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The Dunning-Kruger Effect

Psychology of competence and self-awareness

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1 warm up

Discuss these questions with your teacher. Give extended answers with reasons and examples.

1. **Overestimating Yourself:** Have you ever felt very confident about a skill or subject, only to realise later that you knew much less than you thought? What happened, and how did it change your approach?

2. **Spotting It in Others:** Can you think of a time when you noticed someone who was very confident but clearly wrong about something important? How did you — or others — react? What made it difficult to challenge them?

3. **The Statistics Problem:** Research shows that 93% of drivers believe they are above average. Statistically, this is impossible. Why do you think people overestimate their own abilities so consistently? Is this always harmful?

4. **Confidence and Leadership:** In your opinion, what is the difference between healthy self-confidence and dangerous overconfidence in a manager or leader? Where does one end and the other begin?

5. **Honest Feedback:** If your manager asked for honest feedback about a decision you thought was wrong, would you feel comfortable giving it? What makes it so difficult to tell someone in authority that they may be making a mistake?

SCAN ME

2 video comprehension

Watch the video, then complete all three parts.

Video: https://www.youtube.com/watch?v=4FGnb2lgPBA —Sprouts:"TheDunning-KrugerEffect" (2021)

Part A — True or False. Write T (True) or F (False). If false, write the correct version on the line.

#	Statement	T / F
1	The Dunning-Kruger Effect was first described by psychologists David Dunning and Justin Kruger in a study published in 1999.	___
	If false, correct it:	
2	According to the Dunning-Kruger Effect, people who have high levels of expertise always greatly overestimate their own abilities.	___
	If false, correct it:	
3	In Dunning and Kruger's original study, participants who performed in the bottom quartile consistently overestimated their own scores and performance relative to others.	___
	If false, correct it:	
4	People with low ability often lack the very knowledge they need to recognise their own incompetence — sometimes called the "double curse" of the Dunning-Kruger Effect.	___
	If false, correct it:	
5	The Dunning-Kruger Effect can affect anyone — including experienced professionals — not just beginners or uneducated people.	___
	If false, correct it:	

Part B — Fill in the Gaps. Use the words in the box to complete each sentence.

WORD BANK:
competence · bias · overestimate · humility · awareness

1. The Dunning-Kruger Effect is a cognitive ______________ where people with limited knowledge greatly overestimate their abilities.
2. People with little experience in a subject often ______________ how skilled they are compared to others.
3. As your ______________ grows, your confidence becomes more realistic and grounded in genuine ability.
4. Developing self- ______________ is the first important step to recognising the limits of your own knowledge.
5. Experts often show great ______________ about their abilities because they truly understand how much they still have to learn.

Part C — Comprehension Questions. Answer in full sentences. Focus on main ideas, cause and effect, and your own interpretation.

1. In your own words, explain what the Dunning-Kruger Effect is. Why is it considered a cognitive bias rather than simple arrogance or stupidity?

2. What types of skills did Dunning and Kruger test in their 1999 study at Cornell University, and what surprising pattern did they discover when comparing participants' actual scores with their self-ratings?

3. The video describes two opposite patterns of self-assessment — one for people with low competence and one for people with high competence. How are these two patterns different, and what might explain each one?

4. How can the Dunning-Kruger Effect negatively impact teams and organisations when it affects a leader or manager?

5. The video suggests that self-awareness is central to escaping the Dunning-Kruger trap. In your view, why might self-awareness be more important than simply gaining more knowledge or skill in a specific area?

3 pre-reading vocabulary

Read, repeat, and master these words before reading the article.

overconfidence · cognitive bias · flawed assumption · self-assessment · incompetence · strategic misstep · engagement · psychological safety · dissent · blind spot

Match each word or phrase (1–10) with the correct definition (A–J). Write the letter in the answer box.

