

Published Articles

Leading, Fast and Slow – Part 2

PEER REVIEWED ARTICLE

Bradford Strand, Ph.D.

Professor

Department of Health, Nutrition and Exercise Science

North Dakota State University

Fargo, ND

Gary Liguori, PhD, FACSM

Professor and Department Head

Department of Health & Human Performance

University of Tennessee, Chattanooga

Chattanooga, TN

Michael Crow, Ed.D.

Assistant Professor

Tasmanian School of Business and Economics

University of Tasmania,

Hobart, Tasmania, Australia

Please send all correspondence to:

Brad Strand

916 42nd Ave. N

Fargo, ND 58102

Bradford.strand@ndsu.edu

701-23109718 (o)

701-231-8872 (fax)

Part 1 of Leading, Fast and Slow (Strand, Liguori, & Crow, 2015) explained the concept of thinking via Systems 1 and 2 (Kahneman, 2011) and cautioned readers why System 1 thinking may lead to hasty decision making and in some cases, bad decision making (Facione & Gittens, 2015). With this article we will continue that discussion of what may be considered managerial hubris (Li & Tang, 2010) which refers to an exaggerated belief about one's own judgment that may deviate from objective standards (Hiller & Hambrick, 2005)

In today's resource-scarce, highly competitive environment, effective leaders are the key to the contests for increasingly scarce resources (Lawson, 2014). Choices regarding leadership strategy must be made, and those choices are not mutually exclusive. In other words, more than one leadership strategy may be needed and warranted at any particular time. This complicates leadership because leaders must make informed choices, followed by synchronizing and harmonizing the strategies they have selected (Lawson). The internal contexts are fast

(continued)

Leading, Fast and Slow – Part 2, continued

moving, inherently unstable and uncertain, and money does matter. Indeed, because the quest and need for money drives planning, operational decision-making, and resource allocations, leaders and leadership must be framed, developed, and implemented accordingly.

Important decisions with long-lasting implications are made every day in departments, colleges, and universities across the United States. "Resources are allocated for strategic plans with the expectation that these plans will be sufficiently comprehensive, coherent, aligned, and "actionable" (Lawson, p. 10)." In reality, however, too many important decisions are made in haste and have the potential to harm or hinder, rather than help faculty and/or an academic unit. A great example involves former Notre Dame and University of Kansas football coach Charlie Weis who could earn a combined 25 million dollars from those two institutions not to coach football (see: <http://www.sportingnews.com/ncaa-football/story/2015-05-19/charlie-weis-salary-notre-dame-kansas-not-coaching-unemployed>).

We are pretty sure that all reading this paper know of an individual who received a nice start-up package with adequate research budget, lab space, and graduate support only to jump ship after a couple of years for a better offer. This is a reality of university life but certainly costly for an institution. As such, all faculty and administration, and especially Deans and Department Heads, have a fiduciary responsibility to be good stewards of the resources within a college or department, to ensure sustainability, and to achieve positive, or above average, returns on investments. With that as a background, we present Part 2 of Leading, Fast and Slow.

Review of the Two Systems and Heuristics

In review, System 1 uses subconscious values, drives, and beliefs that influence one's 'gut reactions'. With System 1, there is a tendency to be quickly influenced by heuristics, as introduced in Leading, Fast and Slow – Part 1 (Strand, Liguori, & Craw, 2015), that can easily lead one to jump to conclusions regarding causality. When answers come quickly, one operates effortlessly, which is risky at times, but not always bad. System 2, on the other hand, articulates judgments, makes choices, endorses or rationalizes ideas and feelings, and then one makes up stories to either confirm or deny those conclusions (Johnson, n.d.). System 2 requires conscious effort to engage and examine long-held heuristics while System 1 is more intuitive.

Kahneman (2011), in his book *Thinking, Fast and Slow* used the story of the Monkey Business Illusion (https://www.youtube.com/watch?v=IGQmdoK_ZfY&safe=active) to articulate how focused thinking can interfere with one's ability to see the big picture. In the Monkey Business Illusion viewers are directed to watch and count the number of times white-shirt individuals pass a ball through a larger group of black-shirt individuals. During the activity, an individual dressed in a black monkey suit appears on the screen and replaces one of the students dressed in black. At the conclusion of the video viewers are asked how many passes the students dressed in white completed and most give the correct answer. And then they are asked if they saw the monkey in the video. Most say they did not. When the video is replayed they then state that they see the monkey. They are then asked if they saw the curtain in back of the stage change color and of course, the answer is again no.

