

## The Sunk Cost Effects and Commitment Bias That Impact on School Decision Making

**Dr Ray Boyd, Dr Melinda Harris & Dr Neil MacNeill (Educators)**

The *Sunk Cost Effect* dilemma is an important topic in finance, building, politics and education, and in this paper we reiterate the point that the Sunk Cost Effect is alive and well in our classrooms and schools' planning. We see the effects of Sunk Cost every time a school examines aspects of their business and strategic plans, and evaluates the merits of retaining already established and imbedded reading, STEM or maths programs. At the start of the current planning period, school staff constantly need to ask, "Are these existing programs producing the results we need, or, regardless of the money already outlaid, do we need to look for something more effective?"

### The Sunk Cost Effect or The Sunk Cost Fallacy

The *Sunk Cost Effect* is also known as *Retrospective Cost*, and the *Sunk Cost Fallacy*. The phenomenon is commonly aired in daily news media reports as government projects are examined in relation to the costs to date, and the expected blow-out costs in the future to get the projects finished. A large-scale example of this is in Australia was the controversy surrounding the Collins Submarine program and the subsequent budget blowout. The Decision Lab (n.d.) examined the sunk cost fallacy and advised: "The Sunk Cost Fallacy describes our tendency to follow through on an endeavor (sic.) if we have already invested time, effort, or money into it, whether or not the current costs outweigh the benefits."

Jim Blasingame (2011) in his article, *Beware of the Concorde Fallacy* related how the British and French governments, as in the Collins Submarine example, kept pouring money into the Concorde supersonic passenger plane even though costs kept spiralling, and the efficacy was questioned. After such a big investment, governments, and businesses are always reluctant to cut their losses and admit a mistake. Blasingame said:

The "sunk costs" lesson: When the financial viability of an enterprise is questionable going forward, any decision to continue should not be based on what has already been spent. The Concorde partners learned this lesson 27 years, and lots of taxpayer money, too late.

An underlying contributing factor in the Sunk Cost Effect is *Commitment Bias*.

### The Commitment Bias or Escalation Commitment

*Commitment Bias* occurs when individuals or groups have made commitments to a program which has not produced the desired results, and rather than lose face, the authors claim that an increased commitment is what is needed to get the promised results. A classic case of this occurred in the Vietnam and Afghanistan wars, where *troop surges* were promised to win the unwinnable, unpopular wars. In a review of the Pentagon Papers, Elizabeth Becker writing of the surge in the Vietnam War for the New York Times (2021, August 1) explained the surge commitment options and the cost:

As the Pentagon Papers later showed, the Defense Department also revised its war aims: "70 percent to avoid a humiliating U.S. defeat ... 20 percent to keep South Vietnam (and then adjacent) territory from Chinese hands, 10 percent to permit the people of South Vietnam to enjoy a better, freer way of life."

The possibility of a humiliating defeat was never mentioned by the President, or the American Secretary of Defense, and it was felt that winning was important to justify the American lives already lost.

Not unnaturally, gamblers also have their version of Escalating Commitment called *Loss Chasing*. Zhang and Clark (n.d.) defined loss chasing:

Loss-chasing describes the tendency of a gambler to amplify their betting in an effort to recoup prior losses. It is widely regarded as a defining feature of disordered gambling, and a hallmark of the transition from recreational to disordered gambling.

Kenny Rogers in his song *The Gambler* offered sound advice to those considering loss chasing when playing cards:

You've got to know when to hold 'em  
 Know when to fold 'em  
 Know when to walk away  
 And know when to run  
 You never count your money  
 When you're sittin' at the table  
 There'll be time enough for countin'  
 When the dealin's done

So, this advice holds for gambling, as well as commitment escalation, because every school leader needs to know “when to run”.

### **Sunk Cost in Personal and Professional Relationships**

While most of the Sunk Cost studies relate to money and materials, the effect can also be seen in personal relationships. Many human relationships just chug along over time, but occasionally the high investment relationships start to suffer strain. In such cases, both parties need to re-evaluate the relationship, the mental costs, the emotional investment, and the expected outcomes.

