

External and internal uncertainty and the confidence heuristic

How to admit uncertainty and still be trusted

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Zoom-link

<https://binorwegianbusinessschool.zoom.us/j/67377197650?pwd=OUJmUTlieDJYM3F0cnQxOEVDQ01ZUT09>

Abstract

It is generally assumed that decision makers appear more credible and trustworthy when exuding confidence in their choices. However, many real-life decisions are by their nature uncertain. Is it possible for an honest decision maker to admit uncertainty and still be trusted? We show that people are more willing to accept uncertainty about the outcome of a decision when a decision maker describes it in external terms (“It is uncertain”) rather than in internal terms (“I am uncertain”). Thus, the so-called “confidence heuristic” may apply mostly to internal expressions of certainty. Internal uncertainty is acceptable, however, as a justification to postpone a decision (i.e., to gather more information about the options).

Background/Introduction

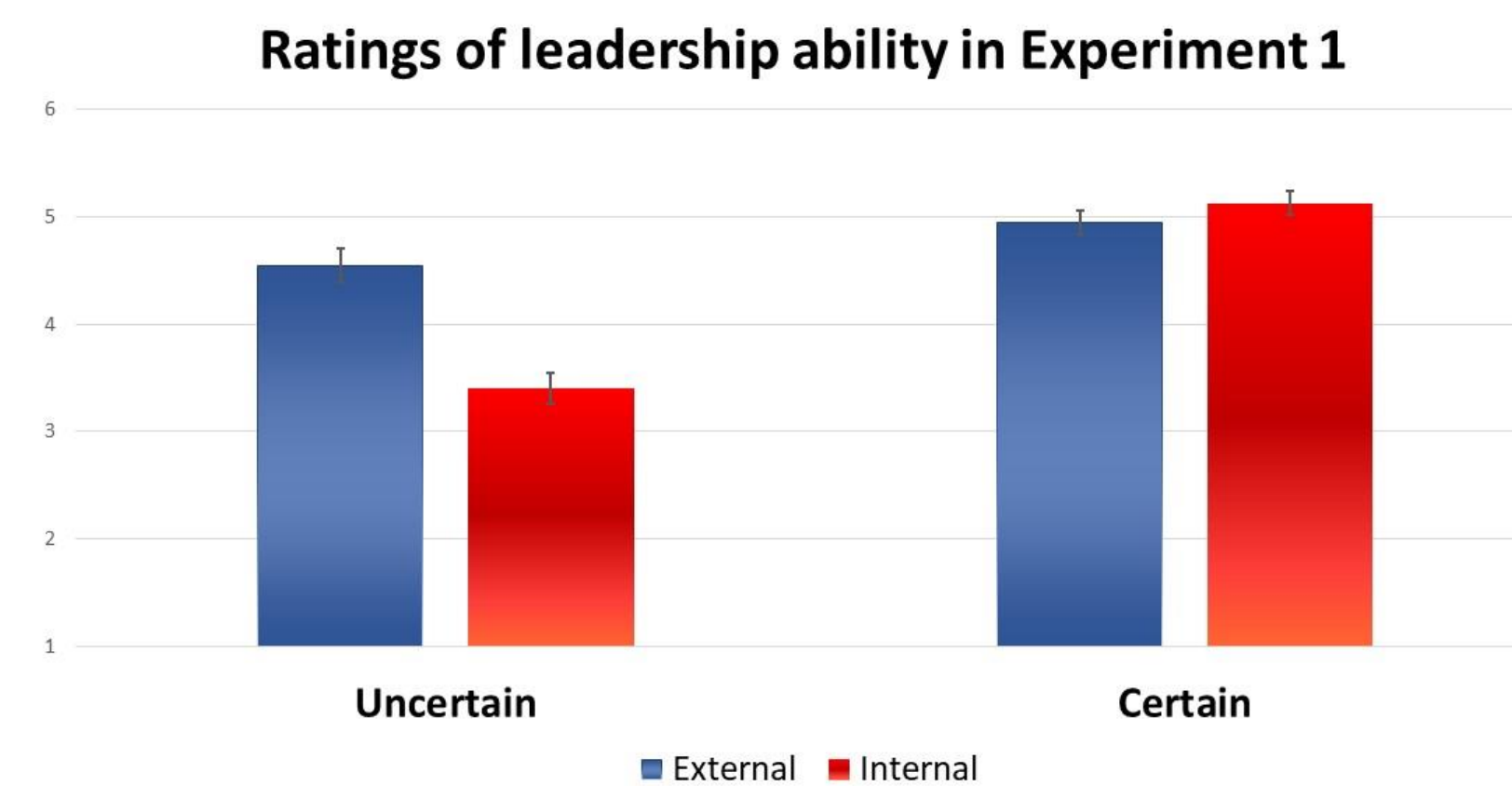
Being confident can come with benefits: people are more likely to follow advice from confident advisors¹, and (over)confident individuals receive higher social status². Findings like this suggest that people employ a **confidence heuristic**³ whereby confidence is seen as a signal of competence. However, being (over)confident in uncertain situations may backfire when it leads to mistakes⁴. Is it possible for a decision-maker to admit to uncertainty without losing credibility?

