

Human Factor: Fundamental Attribution Error

We see our own failures as outside our control (situational), but see others' failures as personal shortcomings (dispositional).

How does Fundamental Attribution Error Happen?

In life, we don't see ourselves acting (without a mirror handy); we interact with the world through our internal interpretation of it. We are constantly reacting to our environment, and therefore we are constantly attuned to the situational factors motivating our decisions. On the other hand, when we view others' actions, we literally watch them do it. Without any insight into their inner life, we attribute their actions as a reflection of their character.

We are highly motivated to feel positive about ourselves. Therefore, we tend to explain away our negative behaviors as out of our control, rather than internalizing negative self-appraisals.

Common Examples of Fundamental Attribution Error in Action:

- If a coworker arrives late for work, we may see a lazy disposition, but when we're late it was because of heavy traffic or our alarm didn't go off (situation).
- People view Alex Trebek as intelligent (disposition) because he has all the answers on JEOPARDY. They disregard the fact that he receives all the answers ahead of time (situational).
- If a Client picks a stock and it goes down, they consider themselves unlucky. If you picked it, they think it's because you're a poor Advisor.



Using Fundamental Attribution Error to Help Clients

- Help Clients separate what factors/criteria do and don't affect the success of a strategy.
- Explain your process and reasoning to Clients, even when it may seem self-explanatory.
- Make Clients full participants in allocation decision-making, even when they offer to leave it up to you.
- Communicating intent consistently to clients is particularly important when there is a negative outcome. Without context, loss can plant seeds of distrust.
- Get to know your clients! It is easy to label a client as difficult to work with, but often there will be various situational factors driving their behavior.