Spotlight

Barriers and Biases in Pharma Research – Part One
A collaboration with Nick Southgate

Introduction

Behavioural economics has been an enduring force in market research for some time now. Why is this approach to economic analysis, which applies psychological insights from individual behaviour, sustaining its relevance? Whilst technology advances, we're all still human, and the way we make decisions is still surrounded by social, cognitive and emotional biases.

This article explores some of the barriers and biases in healthcare. Let's start with a recap on what behavioural economics is, the role of cognitive bias and how heuristics can help explain the complex choices we make.

Behavioural economics defined

Behavioural economics is 'an approach to economic analysis that incorporates psychological insights into individual behaviour to explain economic decisions. Behavioural economics is motivated by the observation of anomalies that cannot be explained by standard models of choice. It provides an explanation for the anomalies by introducing human and social cognitive and emotional biases into the decision–making process'.[1]

At this point, it's important to reference Daniel Kahneman's use of 'thinking fast and slow' — known as System 1 and System 2 thinking.[2]
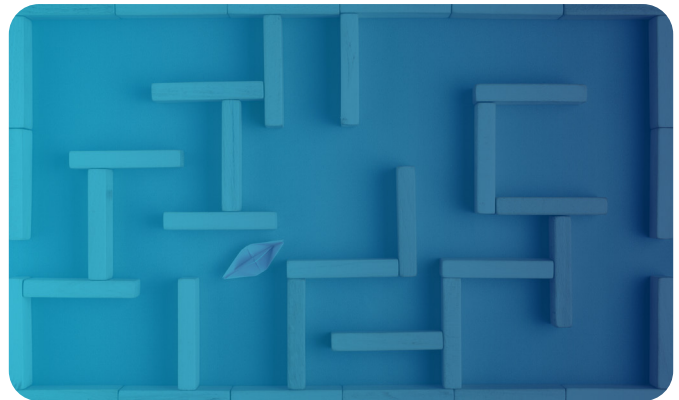
01 **System One** thinking is fast, instinctive, automatic, effortless, and intuitive.

02 **System Two** thinking is slower, analytical, deliberate, and effortful.

System 1 and System 2 are complementary and far more alike than they are different. We *feel* both, we can be *aware* of both, but systems 1 and 2 and mostly in the background.

The role of cognitive bias

We all have cognitive biases. Biases are "hard–wired" in us — we don't learn them, and we can't unlearn them. We can however learn to counter–them. Cognitive biases are a bit like physical reflexes. Just as our reflexes cause us to duck when something heads fast towards our heads, our psychological biases cause us to think in a certain way when faced with a quick decision.

The king of biases is *loss aversion*. In simple terms it says we react more powerfully to losses than to gains. Therefore, how we frame our communications is key – we can make an impact on choices being made by presenting information in a different way. For example, when an outcome is framed in terms of gains people are more likely to accept it than the same proposition framed as a loss. Insurance works this way. Building insurance is a sure loss every time we pay. However, we think of it as gaining protection from a 1-in-20,000 chance of a house fire.

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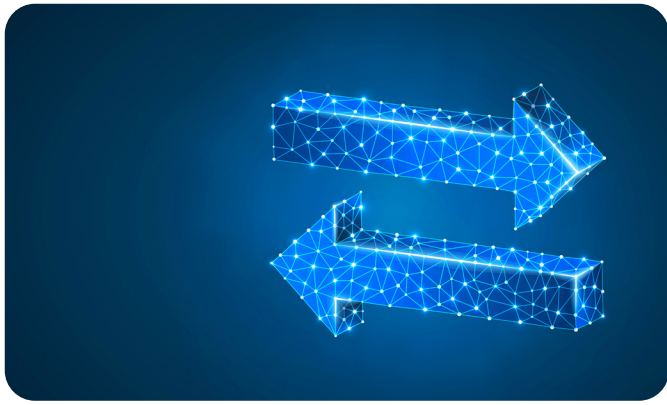
Simplifying complex choices

Heuristics give rule–based descriptions of behaviour that simplify complex choices. Here's an example heuristic 'Go with what you know' (technically known as an 'Availability Heuristic'), we favour what is familiar and well-known.

This can be broken down into 'Mental Availability' (what we typically call top–of–mind) and 'Physical Availability' (you can't choose what isn't there). This is related to the principle Daniel Kahneman calls 'What You See Is All There Is' — we rarely make the effort to think beyond what is in front of us mentally and physically when making our choices.

We use a multitude of heuristics when making decisions. As researchers, we must consider various heuristics to help explain and explore the nuances of decision-making and suggest where a solution might be found. A combination of behavioural economics, primary research skills and expertise is needed to uncover these solutions.

References

1. Oxford Reference in A Dictionary of Economics and Social Science (2022)

https:/www.oxfordreference.com/view/10.1093/oi/authority.20110803095456532

2. Kahneman, D. (2011). Thinking, fast and slow. New York: Farrar, Straus and Giroux.

In summary, decision–making is far more complex than you might first think! Contact us to discuss how behavioural economics can been applied to your next research project to break down the barriers and biases at play.

'Perfect' should not be the enemy of the 'good'

A perfect decision would mean having perfect information and a way of weighting the importance of different and competing factors (e.g. performance, economy and looks in a car). Such a process is beyond us! There are a number of ways we arrive at decisions:

Exclude as much information as possible:

One strategy is to focus in on one factor as the most important and demote everything else e.g. pick the phone you want and fit other decisions to that choice.

Maximising makes decisions hard:

We can try to still pursue the very best choice — but this makes it harder to choose because distinctions typically become smaller the more, we find out.

Satisficing makes them easier:

Barry Schwartz calls the more effortless alternative 'satisficing' where we choose using a simpler to satisfy criterion such as 'one of the best' or 'as good as the old one'.

Paradoxically people believe themselves, and often present themselves, as pursuing and achieving 'perfect' decisions – the BE lens helps us see past this. The researcher's challenge is to understand the 'good enough' decision-maker and how to help them find it easier to get to the best version of 'good enough' that is reasonable in the circumstances.

We are delighted to be partnering with Behavioural Economics expert Nick Southgate, who has been sharing his knowledge with the Adelphi Research team.

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