



DRINKING THE KOOL-AID? THE GROUPTHINK CHECKLIST

Groupthink will ruin your investment potential. If you want to succeed in real estate — or any venture — you have to be a critical thinker, not a conformist.



WHAT IS GROUPTHINK?

Groupthink occurs when a group of well-intentioned individuals makes non-optimal or irrational decisions based on the urge to be accepted by the group. These poor decisions happen as a result of group pressures that can cause individuals to abandon their morals, standards, and critical thinking.

In groupthink, criticism and disagreement are met with hostility. Groupthink might emerge as a result of an agenda or a desire not to “rock the boat.”

Groupthink happens in every place where like-minded people are. Real estate investors are used to a (correct) rhetoric that lauds proven methods, rationale, and strategies for investing. There’s nothing wrong with following in the footsteps of those who have gone before us.

The problem comes when we follow without thinking critically.

Groupthink will lead to:

-
- Rationalizing bad decisions
- Investing blind based on others
- Obscured or hidden financial realities
- Illusion of invulnerability, and
- Ignoring warning signs

A clear example of groupthink can be seen leading up to the 2008 market crash. Before the Great Recession, investors and financial professionals made assumptions about the trajectory of the market and ignored the possibility — and warning signs — of the impending crash.

Whenever you start thinking along these lines, you've fallen for the trap:

- ☐ **YOU'RE THE BEST AT WHAT YOU DO**
- ☐ **YOU CAN'T FAIL**
- ☐ **NEW APPROACHES? NOT WORTH IT**
- ☐ **YOU CAN ONLY EXPECT SO MUCH**
- ☐ **WE'RE DOING IT THIS WAY, BECAUSE THAT'S HOW**
- ☐ **WE'VE ALWAYS DONE IT**

How do we avoid becoming sheep? Being in the majority isn't necessarily a bad thing, but being there because it's the majority is. You should come to your own conclusions to decide where you fall.



THE ANTIDOTE: CRITICAL THINKING

When we think critically about investment decisions, we're can better divide real opportunities from mediocrity.

Critical thinking means...

We aren't afraid to pick answers apart.

How does the answer relate to the question? Is the question really being answered, or is the truth being obscured? Listen critically to answers. You will be able to see inconsistencies, emotional pleas, and a lack of real logic. Don't be afraid to probe more deeply to cut to the heart of the matter.

We don't forget to look for evidence.

Wanting something to be true does not make it so. Too many times we try to fit a square peg into a round hole. You can avoid a lot of mistakes by looking for hard evidence to support your decisions. In real estate investment, this means crunching the numbers and surrounding yourself with reputable, honest experts.

We don't underestimate the role of experience.

Experience in and of itself is not evidence for success. Even the most experienced investors can be duped by groupthink and bad decision-making. Experience must be paired with real results to be worthwhile. Don't trust people just because they've been in the game longer than you have. Trust people who get results — and never think that you know it all.

We stay ready to learn.

We are all guilty of biases. Critical thinking demands introspection. When you understand your biases, you are more able to separate them from objective decision-making. Know what you want, what you value, and what is truly important to you. When you are firmly set in these things, you are less likely to be swayed by the crowd.

We're picky with who we trust.

What sources do you trust? Who do you listen to? In this "post-truth" age, it can be challenging to know who to trust and value.

Widen your net. We often listen to voices that align with what we already believe or want to be true. It's something everyone does.

Expand your sources to include people you disagree with. Exposing yourself to a variety of viewpoints with open-minded, logical consideration allows you to better scrutinize the sources you trust.