The point is, sometimes one only sees what he or she wants to see, what he or she has been told to see, or one is so focused on a task that other important details are missed (Bingham & Halebian, 2012; Smoll & Smith, 1989). Part 1 of this paper presented five common heuristics that can cloud one's thinking. Following those five topics are seven additional System 1 heuristics as identified by Kahneman (2011) and detailed by Johnson (n.d.).

Overestimating the Likelihood of Rare Events

It is certainly important to pay attention to things that are likely to happen rather than things that are unlikely to happen. However, it is easy to overestimate the probability of unlikely events (known as the availability heuristic and explained in Part 1) and to overweight

(continued)

Leading, Fast and Slow – Part 2, *continued*

the unlikely events in our decisions (Barron & Yechiam, 2009). Combined, these two actions result in rare events being given greater psychological weight than is normatively appropriate (Burns, Chiu, & WU, 2010).

Hubris is defined as an excessive or exaggerated pride or self-confidence (Hubris, n.d.). Leaders must be careful of giving in to fear mongers who deliberately misrepresent data or information with an air of hubris in favor of their cause. When given a choice, one is more likely to choose the alternative in a decision that is described with explicit vividness, repetition, and relative frequencies (Johnson, n.d.). However, just because something is repeated multiple times with great detail does not mean it has happened many times. In fact, it may very well be quite rare, but by simply repeating it over and over, it appears that it is happening frequently. Schlesinger (1997) discussed hubris as a shaky basis for leadership and Collins (2009) wrote about the organizational side of hubris in his book *How the Mighty Have Fallen*. Collins stated that hubris sets in when an individual becomes arrogant, regards success as an entitlement, and loses sight of the real underlying factors that created success (Baldoni, Sept. 8, 2010).

The Halo Effect and Priming

The halo effect is described as basing an opinion on an alternate feature or trait, typically to create an advantage (Rosenzweig, 2007). For example, an individual who is enthusiastic, neat, and timely might also be judged as very competent. Conversely, one who is unkempt with a messy appearance is judged to be incompetent. In reality, however, neither of these assessments may be accurate.

Many factors can taint one's appraisal of someone else and result in 'appraisal bias' (Lauby, 2013). One such bias is known as the primacy effect (first impression). For example, a person who speaks first in a meeting can 'prime' the opinions of others (Miller, & Campbell, 1959). If the first to speak proposes a course of action in a positive fashion he or she has primed the others to think positively about the action. Conversely, their first statement could also prime others to think negatively. In addition, that first statement may direct the thinking of others and a variety of opinions are not shared.

Often, what one sees is all there is and the decision maker must not favor information based on impressions and intuitions but rather, stay focused on hard data (Kahneman, 2011). System 2 thinking can help one combat overconfidence, the halo effect, and priming by basing beliefs on critical thinking, not subjective information.

The Endowment Effect

An object one owns and uses is more valuable to them than an object they do not own, use, or like (Kahneman, Knetsch, & Thaler, 1991). In fact, some objects become holy grails, or a talisman, that one is unwilling to part with no matter how decrepit or dated the object (Rast, 2015). In academia, this is similar to holding onto courses that have served their purpose and are no longer contemporary or do not meet accreditation competencies; yet, they are still offered because they are a professors favorite course. For example, laboratory equipment 'needs to be kept' because it is a professors favorite that he or she 'grew up' with. While it may have once represented the 'gold standard' in the field, it has since been replaced with newer, more contemporary equipment. In a similar vein, one might find it difficult to sell or get rid of an item because they are getting less in return than they paid for it.

System 2 thinking can help one understand the true value of something and that clinging to objects for sentimental reasons may prohibit growth and development as new products, technology, curricula models, and pedagogy are ignored.

(continued)

Leading, Fast and Slow – Part 2, *continued*

Cognitive Ease

Cognitive ease is the mental state in which “things are going well – no threats, no major news, no need to redirect attention or mobilize effort” (Kahneman, 2011, p. 59). When one experiences cognitive ease, concepts that are easier to compute, more familiar, and easier to read seem more true than topics that require hard thought, are tough to understand, or are difficult to see. By repeating a message endlessly, such as in advertising, the message becomes familiar and appears to be more true simply because one has heard it repeatedly. One accepts the message due to the concept of cognitive ease. If one hears a lie, a mistruth, or an exaggeration frequently, he or she tends to believe it.

