

The logo features the text "DIRECTORS' Forum" in a white, sans-serif font, with "DIRECTORS'" in all caps and "Forum" in title case. Below this, the tagline "for Directors, by Directors" is written in a smaller, white, sans-serif font. The text is centered on a dark grey background. Two thin, gold diagonal lines are present: one in the upper right quadrant and one in the lower left quadrant, both pointing towards the center.

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for Directors, by Directors

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VIRTUAL GOVERNANCE SESSION

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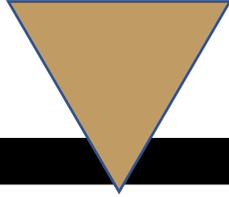
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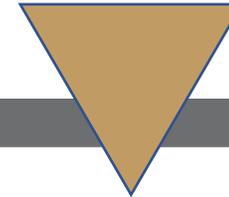
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The Impact of Human Behaviour on Decision-Making



Presenter:

- **Greg Lefebvre**, Board Director and Secretary of the Directors' Forum Co-operative and Director with Caisse Alliance

Tech Support:

- **Leo Racette**, Chair, Directors' Forum Co-operative and Director, Sudbury Credit Union

The Impact of Human Behaviour on Decision-Making

Biases, confirmation bias, cognitive dissonance, naive realism... All obstruct objectivity!

Sources:

Leon Festinger, Carol Tavris, Elliot Aronson, Daniel Kahneman and...



Grégoire (Greg) Lefebvre

- Directors' Forum Board member
- Caisse Alliance Chair
- Caisse Board member (8 years)
- Retired High School Principal
- Maths and Sciences teacher

Am I biased?



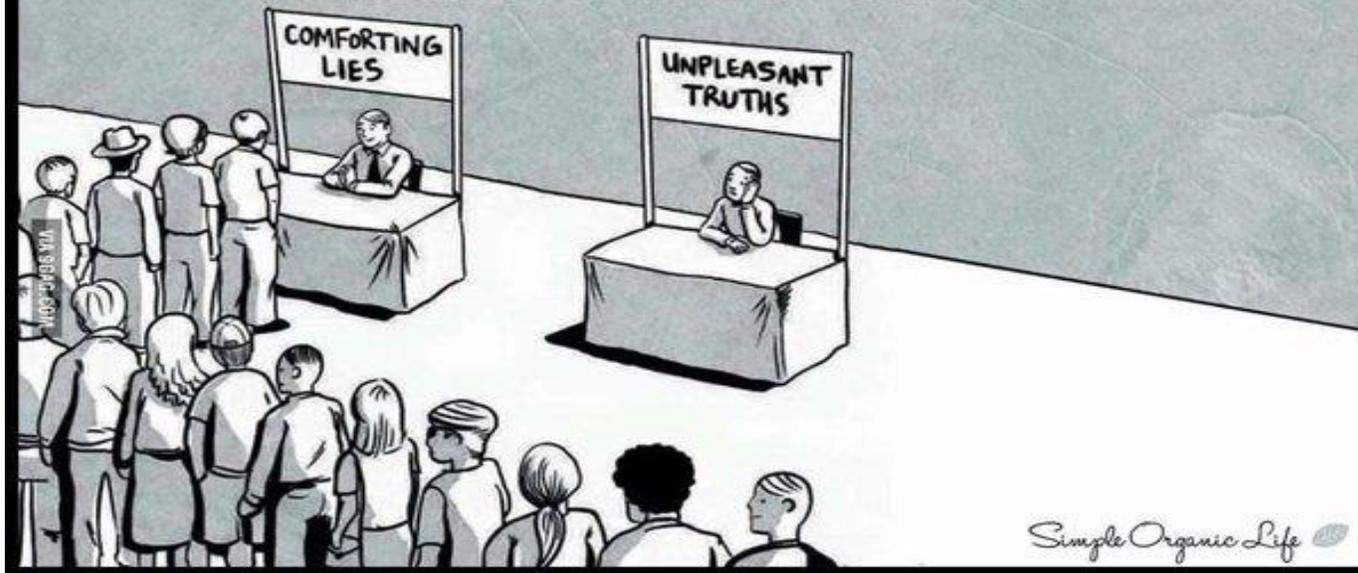
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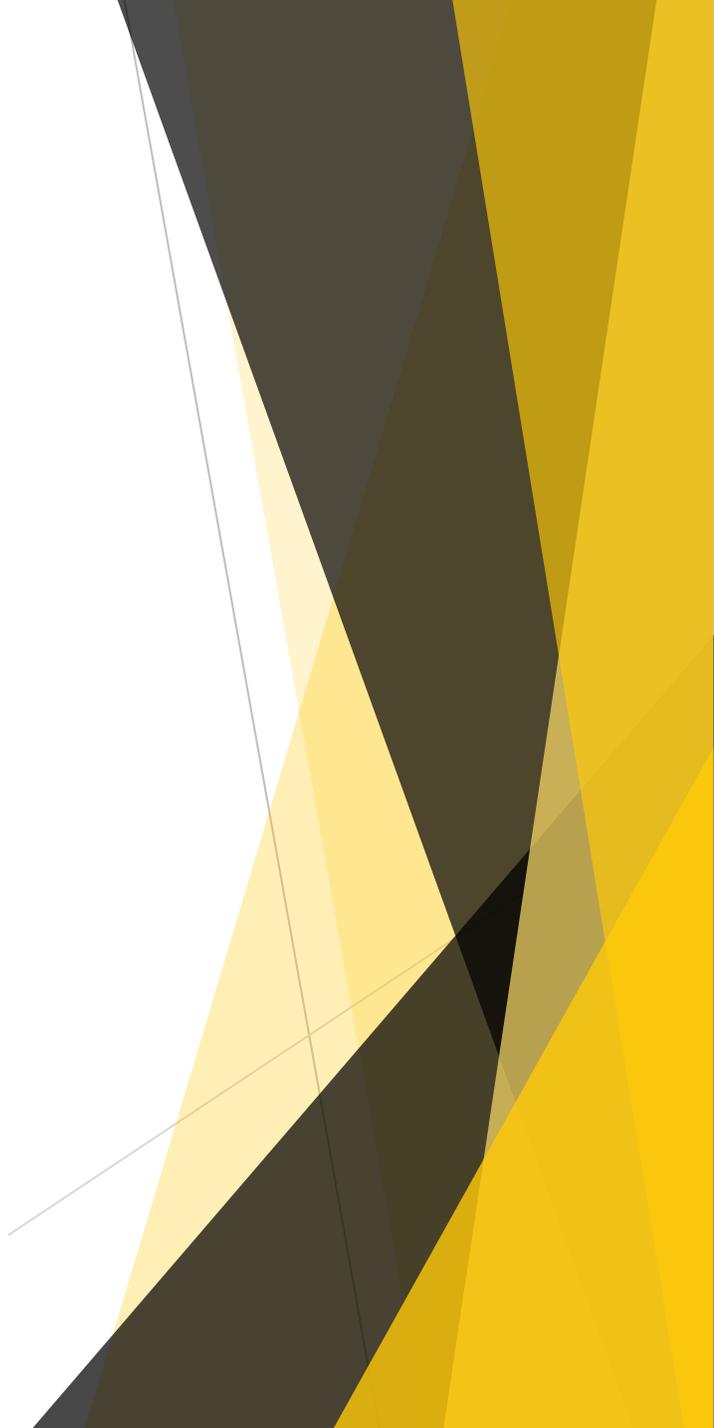
Learning objectives



