What were you THINKING?

Biases and Rational Decision Making

by Ted Thomas and Robert J. Rielly

In general, we expect people to think and act rationally. Market theories, negotiations, and other human endeavors are based on people reacting and thinking in sane, rational ways. It is based on an assumption that we are logical and can make good decisions. But are people really that rational? Dan Ariely, a noted scholar, wrote a book on how we are all "Predictably Irrational."[1] Numerous authors have pointed out how psychological traps, cognitive biases, and world views cloud our thinking and lead us to irrational choices. Decision making is the realm of the leader. Leaders make decisions and our assumption is they are making good, rational decisions. However, in our rush to make a decision we forget that psychological traps and biases affect them just as they do the rest of us. This article will use the Bay of Pigs invasion as a case study to examine how these human characteristics often cause us to act in counterproductive ways and what a leader can do to offset them.

Bay of Pigs Invasion

The 1961 Bay of Pigs invasion provides a fertile example of poor thinking and decision-making. In 1959 Fidel Castro completed his overthrow of the corrupt Batista government in Cuba. In the spring of 1960 Castro formally aligned himself with the Soviet Union, establishing a communist regime. Many of those in Batista's regime and those who did not want to live in a communist country left Cuba for the United States.[2] In the era of the Cold War, the U.S. did not relish the idea of having a communist country 90 miles off its coast, much less a nation closely allied with the Soviet Union.

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The U.S. began making plans to overthrow Castro during President Eisenhower's presidency in 1960. President Eisenhower, the Supreme Allied Commander, five star general, and hero of WWII, directed the CIA to start looking at planning covert operations to bring down Castro. Kennedy did not know the planning was going on before the election and even heavily criticized the Eisenhower administration for their passivity.[3] Two days after newly elected President John F. Kennedy was sworn in as President, he was briefed by Richard Bissel, a CIA planner and chief architect of the plan to invade Cuba. Kennedy described Bissel "as the only CIA man he knew well enough to trust."[4] Possessing a certain amount of hubris after winning the election, the Kennedy administration proceeded with the strategy. The plan envisioned recruiting and training approximately 1400 Cuban exiles to do a beach landing in Cuba to overthrow Castro's regime. Should the invasion fail, the exiles were supposed to escape into the Escambray Mountains and link up with guerillas in the mountains continuing an insurgency against the communist government.[5]

Since it was supposed to be a secret operation not many people were briefed, to include the Joint Chiefs of Staff (JCS) who were marginally read in on the plan. When asked their opinion, the chiefs said it had a "fair chance" of success, which President Kennedy interpreted as a "good chance." In the post mortem following the failed invasion the JCS were asked what they meant and said they thought it had a three times higher probability of failure than success. That is not the way President Kennedy interpreted "fair chance."[6]

As a result of the Bay of Pigs invasion the Kennedy administration was diplomatically embarrassed, the CIA was discredited, and several of its leaders were fired. It also provided a major victory for the Cuban revolution, Fidel Castro in particular. Castro was forced deeper into the Soviet Bloc for support and survival. This incident set the stage for the showdown between the United States and the Soviet Union in the Cuban Missile Crisis, bringing the world to the edge of nuclear war.[7]

The question is, how could so many smart people make so many irrational decisions? Kennedy's cabinet was stacked with intellectuals and experts who had years of government and corporate experience or who were Harvard professors and subject matter experts.[8] Irving Janis's book attributes much of the failure of the operation to groupthink. He defines groupthink as "a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' strivings for unanimity override their motivation to realistically appraise alternative courses of action."[9] Groupthink was certainly a major factor in the poor decision making and lack of critical thinking evidenced at the Bay of Pigs fiasco. However, there are other just as insidious threats to rational decision making evident in this case.

