
Meditate for More Profitable Decisions



By Zoe Kinias , INSEAD Assistant Professor of Organisational Behaviour, and Andrew C. Hafenbrack , INSEAD PhD student in Organisational Behaviour

It's a practice rooted in Hinduism and adopted by beatniks seeking spiritual guidance. Now evidence shows meditation can improve business decisions and save your company from expensive investment mistakes.

Meditation has become an increasingly popular practice amongst the C-suite elite. And, with CEOs such as Rupert Murdoch (News Corp); Bill Ford (Ford Motor Company); Rick Goings (Tupperware); and Marc Benioff (Salesforce.com) all touting its benefits, executive coaches are picking up on the trend introducing mindful techniques to programmes to calm the mind's "chatter", assist focus and manage stress. But new empirical evidence suggests it's more than just a "feel good" exercise, and as little as 15 minutes of meditation can actually help people make better, more profitable decisions, by increasing resistance to the "sunk cost bias".

The sunk cost bias - also known as the sunk cost fallacy or the sunk cost effect - is recognised as one of the most destructive cognitive biases affecting organisations today. Put simply, it's the tendency to continue an

endeavor once an investment has been made in an attempt to recoup or justify “sunk” irrecoverable costs. The phenomenon is not new; psychological scientists have been studying the “escalation of commitment” since the mid-1970s, noting its ability to distort rational thought and skew effective decision-making. Often it’s a subconscious action, which can result in millions of dollars being invested into a project, not because it’s a sound investment but because millions of dollars have already been spent.

Avoiding the trap

But it’s a mind trap you can avoid as suggested by the paper [Debiasing the Mind Through Meditation: Mindfulness and the Sunk Cost Bias](#) by **Andrew Hafenbrack**, INSEAD PhD student in Organisational Behaviour, **Zoe Kinias**, INSEAD Assistant Professor of Organisational Behaviour and **Sigal Barsade**, the Joseph Frank Bernstein Professor of Management at The Wharton School. Their research shows just 15 minutes of mindfulness meditation – such as concentrating on breathing or doing a body scan – helps raise resistance to this problematic decision process, and open the way to more rational thinking.

“Prior research shows the more we invest in something (financially, emotionally, or otherwise), the harder it is to give up that investment and the more inclined we are to escalate a commitment,” Hafenbrack notes. “In many cases negative emotions; fear, anxiety, regret, even guilt or worry over past decisions, subconsciously play a part in the decision-making process.”

Most noted examples include the U.S. military campaigns in Vietnam in the 1960s, and more recently in the Middle East, when mounting casualties made it increasingly difficult for the U.S. government to withdraw. On the business front companies regularly fall victim to the bias when faced with decisions on whether to pump money into a product after being scooped by a competitor, or to continue an investment as costs skyrocket beyond initial estimates. Sometimes it’s a matter of a product just not selling as well as expected, as was the case with the Concorde supersonic jet when France and Britain continued their investment long after it was known the aircraft was going to be unprofitable.

The sunk cost bias can also be exacerbated by anticipated regret, the result of thinking too much about what may, or may not, occur in the future.

Building resistance

It is the result, says Kinias, of both emotional and temporal processes. MRI brain scans show the mind's natural state constantly jumps around, flicking between ideas, switching from the past to the future to the present in seconds. Through a series of studies Hafenbrack, Kinias and Barsade hypothesised, and found that mindfulness meditation, by focusing on the present, quiets this mind-wandering process, diminishing the negative feelings that distort thinking, thereby boosting resistance to the sunk cost bias.

They began the research with a correlational study demonstrating the link between trait mindfulness and an individual's ability to resist sunk costs. As people vary in how mindful they are by disposition, volunteers were first assessed for this trait. They were then asked to make decisions based on ten scenarios. Some were business-related; others were simple choices like whether to attend a music festival that had been paid for when illness and bad weather made enjoyment unlikely. As expected, the results indicated that higher trait mindfulness in volunteers translated into their having more resistance to include sunk costs in their decision-making process.

In subsequent studies the team looked at the causal relationship between mindfulness meditation and the sunk cost bias in both laboratory and online settings. In each case, one group of volunteers was led through a breathing meditation (a form of mindfulness meditation) while another (the control group) underwent a mind-wandering induction, a simple procedure replicating the normal mental state.

All volunteers were then given a sunk-cost dilemma and asked to make a decision. In each study – whether it was online or in the laboratory – volunteers who had undergone mindfulness practice were significantly more likely to resist the sunk cost bias.

Letting go

What was surprising, says Kinias, was the magnitude of the affect that came after such a short period of meditation. “In one of our experiments more than half the participants in the control condition committed the sunk cost bias whereas only 22 percent committed it following the 15 minute mindfulness meditation – that’s a pretty dramatic effect.”

“There may be cases when processing of the past can be useful for making decisions,” she concedes, “but what our research suggests is that people

make better choices in the present moment when letting go of sunk costs is required to make the best decision.”

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