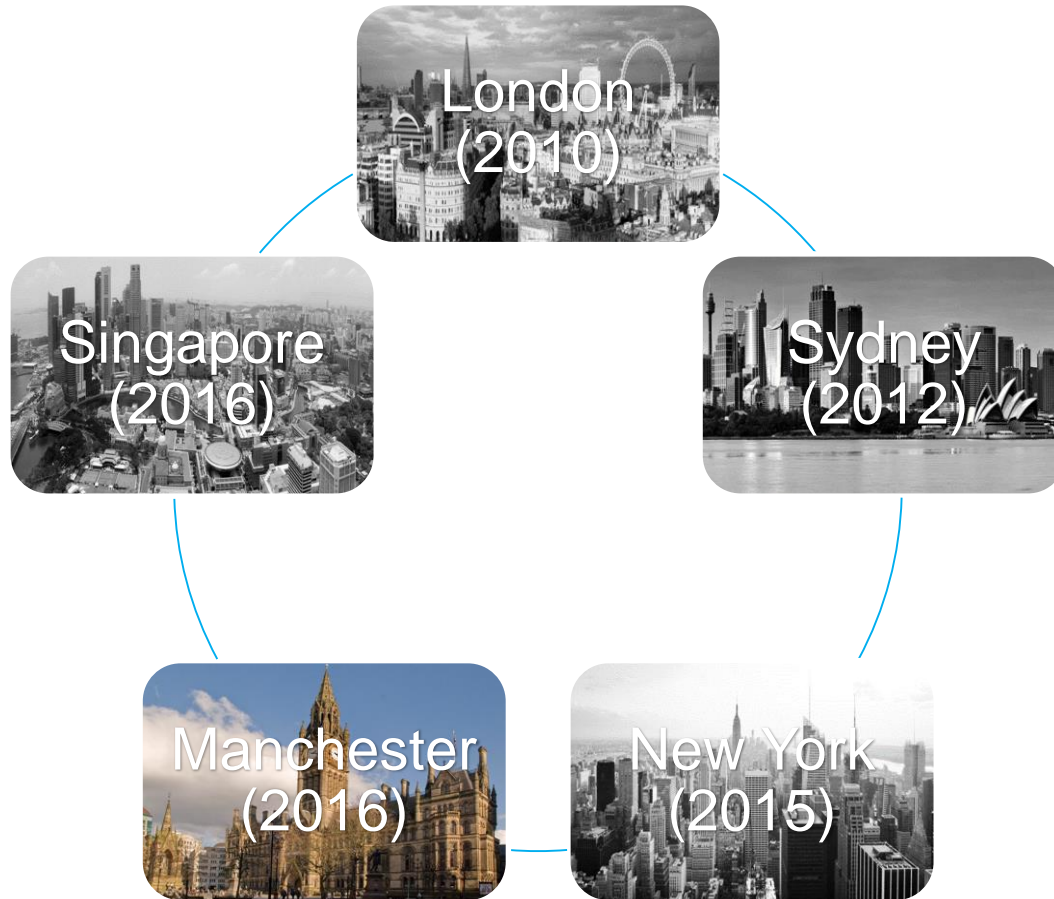


**THE
BEHAVIOURAL
INSIGHTS TEAM** ◆

IN PARTNERSHIP WITH  Cabinet Office

The behavioural science of project management

Behavioural Insights Team



What are Behavioural Insights?



Psychology

Understanding how people behave in practice so
that we can design policy better

(Behavioural)
Economics

Behavioural science of project management



Optimism bias and planning fallacy



Framing effects



Groupthink

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Optimism Bias & Planning Fallacy

Optimism Bias & Planning Fallacy

The belief that success is more likely, and negative events are less likely (for you) than they really are.



... and **project management**

Overspends and set-backs are consistently underestimated (time, costs, risks), and positive impact is overestimated.

