

Over-CONFIDENCE



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Introduction

Per Google Overconfidence is
“The quality of being too confident; excessive confidence”.



If this “quality” goes unmanaged it can become a problem in the workforce.
Our goal: share information on how to use overconfidence to your own advantage.



- ★ Positive or Negative { it depends}
- ★ Powerful Cognitive Bias
- ★ Integral component of success
- ★ Remedies to regulate and compensate

Overconfidence and Organizational Performance

- ★ Personal level
 - Impact on employees
 - Conflict, accident
- ★ Organizational level
 - Deleterious outcomes- Fraud- War



The Titanic Sinking

On a Positive Note!

Beneficial ONLY when **checked!**

- ★ Through self-examination
- ★ Consciousness
- ★ Feedback

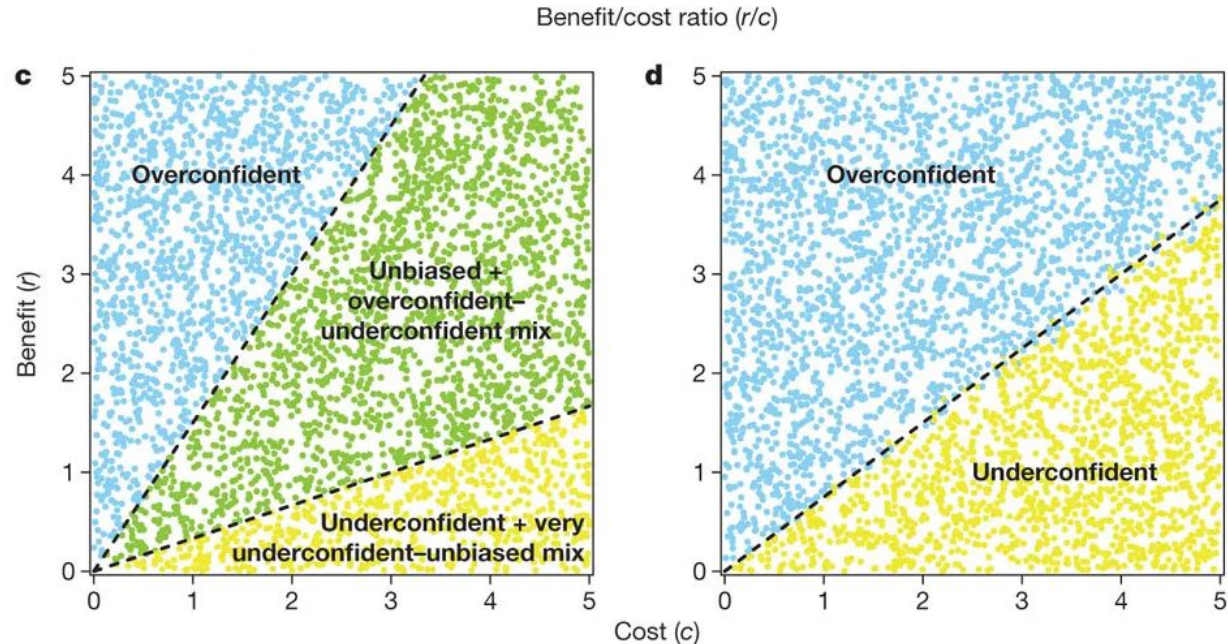
All to develop self-awareness



“leaders are not generally known for their self-awareness.”

Effectiveness of Overconfidence - Mathematical Model

Explanation - Resource/Benefits(r) - Cost of Conflict (c)



Model Findings

- ★ “When conflict for the winner is cheap, overconfidence is even more likely to evolve and persist”
- ★ Under a more balanced cost/benefit ratio - “Somewhat overconfident (but not infinitely overconfident) individuals always beat both Hawk and Dove. Our model therefore shows that individuals with a more nuanced strategy—even a biased one—do better than the ‘extreme’ strategies of Hawk and Dove”



Why Overconfidence Then?

