

HEY, YOUR BIAS IS SHOWING

How our natural biases affect our
decisions, and what to do about it.



©2017 HOGAN ASSESSMENT SYSTEMS, INC.

SOME PEOPLE MAKE BETTER CHOICES THAN OTHERS



Some people make better choices than others. The divorce rate is 50% in the US, more people in the UK expressed regret over their Brexit vote than the margin of victory, and the tattoo removal industry has grown 440% over the past decade. In fact, 16% of those who have used their smartphone to send racy photos ending up sending them to a total stranger.

Although tawdry tweets are pretty benign mistakes, when business or political leaders make bad choices, disaster tends to ensue. Examples include Eastman Kodak's failure to adapt to the growing popularity of digital photography (a technology it invented), or American auto makers' decision to double down on gas-guzzling SUVs even as consumers demanded more efficient vehicles. More recently, the Clinton campaign reportedly refused to abandon an electoral model based on bad polling data, even as staff on the ground in key battleground states pled for resources and predicted the candidate's loss.

Each of these cases is remarkable in their scale and in the impact they had on hundreds of thousands of people. But what's most remarkable about these examples, even a little unnerving, is that the people responsible for these blunders were all intelligent and accomplished individuals.

MORE THAN IQ



Whether at a corporation or in a political campaign, when it comes to leadership, IQ is a requisite. Modern leaders are required to make hundreds of decisions a day, often with ambiguous or incomplete information. Without a little intellectual horsepower, they're going to have a hard time getting the job done.

"IQ has been found to predict real-world success, such as college grades, job performance, and leadership effectiveness," Hogan CEO Dr. Tomas Chamorro-Premuzic wrote in a post on Management Today. However, the notion that there's more to success than a high IQ "resonates for one simple reason: smart people are capable of acting stupid."



smart people are capable

of acting stupid

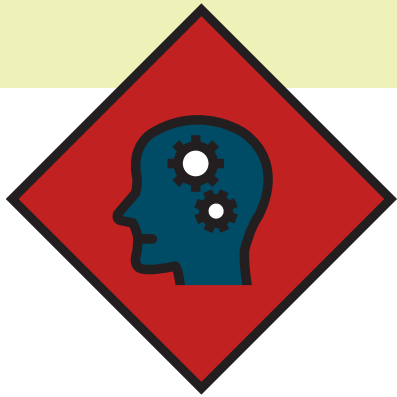
WHAT ELSE IS AT PLAY?



When we talk about smart people, we're really making an evaluation based on their past performance. We don't know their IQ scores any more than their blood type; we call them smart based on the decisions they made.

Likewise, although IQ determines someone's capacity to comprehend new information, it doesn't account for the abundance of smart, capable people who make very bad decisions. What sets successful leaders apart from their blunder-prone peers isn't intelligence, but rather judgment — the ability to make good decisions, and avoid repeating bad ones.

NATURAL BIASES



**The
average
adult makes
around
35,000
remotely
conscious
choices per
day**

Although most of us would like to think of ourselves as rational, we are all subject to innate biases.

The average adult makes around 35,000 remotely conscious choices per day, ranging in importance from the mundane — how many times to hit the snooze button in the morning, what to wear, which route to take to work — to the monumental — whether or not to pursue a new product or take your company public. Because logic and data-based judgments take up a lot of bandwidth, our brains create subconscious shortcuts that help us navigate the environment with minimal cognitive effort. Which means although we are capable of acting rational, most of the time our behavior is driven by subconscious motives.

Unfortunately, the more stressed or fatigued we are, the more those natural shortcuts start to influence our more important decisions. And that's where we get in trouble. "Most people make bad decisions when they're on autopilot — when they're stressed, bored, or otherwise not paying attention," Dr. Chamorro-Premuzic said.

Having good judgment means coming to terms with your typical patterns of irrationality. Are you driven more by potential threats or rewards? Are you more intuitive or data-driven? Are you more focused on short-term details or the long-term big picture?

“Behavioral economics expert Dan Ariely said it best when he described people as ‘predictably irrational’,” Dr. Chamorro-Premuzic wrote. “Once we identify our irrationalities and are able to explain why we act the way we do, we become more predictable and consistent.”

The good news is you can leverage your biases to work for you. We describe six biases that likely affect your judgment, and how, with a healthy dose of self-awareness, you can turn each into a strength.



Once we identify our
irrationalities and are able to
explain why we act the way we
do, we become more predictable
and consistent.

1

You're too focused on risks or rewards



All decisions include potential threats and rewards. Some individuals focus primarily on the negative side of the risk-reward equation, an instinct that is awfully hard to fight. Humans are programmed to avoid risks. Our earliest ancestors were tasked with surviving in brutal conditions. For them, the uneasy feeling we get when faced with uncertainty was designed to help them avoid a potentially life-threatening situation.

