The 10 most common mistakes in decision-making

Decision-making is complex. Yet no one teaches us how to make decisions. Miguel Angel Ariño and Pablo Maella review the 10 most common errors.



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In July 2024, a faulty update released by the cybersecurity company CrowdStrike affected millions of devices, including those of large corporations like Delta Air Lines, causing chaos in airports, train stations and TV networks. Experts agreed that CrowdStrike rushed to release its update.

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Taking more risks than necessary is a more common mistake in decision-making than it might seem. This is well known by IESE professor Miguel Ángel Ariño and his colleague Pablo Maella, authors of *Iceberg Sighted: Decision-Making Techniques to Avoid Titanic Disasters* and *With the Same Stone: The 10 Mistakes We All Make When Deciding*.

Both professors warn that no one teaches us how to make decisions, and they identify the 10 most frequent mistakes we make when deciding. Some are too perfectionist, others overestimate their abilities or rely too much on intuition, while others get dragged down by previous decisions, even if proven wrong, or they get too rational or too emotional.

Discover which "stone" you trip over most often when making a decision:

1. Holding out for the perfect decision

Striving for perfection adds unnecessary pressure and often leads to "analysis paralysis." No one likes to be wrong, but we must shake off our fear and accept that decision-making means taking risks: sometimes we'll get it right, other times we won't. Mistakes are a part of learning.

When asked which missed shot hurt him the most, the famous American basketball player Michael Jordan replied, "The one I didn't dare to take."

2. Failing to face reality

We tend to see things as we would like them to be, confusing wishful thinking with reality. For example, 75% of drivers think they are above average behind the wheel, which is statistically impossible, especially considering the accident rate.

Faced with a situation, we take a stance and fail to see beyond it, ignoring what might be better options out there. Furthermore, we tend to magnify the positive aspects of our stance and minimize the negative ones.

One good way to avoid this bias is to try to distinguish facts (objective) from opinions (subjective).

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3. Falling for self-deceptions

The way we are presented with a situation, and the way we present it to ourselves, affects our final decisions. For example, when some cancer patients were told that the survival rate one year after a surgery was 68%, a significant percentage opted for that surgery. Meanwhile, when others were told that 32% of patients die within a year of the operation, no one elected to undergo it. The same information was given, just presented in a different way.

To avoid falling prey to self-deceptions, it is important to seek alternatives and consider them from different angles. Finally, sleep on it before making the decision.

4. Following the crowd

There’s something worse than being wrong: being the only one who is. Doing what others do is easier and protects us from ridicule. That’s why we tend to follow the crowd even if it leads us off a cliff.

The problem with imitation is that it limits the generation of potentially better alternatives. For example, Zillow Offers, in 2021, jumped on the AI trend to automate property buying and selling without a sound strategy. The algorithm overvalued many properties, causing significant losses and the program’s closure.

5. Rushing and taking unnecessary risks

Before deciding hastily, we should consider whether a decision is truly urgent. We tend to rush into things, crossing things off our list to feel accomplished. But all we’re really doing in a rush is taking unnecessary risks — like CrowdStrike did.

6. Relying too heavily on intuition

Intuition can be helpful, especially when backed by deep experience in a specific area. However, relying on it without data or rational analysis can lead to serious mistakes. Intuition should be used cautiously, ideally in low-risk contexts. Also, for an intuitive decision to be accepted in an organization, the decision-maker must have credibility. Using intuition to justify arbitrary decisions is irresponsible and undermines team trust.

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7. Being married to an idea

Clinging to an initial position, despite evidence to the contrary, is a common mistake. That's what happened to WeWork: Even as financial reports and market signals showed their model (rapid global expansion, claiming to be a tech firm instead of real estate) was unsustainable, leadership refused to pivot. Their commitment to their original narrative led to an inflated valuation, a failed IPO in 2019 and bankruptcy in 2023.

Admitting a mistake, especially when it means recognizing losses, is hard. But denial delays learning and often makes things worse. We also tend to ignore arguments against our choices due to cognitive dissonance. The result is irrational commitment to a path that can lead to worse outcomes than we originally feared. Listening to others and considering alternatives help avoid this trap. So does accepting that sometimes things simply don't work out.

8. Paying little heed to consequences

Sometimes we overlook consequences or only consider the most immediate ones. That can lead to even bigger problems than the ones we set out to solve. The Titanic's leadership went down in history for trying to arrive 24 hours earlier than scheduled to silence critics who said a ship that size had to be slow. This goal made them ignore iceberg warnings that recommended slowing down. They wanted to arrive early but never arrived at all.

9. Overvaluing consensus

We tend to think group decisions are more effective, but that's not always true. Group decisions can be slower, responsibility gets diluted and people may withhold opinions due to group pressure. The story of "The Emperor's New Clothes" illustrates this bias. To avoid it, surround yourself with people who hold different views and who aren't afraid to challenge your arguments.

10. Not following through

The decision-making process does not end with the decision: Implementation and the monitoring of it are essential, too. However, some resolutions are not put into practice due to our own personal limitations (such as a lack of willpower, commitment or time) or external

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factors (a lack of authority or support).

For example, a multinational company decided to establish a headquarters for southern Europe. But the idea was eventually discarded in order to avoid upsetting any of the managing directors of the three potential host countries where the company had subsidiaries — ultimately causing damage to the whole enterprise.

Can AI correct decision-making biases?

Artificial intelligence (AI) has developed significantly in recent years, but its widespread use in business is still relatively new. In business management, Ariño and Maella explain, the focus must shift toward effective use of AI.

Executives should learn how to integrate AI into their decision-making processes and identify the areas where it can add the most value. It's crucial to ask the right questions and provide the necessary context for AI to deliver useful and relevant solutions.

However, they caution, because AI is accessible to all companies, it is not a competitive advantage on its own. The real edge lies in how efficiently organizations use it and keep up with its rapid evolution.

In addition, AI is not immune to the same biases and errors inherent in human decision-making. These biases can persist regardless of the technology used. This underscores the importance of being aware of the most common decision-making mistakes in order to avoid them.

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