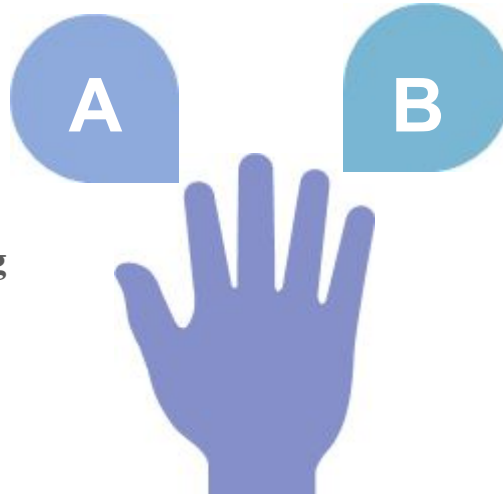


- ★ If nuanced, logical approaches are more effective under balanced situations, then why is overconfidence a prominent trait?
- ★ “the simpler mechanism of overconfidence provides a short-cut that yields equivalent outcomes (to nuanced approaches)”
- ★ Overconfidence develops because it is an effective shortcut. It can reach results similar to more nuanced approaches but in a much shorter time. Furthermore, it also requires less mental overhead costs.

Effects of Overconfidence on Team Dynamics

Identification:

Overconfidence means embodying impressions unrealistically about oneself or a team



Overconfidence on Team
Dynamics

Advantages:

- ★ Increases ambition and morale
- ★ Remain persistent and focused
- ★ Innovate ideas and plans
- ★ Allow productivity and the overall success

Practical research

01

People with higher status likely possess a more senior overview of their competence

People occupy elevated positions, even when they are average people will overestimate their superiority provided, they are overconfident.

02

The role of overconfidence in a workplace has a closer relationship with gender.

Employees are more inclined and determined to set higher goals because they are more overconfidence than the female staff.