Optimism Bias & Planning Fallacy - Causes

Technical Causes:

- Poor management
- New or unproven technology
- Imperfect information
- Changes in scope

Economic Causes:

- The desire for work (contractors paint a rosy picture to get the project approved)

Psychological Causes:

- Self-Enhancement - Wishfully thinking makes us feel good.
- Self-presentation - We present a desired image to others.
 - Over-estimation of personal control
- Confirmation Bias - We seek (and focus on) evidence that confirms our projections of success, and overlook that which shines doubt on a project.

Optimism Bias & Planning Fallacy - Solutions

1. Acknowledge probable set-backs and plan for them

- Have someone else (who is distant from, indifferent to, and who will have no control over the project) to help budget it, and play devil's advocate.

2. Segmentation

- Split tasks down into smallest items possible for planning.
- The sum of resources tends to be greater (and more accurate) than when estimating the whole.

3. Add an automatic 'up lift' to projects

- Build a 'fudge factor' into budgets automatically to take account of optimism bias (but be aware this is a sticking plaster not a cure)

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Framing Effects

Framing Effects

We respond differently to the same information depending upon how it is presented and the reference points that surround it.

Context Matters

Framing Effects (proportional price evaluation)

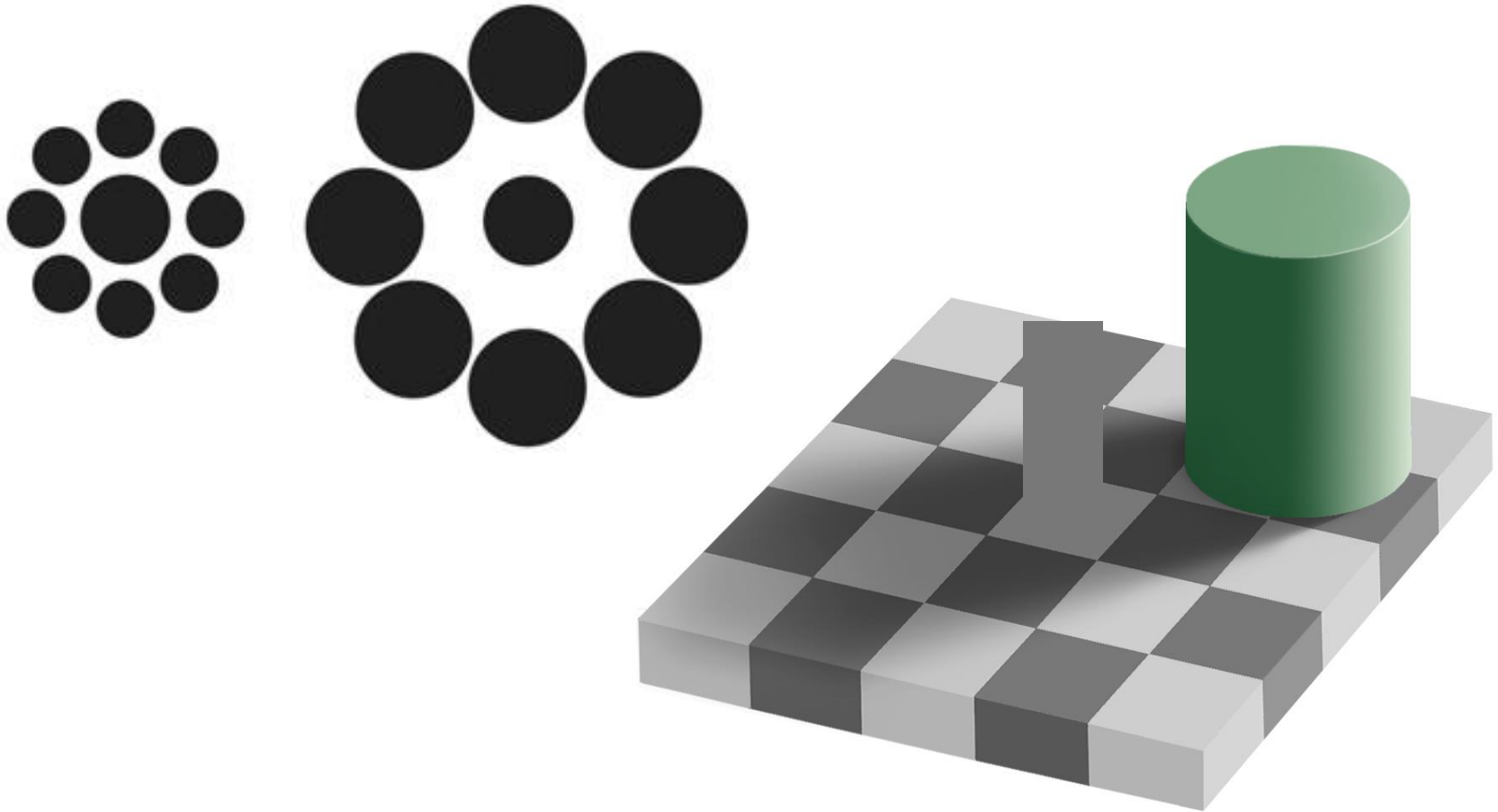
Weber-Fincher Law – We perceive magnitudes proportionally, not linearly.