Most people don't
really want the truth.

They just want constant
reassurance that what they
believe is the truth.





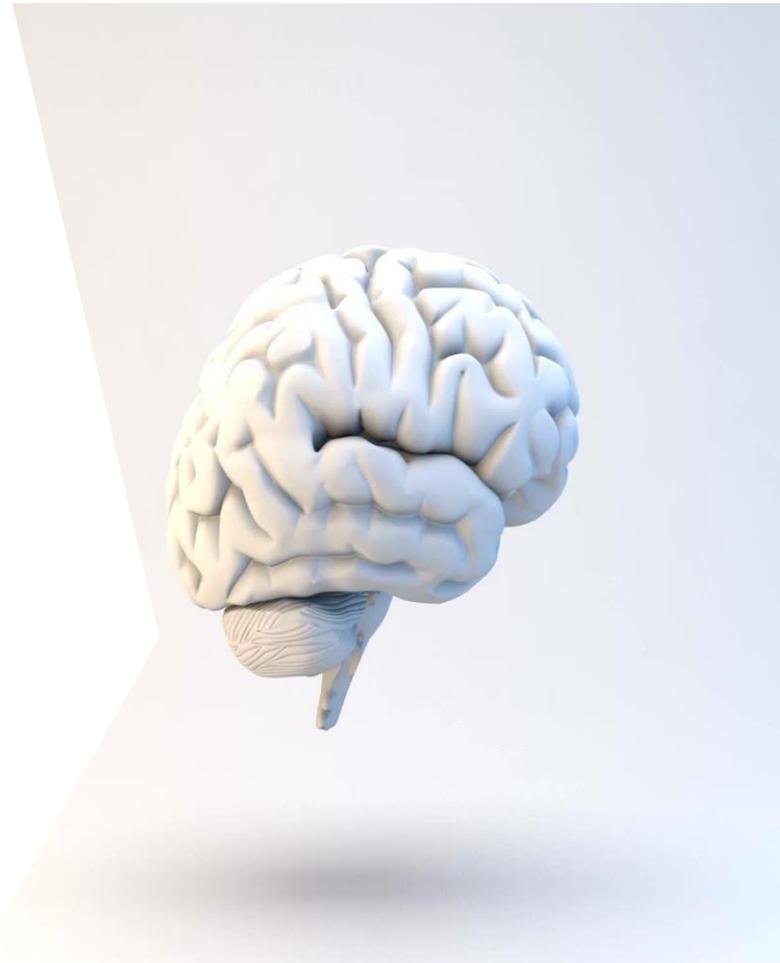
We all carry biases.

