

PROFESSIONAL SKEPTICISM LITERATURE REVIEW

PART 1- UNCONSCIOUS BIAS AND PROFESSIONAL SKEPTICISM

Elizabeth Gammie

Background

Beginning in 2015, the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB) convened a small, cross-representational working group—the Professional Skepticism Working Group (Working Group) —to explore how the boards could contribute to strengthening the understanding and application of the concept of professional skepticism. In 2017, the Working Group published [Toward Enhanced Professional Skepticism](#), a summary of its observations.

As part of this focus on professional skepticism, the IAESB incorporated efforts to improve the application of skepticism by professional accountants into its [Strategy 2017–2021 and Work Plan 2017–2018](#). The IAESB also established a task force, which commissioned a literature review.

A four-part series was developed to share key elements of this literature review. This first article examines the underlying theory of how unconscious bias arises; the relevance of implicit or unconscious bias on professional skepticism; the various components of, mitigations for, professional skepticism; and practical tips on reducing professional accountants' unconscious bias.

Cognitive Processing

Human behavior is influenced by background factors, stimulus factors and personality factors (Helson, 1964). Kahneman (2013), who revolutionized large parts of cognitive and social psychology, identified that humans have at least two cognitive systems that we need to be aware of. One such deliberate system involves conscious, controlled, and careful processing of stimuli. This type of processing produces explicit beliefs and attitudes (Evans, 2008). Another is an automatic system where an individual responds to stimuli by rapidly, effortlessly, and automatically applying implicit knowledge, beliefs, attitudes, and skills. These have been stored, through repeated exposures, in our long-term memory (ibid).

Thus much of our thinking relies on pre-existing mental modes and shortcuts (d'Almeida and Grossi, 2016). Within this second processing system is implicit or unconscious bias, whereby our brains make incredibly quick judgments and assessments of people and situations, which are influenced by our background, cultural environment, personal experiences, and education without us realizing these judgments are being made (Equality Challenge Unit, 2017). This type of processing is necessary, as without these unconscious decisions we would be overwhelmed by the requirement to consciously evaluate every single decision that we make (Mindtools, 2017).

These two processing systems can have significantly different responses to external stimuli (Evans, 2008). Thus, as accountants, it is important that we are aware of these different processing mechanisms and the role of our subconscious in decision making. Particularly as, more often than not, these mental modes are incomplete and shortcuts can lead individuals to make the wrong decisions (d'Almeida and Grossi, 2016).

The Relevance of Unconscious Bias to Skepticism

Much of the existing literature on unconscious bias is focused on discriminatory influences within recruitment, promotion, and performance management decision making (ACAS, 2017; Equality Challenge Unit, 2017). However, unconscious bias is a latent variable that underpins a skeptical attitude. This, in turn, influences the exercise of skeptical behavior (Ramamoorti and Gramling, 2017).

With this direct link between our unconscious thinking and our actions and behavior, when making choices at work, it is important to understand how these decisions may be influenced by our inherent biases (Mindtools, 2017). For example, how does unconscious bias affect who you invite to meetings, who you speak with more easily, whose opinions influence your decisions, or which one of your client contacts you trust more? This is a challenge as people tend to believe that they do reflect on their thoughts and, therefore, believe they have evidence underpinning their opinions and decisions. In reality, this is not usually the case as these biased behaviors have occurred at a more unconscious level (Elashi and Mills, 2015). This introspection illusion or bias blind spot (ibid) needs to be addressed.

Components of Unconscious Bias

Unconscious bias comes in many forms. People gather information about strangers to guide their choice to trust them or not (Firth and Firth 2006). Affinity bias occurs when an individual feels an affinity or chemistry with another person (ACAS, 2017). There is an instant rapport that is often due to similar life experiences (ACAS, 2017) and, whilst the reason for this is not known, the mind generates justifications (Dixon, 2017).

Another form of unconscious bias is known as the halo effect. This is where a positive trait is transferred onto a person without anything being known about that individual. For example, those who dress conservatively are often seen as more capable in an office environment (ACAS, 2017) or the assumption that any individual at certain level must be good at their job (Dixon, 2017).

