



FS Club Events



Enemies Of Judgement

Garry Honey | Founder, CHIRON Risk

11:00, Wednesday, 07 August 2024



FS Club Events

A Word From Our Chairman



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FS Club Events

Today's Agenda

- 11:00 - 11:05 Chairman's Introduction
- 11:05 - 11:25 Keynote Presentation - Garry Honey
- 11:25 - 11:45 Question & Answer



FS Club Events

Today's Speaker



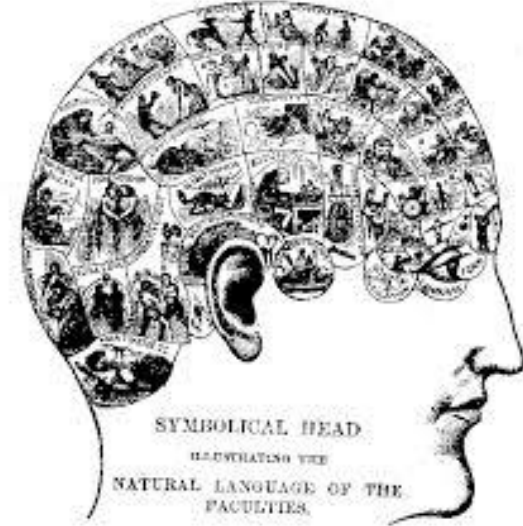
Garry Honey

Founder
CHIRON Risk

Enemies of Judgement

Making better decisions

By Garry Honey
Henley Business School

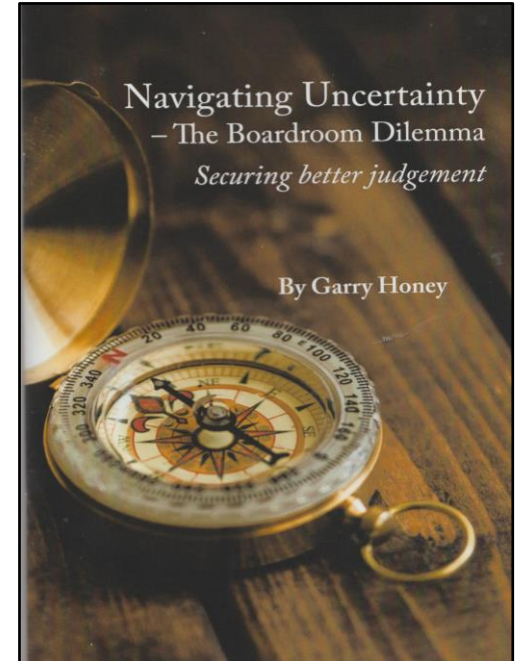


FS Club
Wednesday, 07 August 2024

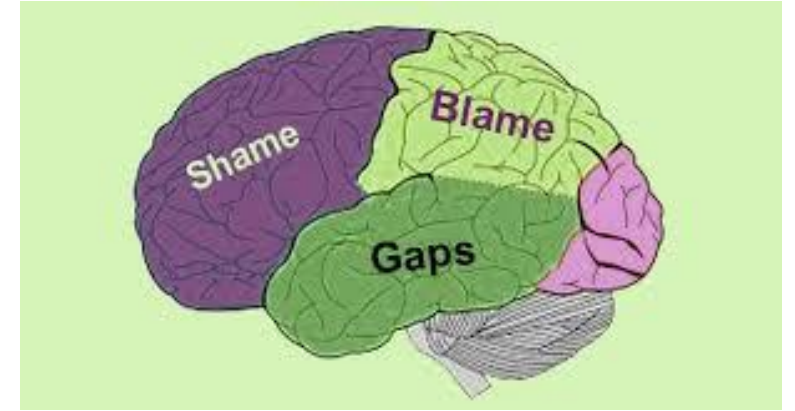
Garry Honey



- Strategy consultant, author & advisor
Author of 'Navigating Uncertainty'-
- Teaches on Henley masters programme
MABPD Board Practice & Development
- Handling risk in board meetings –
Decision risks not operational risks



Why judgement matters



- We explore risk to secure **good judgement**
- Judgement is a combination of **information** plus **estimation**
- Estimation where we paper over our **ignorance**
- It is also the space where we permit **bias** to cloud rationality

Twin enemies of good judgement

Ignorance

What we don't know



Intractable uncertainty

What can't be known

Imperfect information

What can be known but isn't



Bias

What we think we know



Perceptions & beliefs

Individual experience & opinion

Prejudice & politics

Collective preferences & wisdom



Types of ignorance

- **Acquisitional ignorance:** ‘the act of maintaining one’s ignorance because the anticipated costs of becoming informed outweigh the anticipated benefits of being informed. Acquiring knowledge has cost, both opportunity costs and various costs involved in the process of acquisition’.
- **Motivated ignorance:** ‘involves a form of ignorance that is driven not by the costs of acquiring knowledge but by an active aversion to possessing it’. Example: given the chance to have a test for cancer – *‘I don’t want the test because I might discover something I would rather not know’*.

