

# Mitigating Cognitive Biases in International Business Through Experiential Exercises

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**Abstract.** Given cultural differences and environmental uncertainty in international business, managers consciously or subconsciously rely on heuristics or mental shortcuts in making decisions to solve complex and challenging issues. However, these mental shortcuts can lead to severe systematic errors, known as cognitive biases. The experiential learning exercises presented in this paper expose students to three common cognitive biases: overconfidence, the availability heuristic, and the anchoring trap. Through these exercises, students step into the shoes of decision-makers and learn strategies to mitigate the impact of cognitive biases on good decision-making in international business. These activities have been successfully implemented in international business education and are frequently lauded as high-impact learning experiences.

**Keywords:** cognitive biases, experiential exercise, international business

## 1. Introduction

Traditional, rational models of international business overlooked the significant role of bounded rationality and cognitive biases in Multinational Enterprises (MNEs). In the high-uncertainty environment of global business, strategic decisions - such as foreign investment and market entry - are driven largely by heuristics or mental shortcuts rather than objective facts alone (Aharoni, Tihanyi, and Connelly 2011). While heuristics simplify complex situations and reduce cognitive load, they can also lead to systematic errors (Kahneman, Slovic, and Tversky 1994; Nisbett, and Ross 1980; Pohl 2016). The experiential exercises described herein attempt to help students gain insights into three common decision-making traps: overconfidence, the availability heuristic, and the anchoring trap, by placing them in the shoes of real-world decision makers. Specific recommendations are also provided to mitigate the impact of cognitive biases on good decision-making. These exercises are appropriate for various courses (e.g., Global Studies, International Marketing, International Business,

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International Management) at both the undergraduate and the graduate level in a variety of delivery modes, including face-to-face, hybrid, and fully remote.

## **2. Theoretical Foundation**

Management skills are developed not only through knowledge but also through experience and reflection (Gosling, and Mintzberg 2004; Mintzberg, and Gosling 2002). Experiential learning techniques bridge the gap between academic theory and real-world business practices (Berggren, and Söderlund 2011). This approach hinges on the idea that knowledge is actively constructed through the transformation of experience (Kolb 2014). Deeper learning occurs when an experience challenges students' existing beliefs and ideas, prompting them to test, examine, and refine them for future use (Kolb, and Kolb 2012). A well-designed learning experience employing deliberate activities empowers students to learn how to learn through a cycle of experiencing, reflecting, thinking, and acting (Kolb, and Kolb 2005). Through experiential learning exercises, students actively apply their thinking to solve problems or make decisions, encounter conflict and diverse interpretations within themselves and with others, reflect on their problem-solving and decision-making processes, and reconcile pre- and post-observations to refine their knowledge and improve future application (Kolb, and Kolb 2012; Kolb, and Kolb 2005; Kolb 1984).

Previous studies found cognitive biases are important factors in strategic decision-making and planning (Acciarini, Brunetta, and Boccadelli 2020). Human beings actively filter information and interpret their environment. This process is often prone to cognitive biases, systematic deviations from rational information search and decision-making that decision-makers are susceptible to due to constraints on time and cognitive resources (Fasolo, Heard, and Scopelliti 2025; Kahneman, Slovic, and Tversky 1994). These are flaws in information processing that can distort our decision-making. For example, cognitive biases inhibit integrative thinking and management team decision-making effectiveness (Oliva, and Watson 2009). In international business, managers use heuristics to streamline the otherwise cognitively demanding process of evaluating international opportunities (Chandra 2017). Managers rely on these mental shortcuts to process information in the assessment of potential political risks in foreign acquisitions (Maitland, and Sammartino 2015). Overconfidence can cause excessive market entry (Cain, Moore, and Haran 2015; Camerer, and Lovallo 1999; Fasolo, Heard, and Scopelliti 2025) and suboptimal capital allocations (Bardolet, Fox, and Lovallo 2011). Availability bias can cause executives to make strategic decisions based on vivid and memorable events (Barnes Jr 1984; Elia, Larsen, and Piscitello 2019; Haley, and Stumpf 1989; Holcomb, Ireland, Holmes Jr, and Hitt 2009; Schwenk 1988) (Pavicevic, Keil, and McNamara 2025). For example, managers often prioritize countries that are