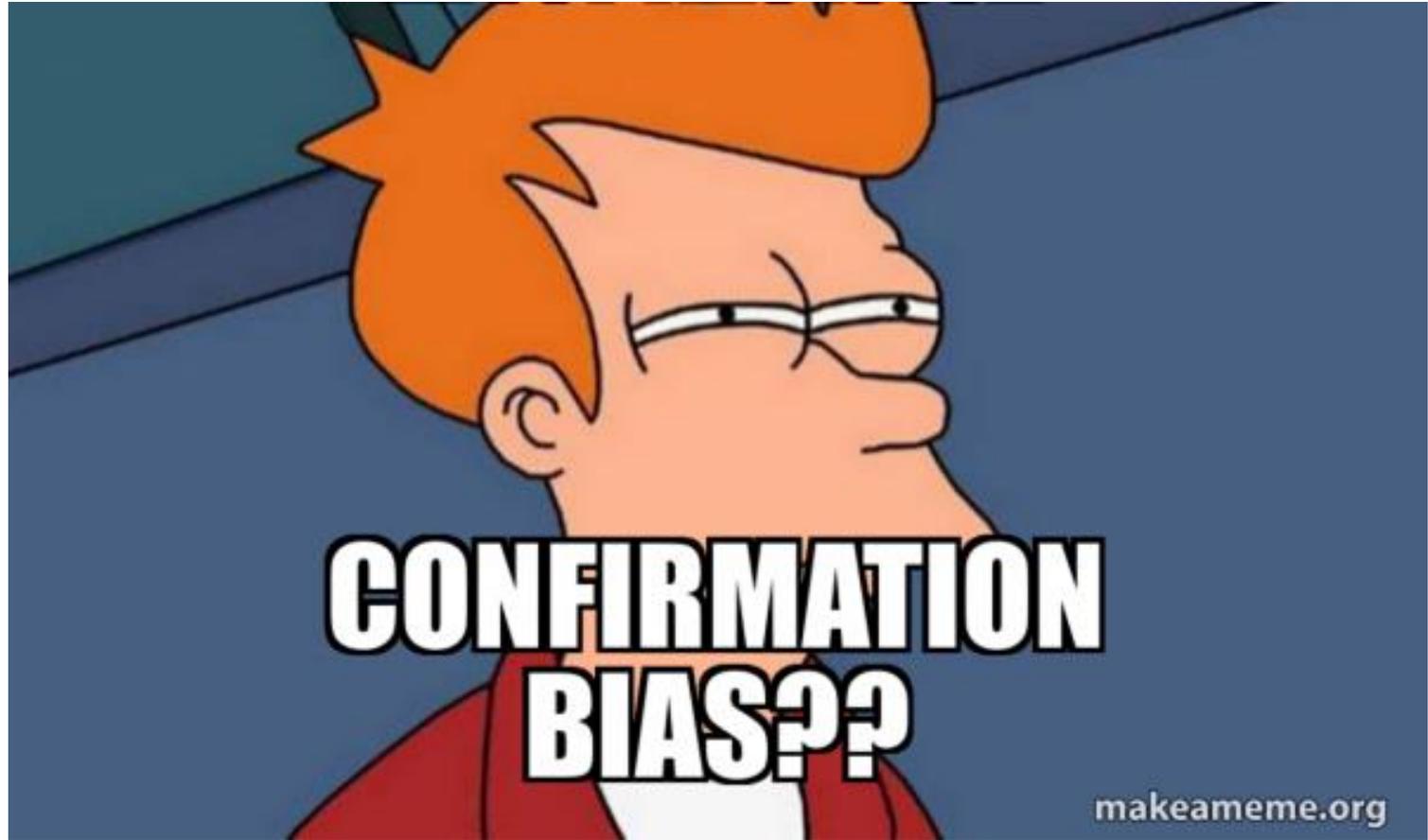
It's most difficult to change our perception of something or someone.

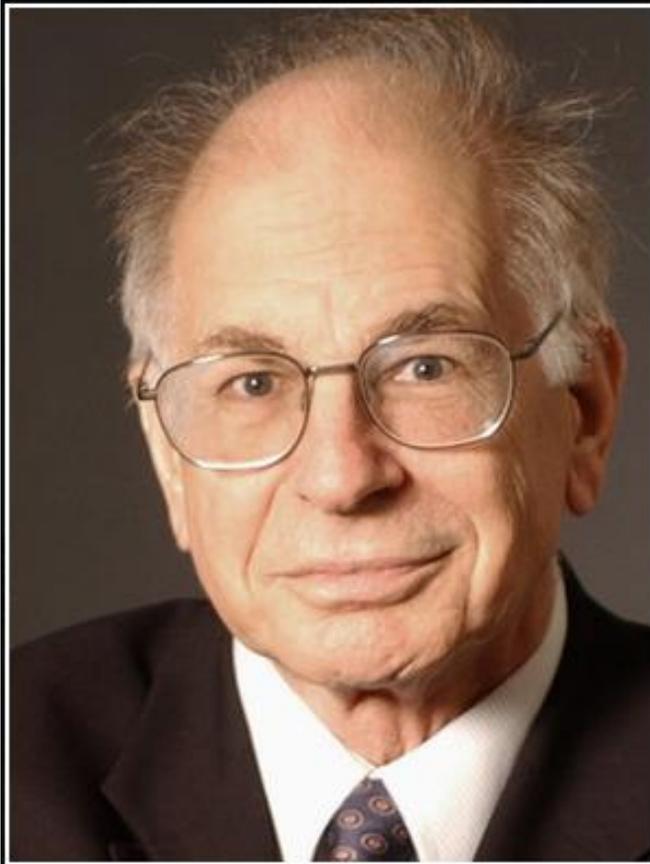
Everything I encounter (hear and see) confirms what I believe (self-justification).

Solution? Critical thinking and others.

This presentation does not refer to behaviours relating to prejudice, stereotyping or preferences, but how we (our cognitive) builds our perceptions of things in a subconscious manner, all in hopes of favoring our survival.







The confidence people have in their beliefs is not a measure of the quality of evidence but of the coherence of the story the mind has managed to construct.

— *Daniel Kahneman* —

AZ QUOTES

Cognitive bias is the cognitive distortion of information.

The term “bias” references a systematic deviation of reality by our logical and rational thinking.

Cognitive bias is normally subconscious.

- Biases are part of how we construct our perception of the world.
- It's part of the process of "thinking fast," described by Kahneman in his best-seller "Thinking Fast and Slow" .
- Biases are in fact shortcuts in the process of evaluating our surroundings so as to insure survival.
- It's a question of efficiency (time and reaction).

- U. Maoz, G. Yaffe, C. Koch, and L. Mudrik in 2019 in the journal eLife Neuroscience and entitled “Neural precursors of decisions that matter — an ERP study of deliberate and arbitrary choice,” have identified that our brain chooses a reaction to a situation before we are even conscious of the situation. 90% of our actions (reactions) come from the "thinking fast" brain, the social brain.
- It's hard to overrule the decision taken by the thinking fast brain, but not impossible. It requires our full attention and a lot of energy (thinking slow). We must be fully conscious and alone with our thoughts.
- Biases are involuntary, subconscious and for the most part, efficient in keeping us alive. So, don't feel guilty once you realise that you too have biases!

Biases are most prevalent in our behaviours when we are tired, overworked or stressed. (Question of efficiency by relying on past experiences to save time and energy when we are most vulnerable).



<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5020698/>

Confirmation bias

The instinctive tendency (thinking fast) to identify and prioritize information that confirms one's way of thinking, while neglecting information that says otherwise.

