

How to Be a Good Decision-Maker

You shouldn't trust your gut as a decision-maker: Here's why.

The biggest falsehood in business leadership and career advice may also be the most repeated: "Go with your gut." Surely you've heard this advice often as a decision-maker, as well as some variations of that phrase, such as, "Trust your instincts," "Be authentic," "Listen to your heart," or "Follow your intuition."

One is deeply frustrated, saddened, and angered when one sees highly profitable companies, top-notch careers, and great business relationships devastated because someone bought into the toxic advice of going with their gut. When someone returns to work after some guru's fire-walking seminar and starts to behave like their "authentic self," they are simply shooting themselves—and their business—in the foot.

Our authentic selves are adapted for the ancient savanna, not the modern business world. Following our intuitions can lead to terrible decisions in today's professional environment. For the sake of our bottom lines, we need to avoid following our primitive instincts and instead be civilized about how we address the inherently flawed nature of our minds.

Think about these questions:

- What percent of projects in your company suffer from cost overruns?
- When was the last time a leader in your company resisted needed changes?
- How often are people on your team overconfident about the quality of their decisions?
- What proportion of plans in your workplace overemphasizes smaller short-term gains over larger long-term ones?
- How frequently do your people express reluctance to have difficult conversations about potentially serious issues?

All of these and many other problems come from following our gut reactions.

Any of these mistakes, if repeated frequently enough, can and do result in disasters for successful companies and bring down high-flying careers, especially when facing smart competitors who educate themselves on how to avoid such problems. By contrast, if you're the one to learn about and defend yourself from these errors, you can take advantage of rivals who go with their guts and make devastating mistakes. This will enable you to gain a serious competitive edge.

This research-based perspective is based on studies of dangerous judgment errors known as cognitive biases. These mental blindspots affect decision-making in all life areas, ranging from business to relationships. Fortunately, recent research has shown effective and pragmatic strategies to defeat these dangerous judgment errors.

Business strategic assessments are deeply flawed

Tragically, current business strategic assessments meant to address the weaknesses of human nature through structures and planning are themselves deeply flawed. Take the most popular of them, SWOT, where a group of business leaders tries to figure out the strengths, weaknesses, opportunities, and threats facing their business. SWOT assessments usually fail to account for the risky judgment errors we make due to how our brains are wired.

It's particularly problematic that SWOT is almost always performed in a group setting, where mental blind spots are often exponentially increased. One particularly large problem is known as groupthink, where groups tend to coalesce around the opinions of a powerful leader.

SWOT and similar strategic assessments give a false sense of comfort and security to business leaders who use them. These comforting techniques result in appalling oversights that can ruin profitable businesses.

Sports is ahead of business

Surprisingly, sports such as baseball have pulled ahead of the vast majority of businesses in recognizing the value of avoiding gut reactions, as popularized by

the 2011 film *Moneyball*. The movie shows the 2002 season of the Oakland Athletics baseball team, which had a very limited budget for players that year. Its general manager, Billy Beane, adopted an unorthodox approach. He relied on quantitative data and statistics to choose players, rather than the traditional method of trusting the intuitions of the team's scouts.

In other words, he used his head rather than his gut. He hired a series of players undervalued by all other teams that were using old-school evaluation methods. As a result, the Oakland Athletics won a record-breaking 20 games in a row.

Other teams have since adopted the same approach. Statistics are increasingly dominant over gut reactions in decision-making about players, as well as what plays to make. Reliance on quantitative data has been growing in popularity in other sports as well. For example, punting in football is increasingly going out of style because of evidence-based approaches showing that, statistically speaking, punting is a bad idea, despite gut reactions suggesting that punting works well.

How much would you give to introduce a similarly revolutionary innovation in your business that rewards you with record-breaking growth 20 quarters in a row? You'll score a home run by avoiding trusting your gut and going with your head instead.

How we really think (and feel)

Researchers have discovered that we have, roughly speaking, two systems that determine our mental processes. It's not the old Freudian model of the id, the ego, and the superego, which studies show to be outdated. These two systems have various names: system 1 and 2, fast thinking and slow thinking, the low road and the high road. For my money, "autopilot system" and "intentional system" describe them most clearly.

The autopilot system corresponds to our emotions and intuitions. This system evolved to help us survive in the ancestral savanna environment and mostly relies on the amygdala, the older part of the brain. It guides our daily habits, helps us make snap decisions, and reacts instantly to dangerous life-and-death situations.

The snap judgments resulting from intuitions and emotions usually feel “true” and “right” precisely because they are fast and powerful. We feel comfortable when we go with them. Decisions arising from our gut reactions are indeed often right in those situations that resemble the savanna.

Unfortunately, in too many cases they’re wrong. Our modern environment—in business and other life areas—have many elements that are unlike the savanna. With growing technological disruption, ranging from teleconferences to social media, the office of the future will look even less like our primitive environment. The autopilot system will therefore increasingly lead us to make bad decisions in systematic and predictable ways.

The intentional system, by contrast, reflects rational and analytical thinking. It centers around the prefrontal cortex, the part of the brain that evolved more recently. This thinking system helps us handle more complex mental activities, such as: managing individual and group relationships; logical reasoning; abstract thinking; evaluating probabilities; and learning new information, skills, and habits.

Although the automatic system requires no conscious effort to function, using the intentional system requires a deliberate effort and is mentally tiring. Fortunately, with enough motivation and appropriate training, you can learn to turn on the intentional system in situations where the autopilot system is prone to make systematic and predictable errors.

We tend to think of ourselves as rational thinkers, usually using the intentional system. Unfortunately, that’s not the case. The autopilot system is by far the more powerful of the two systems, determining 80 to 90 percent of what we do, think, feel, and decide.

Our emotions often overwhelm our reason. Moreover, our intuition and habits dominate the majority of our lives. We’re usually in autopilot mode. That’s not a bad thing at all, because it would be mentally exhausting to think through our every action and decision. However, it’s bad when this system makes the same errors again and again.

Fortunately, you can use your intentional system to interrupt these errors. You can change your automatic thinking, feeling, and behavior patterns to avoid mental blind spots.

Be a good decision-maker

Many high-flying professionals—including top business leaders—flinch away from the concept of not trusting their gut because such distrust can be hard and unpleasant. It's counterintuitive and takes them outside their comfort zone. It goes against the typical structures and incentives in teams and organizations that usually favor trusting intuition.

Moreover, many—not all—of the most successful leaders and professionals believe themselves to be perfect decision-makers. After all, they've succeeded so far!

Unfortunately, the greatest disasters happen to those who have previously been most successful. Such tragedies usually occur because these successful people continue to use what worked for them in the past in new contexts where previous methods no longer apply.

Another common problem for them involves getting cut off from previous trusted sources of key information as they advance in their careers, which results in more and more distortions and worse and worse judgments. This tendency helps explain the many examples of highly competent and successful business leaders who steered their companies and careers to destruction.

If you remember only one thing from reading this piece, please recall that the option that feels most comfortable to your gut is often the worst decision for your bottom line.

In our technologically disrupted environment, the future is never going to be like today. We must adapt constantly to an increasingly changing environment to ensure the success of our business and our careers. That ever-intensifying pace of change means our gut reactions will be less applicable in the future. Relying on our instincts will lead us to crash and burn.

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