Objective of this session

▪ Explore Neuroscience of Unconscious Bias

▪ Understand what this means in the context of diversity

▪ Share insights on how you can right away de-bias some of your most important people decisions and processes
Exercise 1: What do you see on this picture?

We are all able to create patterns or a Gestalt out of data points – it often happens without us even paying attention.

Our brains use pattern recognition, i.e. ‘short-cuts’ when processing information

- We are exposed to ~11 million bits of information at any point in time
- Yet our brain can only functionally recognize ~50
- Only ~7 new elements can be absorbed by our short memory at a time

... leads to pattern recognition

- Our brain needs to filter and channel large amounts of information to get us through day-to-day life
- Hence wherever it recognizes a pattern, it uses this pattern to help us interpret the situation
- This is an essential brain function to secure survival

SOURCE: Kahneman, Reskin 2000; Doherty et al. 1994
Exercise 2: Which square is darker – A or B?

SOURCE: http://persci.mit.edu/gallery/checkershadow; Edward Adelson’s Checker-Shadow Illusion
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Not all pattern-based judgments lead to the right conclusions – often enough they are “biased”

- While **pattern recognition** is very helpful, even essential for survival, these **short-cuts the brain uses make us biased** and can lead to mistakes in judgment

- **Such an unconscious bias** is
  - An automatic and instinctive preference for or against something
  - Shaped over time based on an individual’s experiences
  - A way for the mind to simplify information processing

- In our case we saw, e.g.
  - A confirmation bias – we require many proof points to let go of our assumption
  - The illusion of objectivity – we were certain not to be biased

“**To be biased**” means interpreting and judging a phenomenon, person or situation based on one’s own view, this often happens unconsciously”

SOURCE: Kahneman, Reskin 2000; Doherty et al. 1994
A practical summary: Five families of biases in business and people decisions

- **Optimism i.e.:**
  - Over-confidence
  - Planning fallacy
  - Competitor neglect

- **Groupthink**
- Sunflower management
- Affinity Bias

- **Action oriented biases**

- **Stability biases**
  - Confirmation bias
  - Salient analogies, esp. misleading experiences, power of storytelling
  - Champion bias

- **Social biases**

- **Interest biases**
  - Anchoring
  - Loss aversion
  - Sunk cost fallacy
  - Status quo bias

- **Pattern-recognition biases**
  - Optimism i.e.:
    - Over-confidence
    - Planning fallacy
    - Competitor neglect

- Anchoring
  - Loss aversion
  - Sunk cost fallacy
  - Status quo bias

- **Misaligned incentives**
- **Motivated error**
- **Misaligned perception of corporate goals**
- **Inappropriate attachments**
Exercise 3: Let’s explore these biases with regards to people: “Who do you trust?”

Please have a look at the pictures and quickly share for each portrait pair with your neighbor

**Who did you “instantly” trust more? “Left” or “right”**

At the end of the exercise start a short discussion with your neighbor on:

**What did you notice?**

a) Anything surprising? Any common features that lead to your choice?

b) Was this a comfortable exercise for you? If not, why?
Who do you trust?

SOURCE: Adapted from BlindSpot, Banaji and Greenwald
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What did you notice?

a) Anything surprising? Any common features that lead to your choice?

b) Was this a comfortable exercise for you? If not, why?
Pattern, biases and stereotypes: In summary…

- Our brain needs to use short-cuts to interpret all information it is surrounded with. This pattern (Gestalt) recognition is both helpful and essential.

- Not all short-cuts lead to the right conclusions…We are often biased.

- Those biases are instantly present in our day-to-day lives, though, and can include even emotional connotations.
- They can also quickly lead to stereotypes and stereotyping.
Stereotypes do not only influence the way others think about us – they determine also the way we think about ourselves

Research by Claude Steele shows

1. Some groups in society experience a negative stereotype threat, i.e., they fear they will be unfairly stereotyped.

2. If this is the case, depending on how you position an activity, it will affect how different groups perform.

3. Performance differences occur, because the individuals experiencing the stereotype threat will try to disprove it and hence, put even more pressure on themselves which can lead to lower performance.

The Implicit Association Test can show how deeply associations are grounded in our brain

The IAT is a measure of associative knowledge – the links that cause one concept to activate another. If 2 concepts are associated, it’s easy to produce the same response to examples of both

IATs measure:

Preferences – the link between concepts, e.g., White/Black and positive or negative emotions, e.g., happy, angry

or

Stereotypes – the link between two categories, e.g., male and science

Over 6,000,000 people have completed IATs via the Project Implicit website

SOURCE: External research
Multiple studies show a correlation between IAT scores and inadvertent actions or judgments, i.e. these stereotypes matter.