- How much effort would you make to save £70k from a £100k project?
- Would you make the same effort to save £70k from a £1.3m project?

Framing – we respond differently to the same choice depending upon how is it presented. **Context** Matters.

- How much would you pay for a new sofa now?
- How much would you pay after you've just bought a house?

Framing Effects



Proportional Price Evaluation - Solutions

1. Simultaneously review budgets of mixed value

Have budgeters review a wide range of projects simultaneously to maintain a reference point. Saving £50k on a £1bn project doesn't seem so trivial when you've just been reviewing a range of £20k projects.

2. Don't think in %.

£50k is £50k, wherever it comes from. Not 5% is 5%.

3. Quantify savings in terms of opportunity cost.

Saving £100k on a £1bn project is not 'just' 1%, it's an opportunity to do X or Y.

Groupthink (and group polarisation)

Groupthink & Group Polarisation

Decisions made as a group often do not match those that would have been made by the individuals with

- Lack of confidence
- Defensiveness

Group dynamics substantially change the decision-making process

- (social proof)
- reinforce each others' beliefs
- become safe
- conflicting groups cause us to harden & exaggerate our case
- We believe ourselves

Groupthink & Group Polarisation - Solutions



President John F. Kennedy sought to avoid groupthink during the Cuban Missile Crisis using "vigilant appraisal."

During meetings, he invited outside experts to share their viewpoints, and allowed group members to question them carefully.

He also encouraged group members to discuss possible solutions with trusted members within their separate departments, and he even divided the group up into various sub-groups, to partially break the group cohesion.

Kennedy was deliberately absent from the meetings, so as to avoid pressing his own opinion.

Groupthink & Group Polarisation - Solutions

1. Ensure there is critical evaluation of ideas

- Play devil's advocate and critique all options carefully.
- Don't stop the debate once a solution is found.
- ThinkGroup – structured but anonymous brainstorming on a Google Doc. Enables sharing of more outlandish ideas and their robust critiquing.

2. Break up group cohesion

- Divide the group into multiple sub-groups to increase the likelihood of independent, conflicting decisions.

3. Remove overpowering leadership.

- Ensure heavyweight decision makers are not present, or are at least agnostic/neutral.

What does this mean for a local infrastructure commission?

- Could help play a role in tackling many of these challenges
 1. By considering a broad range of projects, could limit the influence of framing effects
 2. By taking an impartial, arms-length view of projects could help to tackle optimism bias and correct planning fallacy
 3. By sitting outside the day-to-day planning and delivery teams, could help counter impact of group dynamics on decision-making
- However, *details matter*. Think carefully about how roles, responsibilities and processes can be designed to support effective decision-making.



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Thank you