Small But Mighty Agency Podcast

Episode 82: 5 Hidden Biases That Contribute to Slow Growth or No Growth

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Did you know that hidden biases lead to less-than-optimal decisions, contributing to slow or no growth for businesses?

As a coach and consultant, I get the privilege of looking beneath the surface of other people's decision-making processes.

And one or more of these five hidden biases tend to appear when making strategic business decisions—these 5 hidden biases sabotage sound decision-making. They create havoc when they stay hidden.

In this episode, I'll uncover the 5 hidden biases that might be happening in your decision-making process so that it doesn't unknowingly influence your decisions this year.

Tune in.

Audrey Joy Kwan
Welcome to the Small But Mighty Agency Podcast. If you're a marketer or consultant, or a creative on a journey of growth from solopreneur to agency owner, follow along because I pull back the curtains on the realities of growing and running a scalable, service-based business and building lean team. I'm your host, Audrey Joy Kwan, I know what it takes to build an agency, whether it's from solo to three, five or twenty. I've done it, including supporting an agency owner to sell and exit. I've coached and consulted over 120 marketers, creatives, and consultants. And I've been behind the scenes of seven figure businesses. I also have a master's degree in communications specializing in organizational development. All this to say, I know what it takes to grow lead and operate a multiple six, and seven figure small but mighty agency. And here on this podcast is where we'll dive right in.

Audrey Joy Kwan

Hey friends, welcome back to the podcast and our series on How to Make Better Decisions in Your Business.

As a coach and consultant, I get to peer beneath the surface of other people's decision-making processes and work with them to uncover hidden biases in a decision.

This series wouldn't be complete without uncovering the 5 most common biases that unknowingly impact people's decisions and get in the way of good decision-making.

In part one of this series, I shared my 12-step Process to Make Better Decisions in Your Business This Year.

My 12-step process helped me to support an agency owner in selling and exiting his business and serve as a strategic thought partner to multiple six- and seven-figure agency owners.

If you haven't listened to that episode, I highly recommend you go back to that one and set yourself up with the foundation of better decision-making.

I'll link that episode in the show notes.

You're listening to part two of the series, and I'm diving into the bias that can lead to less-than-optimal decisions.

You might be thinking, I don't have biases. We all do. We can't see a bias, which is why it's a bias.

It factors into poor decision-making without even knowing it.

We're susceptible to different biases, especially when a decision has emotional influences.

Words like cognitive dissonance, confirmation bias or anchoring bias sound like jargon, but these are communication theories and concepts that impact your decision-making. These are theories that I enjoyed geeking out on years ago when completing my Master's in Communications.

To overcome a bias, you have to know it exists. My purpose with this episode is to draw attention to five potential biases so you can decide for yourself if or when they come into play in your decision-making process.

For each bias, I've included a scenario – loosely based on actual experiences working with business owners – to highlight how the bias plays out in business decisions to give you a concrete example.

Cognitive Dissonance

Cognitive Dissonance is a well-known theory suggesting a powerful, hard-wired tendency for people to *justify* their preconceived beliefs.

Discomfort happens when ideas or beliefs are challenged, and the discomfort leads people to justify attitudes, beliefs, or actions to reduce the conflict and feel more consistent.

How does this play out in decision-making as a business owner?

For example, if a business owner strongly believes in a particular business model but faces clear evidence that the market is shifting away, this clash can create cognitive dissonance.

Rather than objectively assessing the new information and adapting accordingly, the business owner might rationalize away the conflicting evidence to maintain their original belief.

The resistance to change can result in missed opportunities, poor strategic decisions, and a failure to innovate or respond effectively to market changes.

Confirmation Bias

Confirmation bias is similar to cognitive dissonance.

Cognitive dissonance is rationalizing and justifying to bring contradicting beliefs back into alignment. Confirmation bias is like having a filter in your mind that focuses on information that matches your beliefs while ignoring or dismissing anything that doesn't fit your views.

If you have a belief or opinion, you naturally tend to pay more attention to information or evidence that agrees with your belief and ignore or undervalue information that contradicts it. Confirmation bias is selective information seeking to support your belief and ignore the rest.

Let’s look at how this plays out in decision-making as a business owner.

Let’s say you’ve gained a lot of success over the years through online paid ads as the primary source of income to sell your products. And because of your past achievements, you are sure that online paid ads are the most effective way to create buzz and drive sales.

Your team or colleagues share with you that there has been a shift towards influencer marketing in recent years, and they have data showing that social media influencers can significantly impact younger audiences.