#	Word / Phrase	Ans.	Definition
1	**overconfidence**	___	A. The process of evaluating your own abilities, performance, or knowledge
2	**cognitive bias**	___	B. A bad decision or action taken in business or strategy that causes negative consequences
3	**flawed assumption**	___	C. An area of weakness or ignorance that a person is unaware of in themselves
4	**self-assessment**	___	D. The lack of ability, skill, or knowledge needed to do something properly
5	**incompetence**	___	E. A belief or idea accepted as true without proof, which contains a fundamental error
6	**strategic misstep**	___	F. The degree to which employees feel emotionally connected to and invested in their work
7	**engagement**	___	G. Excessive belief in one's own abilities, judgement, or chances of success, beyond what evidence supports
8	**psychological safety**	___	H. A systematic error in thinking that affects how people process information and make judgements
9	**dissent**	___	I. An environment where people feel safe to speak up, disagree, or take risks without fear of punishment
10	**blind spot**	___	J. The expression of disagreement or opposition to a commonly held view or a decision made by authority

Now use three words from the list in your own original sentences related to leadership or the workplace.

1. ______________________________

2. ______________________________

3. ______________________________

4 reading

Read silently. Six phrases have been removed and replaced with gaps (1)–(6). Use the phrase list on the next page to fill each gap.

When Confidence Becomes Overconfidence: The Silent Risk in Leadership

Confidence is a crucial trait for effective leadership. It drives decision-making, inspires teams, and fosters innovation. However, when confidence crosses into overconfidence, it becomes (1) ________ Overconfident leaders may overlook critical threats, dismiss alternative viewpoints, and make high-stakes decisions based on flawed assumptions. This overestimation of knowledge and capability has led to some of the most significant corporate failures in history.

The Psychology Behind Overconfidence

Overconfidence bias occurs when individuals (2) ________ . Research from the Journal of Economic Perspectives suggests that overconfidence is deeply ingrained in human cognition, often leading executives to believe they can predict market movements more accurately than they actually can. According to a study by McKinsey, (3) ________ , a statistical impossibility that highlights how common this bias is in leadership.

Real-World Consequences of Overconfidence in Leadership

The Collapse of FTX (2022). Sam Bankman-Fried, founder of FTX, projected (4) ________ . However, his overestimation of FTX's liquidity and failure to recognise governance risks led to a sudden collapse, wiping out billions in investor funds.

Meta's Costly Metaverse Gamble (2021–Present). Mark Zuckerberg's aggressive push into the metaverse saw Meta invest over $36 billion into virtual reality initiatives. Despite market scepticism and slowing adoption, the company continued its expansion strategy, demonstrating how overconfidence in a disruptive idea can lead to financial strain.

Peloton's Overexpansion Misstep (2020–2022). Peloton thrived during the pandemic as home fitness surged, but leadership (5) ________ . The company expanded production and workforce aggressively. As demand waned post-pandemic, Peloton faced significant financial losses, layoffs, and restructuring.

How Overconfidence Affects Risk Management

Overconfident leaders tend to: **Underestimate Risks** — assuming past success guarantees future stability; **Ignore Warning Signs** — dismissing critical feedback from employees and industry shifts; **Overcommit Resources** — excessive investment without contingency plans; and **Resist Adaptation** — sticking to outdated strategies despite market disruptions.

Strategies to Mitigate Overconfidence Bias

Encourage a Culture of Dissent. (6) ________ so employees feel comfortable challenging leadership decisions.

Rely on Data-Driven Decision-Making. Predictive analytics and risk models help leaders assess threats objectively. **Engage External Advisors.** Independent auditors and diverse perspectives reduce blind spots. **Implement Pre-Mortem Analysis.** Asking "What could go wrong?" before executing decisions forces teams to consider potential failures. **Monitor Behavioural Patterns.** Regularly assessing leadership decision-making helps identify when confidence is shifting into overconfidence.

Final Thoughts

Confidence is essential in leadership, but unchecked overconfidence can be a company's downfall. The most successful leaders recognise their cognitive biases and implement safeguards to mitigate them. In an era of rapid technological disruption, humility and adaptability are just as valuable as decisiveness.

