

Fallen into the hidden trap of decision making

My team and I thought that by using our past choices, we would be able to have a maximised Shareholder Value than the other groups competing against us. However, our team found that we have fallen by 77 cents of Shareholder Value.

I thought past choices are effective as my team did a great job in the past. There were positive results where we stood second among all the twelve teams for the Practice round. When something has a positive result, people are likely to decide on a similar way, whether it is a similar situation or not. According to Hammond, Keeney & Raiffa (1998, p.3), for making past choices, 'it seems psychologically safer even though the choice only compounds the error'.

This relates to Hammond, Keeney & Raiffa's (1998) reading on The Sunk Cost Trap. The sunk cost trap is a type of a deep-seated bias where teams make choices according to their past choices (Hammond, Keeney & Raiffa, 1998). The previous choices become sunk costs, which are irrelevant to present decision makings on investment of time and money (Hammond, Keeney & Raiffa, 1998).

In the future, I think past choices should be considered but not profoundly. My team might need to keep an eye on other teams and look out for the influences on sunk-cost biases in the decisions. I think this will give them time to think through thoroughly and try to make decisions wisely.

Reference:

Hammond, J. S., Keeney, R. L., & Raiffa, H. (1998). *Harvard Business Review*, 76(5), 1-8.