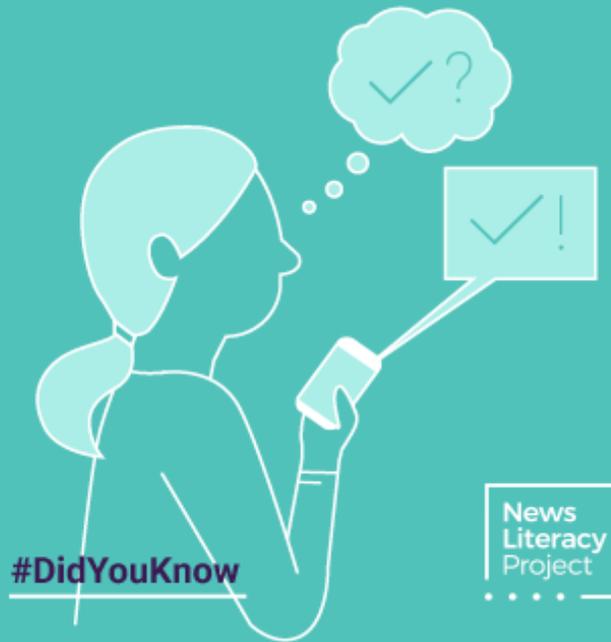
<https://www.youtube.com/watch?v=7zoWTb3KP-k>



Confirmation bias

is the tendency to search for, interpret and recall information in a way that supports what we already believe.

American Views: Trust, Media and Democracy,
Gallup/Knight Foundation (2018)



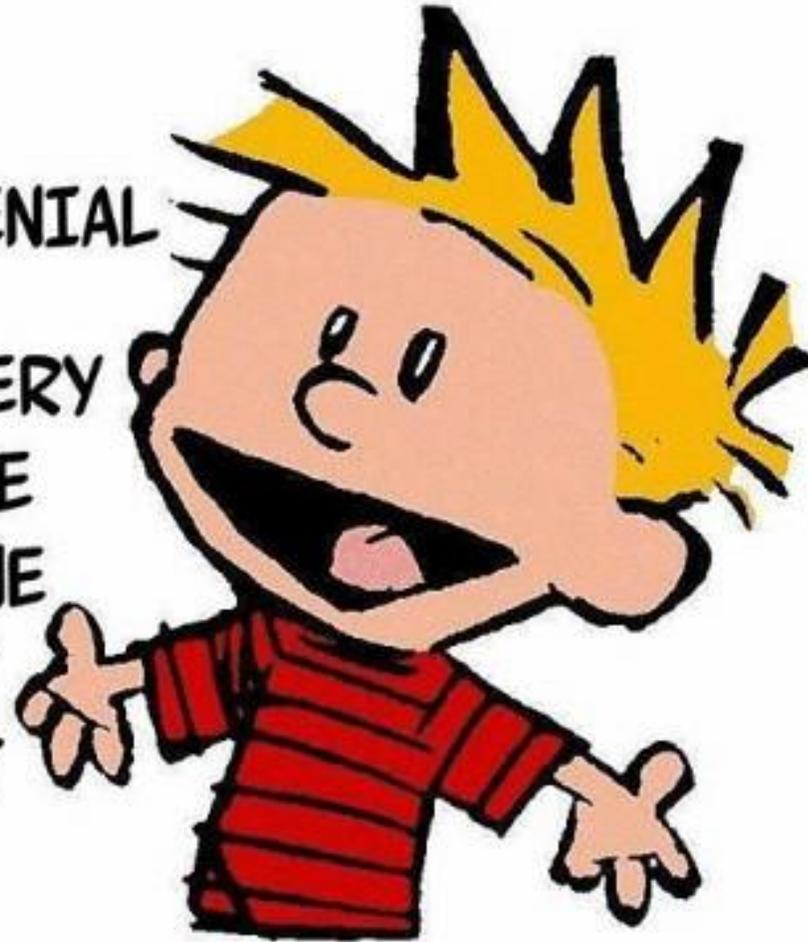
#DidYouKnow

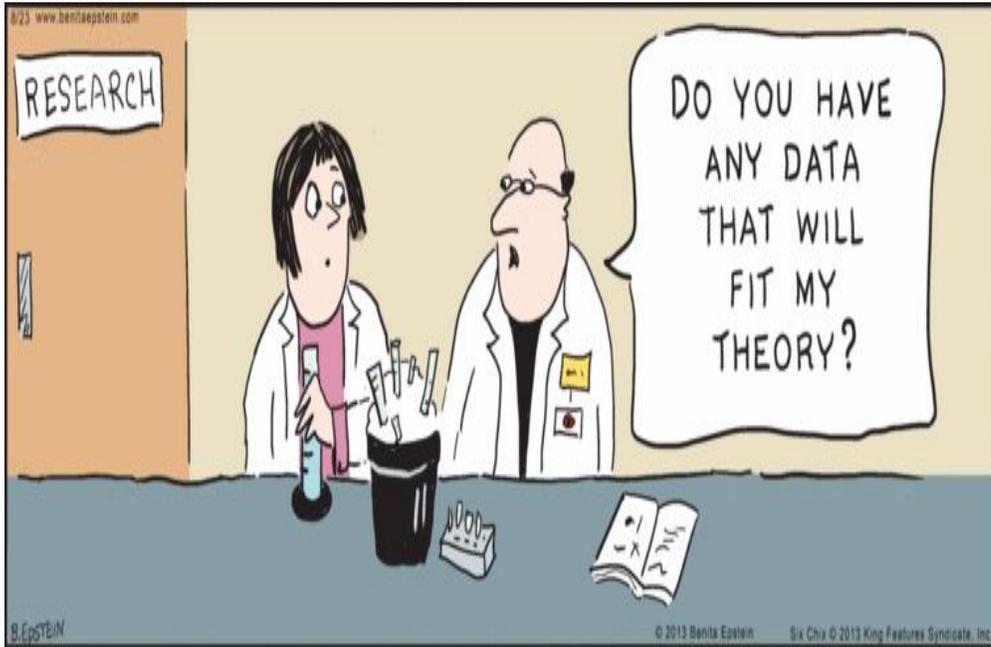
News
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IT'S NOT DENIAL

I'M JUST VERY
SELECTIVE
ABOUT THE
REALITY
I ACCEPT





I just read about
confirmation bias

It only proved
what I already know

You are wrong



One cannot conceive of objectivity
without subjectivity.

