M2L6. Framing Bias

Slide #1

In this topic, we will discuss another significant cognitive bias called framing bias.

Slide #2

Framing a bias means people present choices in a specific way, loss versus gain, to support their aims and agendas.

Slide #3

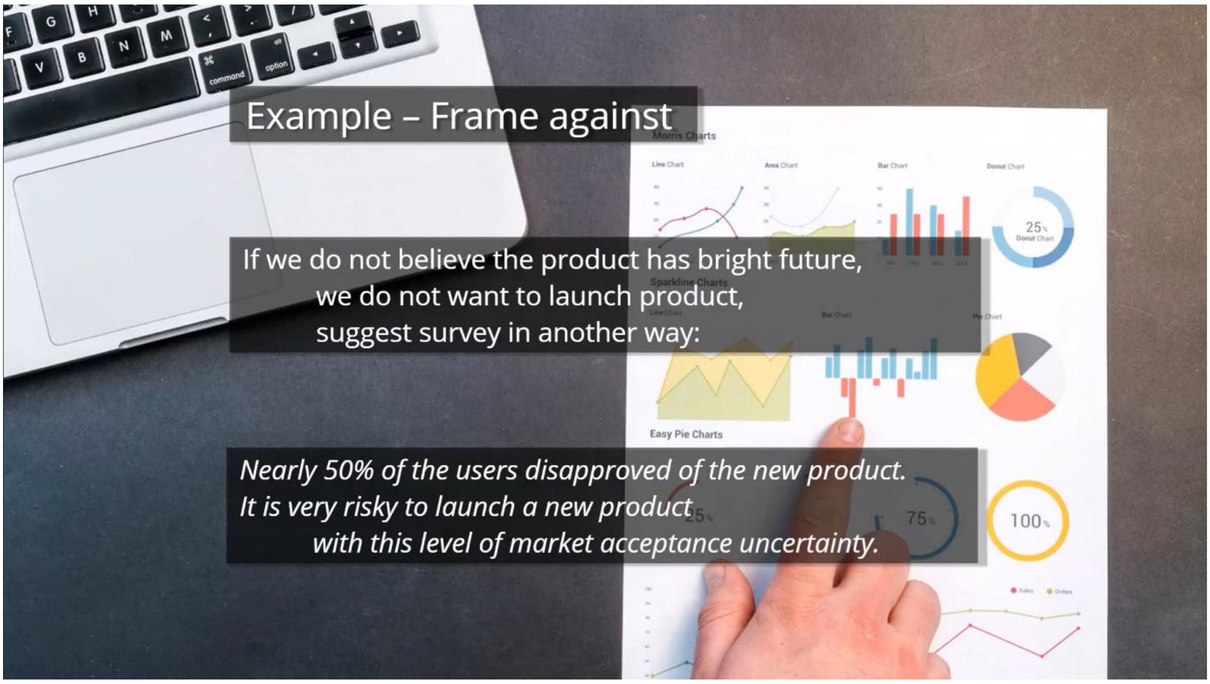
For example, our marketing department did a marketing survey of a new product.

If we believe in the product, we can frame the product survey conclusion in this way.

The new product was accepted by 6 out of 10 users who had not seen the product yet.

This is a conservative estimation of the market potential of the new product.

Slide #4



But, if we do not believe the product has a bright future, and we do not want to launch the product, we could suggest the survey another way.

Nearly 50% of the users disapproved of the new product.

