

# Why are people overconfident so often?

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Researchers have long known that people are very frequently overconfident – that they tend to believe they are more physically talented, socially adept, and skilled at their job than they actually are. For example, 94% of college professors think they do above average work (which is nearly impossible, statistically speaking). But this overconfidence can also have detrimental effects on their performance and decision-making. So why, in light of these negative consequences, is overconfidence still so pervasive?

The lure of social status promotes overconfidence, explains Haas School Associate Professor Cameron Anderson. He co-authored a new study, "A Status-Enhancement Account of Overconfidence," with Sebastien Brion, assistant professor of managing people in organizations, IESE Business School, University of Navarra, Haas School colleagues Don Moore, associate professor of management, and Jessica A. Kennedy, now a post-doctoral fellow at the Wharton School of Business. The study will be published in the *Journal of Personality and Social Psychology* (forthcoming).

"Our studies found that overconfidence helped people attain social status. People who believed they were better than others, even when they weren't, were given a higher place in the social ladder. And the motive to attain higher social status thus spurred overconfidence," says Anderson, the Lorraine Tyson Mitchell Chair in Leadership and Communication II at the Haas School.

Social status is the respect, prominence, and influence individuals enjoy

in the eyes of others. Within work groups, for example, higher status individuals tend to be more admired, listened to, and have more sway over the group's discussions and decisions. These "alphas" of the group have more clout and prestige than other members. Anderson says these research findings are important because they help shed light on a longstanding puzzle: why overconfidence is so common, in spite of its risks. His findings suggest that falsely believing one is better than others has profound social benefits for the individual.

Moreover, these findings suggest one reason why in organizational settings, incompetent people are so often promoted over their more competent peers. "In organizations, people are very easily swayed by others' confidence even when that confidence is unjustified," says Anderson. "Displays of confidence are given an inordinate amount of weight."

The studies suggest that organizations would benefit from taking individuals' confidence with a grain of salt. Yes, confidence can be a sign of a person's actual abilities, but it is often not a very good sign. Many individuals are confident in their abilities even though they lack true skills or competence.

The authors conducted six experiments to measure why people become overconfident and how overconfidence equates to a rise in social stature. For example:

In Study 2, the researchers examined 242 MBA students in their project teams and asked them to look over a list of historical names, historical events, and books and poems, and then to identify which ones they knew or recognized. Terms included Maximilien Robespierre, Lusitania, Wounded Knee, Pygmalion, and Doctor Faustus. Unbeknownst to the participants, some of the names were made up. These so-called "foils" included Bonnie Prince Lorenzo, Queen Shaddock, Galileo Lovano,

Murphy's Last Ride, and Windemere Wild. The researchers deemed those who picked the most foils the most overly confident because they believed they were more knowledgeable than they actually were. In a survey at the end of the semester, those same overly confident individuals (who said they had recognized the most foils) achieved the highest [social status](#) within their groups.

It is important to note that group members did not think of their high status peers as overconfident, but simply that they were terrific. "This overconfidence did not come across as narcissistic," explains Anderson. "The most overconfident people were considered the most beloved."

Study 4 sought to discover the types of behaviors that make overconfident people appear to be so wonderful (even when they were not). Behaviors such as body language, vocal tone, rates of participation were captured on video as groups worked together in a laboratory setting. These videos revealed that overconfident individuals spoke more often, spoke with a confident vocal tone, provided more information and answers, and acted calmly and relaxed as they worked with their peers. In fact, overconfident individuals were more convincing in their displays of ability than individuals who were actually highly competent.

"These big participators were not obnoxious, they didn't say, 'I'm really good at this.' Instead, their behavior was much more subtle. They simply participated more and exhibited more comfort with the task – even though they were no more competent than anyone else," says Anderson.

Two final studies found that it is the "desire" for status that encourages people to be more overconfident. For example, in Study 6, participants read one of two stories and were asked to imagine themselves as the protagonist in the story. The first story was a simple, bland narrative of losing then finding one's keys. The second story asked the reader to imagine him/herself getting a new job with a prestigious company. The

job had many opportunities to obtain higher status, including a promotion, a bonus, and a fast track to the top. Those participants who read the new job scenario rated their desire for status much higher than those who read the story of the lost keys.

After they were finished reading, participants were asked to rate themselves on a number of competencies such as critical thinking skills, intelligence, and the ability to work in teams. Those who had read the new job story (which stimulated their desire for status) rated their skills and talent much higher than did the first group. Their desire for status amplified their overconfidence.

De-emphasizing the natural tendency toward overconfidence may prove difficult but Prof. Anderson hopes this research will give people the incentive to look for more objective indices of ability and merit in others, instead of overvaluing unsubstantiated confidence.

**More information:** See the present version of the full paper at [haas.berkeley.edu/faculty/papers/anderson/status%20enhancement%20account%20of%20overconfidence.pdf](https://haas.berkeley.edu/faculty/papers/anderson/status%20enhancement%20account%20of%20overconfidence.pdf)

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