Today, the same bias toward avoiding losses keeps us from walking into traffic, following someone down a dark alleyway, or making risky investments with our savings.

The problem, as faculty at NC State's Poole College of Management pointed out, is when organizational leadership becomes overly risk-averse in their decision-making, they can actually squander opportunities to innovate and grow.

"When the tendency to avoid risk is applied to each of the numerous business decisions that must be made each year, it can compound resulting in an organization that is operating well below its overall risk appetite," they wrote. "This could easily make a business less competitive than it should be."

In a recent interview, former CEO Olli-Pekka Kallasvuori related how Nokia lost the smartphone battle despite having half of the global market share in 2007: "Somehow the sense of urgency to innovate had waned and managers of the successful company were more intent on defending and preserving existing successes than developing new products and incurring the risk of failure."

If you tend to be risk-averse in your decision making, you aren't alone. In a recent Deloitte survey, although most C-level executives were confident that their companies would outperform their competition over the next 12 months, 23% said an unwillingness to take risks might make them less competitive in the future.

Conversely, there are individuals who seek rewards despite potential consequences.

"One of the best-documented biases of human thinking is the better-than-average bias, which is the tendency of people to regard themselves as better than the average person in virtually any domain

of competence," Dr. Chamorro-Premuzic wrote in a post for CNN. "For example, ask people whether their driving skills are better than average, and 85% of respondents will say yes."

This explains why, despite studies showing that only 2.5% of the population can multitask well enough to safely drive while talking on their cell phone, more than 75% of the population admits to regularly texting and driving.

"Research also shows that optimism is a pervasive judgment bias, which causes most people to underestimate the feasibility of negative events happening to them," wrote Dr. Chamorro-Premuzic.

When those biases make it into the C-suite, the result is a corporate culture that rewards taking big risks; cultures that resulted in the catastrophic failures of Lehman Brothers and Royal Bank of Scotland, as well as the dozens of lesser failures that sent the world plummeting into a financial crisis in 2008.

Thinking too tactically or too strategically

One of the marks of a great leader is what former President George H. W. Bush once contentiously called “the vision thing.”

Businesses depend on their leaders to think strategically – to look ahead, see approaching trends and changes in the marketplace, and steer the company in the right direction so competitors don’t catch them off guard. Great leaders explain to their team the significance of their mission and how it fits into the larger context, encouraging individuals to transcend their selfish interests and work instead toward a common goal.

But, as Thomas Edison once quipped, “vision without execution is just hallucination.” Indeed, although strategic thinkers tend to use a future-oriented, big picture perspective, they may neglect important practical details.

A survey of senior executives from 197 companies found firms achieved only 63% of the expected results of their strategic plans.



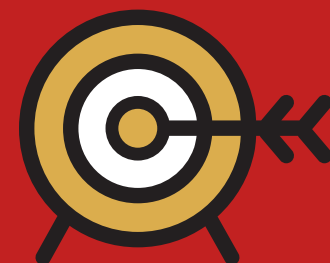
Compared to strategic thinkers, tactical thinkers tend to focus on details like cost, implementation, and staffing issues, but they tend to miss the big picture. An article in the Wall Street Journal chronicles how tactical thinking caused Nokia to fumble its entrance into the smartphone market:

“More than seven years before Apple Inc. rolled out the iPhone, the Nokia team showed a phone with a color touch screen set above a single button. The device was demonstrated locating a restaurant, playing a racing game, and ordering lipstick. In the late 1990s, Nokia secretly developed another alluring product: a tablet computer with a wireless connection and touch screen — all features today of the hot-selling Apple iPad. Consumers never saw either device.”

That’s because, the story indicates, Nokia engineers underestimated the threat the newly introduced iPhone represented:

“Nokia engineers’ ‘tear-down’ reports, according to people who saw them, emphasized that the iPhone was expensive to manufacture and only worked on second-generation networks — primitive compared with Nokia’s 3G technology. One report noted that the iPhone didn’t come close to passing Nokia’s rigorous ‘drop test,’ in which a phone is dropped five feet onto concrete from a variety of angles.”

Nokia’s focus on durability, rather than on aesthetics, ultimately resulted in its acquisition by Microsoft.



3

Relying too much on data or intuition

Bob Nease, former chief scientist of Express Scripts, wrote in a post for Fast Company: "Using advanced analytics to mine the ever-increasing cloud of digital dust can uncover hidden patterns and generate deep insights. Such is the promise of applied data science."



Indeed, some of the biggest organizations in the world use consumer data to shape customer offerings, prevent turnover, decide where to build their next physical location, or win ball games, often with great success. But becoming dependent on data to make decisions can be crippling.



