

Common Cognitive Biases and Their Impact on Decision-Making

Tom Raffidewa*

Department of Psychiatry and Behavioral Sciences, Northshore University Healthsystem, Evanston, IL, USA

INTRODUCTION

Decision-making is a fundamental aspect of human cognition that shapes our daily lives, influencing everything from the trivial choices we make in our routines to the monumental decisions that shape our destinies. While we often assume our decisions are rational and objective, the reality is that our cognitive processes are susceptible to various biases that can significantly impact the quality and outcome of our choices. These cognitive biases, systematic patterns of deviation from rationality or norm, introduce nuances that shape our perceptions and judgments. Understanding these common cognitive biases is essential for individuals seeking to enhance the accuracy and effectiveness of their decision-making processes.

In this exploration of cognitive biases and their impact on decision-making, we will delve into several prevalent biases that influence how we gather, process, and interpret information. From confirmation bias to the sunk cost fallacy, each bias brings its own set of challenges to the decision-making table, often leading us down paths that deviate from optimal, rational choices. By unraveling the intricacies of these biases, we aim to focus on pervasive influence by making decisions and empower individuals to approach choices with a heightened awareness of the potential pitfalls that lie within the realm of cognitive biases.

DESCRIPTION

Common cognitive biases

Confirmation bias: Confirmation bias is the tendency to favor information that confirms our pre-existing beliefs or values while dismissing or ignoring contradictory evidence. This bias can lead individuals to selectively seek out and interpret information that aligns with their existing views, creating a distorted perception of reality. In decision-making, confirmation bias can result in flawed conclusions, as individuals may fail to consider alternative perspectives or data that challenges their initial assumptions.

Example: Imagine a person strongly believes in a particular diet's effectiveness. They might only seek out success stories and

positive testimonials, dismissing or ignoring any evidence that questions the diet's efficacy.

Anchoring bias: Anchoring bias occurs when individuals rely too heavily on the first piece of information encountered when making decisions. This initial piece of information, or "anchor," can unduly influence subsequent judgments, even if it is irrelevant or unreliable. This bias can lead to suboptimal decisions by preventing individuals from appropriately adjusting their assessments based on new, relevant information.

Example: In negotiations, if one party suggests an initial price, subsequent offers are often influenced by this anchor, even if the initial figure is arbitrary or unreasonable.

Overconfidence bias: Overconfidence bias involves an inflated sense of one's own abilities, knowledge, or judgment. Individuals affected by this bias tend to overestimate their level of skill or the accuracy of their predictions, leading to risky decision-making. Overconfidence can hinder the adoption of a more cautious and thoughtful approach, potentially resulting in poor outcomes.

Example: An investor might believe they can consistently predict stock market movements, leading them to take excessive risks without adequately considering the unpredictable nature of financial markets.

Availability heuristic: The availability heuristic is a mental shortcut where individuals rely on readily available information when making decisions, rather than thoroughly assessing all relevant data. This bias is driven by the ease with which information comes to mind. In decision-making, this can lead to the overemphasis of recent or memorable events, neglecting less salient but equally important information.

Example: After witnessing a rare but impactful event, like a plane crash, individuals may become disproportionately fearful of flying despite statistical evidence indicating its safety.

Correspondence to: Tom Raffidewa, Department of Psychiatry and Behavioral Sciences, Northshore University Healthsystem, Evanston, IL, USA; E-mail: tomraff@jhmi.edu

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Sunk cost fallacy: The sunk cost fallacy involves continuing an endeavor or investment based on the resources already invested, regardless of the likelihood of success or the potential for future losses. This bias can lead individuals to persist in unproductive or futile endeavors, as they are unwilling to accept the "sunk" costs and make a rational decision to cut their losses.

Example: Someone may continue pouring money into a failing business, justifying it by the significant financial and emotional investments already made, even when the chances of success are minimal.

Hindsight bias: This is also known as the "I-knew-it-all-along" phenomenon, is the inclination to believe, after an event has occurred, that one would have predicted or expected the outcome. This bias can distort our understanding of past decisions, making them seem more predictable than they actually were. Hindsight bias can undermine the learning process by obscuring the uncertainty that existed at the time of decision-making.

Example: After a stock market crash, individuals may claim they foresaw the downturn, conveniently overlooking the widespread uncertainty that existed before the event.

CONCLUSION

Cognitive biases are inherent in the human decision-making process, and their impact is far-reaching. Recognizing these biases is the first step toward mitigating their effects and making more informed choices. Overcoming cognitive biases requires self-awareness, critical thinking, and a willingness to challenge our own assumptions. By embracing a more open-minded and objective approach to decision-making, individuals can enhance the quality of their choices and navigate the complexities of life with greater clarity and rationality.