Source: **Motivated Ignorance**. Daniel Williams, Synthese. Feb 2020

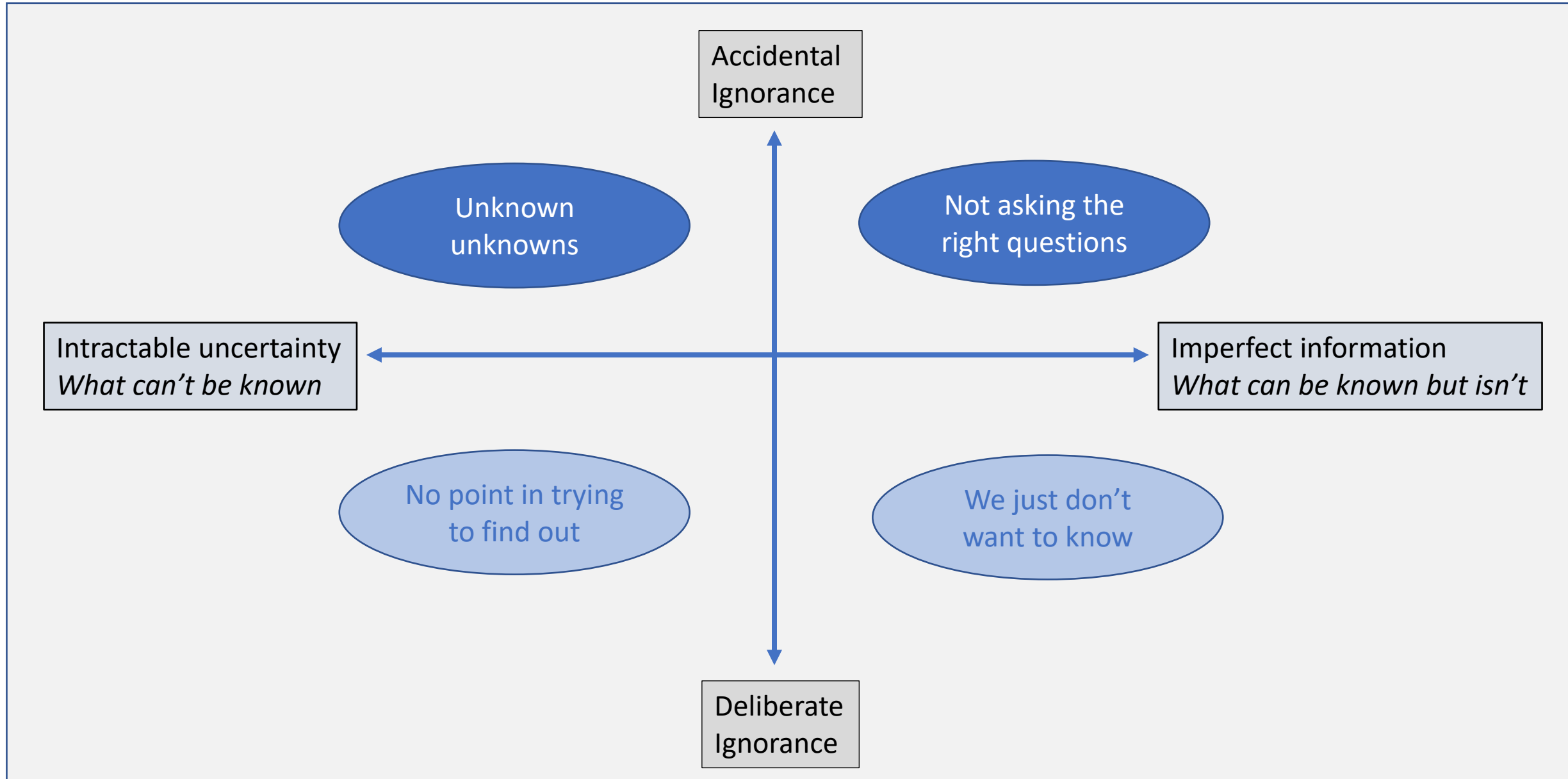
<https://link.springer.com/article/10.1007/s11229-020-02549-8>

- **Deliberate ignorance:** the conscious choice not to seek information, not necessarily because the knowledge might prove disturbing or problematic. There may be other political, social or economic reasons to remain ignorant. Example: *‘Is that a burglar in my neighbour’s house?’*
- **Accidental ignorance:** this is where knowledge was assumed to be sufficient in order to make a decision but was subsequently found to be inadequate. Innocent and most frequent type of ignorance in board decisions given cognitive bias towards optimistic outcomes.

Source: **Deliberate Ignorance** - choosing not to know. Hertwig & Engel. Mar 2021

https://www.google.co.uk/books/edition/Deliberate_Ignorance/26gSEAAQBAJ?hl=en&gbpv=1