**122 research reports** show correlation between IAT scores and social behaviors or judgments.

**Hiring decisions:**
Individuals with moderate to strong association of female with family were **more likely to favor a male candidate** over an equally qualified female candidate.

**American CEO height**
15% of Americans are over 1.83m tall, but >60% of American CEOs are over 1.83m tall.

**Hurricane damage**
Female-named hurricanes cause more damage because people think they are less dangerous and do not take precautions.

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Following stereotypical behavior in one’s leadership style is perceived as congruent – but often enough not recognized as effective

**Leadership style examples (often seen as female traits)**

<table>
<thead>
<tr>
<th>Inter-personal behavior</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tend to <strong>protect the relationship over the goal/task in a meeting</strong></td>
</tr>
<tr>
<td>Tend to <strong>be humble about own abilities</strong></td>
</tr>
<tr>
<td>Tend to <strong>decode non-verbal cues</strong> well</td>
</tr>
<tr>
<td>Tend to have a <strong>high sensitivity to situational and contextual cues</strong></td>
</tr>
<tr>
<td>Tend to <strong>take risks when calculated</strong> especially based on available information, experience or potential signs of success</td>
</tr>
</tbody>
</table>

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<th>Communication style</th>
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<td>Tend to <strong>demonstrate divergent thinking</strong>, e.g., weighing several variables simultaneously</td>
</tr>
<tr>
<td>Tend to <strong>debate in parallel lines of reasoning</strong></td>
</tr>
<tr>
<td>Tend to <strong>influence by making polite suggestions</strong></td>
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<tr>
<td>Tend to <strong>build on arguments instead of offering a contrary point of view</strong></td>
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</tbody>
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Simply “violating” these stereotypes is not a straight-forward solution neither

Example of Women in Leadership

Studies reveal that women are penalized for

- Appearing to seek power¹
- Talking a lot in public settings²
- Expressing anger³
- Assertively negotiating for a higher salary⁴

Women leaders who violate perceptions of the female gender stereotype:

- Are perceived as insufficiently nice and considerate
- Often experience lower evaluations of their performance⁵

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² Brescoll, 2011
³ Brescoll & Uhlmann, 2008
⁴ Amanatullah & Finsley, 2012; Bowles, Babcock, & Lai, 2007
⁵ Eagly, Makhijani, & Klonsky, 1992; Eagly & Karau, 2002
Stereotype threat, IAT and differences in leadership behavior: In summary…

- Certain groups in society experience “negative stereotype threat” which may lead to additional pressure and thus lower performance on some activities, depending on how they have been positioned.

- Targeted tests can show the level of how strong our biases are – without us even being aware.

- These “associations” or stereotypes can have unintended consequences.

- When target groups act against associations/stereotypes they often face a penalty.

- We have a Nerve Center collecting and analyzing insights on diversity beyond unconscious bias.

SOURCE: Kahneman, Reskin 2000
Looking at your own people decisions, where do you see the biggest bias when it comes to your work as HR-leaders?

**Pattern-recognition biases**
- Confirmation bias
- Power of storytelling
- Champion bias

**Action oriented biases**
- Optimism i.e.:
  - Over-confidence
  - Planning fallacy
  - Competitor neglect

**Stability biases**
- Anchoring
- Loss aversion
- Sunk cost fallacy
- Status quo bias

**Social biases**
- Groupthink
- Sunflower management
- Affinity Bias

**Interest biases**
- Misaligned incentives
- Motivated error
- Misaligned perception of corporate goals
- Inappropriate attachments

**SOURCE:** Kahneman, Reskin 2000
So, what to do?.... Exploring System 2 to discover and address ingrained beliefs, stereotypes and unconscious biases

**Two systems of mental processes**

1. Fast, automatic, frequent, emotional, stereotypic, subconscious

2. Slow, effortful, infrequent, logical, calculating, conscious

SOURCE: Kahneman, Reskin 2000
Specific practices act as “countermeasures” against biases to deliver better analysis, real debate, and a supportive culture.
How we can help

Diagnostic of key processes and team interactions with regards to decision bias and proposed interventions for e.g.

- Recruiting processes
- Succession planning
- Evaluations

Awareness workshops from Top-Team to Front-line on Unconscious Bias

Personal coaching/advice on towards optimal decision making

Targeted capability building to operate in diverse environment
Supporting information
What are pattern-recognition biases?