System 2 thinking would say, “It seems like we should believe the premise because it has been repeated so often, but let’s think about it again.”

The Planning Fallacy

The planning fallacy means taking on a risky project confident of the best-case scenarios without seriously considering the alternative(s) (Buehler, Griffen, & Ross, 1994). Conversely, if one consults with others who have engaged in similar projects he or she will get a critical outside perspective (Johnson, n.d.). A System 2 thinker would say, “He’s taking an inside view. He should forget about his own case and look for what happened in other cases.” Without seeking outside views, one tends to make decisions based on delusional optimism rather than on a rational weight of gains, losses, and probabilities.

Again, a System 2 thinker would say, “She is the victim of a planning fallacy. She’s assuming a best-case scenario, but there are too many different ways for the plan to fail, and she is not willing to see them all.” In other words, poorly planned projects that fail to include the ‘outside look’ will have a greater chance of failure than those in which an outside look was employed.

Theory-Induced Blindness

Being raised within our paradigms and living within our personal space or boxes, known as sociology as the “convergent theory” (Jones, & Wicks, 1999), we have gotten used to these comfort zones and accept long-held theories and philosophies without question as they provide a framework to navigate the challenges in life. In time, however, the more one embraces a theory or philosophy, the more likely one becomes blind to things that might otherwise contradict that which is used in an individual setting or environment. Once an individual has accepted a theory and used it as a tool in his or her setting, it is extraordinarily difficult to notice its flaws and he or she becomes less open to other ideas (Colbert, Barrick, & Bradley, 2014). Unfortunately, this theory-induced blindness causes one to cling to old paradigms that have outlived their usefulness. History, tradition, and personal reputation often prohibit openness to new thoughts.

The challenge is to use System 2 thinking to question existing paradigms in order to see situations differently.

The Illusion of Validity

Sometimes individuals believe, with great confidence, their opinions, predictions, and points of view are valid when overconfidence is unwarranted (Kahneman, Oct. 19, 2011). Some, in fact, go so far as to cling with confidence to ideas in the face of counter evidence. This confidence comes from affiliating with like-minded peers and perhaps over valuing one’s recognition of wins while ignoring losses. In describing this type of person Kahneman (2011, p. 221) said, “She is a hedgehog. She has a theory that explains everything, and it gives her the illusion that she understands the world.”

Leading, Fast and Slow – Part 2, continued

Kahneman (Oct. 19, 2011) stated that confidence is a feeling determined mostly by the coherence of the story and ease with which it comes to mind. The illusion of confidence means that one has confidence in his or her judgments about someone or something and is not impacted by a statistical fact that is known to be true. System 2 thinking recognizes that mistakes happen when one bases the validity of a judgment on the subjective experience of confidence rather than on objective facts.

Summary

Decision makers must consider key forces, factors, and colleagues in their individual settings and seek to balance the needs, problems, threats, and opportunities that exist (Lawson, 2014). All of the System 1 shortcomings described in this paper and in Part 1 typically lack any substance, and worse, if the person making the statements has a strong personality or has inherited some sort of leadership position, he or she can be very convincing. This leaves us with the big question: So what if decisions are made using the common heuristics of System 1?

Hiring and firing, tenure and promotion, financial resource allocation, curriculum design, technology implementation, and facility renovations, among other things, take up much of a leader's time. As unmade decisions pile up, it is easy to defer to the intuitive thinking of System 1. However, the stakes are simply too high and one cannot afford to make poor hiring decisions as new hires require resources for recruitment, travel, on-site interviewing, and start-up packages. Similarly, granting tenure to questionable employees means they will be a part of the department until retirement or they seek other employment. Furthermore, renovating a facility and then renovating portions of the same facility shortly thereafter use valuable resources.

Throughout these papers (Part 1 and Part 2) the case has been made that leaders must be cautious of relying too much on System 1 thinking and to encourage whom they lead to be just as cautious. The stakes are simply too high to make rash decisions that can have long-lasting implications, and relying more on System 2 thinking can help to avoid these common pitfalls.

