

*When we face the choice of whether to conduct wrongdoing or not, we may not be able to choose the right way due to various factors. "Pressure" is one example, as introduced several times in BEAR Magazine. In this issue, we will focus on how "cognitive bias" led to an incident within the Toray Group.*

## 1. How "Cognitive Bias" Influence Your Decision

"Cognitive bias" is a tendency of people to perceive information based on preconceptions, past experiences, personal wishes and thoughts of others, which prevents them from making rational judgments. For example, if a large typhoon occurs and an evacuation order is issued, it is reasonable to expect that all residents will evacuate. However, some people may decide not to evacuate due to cognitive bias that link various information such as "none of the neighbours has escaped," "last year there was a large typhoon, but our house was all right," "the leaders of the local community mentioned that the nearby river has never flooded" to the decision not to evacuate.

Cognitive bias may lead people to take wrong decisions not only in cases related to natural disaster but also in many corporate misconduct cases. One famous case is the Space Shuttle Challenger disaster, which resulted in a loss of all seven crew aboard. The cause of this explosion is said to be an O-ring, a sealing component on the booster rocket. Although the manufacturer recognized the risk of malfunction of the component and advised NASA to call off the launch, NASA decided to launch on schedule. It is said that behind this decision was a "groupthink bias" caused by strong expectations as well as the pressure from outside including schedule pressure. Another example is an incident in 2017, in which a crack was found in a flatcar of a Shinkansen. While noticing unusual noises and smell, the attendant was affected by "normalcy bias" and continued to run the train at normal speed without carrying out underfloor inspection.

Below we describe three types of cognitive bias which may lead to misconducts.

### ① Groupthink Bias

Psychological phenomenon that occurs when members of the group place priority in reaching consensus within the group, and as a result fails to make rational decisions. In such a group, members tend to avoid speaking up even if they do not agree with the majority opinion from fear of isolation within the group. Losing the chance to think twice, the group will follow the majority opinion and tend to result in making wrong decisions.

### ② Normalcy Bias

Psychological disposition that makes people facing an abnormal situation within a certain range, to think that the event or situation is normal. When this normalcy bias affects people involved in abnormal situation such as corporate misconduct, it makes them ignore unfavourable information or regard them as unimportant, and consider the situation they are facing as normal and not special, and as a result cause delay in taking necessary actions.

### ③ **Authority Bias**

Psychological disposition to place too much trust in authority figure (CEO, board members, boss, etc.) and believe that their words are right, and as a result stop thinking by oneself and blindly conform to their orders. If the top management makes a wrong decision or order in an organization affected by authority bias, the members are likely to follow such order without even thinking, and as a result lead the whole organization to a wrong way.

## 2. **How to Avoid Cognitive Bias**

It is not easy to become free from the cognitive biases described above, because these are ways of thinking which people have in their minds without knowing. However, you can avoid allowing those biases affect your decision by being aware that your thoughts may be biased, and by asking yourself whether your decision is not affected by cognitive bias. Another important point is to create an open atmosphere where people would not hesitate to tell you when they think your decision is not right, by showing an attitude of listening to others, and by asking for opinion of outsiders.

## 3. **Using the Case Study**

The attached case study is an example of data falsification that occurred within the Toray Group. Behind this case was “groupthink bias” making people involved hesitate to press the issue which may create problems with their boss and colleagues, “normalcy bias” which prevented them from realizing that their conduct of entering false data was wrongdoing, and “authority bias” which made them blindly follow the instructions of their boss, superiors and predecessors who has better knowledge and experience than themselves.

Please use this case study in your workplace to discuss whether there is a tendency of “cognitive bias” affecting decisions. Below is one example how to conduct the discussion.

- ① Read Page 1 of the case study and understand the specifics of the incident.
- ② Next, use Page 2 of the case study as a guide to direct your thinking about the incident.  
As you do so, please refer to the middle column: “Points for consideration “.
- ③ Finally, think about whether similar risks of misconduct exist within your own workplace, and discuss with your colleagues. Please refer to the column “Compliance in our own workplace” as a guidance.

(Toray Compliance Dept.)

Illustrated  
Version

## Data falsification at Company A

INTERNAL  
USE ONLY

Type	Data falsification	Time span	More than 10 years	Related laws and regulations	Fair competition laws, criminal law (fraud)
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① At Company A, data of Product X is taken by inspecting staff to ensure that specifications required by their customers is met. The result is entered in the "Inspection Report", which is delivered to customers together with Product X.

② From a certain point, inspection staff started to enter figures which differed from the actual result to improve the appearance of the data (not related to quality), as well as writing "Acceptable" for a data item in which the product was not inspected. This procedure was passed on to new staff either orally or by personal notes.

③ Even when a new inspection staff wondered why they should enter figures different from the actual data, and asked around, the only explanation they received was "I don't know, but we have been doing this for years". No one got further into this issue, and the instruction continued to be followed and handed down.

④ The manager of the Inspection Department did not have the experience of inspecting Product X, and left this part of the job up to the staff. The manager approved the Inspection Report without checking the actual data.

⑤ This situation continued for more than 20 years. The inspection staff was not aware that their conduct was wrong, never imagined that it was a breach of contract with customers, nor was conscious that they were entering false data. They continued to deliver the Inspection Report with false data to customers.

**How the Misconduct was Discovered :** During the process of obtaining outside certification, manager realized that the Inspection Report did not match the actual data.

INTERNAL USE ONLY

**Bias**

People involved in misconducts may not be able to speak up even if they think something is not right, or may not even consider it as irregular, due to various “*bias*”, which are built into our minds.

- **Groupthink Bias:** tendency to avoid speaking up from fear of isolation within the group.
- **Normalcy Bias:** tendency which leads people facing an abnormal situation, to think that the event or situation is normal and not special.
- **Authority Bias:** tendency to place too much trust in authority figure (CEO, board members, boss, etc.) and believe that their words are always right, resulting in blindly conforming to their orders.

To avoid misconduct, we must overcome these bias and speak up if we think something is wrong.

Questions	Points for consideration	Compliance in our own workplace
<p>① <b>Long-held custom</b></p> 	<div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0;"> <p>Long-held custom</p> </div>	<div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4; margin-bottom: 5px;"> <p>Is there any procedure which is done for a long time, but not being checked whether it is appropriate?</p> </div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4;"> <p>When a staff point out that something is wrong, have you ever justified it as a custom in your workplace?</p> </div>
<p>② <b>Instructions by the boss and action of the staff</b></p> 	<div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0; margin-bottom: 5px;"> <p>Culture of blindly following instructions by the boss</p> </div> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0; margin-bottom: 5px;"> <p>Environment where staff can consult other members</p> </div> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0;"> <p>Environment where staff can speak up</p> </div>	<div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4; margin-bottom: 5px;"> <p>Is there a culture of blindly following instructions by the boss?</p> </div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4; margin-bottom: 5px;"> <p>Is there an environment for staff to consult other members when they have problems?</p> </div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4;"> <p>Is there an environment where a staff can speak up if they find something is wrong, and such opinion is respected?</p> </div>
<p>③ <b>Do the members properly understand the rules?</b></p> 	<div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0; margin-bottom: 5px;"> <p>Understanding of internal rules</p> </div> <div style="border: 1px solid #ccc; padding: 10px; background-color: #e0e0e0;"> <p>Difference between rule and reality</p> </div>	<div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4; margin-bottom: 5px;"> <p>Does the staff properly understand the internal rules?</p> </div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #fff9c4;"> <p>Are there rules which are not followed, or rules which do not reflect the reality of the workplace?</p> </div>