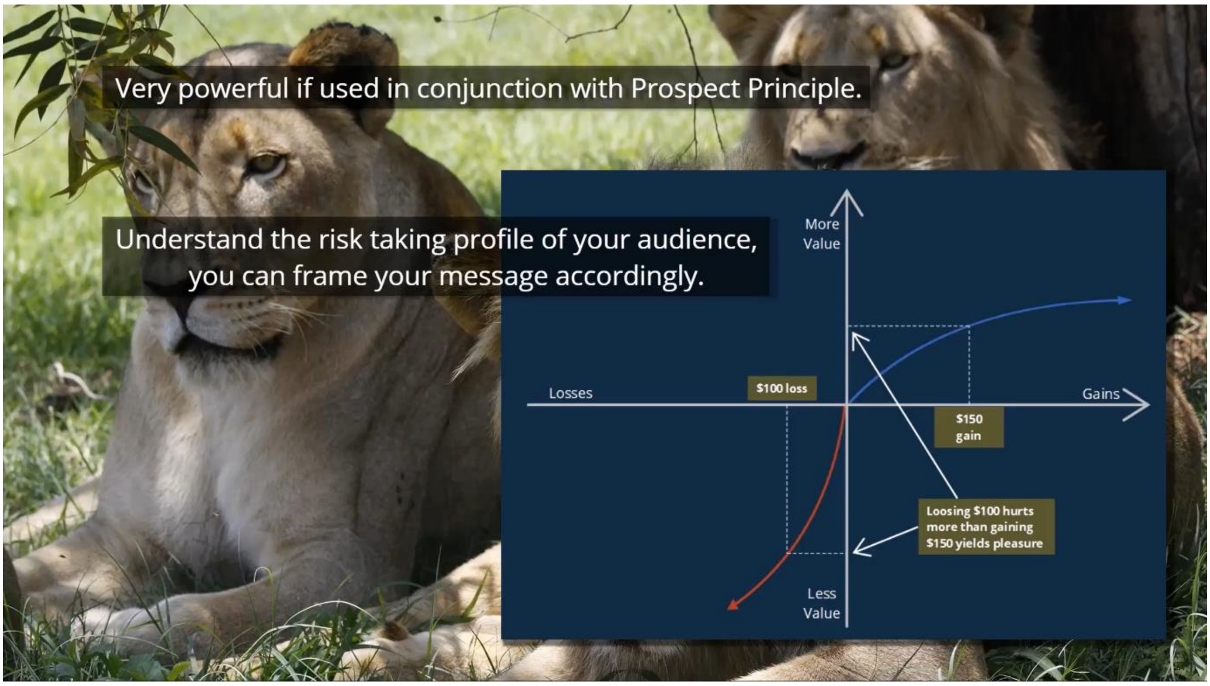
It is very risky to launch a new product with this level of market acceptance uncertainty.

Slide #5

Framing bias is very common in situations with high levels of uncertainty and with a limited amount of information to project the outcome of future events.

In that kind of situation, the decision-making process is heavily biased toward intuitive judgment.

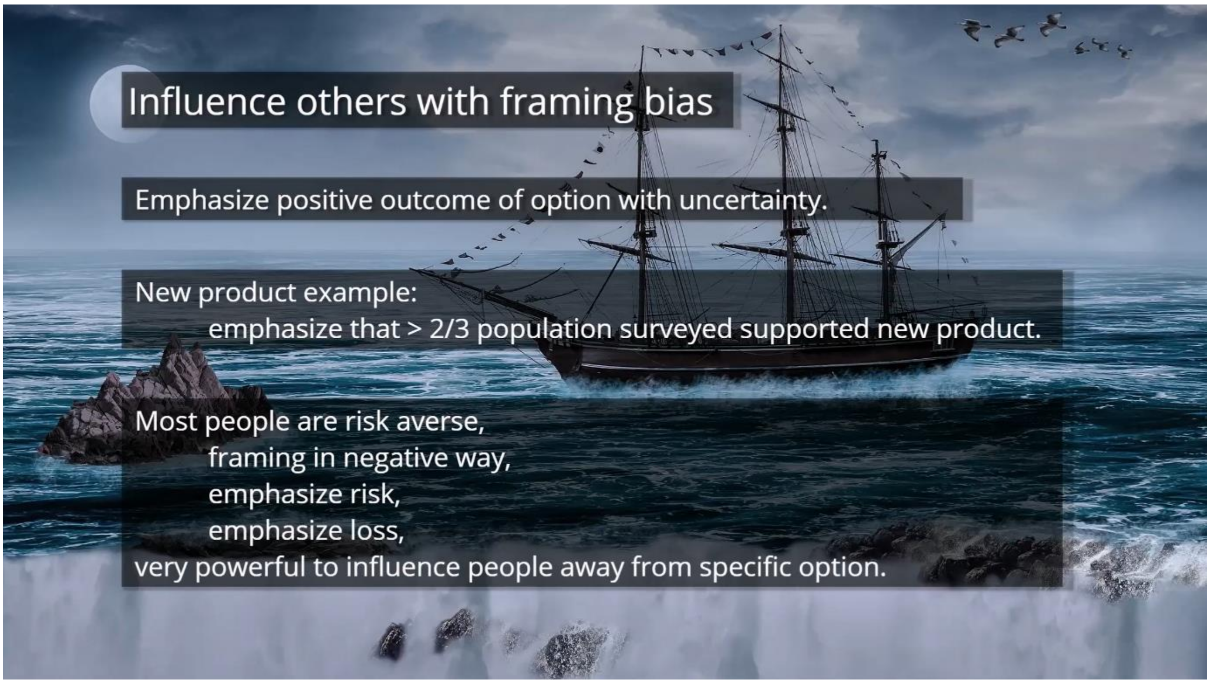
Slide #6



Framing bias can be very powerful if used in conjunction with the prospect principle we discussed in a previous lecture.