References

- Baldoni, J. (Sept. 8, 2010). How to recognize (and cure) your own hubris. *Harvard Business Review*. Retrieved from <https://hbr.org/2010/09/how-to-recognize-and-cure-your>
- Barron, G., & Yechiam, E. (2009). The coexistence of overestimation and underweighting of rare events and the contingent recency effect. *Judgment and Decision Making*, 4, 447–460.
- Bingham, C. B., & Halebian, J. (2012). How firms learn heuristics: Uncovering missing components of organizational learning. *Strategic Entrepreneurship Journal*, 6, 152–177.
- Buehler, R., Griffen, D., & Ross, M. (1994). Exploring the "Planning Fallacy": Why people underestimate their task completion time. *Journal of Personality and Social Psychology*, 67, 366–381.
- Burns, Z., Chiu, A., & Wu, G. (2010). Overweighting of small probabilities. Retrieved from <http://faculty.chicagobooth.edu/george.wu/research/papers/burns%20chiu%20wu%202010%20overweighting%20of%20small%20probabilities.pdf>
- Colbert, A. E., Barrick, M., & Bradley, B. (2014). Personality and leadership composition in top management teams: Implications for organizational effectiveness. *Personnel Psychology*, 67, 351–387.
- Collins, J. (2009). *How the mighty have fallen: And why some companies never give in*. New York, NY: Harper Collins Publishers.
- Facione, P., & Gittens, C. A. (2015). *Think critically*. New York, NY: Pearson Education.
- Hiller, G., & Hanbrick, D. (2005). Conceptualizing executive hubris: The role of (hyper-) core self-evaluation in strategic decision-making. *Strategic Management Journal*, 26, 297–319.
- Hubris. (n.d.). In Merriam Webster Online, Retrieved from <http://www.merriam-webster.com/dictionary/hubris>.
- Li, J., & Tang, L. (2010). CEO hubris and firm risk taking in China: The moderating role of managerial discretion. *Academy of Management Journal*, 53(1), 45–68.

Leading, Fast and Slow – Part 2, *continued*

- Johnson, E. (n.d.). *Book summary: Thinking fast and slow*. Retrieved from <https://erikreads.files.wordpress.com/2014/04/thinking-fast-and-slow-book-summary.pdf>
- Jones, T. M., & Wicks, A. C. (1999). Convergent stakeholder theory. *Academic Management Review*, 24, 206–221.
- Kahneman, D. (2011). *Thinking fast and slow*. New York, NY: Farrar, Straus and Giroux.
- Kahneman, D. (Oct. 19, 2011). Don't blink! The hazards of confidence. *The New York Times Magazine*. Retrieved from http://www.nytimes.com/2011/10/23/magazine/dont-blink-the-hazards-of-confidence.html?_r=0
- Kahneman, D., Knetsch, J. L., & Thaler, R. H. (1991). Anomalies: The endowment effect, loss aversion, and status quo. *The Journal of Economic Perspectives*, 193–206.
- Lauby, S. (Aug, 2013). Overcoming 5 common performance appraisal biases. Retrieved from <https://www.hrbartender.com/2013/training/overcoming-5-common-performance-appraisal-biases/>
- Lawson, H. (2014). Investing in leaders and leadership to secure a desirable future. *Quest*, 66, 263–287.
- Miller, N., & Campbell, D. T. (1959). Recency and primacy in persuasion as a function of the timing of speeches and measurements. *The Journal of Abnormal and Social Psychology*, 59,(1), 1–9.
- Rast, D.E. (2015). Leadership in times of uncertainty: Recent findings, debates, and potential future research directions. *Social and Personality Psychology Compass*, 9, 133–145.
- Rosenzweig, P. (2007). *The halo effect ... and eight other business delusions that deceive managers*. New York, NY: Free Press.
- Schlesinger, J. (1997). Fragmentation and hubris: A shaky basis for American leadership. *The National Interest*, 49, 3–9. <http://www.merriam-webster.com/dictionary/hubris>
- Smoll, F. L., & Smith, R. (1989). Leadership behaviors in sport: A theoretical model and research paradigm. *Journal of Applied Social Psychology*, 19, 1522–1551.
- Strand, B., Liguori, G., & Craw, M. (2015). Leading, fast and slow – Part 1. *International Journal of Kinesiology in Higher Education*