Ignorance



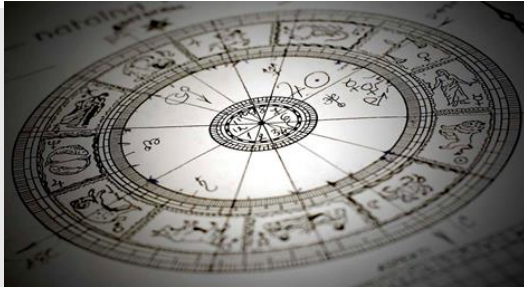
Dunning-Kruger



*“Let me interrupt your expertise
with my confidence.”*

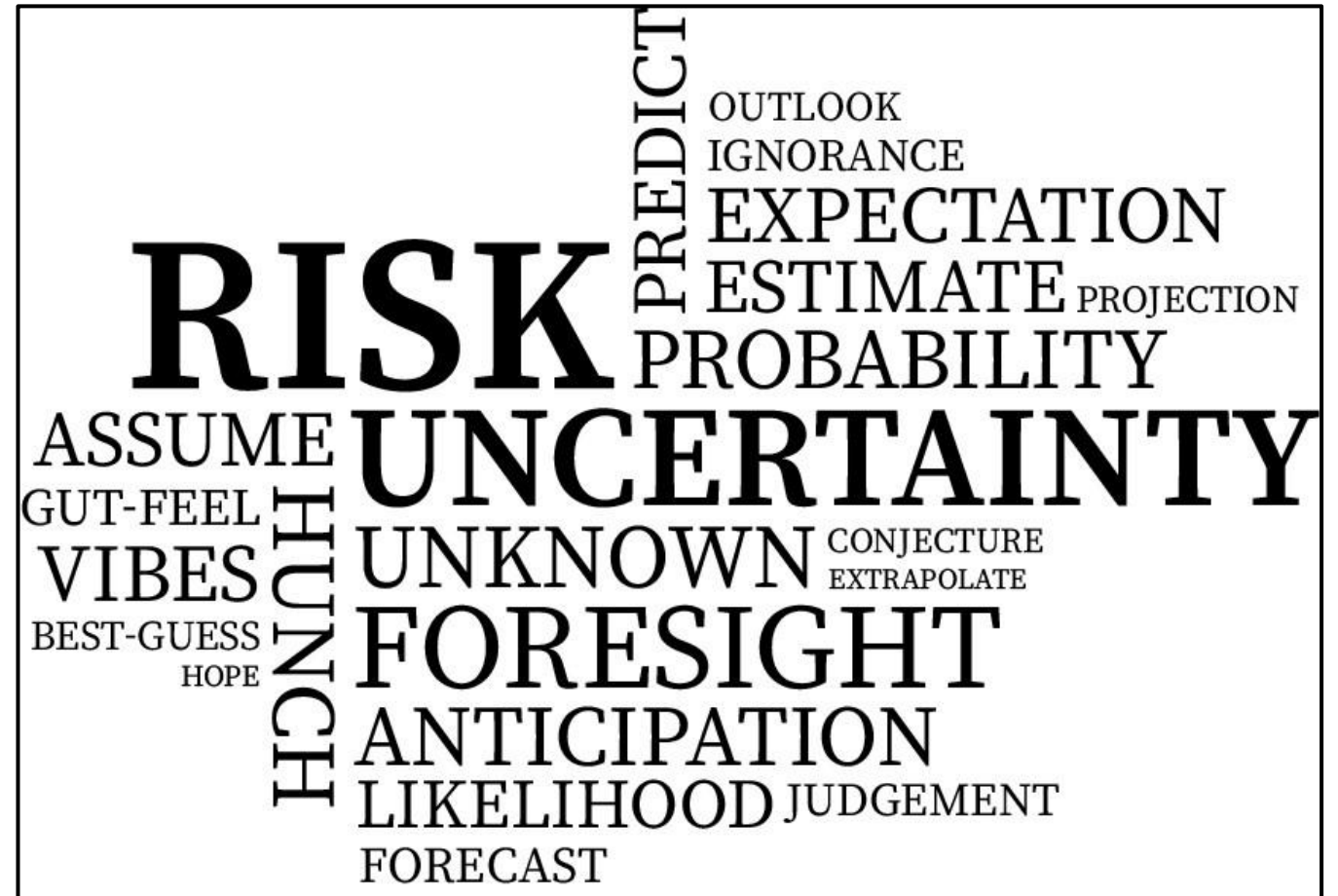
Responding to ignorance





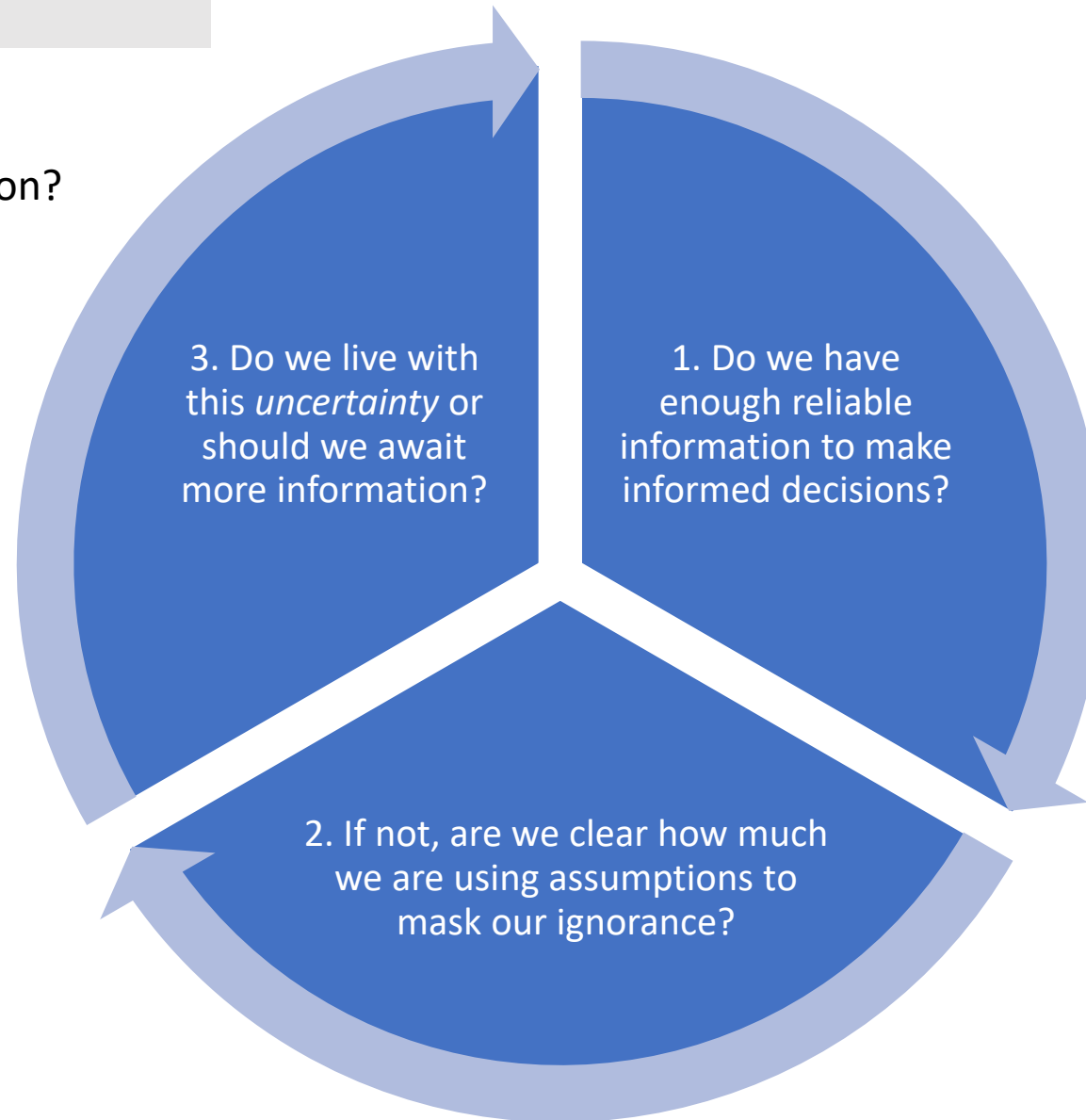
Predicting the future

- **Estimation** envisions a future outcome – like strategy & risk
- **Prediction** carries risk as you can be lucky or wrong
- **Foresight** recognises alternative future outcomes
- **Confidence** is a key element of judgement, but can be hubristic



Decision dilemma

How much is **enough** information?



Summary part 1 - Coping with ignorance

- Distinguish **Imperfective Information** from **Intractable uncertainty**
- Focus on **tackling** imperfect information, **accept** intractable uncertainty
- Be aware of the **information:estimation** ratio – eg 60:40, 70:30, 80:20
- Identify what supports the estimation: **experience, intuition or trust?**

Part 2 Bias – the impact of cognitive bias

- Recognised by Behavioural Science as **Heuristics**
- We do not make **rational** decisions but **emotional** ones
- Many studies on different types of bias
- Some say there are hundreds of distinct ones