— *Paulo Freire* —

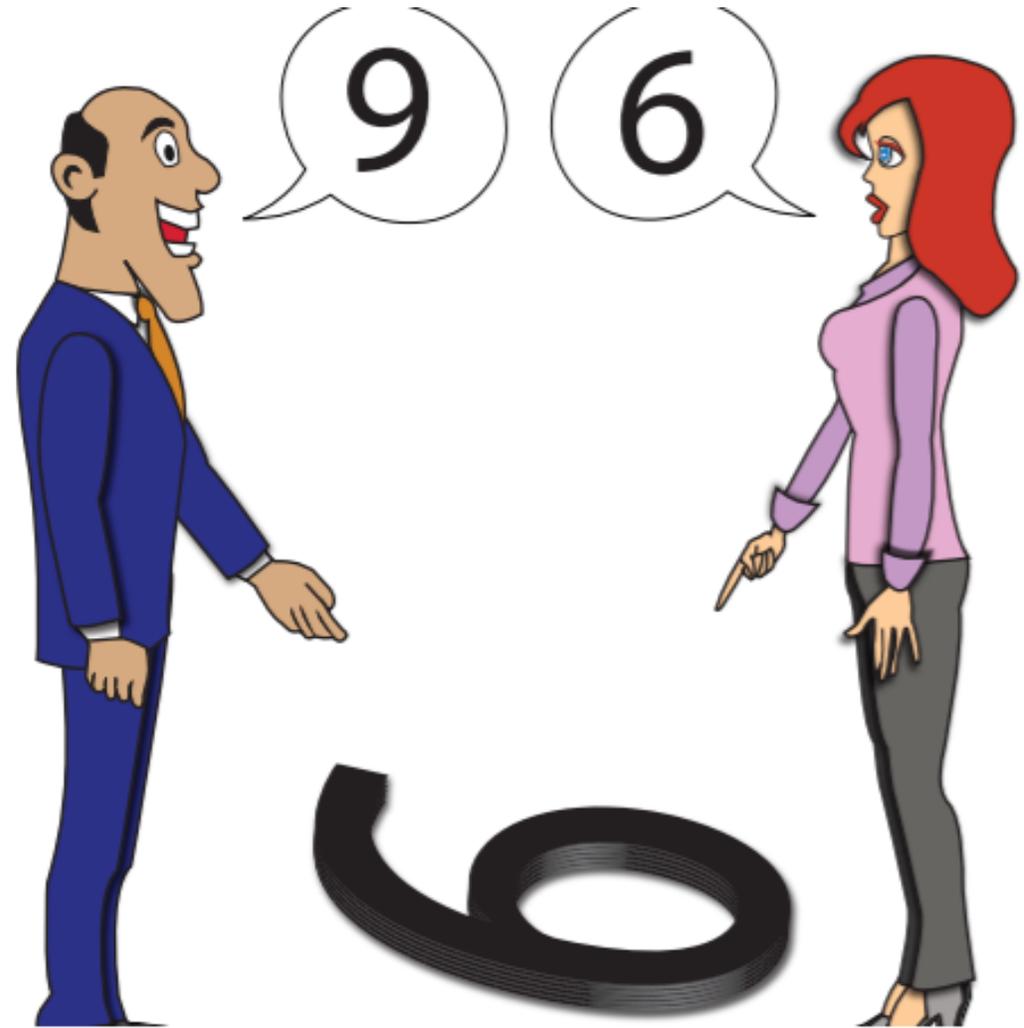
AZ QUOTES

- Mega-analysis of the tribunal verdicts in the american justice system. (1969 - 1976)
- 62% of judgements were in favor of the party with similar values and beliefs.



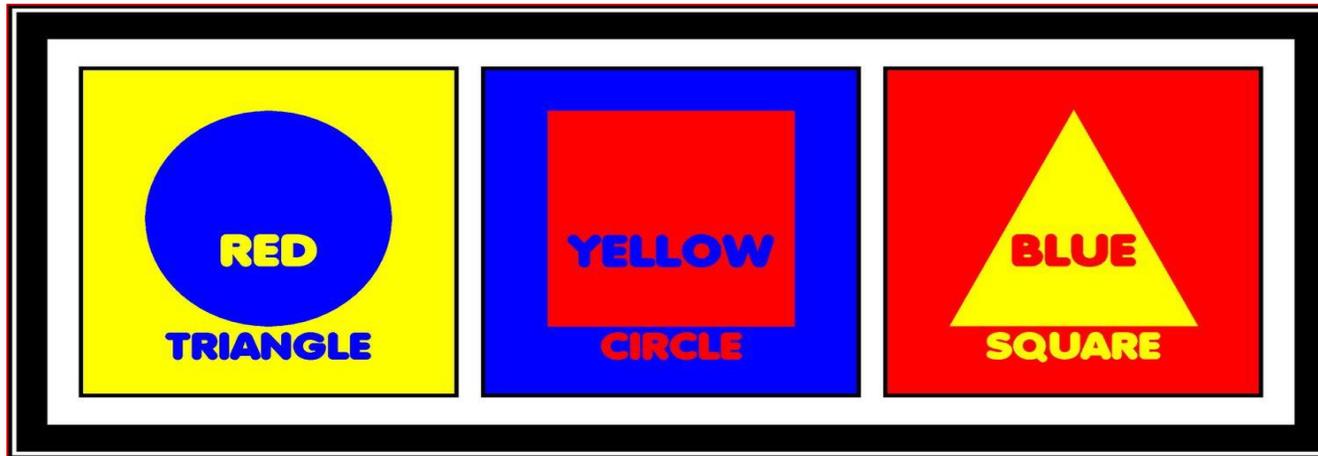
In summary...