Gap-Fill — Phrase List. Eight phrases are listed below. Six belong in gaps (1)–(6) in the article. Two phrases were NOT taken from the article. Read carefully before choosing.

Phrase	Option
A	*overestimated sustained demand*
B	*confidence and overconfidence are essentially the same quality*
C	*60% of executives consider themselves above-average decision-makers*
D	*Psychological safety should be fostered*
E	*unwavering confidence in his company's financial stability and risk management strategies market*
F	*disruptions can always be predicted with sufficient data*
G	*a silent but dangerous risk*
H	*overestimate their knowledge, skills, or control over outcomes*

⚠️Two of the phrases above do NOT appear in the article. Choose carefully.

Reading Comprehension. Answer in full sentences using evidence from the article.

1. **Main Idea.** What is the central argument of the article? How does the author define the difference between confidence and overconfidence in a leadership context?

2. **Interpretation.** The article says overconfident leaders "dismiss alternative viewpoints" and make decisions based on "flawed assumptions." What does this reveal about the relationship between overconfidence and an inability to accept criticism or challenge?

3. **Critical Thinking.** The article presents three real-world case studies: FTX, Meta, and Peloton. What do all three have in common? What single lesson should every leader take from these examples?

4. **Dunning-Kruger Connection.** How does the Dunning-Kruger Effect, as described in the video, help explain the behaviour of the leaders in the article? In what specific way does each of the three case studies (FTX, Meta, Peloton) demonstrate the bias in action?

5. **Social Purpose.** The article recommends five strategies to mitigate overconfidence. Which do you think is the most effective — and which would be the hardest to implement in a real organisation? Why?

5 **listening practice**

Listen to the audio, then complete both parts below.

🎧 Audio: "The Silent Risk — Overconfidence and the Dunning-Kruger Effect in Business Leadership"

You will hear a short business-focused audio piece. It explores the real-world consequences of overconfidence in leadership through three key areas and real case studies. Listen carefully for both specific facts and the speaker's overall argument. Brought to you by Fluentora.com

Part A — Fill in the Gaps. Listen and complete each sentence with the missing word or phrase.

WORD BANK:
overestimate · feedback · productivity · humility · assumptions

1. The Dunning-Kruger Effect describes how individuals with limited knowledge tend to ________________ their own abilities.
2. Research indicates that only 24% of employees feel their leaders consistently encourage ________________ and acknowledge suggestions for improvement.
3. When overconfidence takes hold, leaders make high-stakes decisions based on flawed ________________, often overestimating their control over outcomes.
4. Overconfident leaders significantly impact team morale and ________________, which directly translates to reduced output and increased staff turnover.
5. True leadership is not about unwavering certainty — it is about the wisdom to recognise our blind spots and the ________________ to seek diverse perspectives.

Part B — Comprehension and Discussion Questions. Answer in full sentences using ideas from the audio.

1. The audio describes three critical business impacts of overconfidence. Can you name them and explain which you believe is the most damaging to an organisation — and why?
2. The speaker uses Blockbuster's decision to reject acquiring Netflix as an example of overconfidence. What specific mistake did Blockbuster make, and what does it reveal about the dangers of being too confident in an existing business model?
3. Only 24% of employees feel their leaders actively encourage feedback. What are the consequences of this for an organisation — and what specific steps could a leader take to change this culture?
4. The audio suggests leaders should "implement pre-mortem analyses to anticipate potential failures." What do you think this means in practice? Can you think of a situation where this approach might have prevented a costly mistake?
5. The audio concludes that leaders can "transform potential pitfalls into pathways for growth" by cultivating self- awareness and psychological safety. In your view, which of these two qualities — self-awareness or psychological safety — would be hardest to build in a real organisation, and why?

6 language point: quantifiers — much, many, few, little, enough

Learn when and how to use these quantity words correctly.

Expressing Quantity: How Much? How Many?

Quantifiers tell us how much or how many of something there is. The correct choice depends on whether the noun is **countable** (you can count individual items) or **uncountable** (you cannot count them individually).