If you understand your audience's risk-taking profile, you can frame your message accordingly.

Slide #7



A possible way to influence others with framing bias is to emphasize the positive outcome of an option with a high level of uncertainty.

Let's go back to the new product example.

You can emphasize that more than two thirds of the population survey supported the new product.

On the other hand, since most people are risk averse, framing an event in a negative way, emphasizing the risk and emphasizing the loss will be very powerful to influence people away from a specific option.

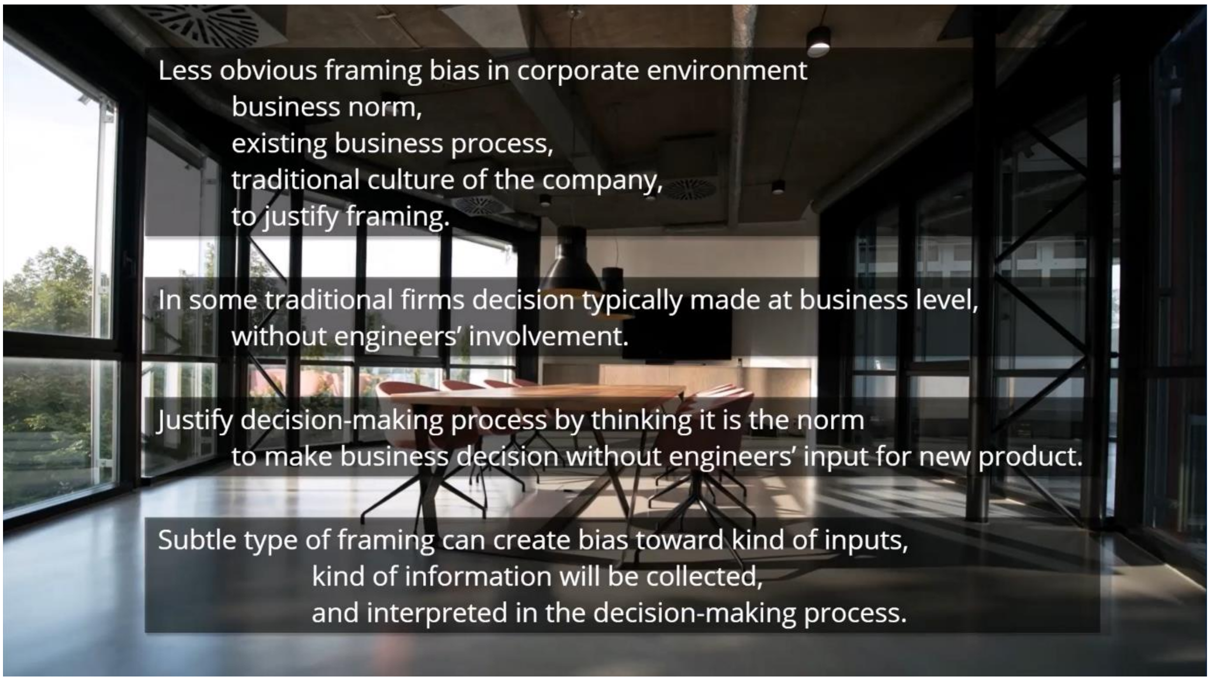
Slide #8

Especially when we are dealing with people who have low levels of risk tolerance, we can use loss language to influence their decisions.

For example, we can say we would lose more market share if we do not launch a product in August.

The highlight of the market risk associated with a delayed launch of a new product will create a strong bias for our audience to take action and avoid this kind of risk.

Slide #9



Very common, but less obvious framing bias in a corporate environment is the use of business norms, the existing business process, and the traditional culture of the company to justify framing.

For instance, in some traditional firms, a decision is typically made at the business level without engineers' involvement.

A manager may justify his decision-making process by thinking it is the norm of the company to make a business decision without engineers' input for a new product.

The subtle business process type of framing can create a significant bias toward what kind of inputs and information will be collected and interpreted in the decision-making process.