### **The Sunk Cost Effect in Education**

Schools and school systems are people-organisations, and they are replete with examples of the Sunk Cost Effects. We will examine three case studies to demonstrate how this works at the system, school and classroom levels.

#### **Case 1: The Sunk Cost Effect- System Level- Reading Recovery**

In 2011 the NSW Government made a commitment of \$261 million with the intention of improving literacy and numeracy for students in the early years (Kindergarten to Year 2) under the *Literacy and Numeracy Action Plan*. Four years later, in 2015, the NSW Department of Education undertook a study to examine the impact of Reading Recovery (RR) on student outcomes compared to similar students who attended a school that did not offer RR.

While there were many different interventions used across NSW primary schools with the intention of improving literacy outcomes in the early years. RR was one of the most widely used and according to Bradford (2015, p. 2), “In 2012, RR was offered in over half (approximately 60%) of NSW government primary schools, with approximately 14% of all Year 1 students participating in the intervention.” While the study suggested that more data should be collected from non-RR schools, it was extensive and went into detail considerable detail regarding the gains made for students involved in RR. The author argued that while “... results showed some evidence that RR has a modest short-term effect on reading skills among the lowest performing students” that “RR does not appear to be an effective intervention for students that begin Year 1 with more proficient literacy skills” (2015, p. 24).

Given the significant injection of funds into RR by the NSW Department of Education it was a courageous move in 2020 to axe the program with the Department ceasing to train teachers in the use of the program that was adopted by three in five public schools (Baker, 2020) With over 16500 teachers being trained in RR the sunk cost was significant, however with little evidence suggesting that the outcomes were meeting the intention of the initiative, justifying its continuance was near impossible.

### **Case 2: The Sunk Cost Effect- School Level- Outcome Based Education (OBE)**

In Western Australia in the mid-1990s the State Education Department made a state-wide commitment to its version of Outcome Based Education, and they developed their expectations in a comprehensive program setting out a new set of 12 expectations in the Curriculum Framework (Curriculum Council, 1998). The 12 principles of learning, teaching and assessment described a broad move into student-centred learning in which the associated professional learning included negotiated curriculum, group work, and flexible content materials. Importantly, the teachers' roles were down-graded to "guides on the side", and in some schools the Year 7 students had studied dinosaurs three or four times with negotiated curriculum!

The early stages of state and national testing clearly showed that the 'Emperor had no clothes', and the principals were told that their schools' literacy and numeracy results needed to improve, or their schools would be visited by the Accountability Team. At the school level staff then had to put aside all of the strategies that teachers had previously used and relearn teaching with clear learning objectives that directed classroom teaching.

This case was complex because it involved turning around a decade of government driven ideology which meant the schools had to teach new graduates what a year's work looked like, which is why many schools bought-in proven syllabus programs. The sunk costs, in monetary and human resource terms in dumping the OBE were horrendous, but at the end of the day schools had to do the right thing by their students whose literacy and numeracy assessment results were appalling.

### **Case 3: The Sunk Cost Effect- Teaching and Learning-**

In 2006 one of the authors was appointed as principal of a metropolitan school. The school was investing heavily in a numeracy initiative that not only involved a significant resource investment, but also a human investment by way of a specialist teacher.

While on the surface the initiative was supported by teachers and appeared to engage the students, the outcomes did not reflect the investment in terms of student achievement. In 2008 the school underwent an external review as a result of poor performance levels and, despite findings that indicated work needed to be undertaken to improve student performance in literacy and numeracy, a recommendation from the review panel was to continue with the implementation of the numeracy initiative that had been in place for four years with no significant changes in overall performance.