Quantifier	Used with	Meaning	Example from the lesson
much	Uncountable nouns (mainly negative / question)	A large amount of	*"There isn't* much *evidence that overconfidence is declining."*
many	Countable nouns (mainly negative / question)	A large number of	*"How* many *executives genuinely assess their own blind spots?"*
few / a few	Countable nouns	*Few* = not enough (negative); *A few* = some (positive)	"Few *leaders welcome dissent openly."* / "A few *strategies can help."*
little / a little	Uncountable nouns	*Little* = not enough (negative); *A little* = some (positive)	*"He showed* little *humility."* / *"With* a little *self-reflection, things can improve."*
enough	Both countable and uncountable	Sufficient / as much as needed	*"There isn't* enough *data to support that decision."*

ⓘ **Key difference:** *few* and *little* have a NEGATIVE feeling — "not as much/many as needed." *A few* and *a little* have a POSITIVE feeling — "some, which is useful." Compare: *"She had* little *confidence"* (worrying) vs. *"She had* a little *confidence"* (helpful).

Part B — Controlled Practice. Choose the correct quantifier to complete each sentence.

1. He made too _______ assumptions without collecting enough data to support them. (much / many)

2. There is very _______ research showing that overconfident leaders perform better than self-aware ones. (little / few)

3. _______ senior executives are genuinely willing to say "I don't know" in front of their teams. (Few / Little)

4. Do you have _______ experience working with overconfident managers? How did you handle it? (much / many)

5. The team didn't have _______ time to challenge the decision before it was announced publicly. (enough / many)

Part C — Free Practice. Write your own sentences using the quantifiers correctly.

1. Write 2 sentences about overconfidence or self-awareness in the workplace using **much** or **many**.

2. Write a sentence about something a good leader needs, using **little** or **few** to show something is lacking.

3. Write a sentence about yourself as a learner or professional using **enough** — either positively or negatively.

7 discussion

Give extended answers. Connect ideas from the video, article, and audio throughout.

1. The Dunning-Kruger Effect is sometimes called a "double curse" — people with low skill not only perform poorly but also lack the awareness to recognise their poor performance. Why is this combination so dangerous, and how might it explain some of the corporate failures described in the article?

2. Both the video and the article suggest that overconfidence is especially dangerous in leadership. Why do people in senior positions often find it hardest to recognise their own blind spots?

3. The article mentions that 60% of executives consider themselves above-average decision-makers. What does this tell us about human nature — and what does it suggest about how organisations should be designed?

4. The audio argues that true leadership requires "the wisdom to recognise our blind spots." Can you think of a well-known leader — in business, politics, or history — who demonstrated this quality? What made them effective?

5. If you were the CEO of a company today, what specific systems, structures, or practices would you put in place to protect yourself and your senior team from falling into overconfidence? Draw on concrete ideas from the video, the article, and the audio.

homework

Complete before your next lesson. Written output required.

Personal Competence Audit (150–200 words)

Choose one area of your life — professional or personal — where you suspect you might currently be at the **"overestimating your own ability"**

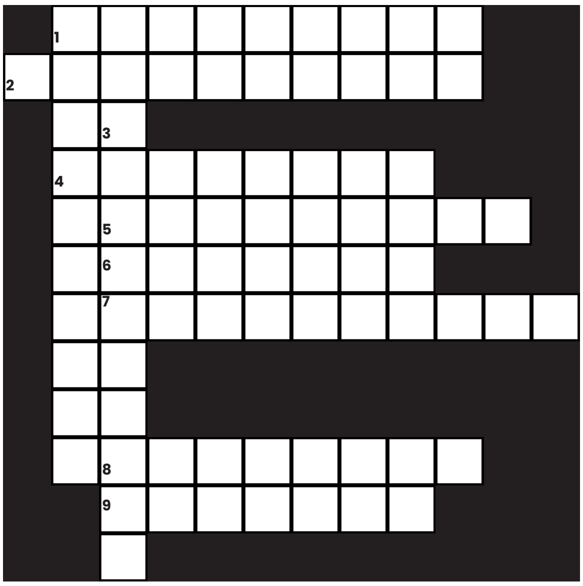
Write a short reflective piece that:

- Identifies the skill or area and explains what you currently **believe** you know and can do
- Honestly describes **at least two things** you know you don't yet fully understand or have mastered
- Names **one specific action** you will take to begin moving from the "Valley of Despair" towards the "Slope of Enlightenment"
- Uses **at least three vocabulary words** from today's lesson (e.g. blind spot, self-assessment, cognitive bias)
- Uses **at least two quantifiers** (much, many, few, little, enough) accurately and naturally

Bring your audit to the next lesson. Be prepared to read it aloud, reflect on it, and discuss it with your teacher. There are no wrong answers — only honest or dishonest ones.

Vocabulary Crossword

Use the synonym clues below to find the correct vocabulary word from this lesson. Write one letter per box.



ACROSS

1. Mental / intellectual (9)
2. Ability / skill (10)
4. Response / reaction (8)
5. Consciousness / perception (9)
6. Reject / disregard (7)
7. Involvement / participation (10)
8. Modesty / meekness (8)
9. Understanding / grasp (7)

DOWN

1. Self-assurance / certainty (10)
3. Guidance / direction (10)

💡 **How to use this puzzle**

Each clue gives you a synonym (a word with a similar meaning) to the answer. The number in brackets shows how many letters the word has. Use what you have learned in today's lesson to help you.

Video Transcript

On April 19th 1995 McArthur Wheeler robbed a bank with his face glazed with lemon juice, believing the juice would make his face invisible to the surveillance cameras. He thought so because lemon juice works as invisible ink on a piece of paper. Police broadcasted the security camera footage on the local 11 o'clock news, and just after midnight Arthur was arrested. Incredulously he said "But I wore the juice!" Baffled by this reasoning, David Dunning and Justin Kruger, two Psychologists, studied Mr Wheeler and others like him . They came to the conclusion that people with low ability at a task tend to, paradoxically, overestimate themselves. This cognitive bias is known as The Dunning–Kruger effect. Let's look at this graphically plotting one's confidence in your ability against one's actual knowledge in a field. As we learn something new, we are often highly confident because we know so little that as soon as we do know a tiny bit, we think we know it all. Those who stop learning here maintain a false sense of mastery. Those who continue learning, realize things are more complex and often lose motivation. And the more they increase their knowledge the lower their confidence becomes. Many stop at this stage, thinking they've learned nothing. Only if we keep going can we regain confidence while getting better. And at the end, we will be full of knowledge and almost as confident in our ability as right after we started. In other words, if a simpleton , a good student and a wise teacher were to have a public debate, this is how things could go down. The simpleton knows just a little bit, but is very confident and voices his opinions loud and without hesitations. The student knows more, but doesn't realize it because she lacks confidence. She keeps quiet. The teacher is confident, but understands how complex things really are, hence voices his opinions with reservations. In the end, the simpleton wins the popular vote, because he is so confident about being right and people tend to trust certainty. Research from North America, Europe and Japan suggests that culture plays a big role. From assessments of one's own ability to drive we know that 93% of Americans think they are better drivers than average, while "only " 69% of Swedish think so. In Japan on the other hand, people, in general, tend to underestimate their abilities as a strategy to see their underachievement as an opportunity to improve. Setting out on a journey of learning can be a daunting experience. What starts off as a leisurely stroll soon changes to an intense battle of willpower between you and an intimidating amount of knowledge. Do not give up. The longer you fight, the more power you gain, up until the point you win. And in the end, if you persevere, you may be elevated to the ranks of Socrates, who, over 2000 years ago, left us with a quote of wisdom "I know that I am intelligent, because I know that I know nothing." sprouts videos are published under the creative commons license that means our videos are free and anyone can download edit and play them for personal use and public schools governments and non-profit organizations can also use them for training online courses or designing new curriculums to help us stay independent and support our work you can join our patrons and contribute just visit patreon.com sprouts even one dollar can make a difference you