Periodic table of bias types

INDIVIDUAL	Personal Characteristics	Being human is not irrational	Aa Ambiguity attitude	Ra Risk attitude																													
	Limitations of the brain	Mind is flat	Ah Availability heuristic	Be Bizarreness effect	Cb Consistency bias	Ce Context effect	Cn Conservatism or Regressive bias	Cs Cross-race effect	Cy Cryptomnesia	Eg Egocentric bias	Fa Fading affect bias	Fm False memory	Gs Generation/Self-generation effect	Go Google effect	He Humor effect	Le Lag effect	Li List-length effect	Lp Levels-of-processing effect	Ls Leveling and sharpening	Mc Mood-congruent memory bias	Me Misinformation effect	Mo Modality effect	Nx Nearby effect	Pc Part-list cuing effect	Pi Primacy, recency & serial position effect	Po Positivity effect [Socio-emotional selectivity]	Pr Peak-end rule	Ps Picture superiority effect					
			Ch Choice-supportive bias	Ct Contrast effect	De Declinism	Ia Implicit association	Ne Negativity bias or Negativity effect	Pd Processing difficulty effect	Sc Source confusion	Sf Suffix effect	Sl Spotlight effect	Sp Spacing effect	Sr Self-relevance effect	Su Suggestibility	Sy Stereotypical bias	Te Testing effect	Tl Telescoping effect	Tp Tachypsychia	Ts Travis Syndrome	Tt Tip of the tongue	Rb Reminiscence bump	Rf von Restorff effect	Ve Verbatim effect	Ze Zeigarnik effect	Af Anchoring or focalism	At Attentional bias	Fe Focusing effect	Fi Frequency illusion or Baader-Meinhof effect	Sb Selection bias				
	Judgement	Everything is relative	Du Duration neglect	Gf Gambler's fallacy	Hd Hyperbolic discounting	Lc Licensing effect	Ml Moral credential effect	Ri Recency illusion	Pj Projection bias	Pt Present bias	Tm Time-saving bias	As Attribute substitution	Au Automation bias	Bk Berkson's paradox	Br Base rate fallacy or Base rate neglect	Ci Clustering illusion	Cj Conjunction fallacy	Di Distinction bias	Dt Default effect	Dy Decoy effect	Fr Framing effect	Ib Information bias	Lb Less-is-better effect	Ng Neglect of probability	Pk Parkinson's law of triviality	Rg Regressive bias	Sv Survivorship bias	Su Subadditivity effect	Wr Well travelled road effect	Zs Zero-sum bias			
			Dk Dunning-Kruger effect	Hy Hard-easy effect	Oc Over-confidence effect	Pb Pessimism bias	Re Restraint bias	Co Congruence bias	Is Insensitivity to sample size	It Illicit transference	Li Law of the instrument	Lk Look-expectancy effect	Ob Observer-expectancy effect	Ot Outcome bias	Pf Planning fallacy	Sg Surrogation	Wf Weber-Fechner law	Df Denomination effect	Ds Disposition effect	Ew Endowment effect	Ie IKEA effect	Ir Irrational escalation/ Escalation of commitment	La Loss aversion	Mi Money illusion	Nh Not invented here	Pe Pseudo-certainty effect	Ub Unit bias						