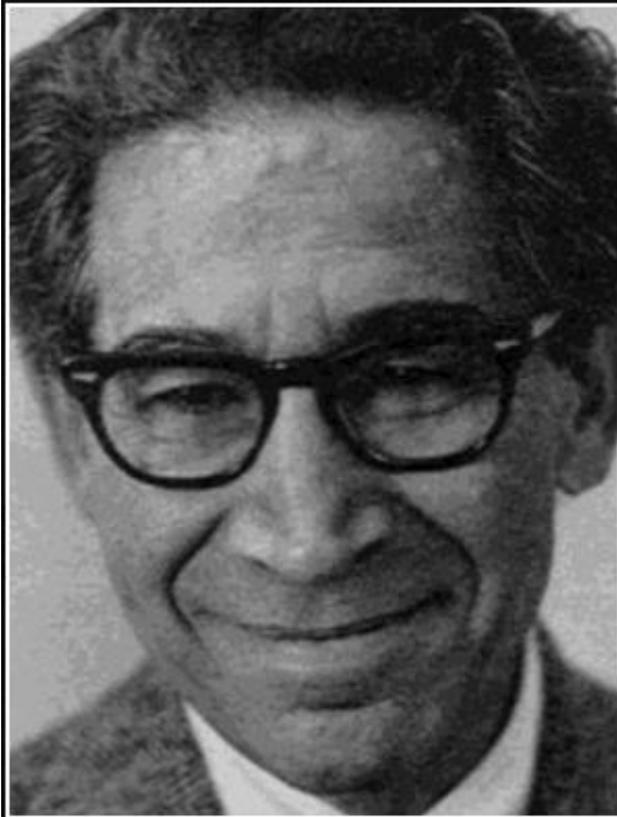
- All human beings have biases (spontaneous actions) to increase or favour their survival chances;
- A person tends to identify and acknowledge information that validates his/her own beliefs/perceptions (confirmation bias);
- It's not an easy task to change one's perceptions/beliefs once established.



Cognitive dissonance

The tension one feels when presented with information that conflicts with his/her beliefs/perceptions.





When dissonance is present, in addition to trying to reduce it, the person will actively avoid situations and information which would likely increase the dissonance.

— *Leon Festinger* —

AZ QUOTES

Cognitive Dissonance

FACT :

After having invested a certain amount of time and energy defending or arguing a point, independent of new information given, one's point of view will not change.

(Festinger et autres)



Which anecdote would you like to hear?

<https://www.menti.com/fwb99smdz7>



Naive Realism

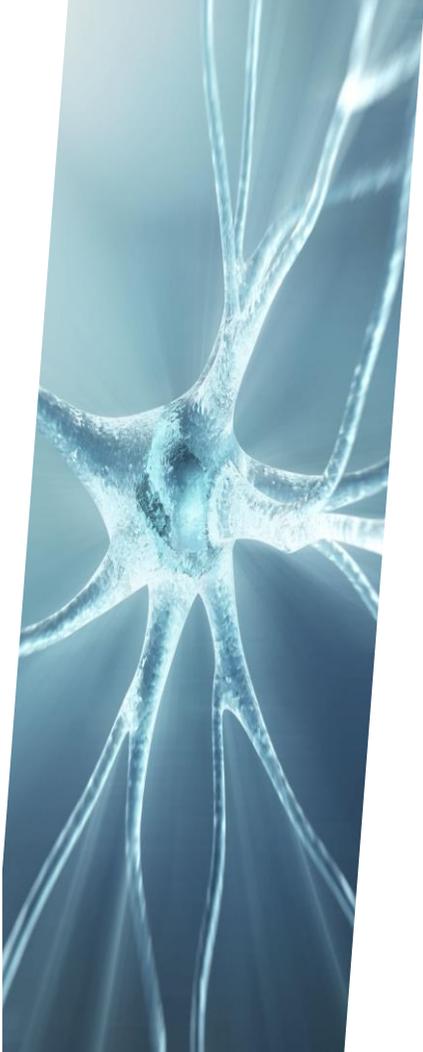
Believing that oneself (I) perceives the world objectively and others that see it differently are misinformed, irrational or biased.

I'm right.
You're wrong.
End of story.

Breakout Rooms (15 min):

What are the impacts/risks of cognitive bias and cognitive dissonance...

- at the board level?
- on decision-making?
- on strategic planning ?
- when choosing the CEO?
- other levels?



The **Abilene paradox** is a [paradox](#) in which the limits of a particular situation force a group of people to act in a way that is directly the opposite of their actual preferences.

It is a phenomenon that occurs when groups continue with misguided activities which no group member desires, because no member is willing to raise objections.

A common phrase relating to the Abilene paradox is a desire to not "rock the boat".

CONFORMITY!

Did you know?

It's almost impossible to change someone's mind using facts. This happens due to 'motivated reasoning', a psychology term that refers to the way people usually believe whatever they want to believe and use the flimsiest piece of evidence to justify that belief, even when there is plenty of verified evidence to disprove it.

Breakout Rooms (15 min.)

How can we minimise the impact of our bias...

- at the board level?
- in decision-making?
- during CEO selection?

How to minimize our bias impact:

- Recognize that we (may) have biases but most are unknown to us;
- Gather as much information (conflicting) as possible and slow down the analytical and decision-making process;
- Create an environment that promotes different perceptions;
- Conduct surveys and consultations that protect anonymity;
- Much like Abraham Lincoln, include people with diverging opinions;
- Be aware and prioritize healthy behaviours that minimize fatigue, stress and don't overextend.



