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Leadership Coaching and the Myth of the Rational Client

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ABSTRACT

This paper will address the issue of whether or not the clients of leadership coaches think and act in completely rational ways. It explores the question using a lens derived from the fields of Behavioral Economics and the Brain Sciences. Beginning with a look at the origins of the idea of rationality, this work proceeds to consider what's really at issue, why it matters, and the possible trap posed by assuming strong client rationality. The paper concludes by posing options for resolution of the rationality myth by exploring the concepts of heuristics, bias, anchoring and priming. The paper concludes with suggestions for what leadership coaches can actually do to improve their work with clients and a short summary of the main ideas.

Keywords: leadership coaching, economics, behavioral economics, myth, rationality

INTRODUCTION

What does it mean to be rational? Rationalism, as an approach to understanding human behavior, is believed to have begun in the late seventeenth and early eighteenth-century Europe. This particular epoch is often referred to by historians as the "Enlightenment." Rationalism is a viewpoint that regards reason as the primary source and test of knowledge. It holds that reality has a basic logical structure that consists of truths that the human intellect can grasp directly. Rationalism was developed primarily as a reaction to the prevailing religious-based prescriptions of the era. This "Age of Reason" prominently featured the works of such eminent figures as Spinoza, Leibniz, Descartes, and Hume [1].

Influenced by the physics of Sir Isaac Newton, early economic thinkers consciously attempted to model their economic system on Newton's rational-scientific approach to understanding the natural world [2]. Like the trajectory of the various balls struck by the cue ball in an opening shot of billiards, one could accurately determine their paths if aware of the angles, surfaces and forces at play. To the rationalists, fixed laws that govern human behavior, similar to Newton's three laws of motion, were there to be uncovered. Important to this economic theory, individuals were seen as completely rational, logically-consistent beings who acted in their own best interests.

Therefore, given enough information and a knowledge of the relevant laws, individual behavior could be predicted. To this rational way of thinking, an economic system could be viewed as an arrangement whereby individual humans were the functional equivalent of atoms. In this system people behaved rationally, obeyed fixed laws, made their decisions in isolation, and acted in ways to optimize their own fixed preferences. The economists' principal focus was on identifying the operating assumptions and creating mathematical equations to resolve the workings of the various parts of the system. [3].

The fundamental maxims of the traditional economists infer the rationality of the fiscal decision-maker. These imperatives both govern and predict choice. Critical canons included the availability of complete information; that preferences are stable across choice alternatives; that preferences are consistent across alternatives; that calculations can be made to compute the relative value of each alternative; and individuals always acted in ways to maximize their expected value. In other words, applying the theories of traditional economists to leadership coaching, clients would be seen to be highly rational.

In contrast to the thinking of conventional economists, the basic tenets of the traditional approach have been challenged by a new breed of behavioral economist. [4], [5] and [6], Combining insights from the behavioral and brain sciences with economic thinking, behavioral economists have attempted to broadly base their field on direct observations and controlled experiments of how people actually think and behave when they make decisions in the real world.

Representative of the behavioral economists' confrontation of the traditionalists is the body of work of the 1978 Nobel Prize winner in Economics, the scientist, economist and cognitive psychologist, Herbert Simon. Simon disputed many of the fundamental arguments relating to the rationality of decision-makers. In particular, Simon [7] found that rationality was, indeed, limited. On the basis of his research, Simon asserted that all relevant information to a decision is never known prior to choosing. Simon's enquiry also demonstrated that all applicable choices are never known or completely evaluated before a choice is made. Additionally. Simon found that decision-makers have neither the capacity, knowledge or skills to determine the relative value of the choice. Following Simon's groundbreaking work, four other Behavioral Economists have also won the prestigious Nobel Prize for Economics including: Gary Becker in 1992, Daniel Kahneman in 2002, Robert Schiller in 2013, and Richard Thaler in 2017,

WHAT'S AT ISSUE

Central to the ongoing debate in the field is the issue of the perceived pure rationality of the decision-maker. (The coaching client) as advocated by traditional economic theory. When confronted with a choice situation, do clients actually act in a completely rational manner as suggested by the main-stream economists? Can coaches actually enable their clients to become better decision-makers? Is complete human rationality a myth or a reality?