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Cognitive Biases

Cognitive biases or hidden traps in thinking often lead to poor decisions. "People sometimes confuse cognitive biases with logical fallacies, but the two are not the same. A logical fallacy stems from an error in a logical argument, while a cognitive bias is rooted in thought processing errors often arising from problems with memory, attention, attribution, and other mental mistakes."[10] Logical fallacies come from poor thinking while cognitive biases are a part of being human. The problem with these biases is they become part of how we think and are

therefore invisible to us, causing us to not see them even as we fall into them.[11] Research has uncovered many cognitive biases. This article will focus on six of the more common traps: confirming evidence, sunk cost, framing, status quo, anchoring, and overconfidence.

The confirming evidence trap leads us to seek out information that confirms our existing point of view and avoids or discounts information that contradicts our point of view.[12] President Kennedy wanted plausible deniability of US involvement. Yet Pierre Salinger, the President's press secretary, referred to the plan as "the least covert military operation in history." Even the President read in the newspapers about secret training camps in Guatemala and efforts to recruit Cubans in Miami to fight in the exile forces. Despite the abundance of leaks, the administration didn't see the information as a problem. Instead, they decided to ignore this evidence and focus on plausible deniability of U.S. participation due to the lack of direct involvement. Somehow, they thought that no "direct involvement" of U.S. forces would be enough to convince the world that the U.S. was not involved.[13]

How a problem is framed influences how we approach the problem.

The sunk cost trap is how we make current decisions based on past decisions regardless of whether or not the past decision has any bearing on the current issue. To change our current decision might make us look like we made a bad prior decision, and we are often unwilling to admit we made a mistake.[14] President Kennedy and his advisors made a decision two days into the presidency to back the invasion of Cuba based on a persuasive briefing by a trusted expert, Richard Bissell. As evidence started to mount on the inadvisability of the decision, the administration did not want to look like they had made a mistake in their earlier decision. Bissell who had put so much emotional energy into planning the invasion was not able to "see clearly or to judge soundly."[15] So much effort and planning were already sunk into the invasion that it moved inexorably forward.

How a problem is framed influences how we approach the problem. People tend to accept the way the problem is given to them without looking at it from a different perspective or point of view. For instance, people tend to be risk-averse when decisions are framed in terms of gains and losses, wanting to avoid losses over possible gains.[16] The CIA framed the Bay of Pigs invasion in terms of the danger of having a Soviet satellite 90 miles off the coast of Florida. With Soviet influence virtually on our borders, the gain was in terms of the safety and security of the U.S., as well as the possibility that other Latin American countries would not follow suit in becoming communist.[17] This strongly influenced how the administration saw the problem. Had the decision been framed by the consequences of failure and loss, the result would have been different. The U.S. lost credibility and the trust of nations throughout the world, and lost security on its borders by the forcing of a closer alliance between Cuba and the Soviet Union.[18]

The status quo trap is based on the fact that people are averse to change and would prefer the current situation over something new or different.[19] When Kennedy became president, the planning for the invasion was already well under way. Rather than change the plan, Kennedy elected to stick with it and maintain the status quo.

The anchoring trap is reflected by the fact that we give inordinate credence to the first information we receive and then compare any new information to the original thought, idea, or data.[20] Thus, the first information we receive "anchors" our thoughts. The first briefing by Bissell anchored the administration to the idea of

an invasion. Bissell himself altered the plan from a small scale covert operation to an invasion in November of 1960. The President was only briefed on the invasion plan two months later in January of 1961. The President and his advisors never seriously considered other options such as using diplomatic and economic leverage, a small scale infiltration of exiles, or even major military intervention with U.S. forces, because they were anchored to the exile brigade beach assault and invasion option.[21]

The overconfidence trap states we are too self-assured about our abilities in making decisions and forecasting future consequences, which causes us to take greater risks.[22] Experts are especially vulnerable to this trap because they are more convinced they are right due to their expertise and partially to maintain the appearance of being an expert.[23] If they don't know the answer, then they are obviously not much of an expert. After the election in 1960, there was a sense of euphoria that nothing could stop the new administration in solving the nation's problems and challenges. Kennedy and his advisors were overly optimistic, giving them a low sense of vulnerability about their cause and ability to win. They viewed the Bay of Pigs plan through the lens of democracy is good and communism is bad and whatever we do will be vindicated by the non-communist nations of the world.[24]

