Are your stakeholders biased?

The short answer to this is question is *'Yes'*; and to make matters worse, your opinion of your stakeholders, your team and yourself are also affected by bias.

Complete objectivity is nearly impossible to achieve especially in the realm of stakeholder, and other interpersonal, relationships. We are all innately biased, the best that anyone can achieve is being aware of their various biases and working to minimise their effect on decisions, actions and communication.   We also need to allow for the effect of bias in the reactions of stakeholders towards our communication and project.

My book, **Making Project Work:** *Effective Stakeholder and Communication Management*, highlights the linkage between people and project success[1]. Projects are performed by people for people, with the key determinants of success being the relationships between people in the project team and the team's relationships with key project stakeholders. This web of relationships will either enable or obstruct the flow of information between people and, as a consequence, will largely determine project success or failure.

The focus of this post is on the way biases distort this essential communication. You cannot remove the distortion but you can plan for it. Some of the more important biases to consider in the way we interact with stakeholders are:

Confirmation bias - we tend to proactively seek out information that confirms our existing beliefs and associate with people who think like us.
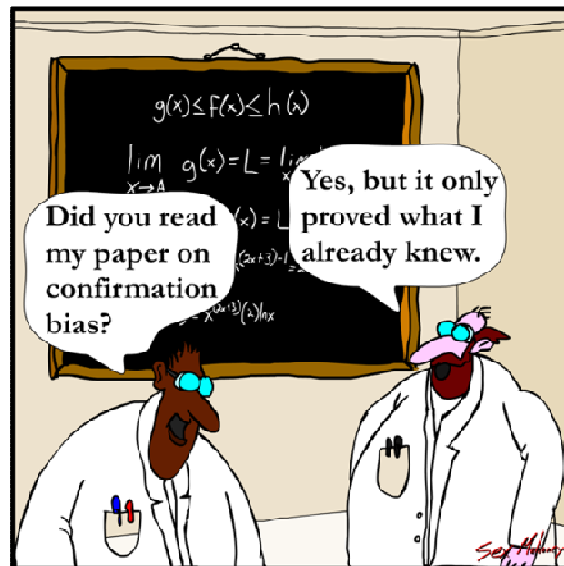
While this makes sense in one respect, it also means that we subconsciously begin to ignore or dismiss anything that threatens our views. Given most project managers, sponsors and steering committees start out thinking their project is going to be a great success, the big danger in succumbing to conformation bias

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[1]   For more on the book, see: https://mosaicprojects.com.au/shop-making-projects-work.php

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is ignoring the subtle 'early warning signs' of impending issues and problems until it is too late[2]. The comment from the project scheduler about the loss of float on non-critical activities may be caused by poor process and the scheduler's lack of skills; or it may be an early warning of a serious lack of overall productivity that will emerge later as a major project delay. If you believe the project is going great, confirmation bias will lead you to dismiss the warning, an awareness of the bias may allow you to investigate further - we proactively seek out information that confirms our existing beliefs.
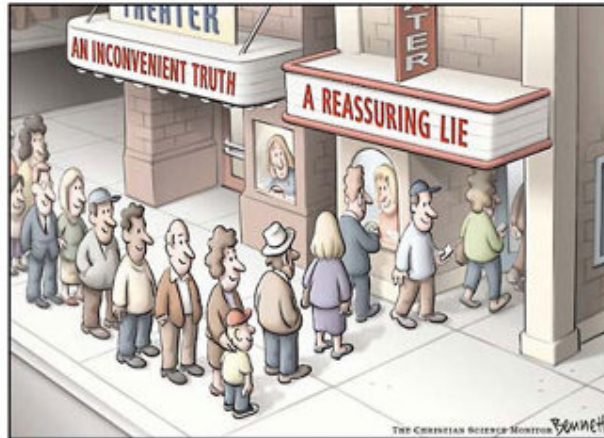
Confirmation bias also affects our memories. In an experiment in 1979 at the University of Minnesota, participants read a story about a woman called Jane who acted extroverted in some situations and introverted in others. When the participants returned a few days later, they were divided into two groups. One group was asked if Jane would be suited to a job as a librarian, the other group was asked about her having a job as a real-estate agent. The librarian group remembered Jane as being introverted and later said that she would not be suited to a real-estate job. The real-estate group did exactly the opposite: They remembered Jane as extroverted, said she would be suited to a real-estate job, and when they were later asked if she would make a good librarian, they said no.

Whenever your opinions or beliefs are so intertwined with your self-image that you couldn't pull them away without damaging your core concepts of self, you avoid situations that may cause harm to those beliefs - challenging our beliefs on a regular basis is the only way to avoid getting caught up in the confirmation bias.

