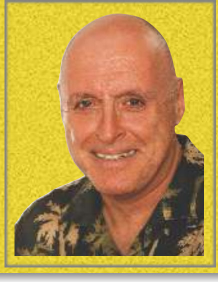
THE EXTRA POINT

BY JERRY ROBERTS



579 Protecting Against the Sunk-Cost Fallacy

Mountain climbers who stayed on the mountain too long. Jet plane builders who kept alive a project even though it should have been canceled. Binge watching a series on Netflix and not quitting even though you're bored with the program. I'm Jerry Roberts and today, what these three scenarios have in common and what it means for you and me, next on The Extra Point.

Most of us like to think we make rational decisions. When the chips are down we believe we'll do the thing that makes the most sense. Many times we do but there are exceptions for almost all of us. Once in a while, we fall prey to what is known as the *sunk-cost fallacy*. If you've never heard the term it doesn't mean you haven't become a victim of it.

Here's the basic concept. An organization or individual is more likely to continue on a course of action if they have already invested a lot of money, time, or effort in it, even when continuing is not the best thing to do.

Does that shed some light on it for you? Have you ever tried to keep something going longer than your instincts have told you was right?

Some people have given the sunk-cost fallacy another name: the Concorde fallacy. You recall the commercial supersonic jet airliner, the Concorde, built by the French? The project was predicted to be a failure almost from the beginning, but those involved kept it going.

The size of the investment and the shared commitment between all parties involved built what was termed a psychological burden that outweighed their better judgment.

Even though they had lost massive amounts of money through an incredible level of effort and time, they would not give up. You've likely heard the phrase, "Throwing good money after bad."

Even though we know that circumstances do not favor us continuing, there are times we escalate our commitment. Rather than cut our losses, instead we double down on our bets and turn a mild loss into one that is far worse.

In 1996, eight people died during a trek to the top of Mount Everest. Again, the sunk-cost fallacy. Once you've traveled a long distance, it's easy to ignore obstacles like bad weather or slow progress. It's easy to follow even a single voice that says, "We've come so far and we're so close to the next destination. Let's not give up now."

Following that tragedy, more climbers began to discuss using "stop rules" to ensure they get home alive. In example a rule might be, "If our group hasn't reached a certain checkpoint by 3pm, we turn around. No arguments."

Very few of us climb the tallest mountains or work on supersonic jets, but we make the same kind of decisions in our lives. I used the binge watching example, sticking with a series long after it's interesting because we think it'll get better. We stay with investments too long, businesses, career choices, projects, workplace relationships, and feel free to add to the list.

Is the sunk-cost fallacy a reality in your life? What stop rules — or "hard stops" as some people call them — can you and should you put in place that you will not exceed, not ignore, not even bend? What stops do you need, right now?

That's The Extra Point. Be responsible and make something good happen today. For 93.3 and the Ray Gibson Show, I'm Jerry Roberts.

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