	Decision making	Belief is reality	Bf Backfire effect	Bb Belief bias	Cf Confirmation bias	Cl Continued influence effect	Cv Conservatism (belief revision)	Ee Experimenter's or expectation bias	Eh End-of-history illusion	Ex Exaggerated expectation	Fb Forer effect or Barnum effect	Ff Form function attribution bias	Hb Hindsight bias	Hh Hot-hand fallacy	Ic Illusion of control	Il Illusory correlation	Iv Illusion of validity	Iy Illusory truth effect	Mx Mere exposure effect	Nb Normalcy bias	Om Omission bias	Os Ostrich effect	Pa Pareidolia	Rd Reactive devaluation	Rp Risk compensation / Peltzman effect	Rr Rhyme as reason effect	Sj Subjective validation	Sm Semmelweis reflex	Sp Selective perception	Sq Status quo bias	Zr Zero-risk bias		
			Inferences are key	Ae Ambiguity effect	Cc Allais Paradox Common consequence	Cr Allais Paradox Common ratio	Ep Eisberg Paradox	St St Petersburg Paradox	Vt Violation of Transitivity	Vi Violation of Independence	Vd Violation of Dominance	An Anthropocentric thinking	Am Anthropomorphism or personification	Fn Functional fixedness	Da Dread aversion	Em Empathy gap	Im Impact bias	In Introspective bias	Op Optimism bias	Pv Pro-innovation bias	Rc Reactance	Sa Salience bias											
	SOCIAL	Social	Interaction effects	Ab Authority bias	Ac Actor-observer bias	Cd Cheerleader effect	Db Defensive attribution hypothesis	Ec Egocentric bias	Et Extrinsic incentives bias	Fc False consensus effect	Fd Fundamental attribution error	Fu False uniqueness bias	Ha Halo effect	li Illusion of asymmetric insight	lp Illusion of transparency	lo Illusory superiority	lx Illusion of external agency	Jw Just-world hypothesis	Mr Moral luck	Na Naive cynicism	Nr Naive realism												
				Bn Ben Franklin effect	Bs Bias blind spot	Cm Compassion fade	Ck Curse of knowledge	Cu Courtesy bias	Hs Hostile attribution bias	If Identifiable victim effect	Py Pygmalion effect	Sd Social desirability bias	Sh Shared information bias	Si Singularity effect	Sn System justification	Ss Self-serving bias	Sx Sexual over/under perception bias	Ta Trait ascription bias	Ua Ultimate attribution error	Wa Worse-than-average effect													
			Collective effects	Av Availability cascade	Bw Bandwagon effect	Ga Group attribution error	Gt Groupthink	Hr Herding	Ig Ingroup bias	Oh Outgroup homogeneity bias	So Social comparison bias	Se Stereotyping	Td Third-person effect	Ww Women are wonderful effect																			

KEY

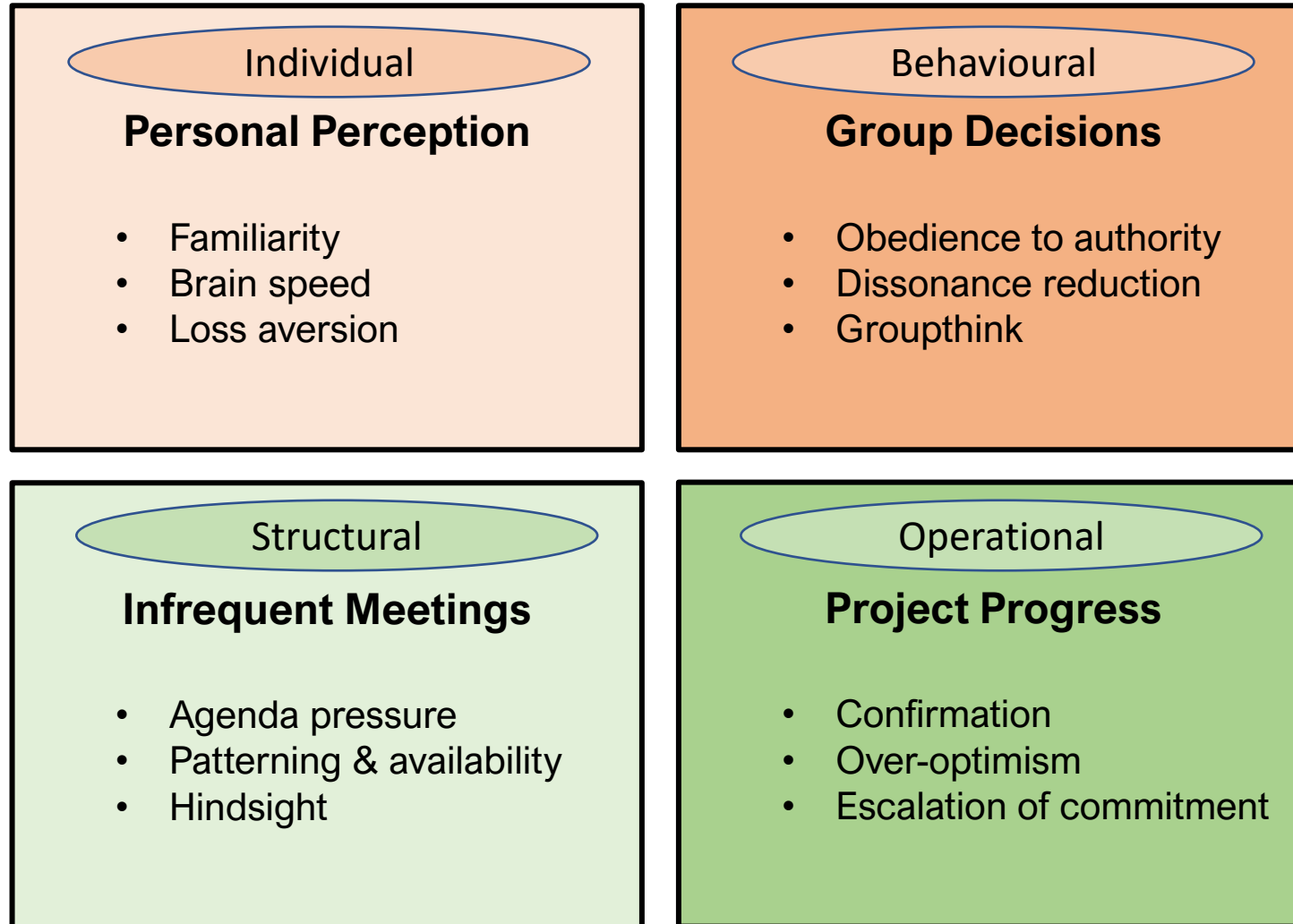
- Attention effects
- Belief-based biases
- Choice under risk/uncertainty
- Confidence effects
- Creativity effects
- Human characteristics
- Information processing
- Interpersonal effects
- Intertemporal choice
- Memory effects
- Methodology biases
- Populational and group effects
- Sentiment and senses
- Value processing