WHY IT MATTERS

Since much of what leadership coaches do is an attempt to enhance the effectiveness of the judgment-making processes of both their clients and themselves, assumptions about client rationality appear to directly or indirectly impact decision-making activity. Insights from behavioral economics, including limits on rationality, seem to be a particularly promising avenue for improving the coach-client relationship.

At the core of effective leadership coaching is the very human relationship of trust between the coach and the client. Trust is built on mutual respect, enhanced or degraded on the basis of experience together. It is often seen to have two components; character and competence [8].

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Character refers to the moral and mental characteristics of a person. Competence concerns the ability to do something well. Negative assumptions about competence and character can act to poison the trust relationship and could possibly act as something of a self-fulfilling prophecy.

The coach typically enters the client relationship with an anticipation that his or her primary role is to support and challenge the client to achieve positive outcomes. The coach hopes the client will tell the truth, will listen and will bring up what is foremost in mind. The coach also usually assumes that the client will carry out any requested coaching assignments. In return, the client may expect a high degree of skill and competence in the coach, an appropriate level of professional training, relevant experience, degrees of empathy and keeping confidentiality.

THE RATIONALITY TRAP

Underlying the dynamics of the leadership coach-client relationship is a set of conscious and unconscious assumptions that influence what will happen in coaching sessions. These assumptions may relate to: how the world works, how the client relates to the world, why people act as they do, and why things work the way that they do [9]. Potentially, one the most pernicious assumptions concerns the myth of rationality. This is the belief that when confronted with a choice situation, clients will always choose to act in a logical, well thought-out, manner. Additionally, rationality suggests that clients will usually behave in ways that will maximize their own personal utility or benefit,

Daniel Kahneman [10] has identified two basic modes or ways in which the brain appears to operate.

System One is a "hot" system of processing information. Rooted in the unconscious, it is simple, intuitive, evolutionarily ancient, and non-verbal. It is also, fast-acting, effortless and automatic.

System Two is a "cool "mode. It is deliberate, slower-acting, cognitive, complex and self-controlled. Additionally, System Two requires conscious effort to access, is logical in operation, constrained by working memory capacity and very energy intensive to operate. It is potentially helpful for coaches to recognize that their clients typically operate out of System One primarily because it is quicker, easier, simpler and more energy-efficient for their brains to use.

USEFUL OPTIONS FROM BEHAVIORAL ECONOMICS

The extensive body of pragmatic decision-making research of behavioral economists Kahneman and Tversky [12] also contains several conclusions of possible interest to Leadership Coaches. These practical research-based deductions appear to directly impact the process of client decision-making. This is of particular note to coaches since often a great deal of time and effort in coaching sessions is devoted to understanding and improving the quality and effectiveness of the client's decision-making of particular interest to coaches are the roles of heuristics, biases, anchoring and priming. Heuristics are the simple, shorthand decision rules used by System One to automatically guide the decision-making process. Anchoring relates to a tendency to rely heavily on the first piece of information received when making a decision, Bias concerns an inclination or prejudice, often unconscious, for or against someone or something. Priming is an effect in unconscious memory during which prior exposure to one thing effects the response to a later one.

Heuristics

Sometimes called "rules of thumb," heuristics are generally of two types: representativeness and availability [13]. Representativeness is the belief that a random sample drawn from even a small population should represent the whole population. Availability is the tendency for things that come to mind quickly or easily to be judged to occur more frequently and with a higher probability of being correct than those less accessible. An example of a leadership coaching heuristic might be, "So, you see your superior's recent behavior as representative of most managers in the whole company?"