Many of these traps are linked and feed off each other. Overconfidence often starts with anchoring. Confirming evidence is often done after a prior decision is made, and we look for evidence to confirm the sunk cost or the status quo. The status quo is often due to the sunk cost. Our framing of a problem may start with the anchoring of a suggestion or fact that may or may not be relevant. These six cognitive biases are only a few of the biases, but some of the more prevalent. The real importance of understanding these thinking traps and biases is knowing how to deal with them.

Cognitive biases can be particularly common in the military especially with planning and execution. Both commanders and their staffs can be vulnerable to the anchoring trap with the first piece of information they receive. They can view all subsequent pieces of information through this lens. In addition, when the commander makes the decision and the staff begins preparing for execution, we see confirmation bias when people tend to ignore any information or intelligence that contradicts the approved plan. Commanders and their staffs can fall victim to the sunk cost trap when they refuse to reframe a problem or adjust a course of action or decision because of the time, effort and resources already invested. Finally, most leaders are not enthusiastic about change, but change can be necessary. Commanders and their staffs fall victim to the status quo trap when they choose to keep doing the same thing despite evidence to the contrary. We often tend to do more of the same and reinforce failure hoping for a change in the outcome.

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Ways to Address our Biases

There are many different ways to address faulty thinking and cognitive traps. Just knowing that these traps exist, and that we are all subject to them, is the first step in overcoming them. Leaders have to overcome these traps on two levels - first individually as a leader, and secondly as part of a collaborative group. At the individual level a person not only needs to recognize that traps exist, but they also need to be proactive in what they can do about it.

Leaders have a responsibility to examine

their thinking and avoid cognitive biases to the best of their ability. To avoid the anchoring trap, good leaders purposely seek out those with different opinions. Leaders should avoid speaking too early and giving their opinion, otherwise they may anchor those they supervise to their own preconceptions. Leaders should also think about the situation on their own before consulting others' opinions to avoid becoming anchored themselves.[25]

Leaders should examine how emotionally attached they are to the situation and realize how that will taint their decision-making. They find people who are uninvolved in the current or past decisions and who do not have the knowledge of sunk costs. They build a climate where people embrace experimenting and failure, where it is accepted to own their mistakes and fail forward.[26]

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They try to look at the problem through a different lens or point of view and try to reframe the question or problem using different perspectives and pose problems neutrally, not favoring either gains or losses.[27] They examine what their current procedures are to determine if those procedures and processes are getting the organization to their vision.

For the status quo trap, leaders need to identify other options and compare them to the status quo to determine if the status quo is the best option to reach the objective. They should also examine if the status quo would still be an option if it was not already in place.[28]

The principle ways to combat the confirming evidence trap are to examine all information equally with the same criteria and use red team techniques (explained below) or designate a trusted person to play devil's advocate. Finally, leaders should avoid asking leading questions to get the answers they are looking for and instead ask open ended questions to explore the situation and encourage debate.[29]

Finally, leaders should conduct pre-mortems and post-mortems as a way to counter overconfidence. A pre-mortem looks at how the project, plan, or organization could fail in the future, while a post-mortem takes a view from the future looking into the past to determine why it did fail. The decision maker should challenge their own judgment especially when forecasting results of actions. In addition, the decision maker can provide data to support their predictions.[30] Leaders drive the process to help their organization overcome biases and that process starts with themselves.

Protecting against traps is not just an individual responsibility, but also a group responsibility. Combatting traps in a collaborative group begins with climate. When leaders set the proper climate in terms of policies, procedures and systems to protect against biases, they will make better collaborative decisions. A few techniques and methods for leaders to improve decision making in a collaborative group are red teaming, diversity, questioning, and establishing a safe to fail climate.