The "swimmer's body illusion" occurs when we confuse selection factors with results. Rolf Dobelli's book, *The Art of Thinking Clearly*, explains how our ideas about talent and training are completely off-track. Professional swimmers don't have perfect bodies because they train extensively; they are good swimmers because of their physiques. Similarly, are the top performing universities the best schools, or are they able to choose the best students (because of their reputation), who then do well regardless of the school's influence?

When reviewing project success and failure, one of the key questions is: was the project manager the factor that created the success/failure or was the project pre-destined to one or the other outcomes? Consider this situation: two organisations decided to undertake identical projects with a normalised value of $1million:

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2   For more on the ***early warning signs of project issues*** see:
      https://www.mosaicprojects.com.au/WhitePapers/WP1080_Project_Reviews.pdf

- Organisation A assessed their project and set the project budget at $800,000
- Organisation B assessed their project and set the project budget at $1,200,000

Organisation A's team did their best to 'meet the challenge' and achieved an outcome of $900,000 - a cost overrun of $100,000 nominally a project failure.

Organisation B's team did 'a good job' and achieved an outcome of $1,100,000 - a profit of $100,000 nominally a project success.

But which project is really successful?? The one that cost $900,000 or the one that cost $1,100,000 to produce the same output.

The sunk-cost fallacy. The term sunk cost refers to any cost (not just monetary, but also time and effort) that has already been paid and cannot be recovered. Psychologist Daniel Kahneman explains this in his book, *Thinking Fast and Slow*: Organisms that placed more urgency on avoiding threats than they did on maximizing opportunities were more likely to pass on their genes. Over time this has become an automatic, subconscious bias, the prospect of losses is a more powerful motivator on everyone's behaviour than the promise of gains[3].

Consider this scenario: you buy a movie ticket only to realize the movie is terrible, you could either:

- stay and watch the movie, to "get your money's worth" since you've already paid for the ticket (sunk-cost fallacy), or
- leave the cinema and use that time to do something you'll actually enjoy.

More than half the population will stay to avoid the loss and waste the afternoon. A closely related bias is the *Buyer's Stockholm Syndrome* or *post-purchase rationalization*; we are very good at rationalizing purchases we don't want. This stems from the principle of commitment, our psychological desire to stay consistent and avoid a state of cognitive dissonance[4].

We make decisions based on the anchoring effect. The anchoring effect essentially works like this: rather than making a decision based on pure value, we factor in comparative values by considering how much value the current option offers when compared to another option or value.

Behavioural economist Dan Ariely, the author of *Predictably Irrational*, uses this example to illustrate the bias. He places two kinds of chocolates for sale in a booth: Hershey's Kisses and Lindt Truffles. The Kisses were priced at 1 cent each, while the Truffles were 15 cents each. Considering the quality differences between the two kinds of chocolates and the normal prices of both items, the Truffles were a great deal, and the majority of visitors to the booth chose the Truffles. For the next stage of his experiment, Dan offered the same two choices, but lowered the prices by one cent each. So now the Kisses were free, and the Truffles cost 14 cents each. Of course, the Truffles were even more of a bargain now, but since the Kisses were free, most people chose those, instead.

Another example Dan offers, is when consumers are given holiday options to choose between. When given a choice of a trip to Rome, all expenses paid, or a similar trip to Paris, the decision is quite hard. Each city comes with its own food, culture, and travel experiences that the consumer must choose between.

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3   For more on **Sunk Costs** see: https://www.mosaicprojects.com.au/Mag_Articles/P022_Sunk_Costs.pdf

4   **Cognitive dissonance** is the discomfort we get when we're trying to hold onto two competing ideas or theories about ourselves or our behaviour.

When a third option is added, however, such as the same Rome trip, but without coffee included in the morning, things change. When the consumer sees that they have to pay €2.50 for coffee in the third trip option, not only does the original Rome trip suddenly seem superior out of these two, it also seems superior to the Paris trip. Even though they probably hadn't even considered whether coffee was included or not before the third option was added.

