THE OVERCONFIDENCE EFFECT

Presented by the Nonprofit Risk Management Center

THE OVERCONFIDENCE EFFECT CAUSES PEOPLE TO SYSTEMATICALLY OVERESTIMATE THEIR KNOWLEDGE AND ABILITIES.

SOURCE: PSYCHOLOGY TODAY ARTICLE, 'THE OVERCONFIDENCE EFFECT'

HOW COULD THIS INFLUENCE NONPROFIT RISK CHAMPIONS?!

ANATOMY OF A RISK MANAGER

OVERCONFIDENT

- Overestimates personal knowledge and expertise
- Feels overly assured based on past successes
- Doesn’t seek contrary viewpoints; ignores contrary beliefs or data
- ‘Anchor’ on the first idea presented; does not explore alternative ideas
- Presents overly-positive risk reports to the Board or management team
- Assumes that only people with past risk management experience can be Risk Champions

UNDERCONFIDENT

- Underestimates the organization or team’s ability to manage risks
- Can’t embrace bold, mission-advancing risks... views all risks as dangerous
- Allows risks to simmer rather than addressing them head-on
- Fears reporting risk information to the Board or management team
- Focuses on past risks; fails to look into the future to foresee emerging risks
- Can’t act as a ‘Champion’ for risk management

IT AIN’T WHAT YOU DON’T KNOW THAT GETS YOU INTO TROUBLE. IT’S WHAT YOU KNOW FOR SURE THAT JUST AIN’T SO.”

- MARK TWAIN -

Want to tame your overconfidence or become a more confident Risk Champion? Find the answer here.
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