This might depend on the **source of uncertainty**: uncertainty can either be attributed to internal (epistemic) factors like lack of knowledge or degree of belief, or alternatively to external (aleatory) factors like randomness or causal forces⁵. Previous studies of have demonstrated an advantage for advisors displaying internal certainty (“I am quite sure A is the correct answer”), but people may find external uncertainty more acceptable. Hence, we investigate perceptions of decision-maker competence depending on the communicated source of uncertainty in different kinds of choice situations.

Experiment 1:

“It is uncertain” is preferred over “I am uncertain”

Participants (n = 259, recruited via Prolific) read two scenarios about leaders making a choice between two alternatives (e.g., investing in different innovation projects). The leader expressed either external or internal certainty or uncertainty about which option has the greater promise before choosing an option. Thus, “I am quite [un]certain which option has the greater promise” was compared with “It is quite [un]certain which option has the greater promise”. Participants rated the perceived competence of the leader (5 items, 4 of which were combined into a common competence/ability score, $\alpha = .90$).

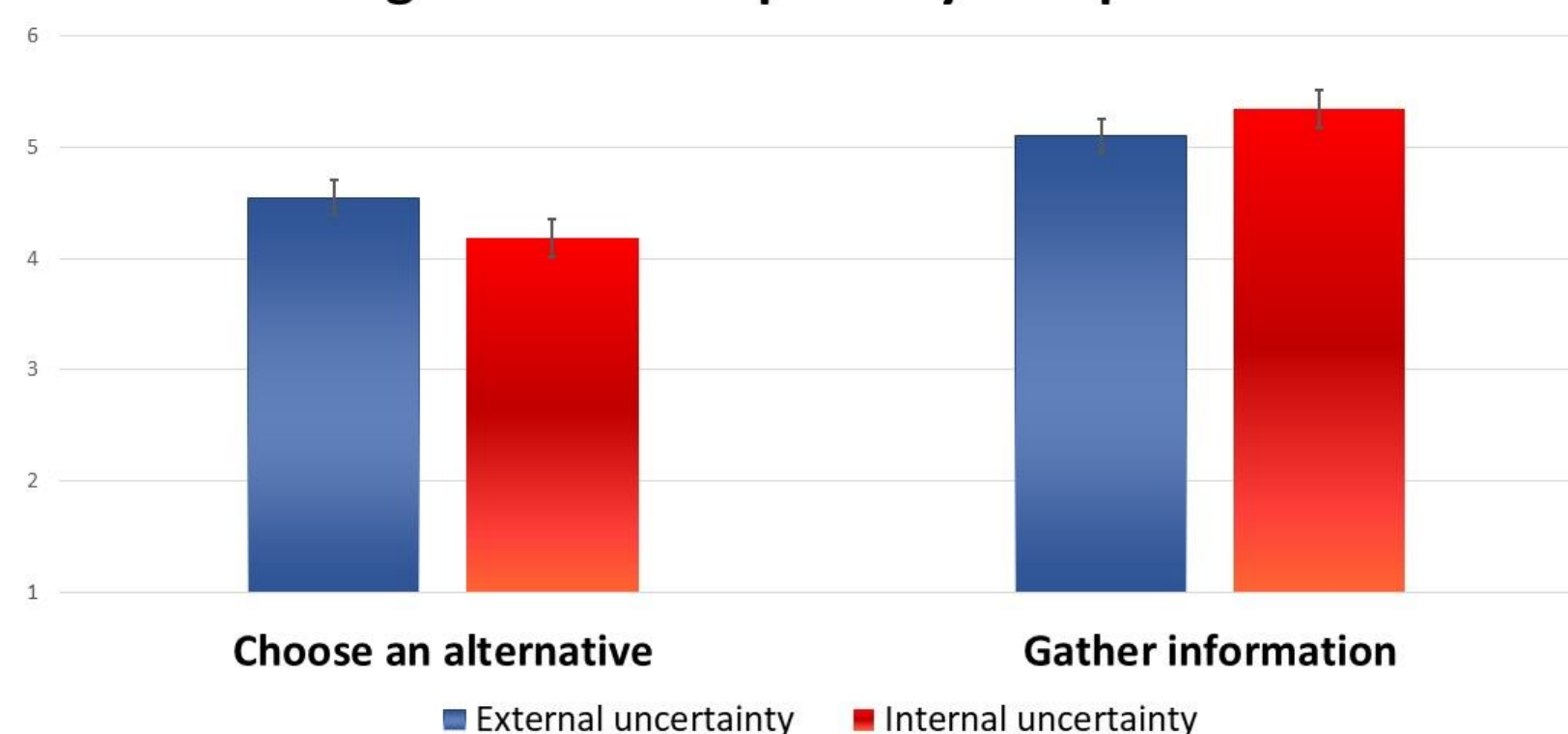


Competence was rated higher for certain than for uncertain leaders, $F(1,255) = 66.644, p < .001, \eta_p^2 = .21$, and when the source was external rather than internal, $F(1,255) = 13.872, p < .001, \eta_p^2 = .05$. There was also an interaction, $F(1,255) = 25.990, p < .001, \eta_p^2 = .09$, due to a **large advantage for external over internal uncertainty**, $F(1,255) = 37.558, p < .001, d = 0.97$, while ratings for external and internal certainty were similar, $F < 1$.