Bias

Many different types of bias have been identified in everyday use [14]. Typically biases operate automatically below the level of conscious awareness to influence behavior. Coaching examples are: younger people are just not as responsible; an ivy league education is more valuable that that from a public school; and taller executives make better CEOs.

Anchoring

The anchoring effect occurs when an *individual's decisions are influenced by a particular previous reference point* [15]. A coaching example of anchoring is, "So, you decided to change your whole marketing plan based on your major competitors last year's sales performance?"

Priming

Priming is the idea that prior exposure to one stimulus effects the response to a following one [16]. The effect automatically occurs in our unconscious memory, influencing judgment and choices without conscious guidance or intention. Coaching example: following a discussion about the challenges of working with older subordinates, the client walks more slowly away at the conclusion of the coaching session.

WHAT CAN COACHES REALLY DO

Based on a selective review of the Behavioral Economics and Brain Sciences research, here is a sampling of what Leadership Coaches might more effectively do to more effectively work with the rationality of their clients as they find them:

- Identify typical client heuristics and biases. Discuss with the client the possible impact on their own behavior and that of others when using a particular heuristic or bias.
- Recognize and point out the anchors that the client may be using to assess his or her performance. Ask the client to reflect on whether or not they are serving desired coaching outcomes.
- Acknowledge and support the client's need to experience a better quality of self-esteem, to feel good about themselves as well as to believe they are honorable, likeable, and appreciated as individuals.
- Judiciously use nudges to get movement in the right direction. Nudging [17] is a means to improve the likelihood that an individual will make a particular choice or act in a more predictable way. It alters the environment such that automatic thinking choices are activated without forbidding any options or changing any economic incentives. A coaching example is, for the client to consider themselves as automatically opting in to completing post-session assignments by the next session or directly stating why they choose not to.

- Use small positive verbal emotional rewards to handle fears of failure or disappointment. Praise the client for incremental progress toward successful goal achievement.
- Connect with the ambitions of the client. Help them to clarify their personal goals and aspirations. Without betraying confidentiality, tell short stories as primes to associate instances where leadership coaching clients overcame adversity and reached challenging personal developmental goals.

SUMMARY

This paper has investigated the myth of the rationality of the leadership coaching client. It has also explored the potential influence of both traditional and Behavioral Economics on the field of coaching. Additionally, it has looked at how Leadership Coaches might be more successful by being aware of relevant findings from the fields of the Brain Sciences and Behavioral Economics. Specifically, the paper has visited how the concepts of heuristics, biases, anchoring and priming might be impacting coaching practices. Several examples for utilizing them in the client relationship were provided.

It seems clear from the available current evidence that the fully rational client is a myth. Human beings are influenced by both their accessible overt consciousness, their hidden covert unconsciousness, as well as the interactions between the two systems. Perhaps the closest leadership coaches can come to rationality closure was voiced by Herbert Simon's concept of "bounded rationality." This is the notion that actual human behavior departs from the perfect rationality proposed by the classical economists. It is a condition where the decision maker attempts to satisfice rather than optimize choice; accepting good enough rather than the best possible solution. In practice, leadership coaching clients often prove themselves to be neither puppets to be manipulated nor gullibly easy marks.

As sentient-beings' clients may at times act unpredictably, emotionally, and irrationally. Coaching clients seem to respond best to the coach adapting to the level of rationality that their clients exhibit. This may involve the coach using active-listening, affording clients verbal respect, treating them as aware adults, and providing support in the accomplishment of their self-improvement goals.

Ultimately, given the vastly different perspectives of the traditional and behavioral economists, the reputed first and second laws of economics appear to apply when considering the notion of client rationality. The First Law is, "For every economist there exists an equal and opposite economist." The Second Law says "They're both wrong." The credibility of economists aside, in actual practice, leadership coaching clients seem to come in all flavors and descriptions as well as having differing degrees of rationality as do the coaches themselves.

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