



Eight Minutes, Not Eight Hours



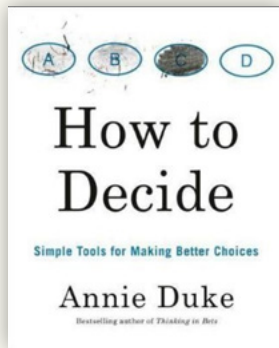
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How to Decide

Simple Tools for Making Better Choices

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How to Decide is a blend of strategies, exercises, and illustrations to help you develop your own high quality decision processes. Duke begins with a few questions to ask yourself about decisions you have made, and from there she discusses what you can learn from your past decisions and experiences, providing tools for predicting and achieving good outcomes. *How to Decide* is an interactive book designed to help the reader to become a better and more confident decision-maker.

KEY QUOTE

“Your decision-making is the single most important thing you have control over that will help you achieve your goals.” — Annie Duke

Key concepts:

Resulting: Outcomes in the Rearview Mirror May Appear Larger Than They Are.

Decision quality and decision outcome are not perfectly correlated. Don't evaluate your decision solely based on the outcome.

As the Old Saying Goes, Hindsight Is Not 20/20. Don't engage in “hindsight bias” – the belief that an event, after it occurs, was inevitable or predictable.

The Decision Multiverse. “Experience is necessary for learning, but individual experiences often interfere with learning” (p. 48). When learning from experience, consider all the outcomes that could have occurred.

The Three Ps: Preferences, Payoffs, and Probabilities. Consider several basic steps including evaluating your preferences (start by listing each possible outcome), what you gain and lose from each given decision, and estimating likelihood.

Taking Dead Aim at the Future: The Power of Precision. Use clear rather than vague terms to express likelihoods and make educated guesses. Be explicit about how certain you are about your estimate.

Turning Decisions Outside In. Work to identify the perspectives and beliefs that color your views (“the inside view”) and also work to objectively analyze your situation (“the outside view”) to arrive at the most accurate outcome. The person you are most likely to mislead is yourself.

Breaking Free From Analysis Paralysis: How to Spend Your Decision-Making Time More Wisely. “Increased accuracy costs time. Saving time costs accuracy” (p. 149). Time is a resource to spend wisely. “The smaller the penalty, the faster you can go. The bigger the penalty, the more time you should take on a decision” (p. 150).

The Power of Negative Thinking. Look ahead to consider what could be barriers to the desired outcome – conduct a “premortem” so obstacles are anticipated.

Decision Hygiene:

If You Want to Know What Someone Thinks, Stop Infecting Them With What You Think.

When seeking another’s opinion, “quarantine” your own opinion so you can elicit their true thoughts.

LEARNING FROM EXPERIENCE

Resulting: Outcomes in the Rearview Mirror May Appear Larger Than They Are

Learning from experience is necessary to become a better decision-maker. However, it is common to have outcome bias. Duke refers to outcome bias as “resulting.” For example, if you buy a stock and it increases in value, it feels like a good decision. However, if you lose money on the stock, it feels like a bad decision.

Duke describes resulting as “a mental shortcut in which we use the quality of an outcome to figure out the quality of a decision” (p. 3).


Resulting often occurs when there is limited information about the decision-making process. “The quality of the outcome casts a shadow over our ability to see the quality of the decision” (p. 7).

To become a better decision-maker, be “a better predictor of the set of possible futures” (p. 9).


“Developing the discipline to separate the quality of the result from the quality of the decision can help you to figure out which decisions are worth repeating and which aren’t” (p. 15).

As the Old Saying Goes, Hindsight Is Not 20/20

After an outcome occurs, it can feel like you should have or did know the outcome. This hindsight bias interferes with the ability to remember what you knew at the time of the decision. According to



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Duke, hindsight bias is the “tendency to believe an event, after it occurs, was predictable or inevitable. It’s also been referred to as ‘knew-it-all-along’ thinking or ‘creeping determinism’” (p. 29).


It’s common for people to misremember the past. “Memory creep” is when “what you know after the fact creeps into your memory of what you knew before the fact” (p. 33).

A knowledge tracker can combat hindsight bias and memory creep. It clarifies what you did and did not know at the time of the decision. It can be difficult to recall what you knew once you already know the outcome, so Duke recommends journaling to document the key facts and prevent hindsight bias (p. 38).


The Decision Multiverse

Duke describes the following as the paradox of experience. “Experience is necessary for learning, but individual experiences often interfere with learning” (p. 48). This is partly because of the biases that cause us to over-fit outcomes and decision quality.