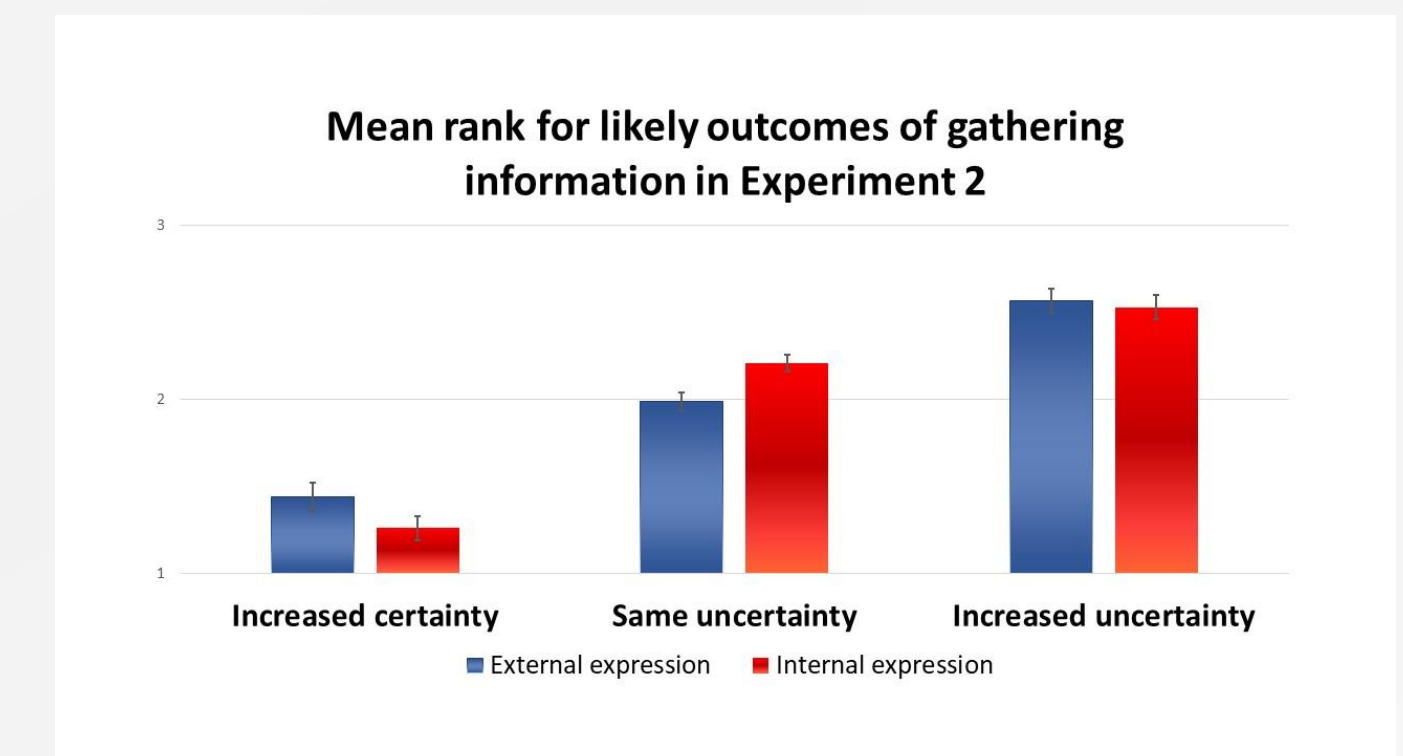
Experiment 2: Choosing not to choose

Uncertainty can increase decision avoidance⁶. Thus, it might be more acceptable to express (internal) uncertainty as a reason to postpone a choice. The participants (n = 221, Prolific) rated the competence of a leader who **expressed internal or external uncertainty and either chose an option or decided to gather more information**. Participants were also asked how uncertainty would change when more information was gathered, and whether they would prefer a leader to report uncertainty in a choice situation, or rather downplay uncertainty and appear certain.

