

Overconfidence

Overconfidence is the tendency to overestimate our ability to make good decisions. Research¹ indicates that the more experience a manager has, the more likely it is that he or she will be overconfident in making decisions. Therefore, awareness of overconfidence bias is especially important for people in leadership positions.

Overconfidence is defined in several distinct ways.² Overestimation of one's actual performance is the tendency to overestimate one's standing on a dimension of judgment or performance. This is manifested in the certainty one feels in his or her own ability, performance, level of control, or chance of success.

Another definition of overconfidence is overplacement of one's performance relative to others or how one judges his or her own performance compared to another. This overconfidence occurs when one believes himself to be better than others or rates herself as superior to others.

Yet another definition is overprecision, or excessive confidence that one knows the truth compared to what others know.

People vary widely in their awareness of what they do and do not know (metacognitive ability) and, in general, are too confident when evaluating their own performance. Although being confident confers a reward-like component for leaders, it can lead to overconfidence which, in turn, undermines effective decision making.³

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¹ Research on Overconfidence in Decision-Making for the Capacity Recovery of Damaged Power Systems by Xing Bao Discrete Dynamics in Nature and Society, Volume 2014 (2014), Article ID 527598

² https://en.wikipedia.org/wiki/Overconfidence_effect.

³ Monash University. "How Overconfidence Can Lead to Poor Decision Making." NeuroscienceNews, 15 August 2016. <<http://neurosciencenews.com/overconfidence-decision-making-4841/>> .