Reconstruct the decision you made and potential outcomes to create a “decision tree” whose branches are counterfactuals (i.e., “what-ifs” or hypothetical outcomes). The past is certain, so it seems inevitable. But Duke believes that to really understand what to learn from outcomes, have a good grasp of the other outcomes that could have occurred. To become a better decision-maker, you need to put the other outcomes in perspective as well.



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DECISION-MAKING FRAMEWORKS

The Three Ps: Preferences, Payoffs, and Probabilities

While you can’t change the past, you can apply what you learn by developing a repeatable process. It’s important to incorporate preferences, payoffs, and probabilities in your decision making.

Duke lays out six steps to better decision-making:

Step 1 – Identify the reasonable set of possible outcomes.

Step 2 – Identify your preference using the payoff for each outcome — to what degree do you like or dislike each outcome, given your values.

Step 3 – Estimate the likelihood of each outcome unfolding.

Step 4 – Assess the relative likelihood of outcomes you like and dislike for the option under consideration.

Step 5 – Repeat Steps 1-4 for other options under consideration.

Step 6 – Compare the options to one another (p. 69).

Since decision-making requires a willingness to guess, use knowledge that you already have and apply it to any estimate. Asking “What do I know?” and “What don’t I know?” leads to closer estimates.

Taking Dead Aim at the Future: The Power of Precision

To express an initial probability, you can start by using blunt terms such as “rarely,” “unlikely,” and “most likely” – they provide an overview of likelihood (p. 96).

However, be aware that these terms that express likelihood may mean different things to different people. In a 1,700-person survey by Andrew and Michael Mauboussin, there were wide ranges of what the words mean to different people. Ambiguous terms lead to confusion. Using the Mauboussins’ survey, you and your team can better understand each other and the different meanings you each ascribe to terms related to probability.

For example, Philip Tetlock described a Cold War situation where the use of imprecise terms had high-stakes consequences. “When President Kennedy approved the CIA plan to overthrow Fidel Castro... he asked his military advisers for their opinions about whether the attempt would succeed. The Joint Chiefs of Staff told Kennedy the CIA’s plan had a ‘fair chance’ of success (which the writer of the assessment considered to be 25%). Because Kennedy thought ‘fair chance’ meant something much higher, he approved it. The plan was a failure, which looked clumsy and amateurish, and embarrassed the United States at a key moment in the Cold War” (p. 106).

“The range around your bull’s-eye estimate defines the size of your target area and serves a key purpose: it signals, to yourself and others, how uncertain you are of your guess. It reveals where you sit on the continuum between no knowledge and perfect knowledge” (p. 111). The goal is to narrow your range, which allows others to contribute.

By expressing your uncertainty, you’re more likely to receive helpful information and perspective.

Duke states, “The tendency toward overconfidence vexes decision-making.” Develop a habit of asking yourself, “If I were wrong, why would that be?” (p 117).

Turning Decisions Outside In

The inside view of how we perceive the world is through our own specific circumstances and experiences. Our own experiences and beliefs can have disproportionate weight and create common biases. Duke describes the following biases: confirmation bias, dis-confirmation bias, overconfidence, availability bias, recency bias, and illusion of control (p.12-127).

The outside view is the “way that others would view the situation you’re in” (p. 128). It is valuable to get others’ perspectives because you can correct inaccuracies and see the facts differently to determine what is objectively true. This can help prevent motivated reasoning – collecting information supporting what you want instead of the truth.



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Duke believes that it is important to make a habit of obtaining a “base rate” – “ask yourself what is true of the world in general, independent of anyone’s point of view.” To obtain an outside view, look for a base rate in surveys, studies, and statistics. Base rates estimate the likelihood of any outcome and help to forecast (p. 136).

Like knowledge tracking, perspective tracking creates records of your beliefs at the time of the decision and prevents memory creep. “Making a habit of journaling the outside view and the inside view will help you get better feedback about how you thought about your decision” (p. 142). As perspectives change, the record of the feedback creates a higher quality feedback loop.

MENTAL MODELS OF DECISION MAKING

Breaking Free From Analysis Paralysis: How to Spend Your Decision-Making Time More Wisely

“Increasing accuracy costs time. Saving time costs accuracy” (p. 149). To balance the trade-off of time and accuracy, determine the penalty for not getting the decision exactly right. By using a decision tool, you can slow down your gut reaction for the high-impact decisions that need more time and accuracy (p. 150).