Here's an even better example from another of Dan's experiments: He found a real advertisement for subscriptions to The Economist and used it to see how a seemingly useless choice affects our decisions.
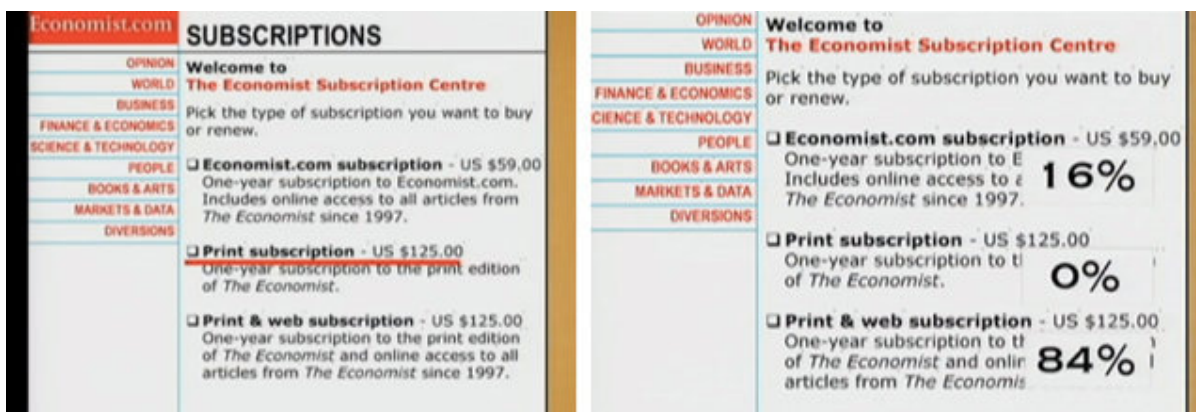
- To begin with, there were three choices: subscribe to The Economist web version for $59, the print version for $125, or subscribe to both the print and web versions for $125. It's pretty clear what the useless option is here. When Dan gave this form to 100MIT students and asked them which option they would choose, 84% chose the combo deal for $125. 16% chose the cheaper web-only option, and nobody chose the print-only option for $125.

- Next, Dan removed the 'useless' print-only option that nobody wanted and tried the experiment with another group of 100 MIT students. This time, the majority chose the cheaper, web-only version, and the minority chose the combo deal. So even though nobody wanted the bad-value $125 print-only option, it wasn't actually useless - it informed (anchored) the decisions people made between the two other options by making the combo deal seem more valuable in relation.

From a project perspective, the first price or cost estimate will always anchor everyone's consideration of 'better or worse'.

We are very bad at predicting the 'odds'. Most people do not understand the difference between chance and probability. Imagine you're playing Heads or Tails with a friend. You flip a coin, over and over, each time guessing whether it will turn up heads or tails. You have a 50-50 chance of being right each time.

Now, suppose you've flipped the coin five times already and it's turned up heads every time. Surely the next one will be tails, right? The chances of it being tails must be higher now, right? Well, no - the chances of tails turning up are 50-50 every time. Even if you turned up heads the last 20 times. The odds don't change, what does change is the probability over time the probability of tuning up a head or a tail are equal but this does not affect any single toss of the coin[5].

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[5]   For more on *probability* see: https://www.mosaicprojects.com.au/WhitePapers/WP1037_Probability.pdf

The **gambler's fallacy** extends this problem. It occurs when we place too much weight on past events (eg, wearing 'lucky socks') and confuse our memory with how the world actually works. By believing our memories of past actions will have an effect on future outcomes we operate in an illogical space. Where events are not connected, for example each too in a game of Heads or Tails past events make absolutely no difference to the odds. The inverse of this is the positive expectation bias. This is when we mistakenly think that eventually our luck has to change for the better. Somehow, we find it impossible to accept bad results and give up and often insist on keeping at 'it' until we get positive results, regardless of what the odds of that actually happening are.

We believe our memories more than facts. Our memories are highly fallible and plastic. And yet, we tend to subconsciously favour them over objective facts. It works like this: After reading this page of page of text, you are asked whether the page includes more words that end in "ing" or more words with "n" as the second-last letter (make your choice now). Logically, it is impossible for there to be more "ing" words than words with "n" as their penultimate letter because 'ing' as an 'n' as its penultimate letter. But, for most people words ending in "ing" are easier to recall than words like hand, end, or and, which also have "n" as their second-last letter. So, the majority of us tend to answer that there are more "ing" words. To counteract this tendency, whenever possible, look at the facts and examine the data - don't base a factual decision on your gut instinct without at least exploring the data objectively first
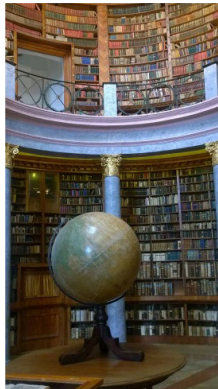
Conclusion:

These are just a few examples out of many hundreds of biases that influence all of our behaviours – more are listed in our White Paper on *The innate effect of Bias*[6].

The good news is you can seriously limit the effect of bias by firstly being aware of the problem and secondly embracing diversity - everyone has their own set of biases; working with a diverse group of people can balance out many individual biases. Conversely, taking the comfortable option and surrounding yourself with people who think just like you will amplify the effect of bias.

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6   For more on *bias*, see: https://www.mosaicprojects.com.au/WhitePapers/WP1069_Bias.pdf

First Published 31 Aug. 2017 – Augmented and Updated