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www.bigbadbiasesbook.com
www.behaviouraldatascience.org

Understanding bias

- At board level – combination of the **individual** and **collective**
- **Individual** bias is derived from experience & belief of one person
- **Collective** bias is a compound of culture & conventional wisdom
- At least four causal types -

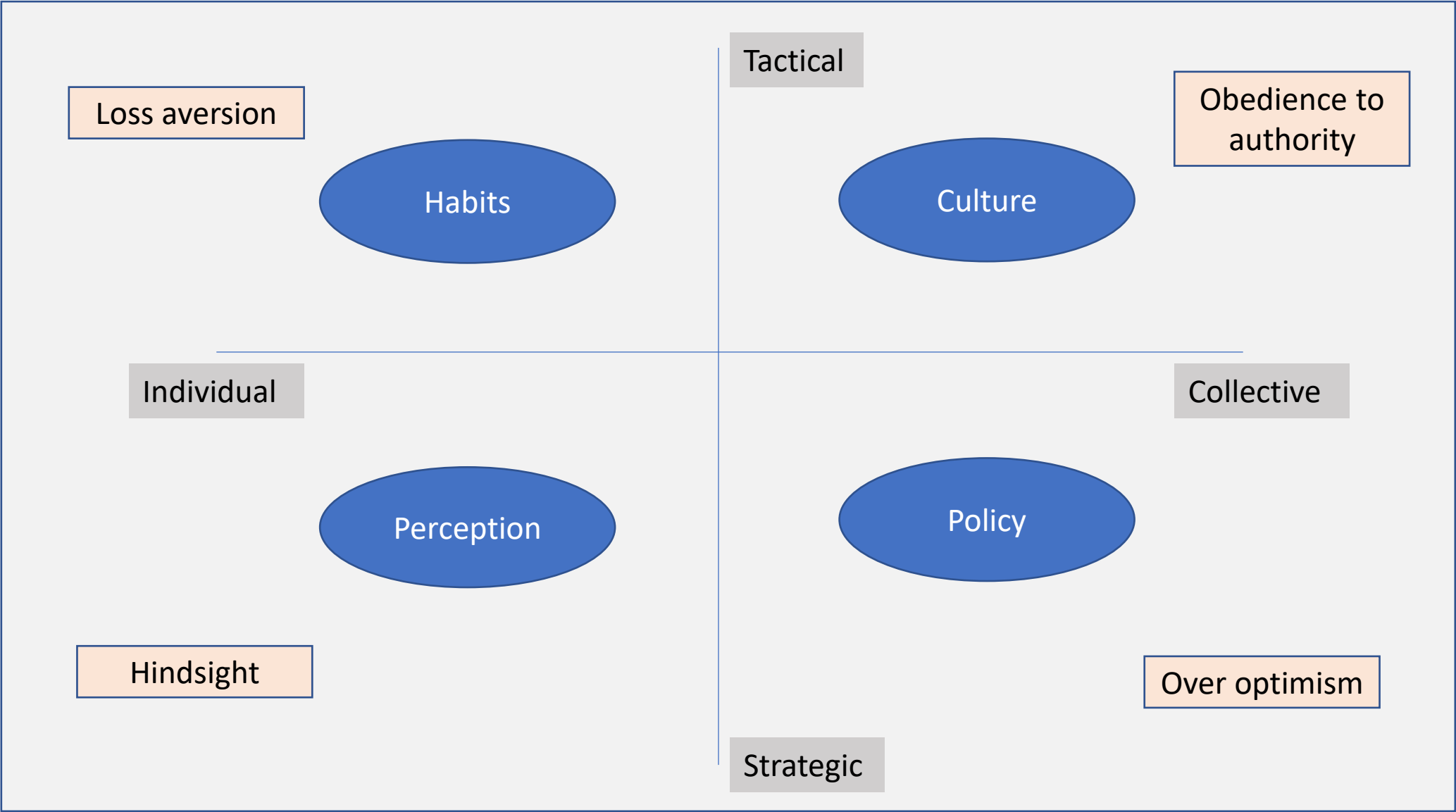
categories common in board bias



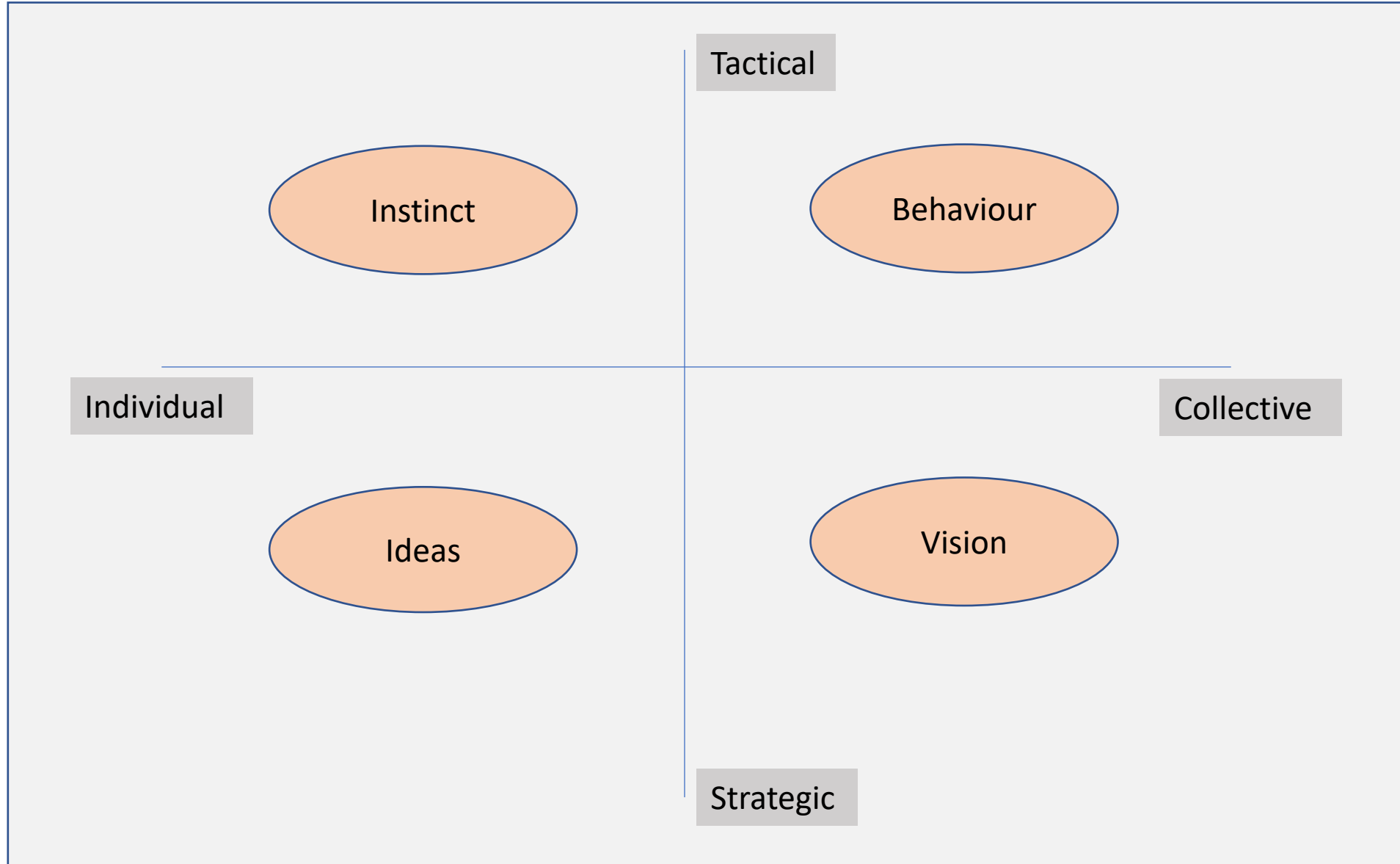
Plotting bias categories

- One axis uses the **individual** to **collective** spectrum
- This looks at how bias emerges due to **group dynamics**
- Another axis plots decision on a **tactical** to **strategic** spectrum
- This looks at how bias relates to the **nature of decision** itself