Unconscious bias is not restricted to just individual behavior. It is also apparent in organizational culture—defined as an enduring collection of basic assumptions and ways of interpreting things that a given organization has invented, discovered, or developed in learning to cope with its internal and external influences (Ross, 2008).

Mitigations for bias need to address both individual actions and organizational culture.

Mitigating Unconscious Bias

Given the enormous impact of unconscious patterns on both individual and organizational behavior, what can consciously be done to mitigate this concealed subconscious behavior?

Unfortunately, it is unlikely that we can eliminate our biases as these are a natural part of how we function (Kahneman, 2013, Evans, 2008). However, there are things that we can do to mitigate their negative impact on our individual and organizational decision making.

First, in order to reduce unconscious bias, it is necessary to encourage individuals to reflect on, admit to, and watch for their bias. Unfortunately our traditional paradigm has generally assumed that “good” people are not biased (Ross, 2008). Therefore, it is necessary to remove the social rule that creates a barrier to admitting to behavior with a negative association, so that the recognition of bias can be regarded in a positive light (Elashi and Mills, 2015).

Second, we have to develop tactics that help us make decisions more consciously. Ross (2015) indicates that there are three types of approaches that can help, namely: priming, reorganized structures and systems, and establishing new forms of accountability.

Priming is exposure to something that influences subsequent behavior without the individual necessarily being aware of the guiding influence. By consciously priming people to pay attention to potential areas of bias, individuals can be encouraged to be more conscious of their decision-making processes (Molden, 2014). Indeed, unconscious bias training has recorded significant results with typically 35% of participants making behavioral changes (Dixon, 2017).

Reviewing organizational structures and systems can also help reduce the impact of bias (Ross, 2015). For example, organizational leaders can influence behavior by making explicit, and acting as role models for, expected behavior (Engage Employee, 2017). Encouraging widespread group discussions on bias is another mechanism to constrain the behavior (Kahneman, 2013).

Adequate resources also need to be devoted to deal directly with, and uncover, bad practices (Engage Employee, 2017). Structured processes can also reduce patterns of unconscious bias that take over when people “trust their gut” in informal processes (Ross, 2015). Decisions should, therefore, be justified with evidence and the reasons recorded (ACAS, 2017).

Finally, establishing new forms of accountability to detect bias should be utilized (Ross, 2015). While it may be easier to evaluate bias's impact on recruitment and promotion metrics, decision aids might be deployed that, for example, alert the decision maker to potential bias in sampling.

One possible way to test an individual's unconscious bias is through the freely available Implicit Association Test (IAT), created and maintained by Project Implicit, a consortium of researchers from Harvard University, the University of Virginia, and the University of Washington (Project Implicit, 2017). This could provide professional accountants with feedback on their inherent bias, albeit from a staff recruitment and promotion point of view. However, flagging the inherent bias in their cognitive domain, should encourage reflection and action in other situations.

Challenge for Professional Accountants

Implicit attitudes are more likely to influence cognitions and behaviors when cognitive processing capacity is low due to fatigue, illness, anxiety, or cognitive overload (Van Ryn and Saha, 2011). Individuals need to pay particular attention to their choices when they are feeling tired, rushed, or stressed, as these situations tend to activate our biases (ACAS, 2017; Mindtools, 2017). Reducing unconscious bias is, however, a challenge for professional accountants and, in particular, professional accounting service firms, which are widely criticized for excessive working weeks (Dambrin and Lambert, 2008; Gallhofer and Paisey, 2011; Gammie and Whiting, 2013). As a result, professional accountants should be aware of the practical tips provided in this article to reduce bias.

Author

Elizabeth Gammie is a Professor of Accounting and Head of Aberdeen Business School at the Robert Gordon University in Aberdeen, Scotland. She qualified as a chartered accountant with the Institute of Chartered Accountants of Scotland and since joining academia has undertaken several research projects on professional education issues, gender disparity in professional accounting service firms and competencies of audit teams.

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