STRATEGY: PLANNING AND OVERSIGHT

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TABLE 3.1A

TYPES OF QUESTIONS TO ASK REGARDING PLANNING OVERSIGHT EFFECTIVENESS

Ask Yourself

Check For	Questions to Ask	Possible Action to Take
Self-Interest Bias	Is there any reason to suspect self-interest on the part of the person or team making the recommendation?	Review the proposal with extra care, especially for over-optimism.
Heuristic Affect	Has the person or team “fallen in love” with the proposal?	Review all of the quality controls on the checklist.
Groupthink	Were there dissenting opinions within the team? Were they adequately explored?	Consider the dissenting opinions and/or ask for additional information pertaining to those opinions.

Ask the Recommender(s)

Check For	Questions to Ask	Possible Action to Take
Saliency Bias	Could the analysis be overly influenced by an analogy to a recent or memorable success?	Ask for more analogies and analyze their similarity to the current situation.
Confirmation Bias	Are credible alternatives included along with the recommendation?	Request additional options.
Availability Bias	If you had to make this decision again in a year's time, what information would you want and can you get more of that information now? Do you know where the numbers came from?	Ask for and/or review the checklists of data that were used to support the decision.

Anchoring Bias

Can there be ... unsubstantiated numbers ... extrapolation(s) from history ... a motivation to use a certain anchor?

Ask for an alternative analysis that is re-anchored with figures generated by other models or benchmarks.

Halo Effect

Is the person or team assuming that a person, organization or approach that is successful in one area will be just as successful in another?

Ask for additional, comparable examples in order to eliminate false inferences.

TYPES OF QUESTIONS TO ASK REGARDING PLANNING OVERSIGHT EFFECTIVENESS

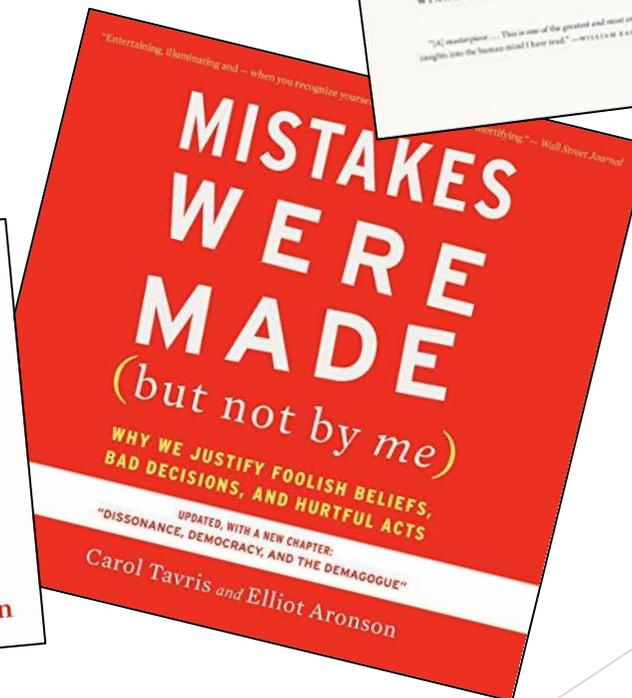
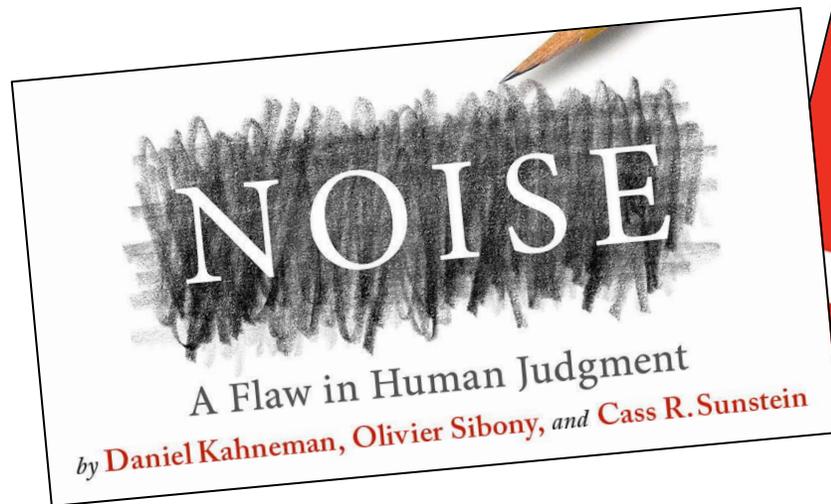
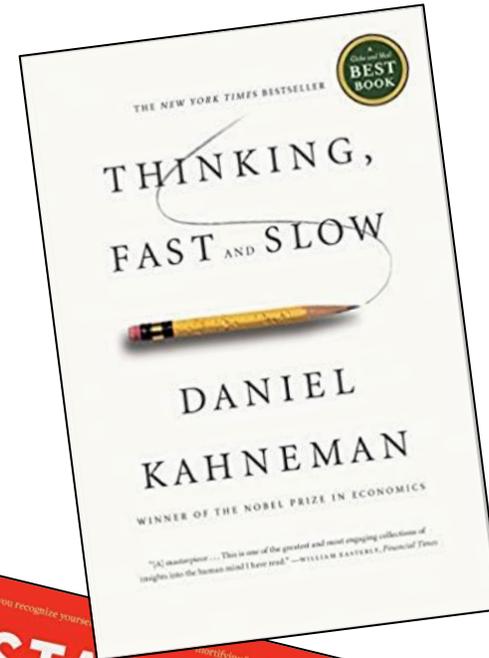
Ask About the Proposal

Check For	Questions to Ask	Possible Action to Take
Overconfidence, Optimistic Bias, Competitor Neglect	Is the base case overly optimistic?	Have the person or team build a case taking an "outside view".
Disaster Neglect	Is the worst case bad enough?	Have the person or team conduct a "pre-mortem" (i.e., imagine that the worst has happened and develop a story about the causes/impacts).
Loss Aversion	Is the recommending person or team overly cautious?	Re-align incentives to share responsibility for the risk.