Despite the information, you continue to fixate on online paid advertising. You interpret any successful online paid advertising campaign as confirmation of your belief while dismissing the effectiveness of influencer marketing as unproven or only works for other businesses.

And by ignoring this channel, you miss out on opportunities.

Anchoring Bias

Anchoring bias happens when your decisions rely too heavily on the first piece of information you gather, known as the ‘anchor.’

Once an anchor is set, two things happen.

First, you make judgments and decisions based on the anchor

Second, you interpret other information around the anchor.

Here’s an example of what an anchoring bias looks like

You’re doing market research for a new offer, and the first competitor you analyze lists similar services for, let’s say $30,000.

This price unintentionally becomes your anchor.

You continue your research and find many competitors offering similar services for $15,000, which reflects the market average. You judge the price as too low and the quality low despite no evidence to support it.

When it comes time to price your service, you are biased towards the original $30,000 anchor and disregard **external information and internal realities** of your service offering. The result is pricing your service high for the market, potentially making it harder for you to compete, especially because you’re new to the market.

Sunken Cost Fallacy

The sunken cost fallacy is the decision to continue a project or activity because you've already invested significant time, money, or effort.

The decision to continue going forward is based on past investments that can’t be recovered, not because it's the best decision to move forward.

It's called a "fallacy" because the decision is based on faulty reasoning.

It’s challenging to let go and accept that what you've already spent or invested can't be recovered.

But the sunken cost fallacy keeps you tied to past decisions, even if the best choice might be to cut your losses and move on,

How does this play out in decision-making as a business owner?

Let's say you spend thousands of dollars developing a program but receive negative feedback from potential clients and peers.

Your program required extensive research, development of new materials, and specialized training. The feedback is that the model is too complex and not easily applicable to businesses.

Instead of stopping and significantly altering the model, the fallacy leads you to think about all the time, money, and effort you’ve invested and then to believe you can eventually make it work by pushing forward.

You don’t want to waste what you already spent so you continue to throw good money at a bad project.

GroupThink

GroupThink happens when group members don’t share their opinions, ignore alternative ideas, and overlook potential risks to avoid conflict or disagreement.

It happens because people value the group's cohesion and unity over critical analysis, and it's more common than people care to acknowledge in teams, masterminds and peer groups.

How does this play out in decision-making as a business owner?

For example, you’re part of a mastermind of entrepreneurs who meet regularly to discuss strategies and support each other's growth.

Over time, the group develops a strong bond and a sense of friendship.

One day, you propose a new, risky idea you are excited about. It involves investing significant money into something none of them are familiar with.

As you shared the opportunity with the group, a few members had reservations and saw potential flaws in the plan. However, they notice that the majority, including some influential figures in the group, enthusiastically support the idea.

Concerned about going against the group's positivity and not wanting to appear negative or unsupportive, those with doubts don't speak up. They convince themselves that the group must be right, given its members' collective experience and success.

As a result, you miss out on proper critical analysis of the opportunity and make a decision without all the perspectives.

There you have it, the 5 most common hidden biases I see in decision-making.

Again, if you haven't checked out Part 1 of this series, where I share the 12 steps to making better decisions, I highly recommend you go back and do that; it will give you more context on where these 5 hidden biases can pop up.

In summary, the five that come up most often are – cognitive dissonance, confirmation bias, anchoring bias, sunken cost fallacy, and groupthink.

Looking at biases not as flaws but as human tendencies helps us make better choices. It also reminds us that our minds can be **an ally and obstacle** in making decisions.

So, each step you take towards recognizing the biases improves your decision-making skills and contributes to your resilience and adaptability.

A step can be reevaluating a long-held belief, challenging the status quo, or simply being open to alternative viewpoints. Your willingness to confront these biases head-on can lead to more innovative and effective decision-making in your business

There is a saying, it goes likes this … "It's only the tip of the iceberg." the saying is used when what you see on the surface is smaller than what is hidden underneath. Just like an iceberg, what you see above the water is smaller than what is hidden beneath the water

The analogy resonates with making strategic decisions because you have to uncover what is hidden to make the best decision.

The best decisions have the whole picture, not just the tip of the iceberg. This episode will help you see the whole iceberg instead of the tip when making decisions.

That's it for this episode, friends; thanks for joining me, and I'll see you on the next one!

Audrey Joy Kwan
Hey, there. Thanks for hanging out with me at the Small But Mighty Agency Podcast. If you enjoyed this episode, it would mean the world to me if you hit the follow or subscribe button in your podcast app and share it with a friend and I'll see you in the next one.