You can also identify low-impact decisions and save time by performing the happiness test. “Ask yourself if the outcome of your decision, good or bad, will likely have a significant effect on your happiness in a year. If the answer is no, the decision passes the test, which means you can speed up. Repeat for a month and a week. The shorter the period for which your answer is ‘no, it won’t much affect my happiness,’ the more you can trade off accuracy in favor of saving time” (p. 153).

If you are faced with repeating options, you’ll be less likely to regret the decision and you’ll have another chance to try a different option. When a decision passes the happiness test and repeats, you can “freeroll.” (A freeroll is an option with a very limited downside.) You can identify decisions with limited downside by asking yourself, “What’s the worst that can happen?” and “If the outcome doesn’t go my way, am I worse off than I was before I made the decision?” (p. 157).

When you’re in decision grid lock, the only-option test is a useful tool. Ask yourself, “If this were the only option I had, would I be happy with it?” (p. 165).

When there are multiple choices, utilize the menu strategy. Sort your options between what you like and what you don’t like to figure out what makes an option “good” based on your values and goals. While sorting takes time, there will be time saved when selecting the decision (p. 166).



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If there is a low cost to quit, you can decide faster, since it is easier to unwind the decision and choose a different option. This “quit-to-itiveness” decreases opportunity cost and allows for faster decisions. “To figure out when additional time is no longer likely to increase accuracy in a worthwhile way, ask yourself, ‘Is there additional information (available at a reasonable cost) that would establish a clearly preferred option or, if there is already a clearly preferred option, cause you to change your preferred option?’ If yes, go find it. If no, decide and move on” (p. 178).

The Power of Negative Thinking

Prospective hindsight is an exercise that allows you to imagine the future while looking back at what got you to the outcome.

“**Mental contrasting:** Imagining what you want to accomplish and confronting the obstacles that might stand in the way of accomplishing it” (p. 186).

“**Premortem:** Imagining yourself at some time in the future, having failed to achieve a goal, and looking back at how you arrived at that destination” (p. 189).

“**Backcasting:** Imagining yourself at some time in the future, having succeeded at achieving a goal, and looking back at how you arrived at that destination” (p. 193).

Mental time travel gives you the outside view because there are things both within your control and outside your control. An effective premortem touches on both areas.

“Research suggests that when you combine mental time travel and mental contrasting, you can produce 30% more reasons for why something might fail” (p. 192).

A decision exploration table (p. 197) is a tool that can help show the likelihood of any failure or success; it is a log of both the premortem and backcasting you perform along with likelihood of each. It assists in deciding whether to modify the goal or change the decision.

“Precommitment contracts” can be set up to help prevent failure. Precommitments can be made with others or yourself, and they make it more difficult to perform actions that compromise a goal and tamper with the plan. They are not a guarantee, but they make you less likely to stray from quality decisions. Similarly, precommitments can also trigger a certain action toward success (p. 199).

Decision Hygiene:

If You Want to Know What Someone Thinks, Stop Infecting Them With What You Think

Because beliefs are contagious, be mindful of sharing beliefs while eliciting feedback.

The word “disagree” has a negative connotation. Instead, “divergence” and “dispersion” of opinion are more neutral wording to use when opinions differ.



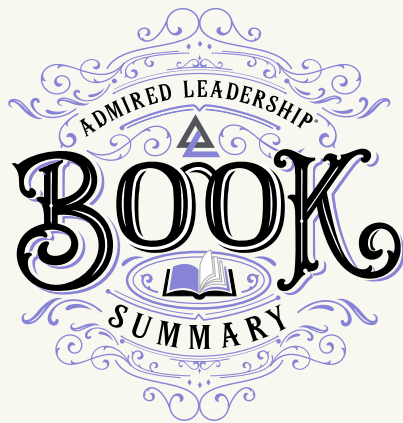
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“Anonymizing feedback on the first pass allows ideas to be better considered on their merits rather than according to the status of the individual who holds the belief” (p. 242).

Build a checklist that focuses on the goals, values, resources, and other details of decision-making before you're in the middle of a decision.

Annie Duke (2021). **How to Decide**: Simple Tools for Making Better Choices. Portfolio / Penguin.



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The Latest and Greatest Books for Leaders

We work hard to stay abreast of the current writings on leadership, especially those books our clients are reading or have been recommended to read. As a benefit to our clients and to facilitate our own learning, the Admired Leadership team has long maintained a tradition of summarizing the newest books of interest to leaders. Better to read a summary for eight minutes before investing eight hours in the entire book.

After reading a good summary, we believe leaders are able to make better choices as to what to ignore, what to peruse and what to make the time to read closely.