

## Are You a Confident Idiot? The Importance of Cognitive Confidence

We've all heard the horror stories about bad business decisions. Way back in 1876, Western Union turned down an offer to buy the patent on the telephone, as the device clearly had 'no commercial possibilities'; more recently we could cite Kodak inventing the digital camera but then doing nothing with it (because it could have cannibalized their film business) or Lehman Brothers borrowing hugely just before the housing bubble burst. With the benefit of hindsight, it's easy to see how wrong these decisions were; but the sad truth is that we are all prone to biases in our decision-making (see Daniel Kahneman's bestselling book [Thinking, Fast and Slow](#) for several proven examples).

Some of the worst errors in decision-making are concerned with confidence in our own abilities, and in particular with overconfidence. We want our leaders to be confident, able to take calculated risks and make strong decisions; but confidence alone is an unreliable guide to ability. Indeed, research shows that the less we know about something, the more confident we are in our decisions. In the words of psychologist David Dunning, '[we are all confident idiots](#)'. Fortunately, there are ways to measure overconfidence, which we'll look at in a moment.

Taken to an extreme, leaders can become [hubristic](#), ignoring any signs that things are not going well until it is [too late](#). And of course under-confidence can also be an issue: under-confident people will be less inclined to back up their judgments, and may experience 'analysis paralysis', delaying a decision while they gather more and more information.

Coaching can help leaders to recognize their blind spots and to reconcile their abilities with their level of confidence, resulting in better decisions. However, confident idiots (and paralyzed analysts) can cause damage at all levels within an organization, and it would be ideal if recruiters could assess the ratio of confidence to ability as part of the selection process. This cognitive confidence approach has been embedded in the tests developed by eabilities, an Australian test publisher. Immediately after answering each test question, the test taker indicates their level of confidence in their

answer by choosing a percentage (100% if they are absolutely sure they are correct, for example). By subtracting the test taker's accuracy score from their average confidence rating, we can see whether they are over- or under-confident. As you might expect, those with low ability scores are particularly likely to be overconfident.

We believe that the additional insight gained from cognitive confidence will be particularly useful in recruitment – which is why we have added the eabilities Mental Agility Series 2 to our Sirius online selection system. This will allow our clients to measure both an applicant's mental agility and their confidence in their abilities, and to assess what the combination of these results says about their approach to making decisions. Over the coming months, we will also be carrying out research to see how these factors also relate to personality, as measured by the 16pf Questionnaire.

Of course, the degree to which a person's confidence reflects their ability is of real value in a developmental context as well. Both over-confidence and under-confidence can stall a career, and the objective feedback of any mismatch can be of real value as part of a coaching process. In future blogs we will also explore how the principles of cognitive confidence can be applied beyond selection, to drive performance through coaching and management development interventions.

® 16pf is a registered trademark of IPAT in the USA, the European Community and other countries. IPAT is a subsidiary of Performance Assessment Network, Inc. (PAN).

™ The PAN logo is a trademark of Performance Assessment Network, Inc. (PAN).