

AVOIDING DECISION TRAPS

by David Widmar, Allan Gray and Nicole Olynk

Do you think there are more or less than 175 million acres of farmland in the U.S.? How many acres of farmland do you think are in the U.S.?

Chances are your answer to the second question isn't even close to being correct. According to the **USDA**, there are 922 million acres. You could say that you were tricked into a small estimate — but really, the anchoring decision trap got you.

Decision traps are built-in flaws in our thinking. Understanding what decision traps are and how they affect the decision-making process is critical to understanding how people arrive at their conclusions.

John S. Hammond, Ralph L. Keeney and Howard Raiffa investigated the hidden traps in decision making in the *Harvard Business Review*, saying, "In making decisions, you may be at the mercy of your mind's strange workings." The traps discussed are applicable to today's agribusiness environment.

STATUS QUO TRAP

The status quo trap is a decision-making glitch where we are biased toward preferring options that closely resemble current situations. Have you ever known someone to purchase a vehicle that is nearly identical to their old one? Or a

farmer who is excited when a new corn variety is closely related to the recently discontinued variety he called "tried-and-true"? These examples could be the status-quo trap. Be aware of whether you are making decisions to perpetuate the status quo. Making no changes because you are paralyzed by the options available often leads people to pick the status-quo because they can't decide between two superior alternatives. Ask yourself, "If I weren't currently choosing this option, would I choose it from my alternatives?"

AUTHOR TRAP

The decision trap you have already fallen for is the anchoring trap. The original question created an anchor in your mind. Your estimated acreage more than likely started swimming around 175 million and how different a reasonable estimate might be.

Anchors come in all forms. You may anchor around old data (such as old corn yields) or stereotypes. Be open-minded and think about a problem critically. Carefully seek others' input to compare with your own.

CONFIRMING EVIDENCE TRAP

Imagine that you are thinking about buying farmland, but are concerned about repayment capacity. You decide to seek some advice from your brother-in-law, who just lost his house in bankruptcy. Be aware of this confirming evidence trap. This happens when you seek out biased advice.

It's important that you weigh all evidence equally and that you seek advice from people you trust to help you think through the decision process and play devil's advocate. Don't seek out one-sided information and advice you know will tilt the decision-making process. But, when you seek that input, avoid sharing your ideas first; they might fall into the same anchoring trap you are trying to avoid.

FRAMING TRAP

The framing trap occurs when the alternatives could be presented in ways that change your perspective. For example, let's say a huge rainstorm is coming, and you've mowed 90 acres of hay that need to be raked and baled. The hay is worth \$200 an acre and once it rains, the mowed hay is ruined.

One option is to rake the whole field and then bale it. This has a one-third chance of saving all the hay, \$18,000 worth, but a two-thirds chance of saving nothing. However, we could re-frame this option and rightfully say there is a two-thirds chance of losing all \$18,000 of hay and a one-third chance of no loss.

Mathematically the statements are the same, but do they seem the same to you at first glance? Never look at the problem from only its original frame. Always consider various ways to evaluate the situation.

Understanding and realizing these traps is valuable. The next time you are working with a client and you can't get them to see it your way, even after your best pitch, think about their concerns. Have they fallen into a decision trap?

To learn more about these decision traps and more, and about making strategic decisions in your agribusiness, register for "Structuring Decisions." The program focuses on introducing and illustrating tools that will allow you to analyze problems at your company and within the industry. And, it will help you stay out of those pesky decision traps. **AM**

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