Red teaming involves establishing a team to look at the issue from the adversary's or opponent's view point. It is more than just playing devil's advocate. It seeks to get in the mind of the adversary and think the way they do. Red teams challenge assumptions, look at "what-if" scenarios, and provide possible answers to how the opponent would act and react to different decisions and scenarios. A few of its goals are to break through cognitive biases, improve decision making, and avoid surprises.[31] Red teaming avoids groupthink by taking people out of the group to look at the problem. It also addresses each of the other six cognitive traps. The red team challenges the evidence and looks at disconfirming information. They are not worried about sunk cost or the status quo. They

look at the problem from different points of view and avoid the framing and anchoring traps. They are trying to find ways for the plan or decision to fail and avoid the overconfidence trap.

Diversity ensures there are differing opinions in a group including minority views, dissenting opinions, and disinterested parties who have not made a judgment on the problem. Diversity can be accomplished through different nationalities, religions, cultures, races, gender, ethnicity, language, age, social status, experiences, and political affiliation, to name a few. A diverse set of viewpoints increases creativity and innovation[32] and helps overcome groupthink, anchoring, sunk cost, and status quo traps.

Establishing a climate where questions are encouraged and valued helps people to challenge assumptions, predispositions, and paradigms that lead to cognitive biases. Questioning helps organizations survive and thrive in volatile and quickly changing environments. Questioning requires humility and a desire to learn, which comes from genuinely listening. Understanding the foundations of critical thinking are a great place to start in developing a keener ability to ask the right questions and overcome biases. Questioning facts, assumptions, points of view, paradigms and mental models, purpose, and problems are key lines of thinking to exposing all of the cognitive biases addressed here.[33]

Leaders who create a climate where it's safe to fail have an organization in which people are willing to expose their thinking and reasoning to the group. It means leaders are eager for feedback to improve their thinking and processes, especially when things go wrong. In order to achieve a safe to fail environment, we need a climate where it's safe to think and safe to challenge. A safe to think climate is one in which people have time to read and think, to be curious and gain new information. A safe to challenge climate is one in which people are able to challenge the organization's idea of who it is and what it does, to question its mental models without fear or threat of reprisal. Safe to fail is about allowing and taking risks to stay relevant[34] and to avoid the cognitive traps of anchoring, status quo, sunk cost, and framing.

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Conclusion

The next major emergency that President Kennedy faced was the Cuban Missile Crisis. He learned from his previous fiasco. His embarrassment and failure in the Bay of Pigs certainly prevented him from becoming overconfident in dealing with Soviet nuclear weapons in Cuba. The administration continuously examined what could go wrong and projected what would be the cascading effects from possible decisions they could make. President Kennedy widened his circle of trusted advisors, including people from outside his party and with divergent views to help in framing the problem and finding an answer. He created a special group to come up with solutions and look at different alternatives which helped to prevent anchoring. Nuclear weapons in Cuba was a totally new problem to this administration, but rules of engagement and contingency plans were already written and could have boxed him into a decision resulting in world war three. He did not let the sunk cost of those plans and the status quo they represented constrain his thinking and decision-making. He learned to not blindly trust the experts, since the experts are often narrow in their viewpoints. He also used different experts to counter each other's opinions and avoid the danger of confirming evidence. In effect, he learned to counteract his cognitive biases and

avoid groupthink to solve a very complicated problem and avoid thermonuclear war.

Our decisions may not have as catastrophic consequences as thermonuclear war, but poor decision making due to faulty logic and cognitive biases can certainly lead to the demise of companies, programs, or people's careers. Our assumptions are heavily influenced by cognitive biases. Understanding our human tendencies to fall into these traps is needed to have the self-awareness to avoid them. Knowing how to overcome these thinking traps and biases is an invaluable tool for leaders to have and use. ***IAJ***

NOTES

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