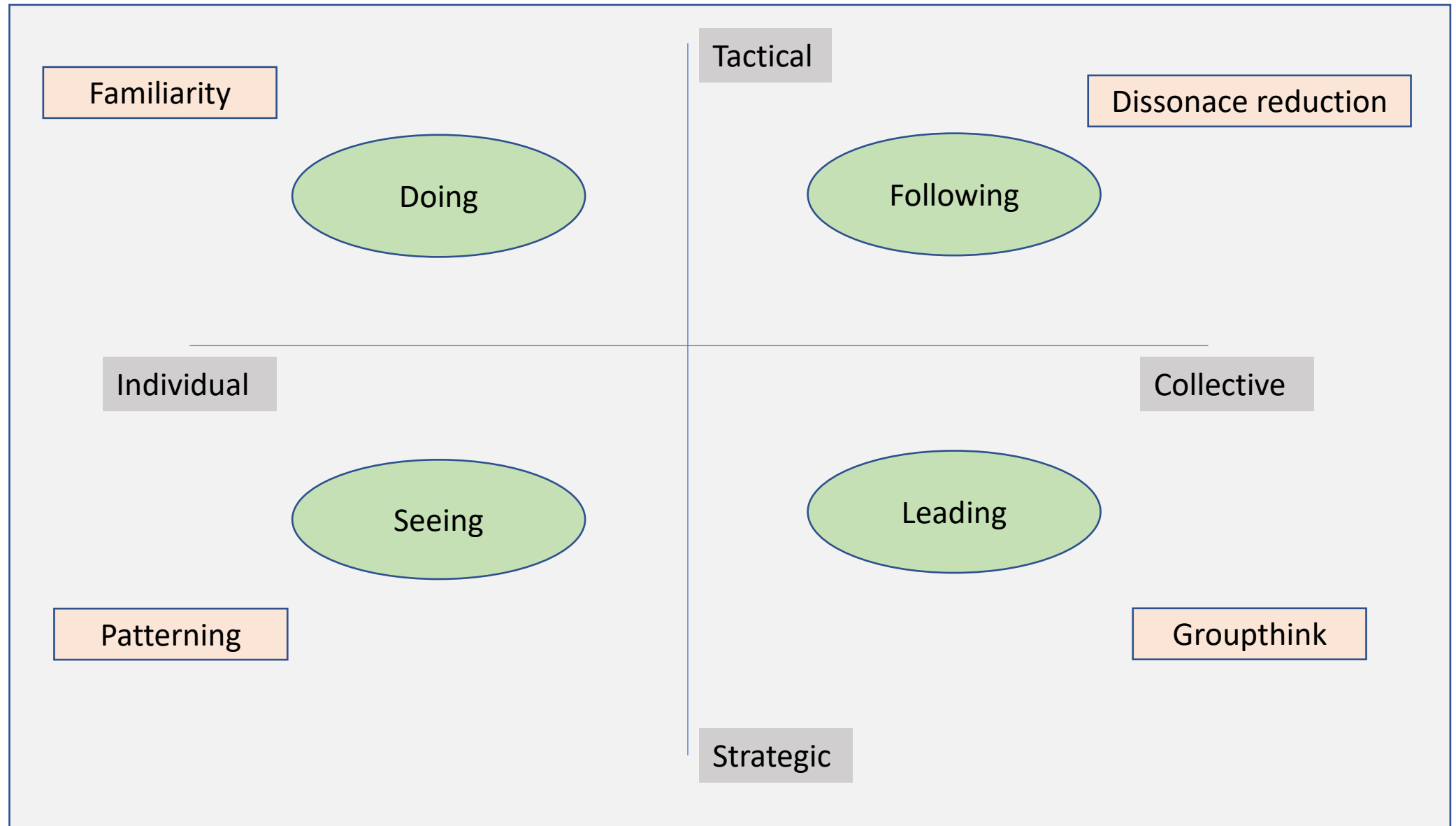
Cognitive bias -



Cognitive bias -



Cognitive bias -



Summary part 2 – coping with bias



- Bias is often easy to see but hard to counter.
- Different bias types require different counter-measures.
- Examples:

Bias type	Neutralising action	Suggestions
Groupthink	Encourage diversity of opinion	Seek different viewpoints from outside
Dissonance reduction	Encourage dissenting views	Appoint a 'Devil's Advocate' role
Optimism bias	Listen to those with nothing to gain	Arrange a 'Reality check' on outcomes
Patterning bias	Avoid looking for patterns/hindsight	Accept this might be unprecedented
Loss aversion	Recognise the risk benefit	Reappraise the opportunity for gain

Conclusion



- Good judgement is hampered by twin enemies: ignorance & bias
- Why do decisions need to be take with imperfect knowledge?
- What underpins the estimation element – is it simply gut-feel?
- Confidence is no guarantee of accuracy –

Quotes -

‘In order for you to feel confident in a judgement two conditions must be satisfied: the story you believe must be comprehensively coherent, and there must be no attractive alternatives.’

‘Noise – a flaw in human judgment’ 2021

Further reading -

- **Risk Savvy – How to Make Good Decisions** – Gerd Gigerenzer, 2001
- **Thinking, Fast & Slow** – Daniel Kahneman, 2011
- **Super-Forecasting, the art & science of prediction** – Philip Tetlock & Dan Gardner, 2015
- **Thinking in Bets, making smarter decisions** – Annie Duke, 2019
- **Decision making under deep uncertainty** – Marchau, Bloemen, Walker Popper, 2020
- **Motivated Ignorance** – Daniel Williams, 2020
- **Deliberate Ignorance** – Hertwig & Engel, 2021
- **Noise, a flaw in human judgement** – Kahneman, Sibony & Sunstein, 2021
- **The Intelligence of Intuition** – Gerd Gigerenzer, 2023



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Comments, Questions & Answers



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Question & Answer

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FS Club Events

Forthcoming Events

- Tuesday, 13 August 2024 (11:00 - 11:45 BST) New Frontiers In Assistive Tech: Bionic Prosthetics And Soft Prosthetics
- Thursday, 15 August 2024 (15:00 - 15:45 BST) Disabled Entrepreneurs In London: Are They Getting A Fair Deal?
- Wednesday, 21 August 2024 (11:00 - 11:45 BST) Taking A Positive Approach To An Older Demographic... Using Blue Zones & Evergreen Lenses

Visit: <https://fsclub.zyen.com/events/forthcoming-events/>

Watch past webinars: <https://www.youtube.com/zyengroup>