Psychologist Barry Schwartz coined the phrase 'paradox of choice' to describe his findings that, although increased information allows us to make better choices more often, it also leads to greater anxiety and indecision.



Rather than empowering us to make better choices, our virtually unlimited access to information often leads to greater fear of making the wrong decision

“Rather than empowering us to make better choices, our virtually unlimited access to information often leads to greater fear of making the wrong decision,” according to a post by researchers at productivity app Todoist. “That in turn leads to us spinning our wheels in a seemingly inescapable purgatory of analysis paralysis, all the while getting nowhere on our important projects.”

Data driven decisions are effective when there is both information available and time to review it. Unfortunately for leaders, most decisions are made quickly with incomplete data. And, without the context of experience, data can lead companies down a disastrous path.

In an article about how the Clinton campaign lost the election, Politico’s Edward-Isaac Dove wrote that senior staff at Clinton’s campaign headquarters repeatedly ignored warnings from operatives on the ground in Michigan and other key swing states because their data models showed as much as a 5-point win even through the morning of the election. State-level campaign workers allegedly lamented “a one-size-fits-all approach drawn entirely from pre-selected data – operatives spit out ‘the model, the model,’ as they complain about it – guiding [the campaign’s] decisions on field, television, everything else.”

However, intuition allows for fast, automatic, and effortless decision-making. In situations that require making a quick choice and moving on, sometimes it's better to trust your gut.

"Your gut is this collection of heuristic shortcuts. It's this unconscious-conscious learned experience center that you can draw on from your years of being alive," Melody Wilding, a professor of human behavior at Hunter College, said in Fast Company. "It holds insights that aren't immediately available to your conscious mind right now, but they're all things that you've learned and felt. In the moment, we might not be readily able to access specific information, but our gut has it at the ready."

Of course, when it comes to more nuanced or complicated decisions, trusting your gut at the expense of data can be a hazard.

"Intuition tends to involve certainty about uncertainty, and it is usually followed by an inability to accept that one's decision was wrong," Dr. Chamorro-Premuzic wrote.

"Some people are more capable of correct intuitions than others. But, unsurprisingly, most people overestimate their intuitive powers, much like they overestimate their sense of humour, creativity, and sex appeal."

"It is noteworthy that data and intuition are not incompatible or mutually exclusive," he continued. "In fact, they create a wonderful synergy. You can be intuitive by going beyond the data, without ignoring the data. Data improves intuition, and intuition improves data."



HOW TO BALANCE YOUR BIASES

The key to consistently good judgment is understanding and balancing your biases. The best decision makers in the world succeed because they have a high degree of self-awareness and coachability that enables them to outperform their peers. Unfortunately, that level of self-awareness isn't easy to achieve.



How to Balance Your Biases

1

It makes us uncomfortable. The truth may hurt, but it's the key to self-improvement. Commit to seeking negative feedback from people you respect. Ask them what you could do better, and take the answers seriously.

2

It makes other people uncomfortable too. People are not always able — or willing — to provide us with honest and critical feedback. In most cultures, social etiquette rewards white lies and condemns people who are brutally honest. You can incentivize others to give you negative feedback by explaining to them that you won't take it personally, that you respect and value their views, and that you are trying to get better.

3

It clashes with popular psychology. Much of popular psychology, not least the American self-help movement, undermines self-awareness, promoting self-esteem rather than self-knowledge and urging people to ignore negative thoughts, particularly about themselves. This toxic feel-good paradigm legitimizes people's reluctance to accept that they may not be as great as they think they are. To combat this, downplay any advice designed to make you feel better. We're not saying it's easy, but once you are aware of your biases, you can leverage them as strengths.

“

Life is a series of experiences, each one of which makes us bigger, even though sometimes it is hard to realize this. For the world was built to develop character, and we must learn that the setbacks and grieves which we endure help us in our marching onward.

–Henry Ford

ABOUT THE HOGAN JUDGMENT REPORT

The first to combine cognitive ability, bright- and dark-side personality, and values, the Hogan Judgment assessment consists of two brief measures related to verbal and numerical reasoning, three independent scales which assess non-cognitive attributes that influence how an individual approaches decisions, and an assessment of post-decision reactions, including responses to negative feedback.

The Hogan Judgment Report draws on this powerful new assessment and provides an in-depth description of individuals' information-processing style, decision-making approach, decision-making style, reactions to feedback, and openness to feedback and coaching. Good judgment involves being willing to acknowledge and fix bad decisions, and learn from experience. Armed with this powerful knowledge, individuals can improve their decision-making and judgment.

For more information on Hogan Judgment,
visit hoganassessments.com/judgment