Conclusion

- ▶ I'm biased and I'm *not* aware of them!
- ▶ Why does so and so hold a different perception?
- ▶ Could I be wrong?
- ▶ **Everything I see confirms my beliefs!**

- unconscious-bias
- educator-bias-is-associated-with-racial-disparities-in-student-achievement-and-discipline/
- 4-ways-fight-bias-grading
- <https://www.nichd.nih.gov/>
- formesdebiais



PROFITS ARE DOWN.
OUR SENIOR
MANAGEMENT
BLAMES THE WEAK
ECONOMY.



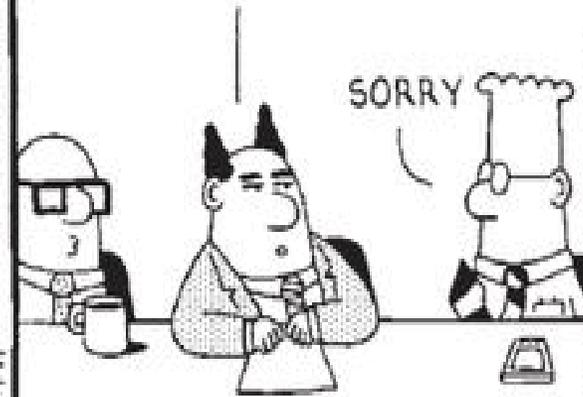
www.dilbert.com scottadams@aol.com

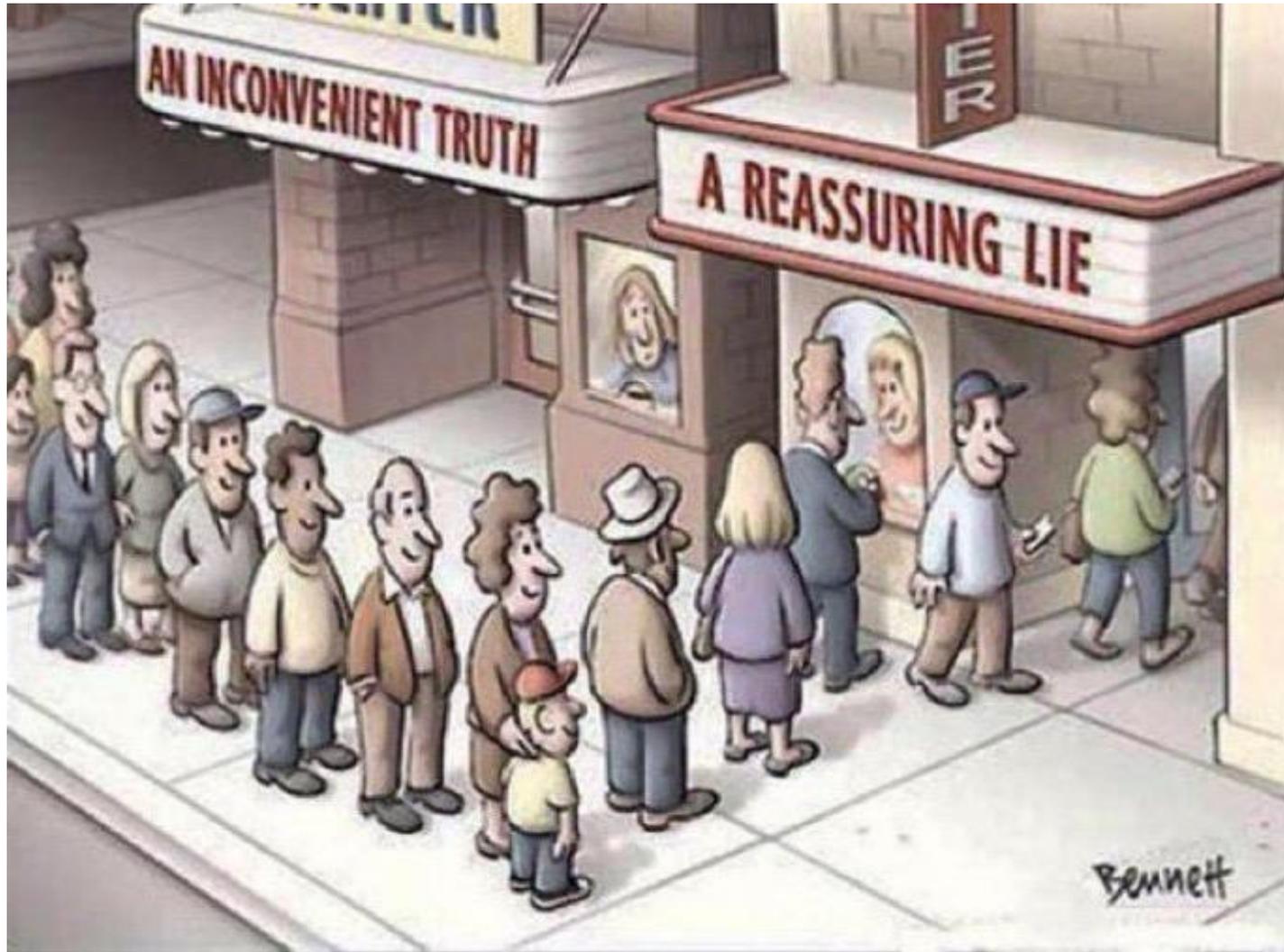
SO THEY'RE SAYING
THAT PROFITS WENT
UP BECAUSE OF GREAT
MANAGEMENT AND
DOWN BECAUSE OF A
WEAK ECONOMY?



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THESE MEETINGS
WILL GO FASTER IF
YOU STOP PUTTING
THINGS IN CONTEXT.





<https://www.surveymonkey.com/r/W3KGVVN>

Q&A





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