

M2L1. Human Intuitive Judgement

Slide #1



Human intuitive judgment plays a crucial role in decision making by allowing individuals to quickly process and respond to complex information based on past experiences and inherent cognitive shortcuts, often referred to as gut feeling or instinct.

This form of judgment enables people to make swift decisions when evidence is incomplete or time is limited.

While not flawless, intuition can provide valuable insights that complement analytical approaches.

Balancing intuitive judgment with data driven critical thinking is important to mitigate potential cognitive biases and enhance overall decision quality.

Slide #2



Judgment Biases: How human Beings Decide and Influence

- Confirmation
- Anchoring
- Framing
- Representative heuristic

2

Our brains are susceptible to psychological biases during decision making.

Common biases include confirmation bias, anchoring, framing, and the representative heuristic.

These cognitive behaviors enable quick decisions, but can prevent us from processing complete information.

In daily life, it is common to see people leveraging these biases to influence others.

These biases are also fundamental to marketing tactics employed by businesses to persuade customers.

To avoid unconsciously succumbing to biases, it is essential to recognize and overcome them in decision making.

Slide #3

Confirmation

Is the tendency to search for, interpret, favor, and recall information that confirms one's preexisting beliefs or hypotheses.

Example:

- Ignoring evidence contrary to one's political ideology
- Selectively remembering studies that support a person's view about a particular diet

3



Confirmation bias is the tendency to search for, interpret, favor, and recall information that confirms one's preexisting beliefs or hypotheses.

For example, a person who believes in a specific political ideology may only read news sources that align with their views and dismiss or ignore contrary evidence.

Similarly, someone convinced that a particular diet is the best may selectively remember studies supporting it while disregarding evidence to the contrary.

Slide #4

Anchoring

The cognitive bias where individuals rely too heavily on the first piece of information (the "anchor") when making decisions.

Example

A lower salary by an employer sets a lower anchor point, and a lower agreed-upon salary.

Strating negotiation with a higher price at a car dealership will likely have a higher final price.

4



Anchoring is the cognitive bias where individuals rely too heavily on the first piece of information when making decisions.

For instance, during a salary negotiation, if the employer initially suggests a low salary, this can set a lower anchor point, influencing the final agreed upon salary to be lower than if a higher initial offer had been made.

Similarly, if a car dealership starts negotiations with a high price, the final sale price is likely to be higher than if a lower initial price was offered.

Framing Effect

It occurs when people make different decisions based on how the same information is presented, either positively or negatively.

Example:

In case of medical treatment, a 90% survival rate is seen favorably compared to a 10% chance of death.

5



The framing effect occurs when people make different decisions based on how the same information is presented, either positively or negatively.

For example, a medical treatment has a 90% survival rate, if presented as a 90% chance of survival.

It seems more favorable than if described as a 10% chance of death, even though both statements convey the same information.

This can affect patient's treatment choices significantly.

Slide #6

Representativeness Heuristic

Judge the probability of an event by its resemblance to a typical case or prototype.

Example:

In a tech company, favoring a job candidate that fits the "prototype" of a successful software engineer



6

The representativeness heuristic is a cognitive shortcut where people judge the probability or frequency of an event by how much it resembles a typical case or prototype they have in mind.

Essentially, individuals use similarity to a stereotype or experience as a basis for making judgments, often ignoring other relevant statistical information.

For instance, a hiring manager at a tech company might favor a graduate candidate from a prestigious university.

Because he fits the prototype of a successful software engineer, despite other candidates potentially having equally strong, or even better practical skills and experiences.

In the following lectures, we will explain these intuitive processes and how to manage them in decision making.