone in the room agrees with a decision and nobody has said anything to question it, ask someone to do some research on why it might not work. Assign a “devil's advocate” if you don’t have someone to naturally play that role. This will help you avoid the bandwagon effect.

When you think your decision is sound because you have looked at all the information you have and it is definitely pointing in the direction of opening a new location, for example, think about what information you don’t have. The availability bias will tempt you to think that you have all that you need, but many times there is more out there, it just takes more attention and effort to find.

If you really like someone and they do a great job for your organization, make sure you let them know. But, one of the best things you can do for them is to make them even better. We all have weaknesses, and wouldn’t it be wonderful if someone cared about us enough to help us work on our weaknesses, and even push us a little bit. Don’t let the Halo effect take away your opportunity to coach someone to a higher performance level.

Regression to the mean is a wonderful statistical process. It is not mean (the other kind), vindictive, or emotional, it just is. Statistically, growing companies will eventually stop growing as fast. Exponential growth always becomes logarithmic growth (Kahneman 2011). The next physician you hire is statistically more likely to have Press Ganey scores closer to the mean for your organization than two standard standards deviations away from the mean.

If you have made a poor decision, realize that acknowledging it will be emotionally difficult. It is human nature to blame the poor outcome on something beyond your control, which is the driver behind choice supportive bias. The most important thing is that you learn from your mistakes, and to realize that you will make some. Abraham Lincoln started many failed
businesses and lost many elections, but surely that is one of the things that made him such a great President.

Don’t stereotype, period. Don’t be lazy when it comes to people. How would you like it if you were stereotyped, and not given opportunities because of where you were born, or the color of your skin?

If you roll a seven in Las Vegas, chances are you will not roll a seven on your next turn. In fact, the chances that you will roll a seven again are 16%. The outcome of the first roll has no impact on the odds of the second roll. Hot hands, or having someone lucky blow on the dice will not increase the odds in your favor. Each decision you make needs to stand on its own merits. Outcome bias is something that is hard to resist. If we have been successful once, it is easier to think we can do it again. We are on a roll. Think of the retail clinic craze now sweeping the country. The first ones were very successful, and then everybody had to do it (based on the outcomes they were hearing about), to the point where now we have thousands across the country. The market in some areas is so saturated that success is much less likely.

On a five-point scale, it is easier to rate your employees three’s and four’s than ones and fives. A one is going to require quite a bit of work on your part, someone from HR is probably going to ask you some questions. Fives will also require some additional documentation, and then you will have to justify an above average raise. It will be much easier for you to just give them a four and a great pep-talk during their annual review. Beware of central tendency bias during your performance reviews. (Maier 2016)

In a 2006 study, a finance professor found that almost two-thirds of trades by individual investors were buys for stocks that were top performers the day before. He then found that after the investors had bought the stock, over the next one-month, the stock underperformed the broader market by 1.6%. And, even worse, the stocks that they had sold outperformed the broader market. (Kaul 2011) Recency bias is real. Our brains remember more clearly the more recent information, so it becomes a focal point and more valuable in our decision-making process.
Make sure you use more than the most recent data that easily comes to mind. This will mean that you need to gather some older data.

Finally, loss aversion bias is really just an emotional reaction to the pain of loss and embarrassment of failure. When you are worried about a potential loss, talk about it with others. They may not feel the same emotions you do about the potential for a loss. It is normal for us not to want to “lose” in front of our peers or boss. Do these emotions make us more conservative than we should be?

**Conclusion**

It should not surprise us that we are occasionally irrational beings. We are imperfect and subject to a big list of cognitive biases that affect our decision making. Often, it is easier to take shortcuts because we are busy and people are waiting for us to make a decision. We need to realize that shortcuts and emotions are often not the best ingredients in the decision-making process. Being unaware of our biases will make it very difficult to overcome them. If we are aware of them, we can do something about them. Better management decisions will lead to better patient care, just like evidence-based medical decisions lead to better patient care. As Managers, we should be very open and accepting about practicing evidence-based management decision-making. There is good evidence for best practices in management decision-making, and further research could specifically design best practices for the healthcare industry. Our physician colleagues have set a great example for us, let’s follow their lead and move healthcare forward faster by making less biased and more evidenced-based management decisions.
Bibliography