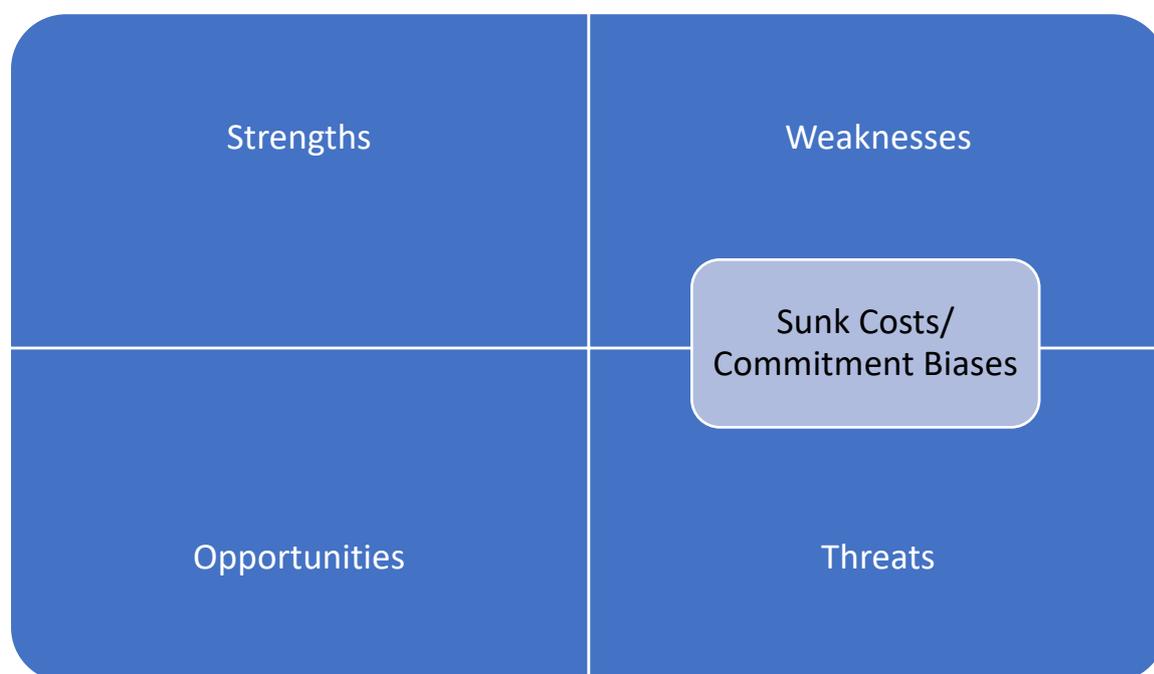
While the incoming principal acknowledged that the investment of time and money had been considerable relative to the school's overall budget. Continuing with a program that was not achieving what it was intended to do would not be dissimilar to mining for 'fool's gold'. To this end, at the conclusion of 2009 the program was dropped, and the school's leadership team took the school on a different path pertaining to an effective instructional framework

that, in the first year, achieved significantly better results than the previous five years at accumulated costing in excess of \$600 000.

### Discussion

The concepts of Sunk Cost Effects and the Sunk Cost Fallacy; and Commitment Escalation need to be a part of the thoughts and conversations in every educational context. The strategic planning in classrooms and schools needs to be evidence based, and right. Anything less than this is an “Amateur Hour” production that always ends in tears.

An integral part of many strategic planning exercises used by school planning teams includes a SWOT Analysis (Strengths, Weaknesses, Opportunities and Strengths), which sets out some of the variables that will impact on future plans. The authors argue that the Sunk Cost/ Commitment Biases must be considered, and so this should be written into the Weaknesses and Threats scenarios.



Of real concern is that all staff members are intuitively aware of the Sunk Cost Effect, Commitment Bias, and Loss Chasing, but being able to identify and label these programming issues will facilitate better planning, and educational and personal cost saving. So, in any planning exercise it is useful to insert a sticky label headed “Sunk Cost Effect/ Commitment Biases?” and if considered, this will improve schools’ planning processes to get better results for students’ learning.

A real danger point for school planning occurs when a school plans an expensive change that needs to be done in stages over several years. In such cases staff change, the priorities change, the educational milieu changes, and the proposed change loses its backing. Teacher Resource cupboards are full of previous administrations’ good intentions, and the school librarian now needs the space for the next good idea that will fight with the backers of the Sunk Cost Effect.

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