Audio Transcript

Hello and welcome. As leaders, we often discuss the importance of confidence, but what happens when confidence veers into overconfidence? Today, we delve into the Dunning-Kruger effect, a phenomenon you're likely familiar with, and explore its profound, often silent, impact on business, productivity, and leadership effectiveness. We'll uncover how this cognitive bias can undermine even the most seasoned professionals, leading to significant organizational challenges. At its core, the Dunning-Kruger effect describes how individuals with limited knowledge or competence in a particular area tend to overestimate their abilities. Conversely, highly competent individuals often underestimate theirs. In the fast-paced world of business, this dynamic can be particularly insidious. Consider the stark reality that while 93% of U.S. drivers believe they are above average, statistically, this is an impossibility. This better-than-average effect is a prime example of how easily we can misjudge our own capabilities. Let's examine three critical business impacts of overconfidence in leadership. First, the peril of ignoring feedback. Overconfident leaders often possess a strong conviction in their own judgment, which can lead them to dismiss or filter critical input from their teams. This isn't necessarily malicious. It's a cognitive blind spot. Research indicates that only 24% of employees feel their leaders consistently encourage and acknowledge suggestions for improvement. When leaders, perhaps unknowingly, stifle open discussion, vital information is lost. We've seen this play out in numerous corporate settings. A classic, albeit anonymized, example is the tech startup whose charismatic founder, convinced of their product's revolutionary nature, systematically ignored internal warnings about technical flaws and market saturation. The result? A product launch that failed to gain traction, significant financial losses, and a demoralized engineering team whose concerns were consistently brushed aside. Second, the high cost of poor decision-making. When overconfidence takes hold, leaders are prone to making high-stakes decisions based on flawed assumptions, often overestimating their control over outcomes. History is replete with cautionary tales. Consider Blockbuster, which famously passed on acquiring Netflix for a mere $50 million in 2000, confident that their brick-and-mortar model was unassailable. This strategic misstep, fueled by an inflated self-assessment of their market position, ultimately contributed to their demise. More recently, we witnessed the dramatic collapse of FTX, where founder Sam Bankman-Fried's unwavering confidence in his company's financial stability and risk management proved to be a catastrophic overestimation, wiping out billions in investor funds. Similarly, Peloton's aggressive expansion during the pandemic, based on an overestimation of sustained demand, led to massive overproduction, significant financial losses exceeding $2 billion, and widespread restructuring when market shifted. These examples underscore how an inability to accurately assess risks and adapt to changing conditions can lead to profound strategic failures. Third, the erosion of team productivity. The behaviors of overconfident leaders don't exist in a vacuum. They cascade throughout an organization, significantly impacting team morale and output. Gallup research highlights that managers account for a staggering 70% of the variance in employee engagement scores across business units. When leaders are perceived as unapproachable, dismissive of feedback, or prone to unrealistic expectations, engagement plummet. This disengagement directly translates to reduced productivity, increased turnover, and a stifled culture of innovation. A study by Shipman and Mumford, 2011, suggests that, while confidence is crucial, excessive amounts can be detrimental to a leader's performance, potentially doubling the negative impact on team outcomes compared to skilled, self-aware managers. The planning fallacy, a direct consequence of overconfidence, often leads to unrealistic project timelines and missed deadlines, further eroding team trust and efficiency. So how do we, as leaders, navigate this silent risk? The key lies in cultivating self-awareness and fostering a culture of psychological safety. Encourage dissent, implement premortem analyses to anticipate potential failures, and rely on data-driven models rather than gut feelings alone. True leadership isn't about unwavering certainty. It's about the wisdom to recognize our blind spots and the humility to seek diverse perspectives. By doing so, we can transform potential pitfalls into pathways for growth and ensure our confidence serves, rather than sabotages, our organizations.

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