<table>
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<tr>
<th>Bias</th>
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<td><strong>Confirmation bias:</strong></td>
<td>The overweighting of evidence consistent with a favored belief, underweighting of evidence against a favored belief, or failure to search impartially for evidence.</td>
</tr>
<tr>
<td><strong>False analogies:</strong></td>
<td>Relying on comparisons with situations that are memorable or appealing but not directly comparable, such as “successful companies” or specific examples from our own experience without recognizing the difference in circumstances.</td>
</tr>
<tr>
<td><strong>The power of storytelling:</strong></td>
<td>The tendency to remember and to believe more easily a set of facts when they are presented as part of a coherent story. As a result, the “framing” of the facts in a story influences our appreciation of them.</td>
</tr>
<tr>
<td><strong>Champion bias:</strong></td>
<td>The tendency to evaluate a proposal based on the track record of the person presenting it, rather than on the facts supporting it.</td>
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How to spot it

- **We have six different versions of the ‘truth’ in this department. Everyone cuts the data to make sure that their department looks good and their story is coherent.**
- **We shudder the day the department head goes to get groceries. Entire promotions are revised because the shopper next to our boss picked up another product.**
- **We have tried Six Sigma, Lean and everything else on the NYT bestseller list. If our CEO reads a book on another company, we are going to have to live through it!**

1 A similar effect called the “halo effect” applies to companies: we tend to believe that “successful companies” succeed because of their actions and view these actions in the positive “halo” of their success.
What are action-oriented biases?

**Excessive optimism:** The tendency for people to be overoptimistic about the outcome of planned actions, to overestimate the likelihood of positive events, and to underestimate the likelihood of negative ones. Over-optimism also underlies the planning fallacy (which involves underestimating the cost and time to complete new projects).

**Over confidence:** Overestimating our skill level relative to others’, leading us to overestimate our ability to affect future outcomes, take credit for past outcomes, neglect the role of chance, and form in our minds a notion that we possess expertise in areas where our skills do not apply.

**Competitor neglect:** Sometimes called the “brick wall” effect, this is the tendency to plan without factoring in competitive responses.

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**How to spot it**

- People take 2-hour lunches and entire summers off. We have emerged intact from crises before and no one seems to understand that this one will break our back...
- Optimism is a good thing but it’s like Disneyland in here. We project that an installation build will take 2 months, pumps will build in 2 weeks. Management thinks work gets done like on a video game.
- We still function like we are a monopoly. I would not be surprised that the bulk of our staff don’t even know who our competitors are.
What are stability biases?

**Anchoring and insufficient adjustment:** Rooting oneself to an initial value, leading to insufficient adjustments of subsequent estimates.

**Status quo bias.** Preference for the status quo in the absence of pressure to change it.

**Sunk-cost fallacy.** Paying attention to historical costs that are not recoverable when considering future courses of action.

**Loss aversion:** The tendency to feel losses more acutely than gains of the same amount, making us more risk-averse than a rational calculation would suggest.

How to spot it

- Our budget meetings take 30 minutes as its Ground-hog's day here – you get last year plus 10% no matter what the business plan might be for this year.
- Everyone is so worried about the head rolling that follows a less than perfect product launch that every department adds on a 5% “just to be safe” margin to the total forecast.
- We have a few products that are clearly not successful but no one wants to be the one who pulls the plug.
What are social biases?

**Groupthink:** Striving for consensus at the cost of a realistic appraisal of alternative courses of action.

**Sunflower management:** The tendency for groups to align with the views of their leaders, whether expressed or assumed.

**How to spot it**

Everyone waits to hear what the CEO has to say and then says the same thing.

As most of the frontline staff come from the same town, they will never disagree. Many of them will privately say that this is the wrong course of action but you cannot hold them to it when they are together. It is impossible to break through their unity.
What are interest biases?

**Misaligned individual incentives and motivated error:** Incentives for individuals in organizations to adopt views or to seek outcomes favorable to their unit or themselves, at the expense of the overall interest of the company.

These self-serving views are often held genuinely, not cynically, resulting in sincere, but motivated error.

**Inappropriate attachments:** Emotional attachment of individuals to people or elements of the business (such as legacy products or brands), creating a misalignment of interests.

**Misaligned perception of corporate goals:** Disagreements (often unspoken) about the hierarchy or relative weight of objectives pursued by the organization and about the tradeoffs between them.

**How to spot it**

- *The problem is that supply chain is trying to reduce the cost of packaging because that is their KPI and not sales targets ... they are less concerned about the impact on sales targets as they are not measured against those.*

- *We keep giving our worst clients further loans as to not do so would imply that a loan officer had made a bad decision by extending credit to the client in the first place.*