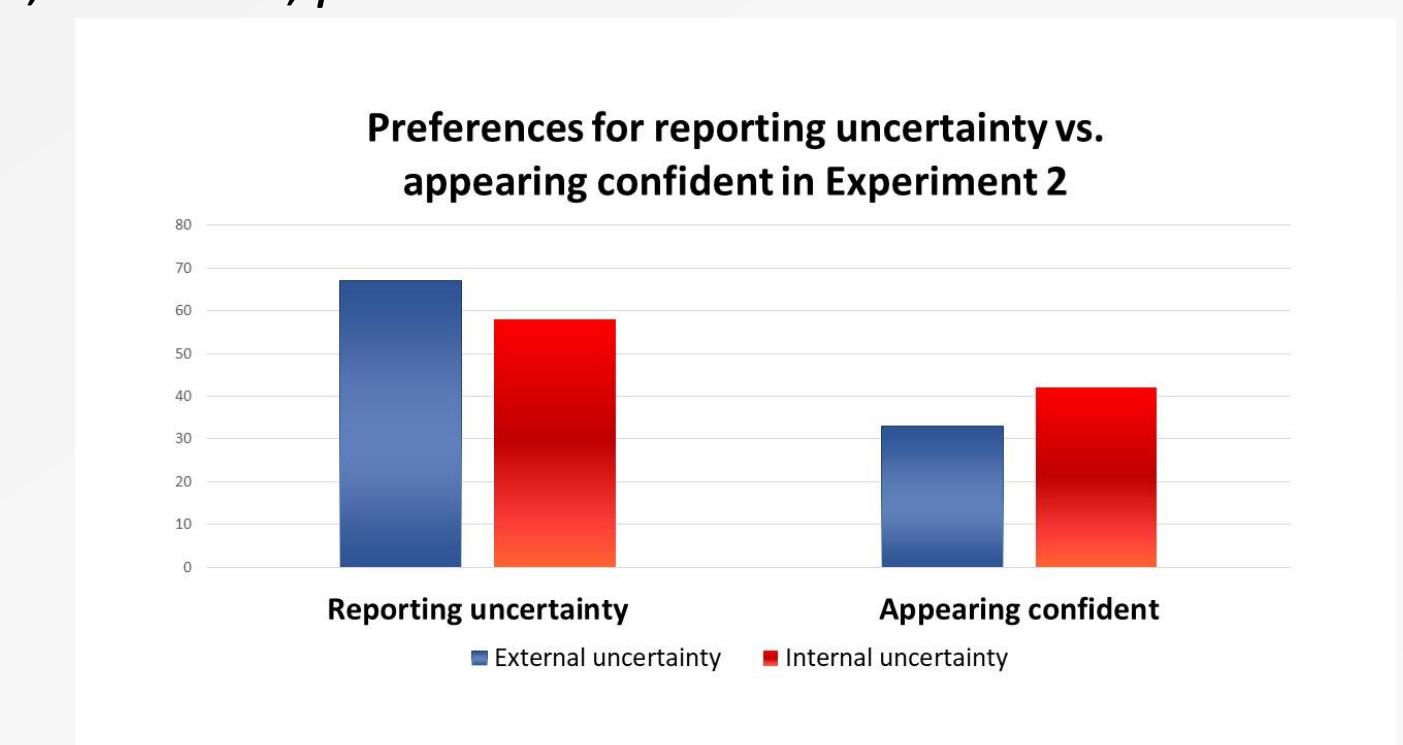
Ratings of leadership ability in Experiment 2



Perceived competence was not influenced by source of uncertainty, $F < 1$, but **gathering information was rated higher than making an active choice**, $F(1,217) = 27.089, p < .001, \eta_p^2 = .111$. While the interaction was not significant, $F(1,217) = 3.422, p = .066, \eta_p^2 = .017$, results in the active choice condition (as in Exp 1) showed a preference for external uncertainty, $F(1,217) = 2.475, p = .117, d = 0.29$.



The participants found it **more likely that internal certainty would increase with more information**, $U = 4145.5, z = -2.17, p = .03$; while external uncertainty was thought more likely to stay the same, $U = 3835.5, z = -2.87, p = .004$.



Participants generally **preferred honest reports of uncertainty, but a large minority preferred leaders to appear confident**. The minority was somewhat, but not significantly larger for internal than for external expressions, $\chi^2 = 1.731, p = .188$.

Discussion

- Expressing internal uncertainty in a choice situation can lower perceptions of competence more than external uncertainty
- Still, people claim they prefer honest reports about external and internal uncertainty compared to a leader downplaying uncertainty and appearing confident
- Internal and external uncertainty are acceptable as reasons to postpone a decision by gathering more information
- This indicates that the confidence heuristic first and foremost applies to internal certainty, while decision-makers can acknowledge external uncertainty without losing too much credibility

References

¹ Sniezek & Van Swol, 2001; ² Anderson et al., 2012; ³ Price and Stone, 2004; ⁴ Sah, Moore, & MacCoun, 2013; ⁵ Løhre & Teigen, 2016; ⁶ Anderson, 2003