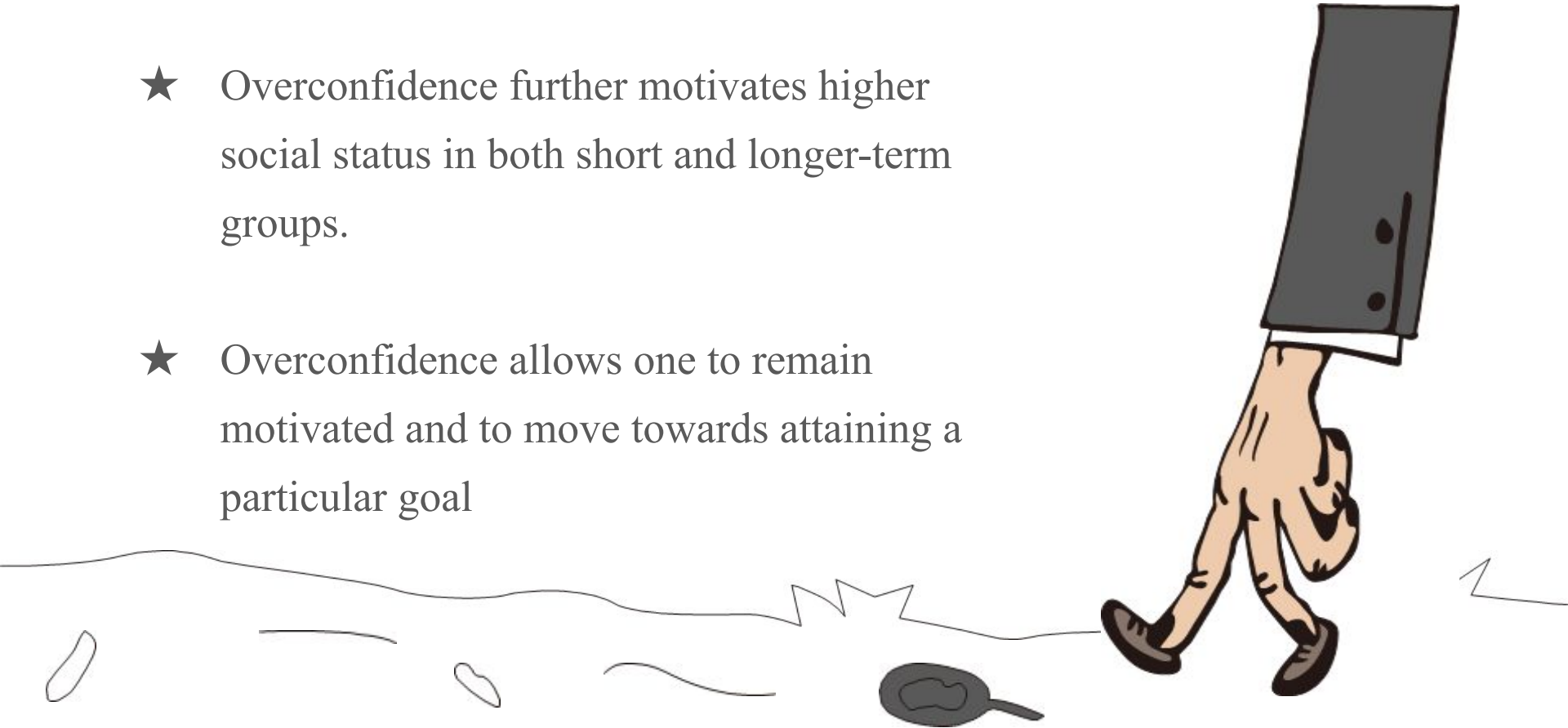
03

In business, salespeople overestimate their future sales performance.

According to Bernoster et al. (2018), people are willing to accept incentive contracts that offer them generous rewards for the levels of performance that they are even unlikely to attain.

Theoretical Context

- ★ Overconfidence further motivates higher social status in both short and longer-term groups.
- ★ Overconfidence allows one to remain motivated and to move towards attaining a particular goal



Effects of overconfidence on achievement

1. Overconfidence results in better performance

Overconfident leaders quickly gain more significant efforts from the stakeholders that they work with.

Overconfident leaders assume the leading role, a behavior that, in turn, inspires commitment from those who work under them

2. Overconfident leaders less likely to experience worker turnover due to their innovation.

They not only commit human capital for a long period but put their wealth at stake to follow the prosperity of their employees.



Barriers

- ★ Created when overconfidence exists
- ★ Overconfidence contributes to the exaggeration of one's actual competence which may affect the organization's performance
- ★ Gives rise to unreasonable thinking, which leads to
 - Difficult to compromise
 - Believe you and your ideas are better than the group and their ideas
 - Inability to listen to others
- ★ Creates divides amongst the group



Who is Impacted by Barriers?

- ★ Overconfidence affects the group's decision making thus impacting the entire organization
- ★ Group
 - Not efficient make organization also inefficient
 - Goals are not accomplished
 - Members feel unmotivated for future projects
- ★ Organization
 - Improper data or ideas make it into organization
 - Issues with products or services

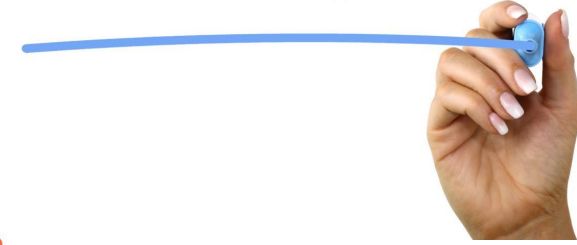




- ★ Organizations-try to compensate from two aspects
- ★ Internal regulations- managers set some strict rules
- ★ External monitoring-a system that automatically provides timely feedback to individuals
- ★ The timely feedback will hold them accountable for their decisions could potentially help minimize overconfidence reach.



COMPENSATION PLAN



- ❖ Thus, the focus is not on eliminating overconfidence; rather, organizations recognize the presence of overconfidence and adjust accordingly. .

- ❖ eg: people in production cannot meet some overly optimistic projections
- ❖ But it can be managed.
- ❖ companies explicitly add a “safety margin” to planned project completion times to take into account overconfidence due to the planning fallacy
- ❖ And market analysts learn to react less strongly to forecasts when they are issued by overconfident managers

Ego Identity

- ★ Effective in eliminating the selfish perspective
 - Helps better understand themselves and others
 - Keeps them open to ideas
 - More effective work in a group



Conclusions

- Overconfidence occurs both at an individual and group level, its impact can be positive or negative, depending on how it is utilized.
- It is a powerful cognitive bias that can influence important decisions and judgments.
- However, overconfidence is an integral component of success that every organization yearns to have. Organizations can benefit a lot if they can properly exploit the overconfidence that exists between individuals.
- Organizations can use some overconfidence remedies in order to regulate and compensate for overconfidence.



Thank you !



Team one