DECISIVE:
How to make better choices in life and work

By Chip Heath & Dan Heath

In life we are constantly facing decisions. In leadership you will face even more decisions and many will be larger in scale. If you do not have a process to make decisions, the sheer volume of decisions will cause decision fatigue, poor decisions or indecision. This book identifies the 4 "villains" of decision making so that we can be aware of the key areas we typically make mistakes. It then gives a simple process of decision making that addresses each of the "villains".

NOTE: This is not a Christian book. As Christians, we must always turn to prayer as our top priority. However, we are all human and this book examines many of the common mistakes that lead to bad decisions or indecision. The decision making process outlined in this book doesn't *replace* prayer, rather, it gives clear steps that we can pray about and ask for God's wisdom in each area.

WHY have a decision making process?

"When the researchers compared whether process or analysis was more important in producing good decisions—those that increased revenues, profits, and market share— they found that "process mattered more than analysis—by a factor of six.""

In order to have a good process, we need to be aware of the common reasons we make bad decisions, then find ways to overcome each. This decision making process addresses each of the 4 "villains" which are the most common mistakes we make.

The 4 "Villains" of decision making are:
1. Narrow Framing
2. Confirmation Bias
3. Short-term Emotion
4. Overconfidence

How do the villains affect our decisions? Consider the anatomy of a decision:

1. **"You encounter a choice. But *Narrow Framing* makes you miss options."**

Narrow framing is "unduly limiting the options we consider". "We are quick to jump to conclusions because we give too much weight to the information that's right in front of us, while failing to consider the information that's just offstage… "what you see is all there is.""

2. You analyze your options. But the *Confirmation Bias* leads you to gather self-serving info.

"When people have the opportunity to collect information from the world, they are more likely to select information that supports their preexisting attitudes, beliefs, and actions."

"The tricky thing about the confirmation bias is that it can look very scientific."

"Confirmation bias is probably the single biggest problem in business, because even the most sophisticated people get it wrong. People go out and they're collecting the data, and they don't realize they're cooking the books." At work and in life, we often pretend that we want truth when we're really seeking reassurance…this is what's slightly terrifying about the confirmation bias: When we want something to be true, we will spotlight the things that support it, and then, when we draw conclusions from those spotlighted scenes, we'll congratulate ourselves on a reasoned decision. Oops."

3. You make a choice. But S*hort-term Emotion* will often tempt you to make the wrong one.

Short-term emotion is "being swayed by emotions that will fade".

"We are not slaves to our emotions. Visceral emotion fades. That's why the folk wisdom advises that when we've got an important decision to make, we should sleep on it. It's sound advice, and we should take it to heart. For many decisions, though, sleep isn't enough. We need strategy."

"Short-term emotions can have paradoxical effects. Sometimes it makes us erratic and too quick to act, as when we react aggressively to a driver who cuts us off on the road. More commonly, though, short-term emotion has the opposite effect, making us slow and timid, reluctant to take action. We see too much complexity and it stymies us. We worry about what we must sacrifice to try something new. We distrust the unfamiliar. Together, these feelings make individuals and organizations biased toward the status quo."

4. Then you live with it. But you'll often be *Overconfident* about how the future will unfold.

Overconfidence is "having too much faith in our predictions". An investor said: "It's my job as an investor to think about the future, but the future is uncertain, so my investments can't hinge on knowing the future. I look for situations where the bookends suggest that I can invest wisely without knowing exactly what the future holds."

How do we overcome these villains?

WRAP:
- **<u>Widen</u> your options**
- **<u>Reality</u>-test your assumptions**
- **<u>Attain</u> distance before deciding**
- **<u>Prepare</u> to be wrong**

1. How to overcome *Narrow Framing* - Widen Your Options:

Don't ask "whether or not": Research "found that "whether or not" decisions failed 52% of the time over the long term, versus only 32% of the decisions with two or more alternatives…Why do "whether or not" decisions fail more often? …when a manager pursues a single option, she spends most of her time asking: "How can I make this work? How can I get my colleagues behind me?" Meanwhile, other vital questions get neglected: "Is there a better way? What else could we do?""

And, not Or: "Any time in life you're tempted to think, 'Should I do this OR that?' instead, ask yourself, 'Is there a way I can do this AND that?' It's surprisingly frequent that it's feasible to do both things." "Whether or not" decisions should set off warning bells."

Opportunity Costs: "What are we giving up by making this choice? What else could we do with the same time and money?"

Vanishing Options Test: "You cannot choose any of the current options you're considering. What else could you do?"

Multitracking: "Considering more than one option simultaneously…When you consider multiple options simultaneously, you learn the "shape" of the problem...When you develop only one option, your ego is tied up in it…Beware "sham options."…One diagnostic: If people on your team disagree about the options, you have real options… Toggle between the prevention and promotion mindsets. Prevention focus = avoiding negative outcomes. Promotion focus = pursuing positive outcomes."

Find Someone Who's Solved Your Problem: "Look outside: competitive analysis, benchmarking, best practices… Look inside. Find your bright spots…Look…in the distance. Ladder up via analogies… Lower rungs show close analogies (low risk and low novelty), while higher rungs reveal more distant solutions (higher risk and higher novelty).…Why generate your own ideas when you can sample the world's buffet of options?"

2. How to overcome *Confirmation Bias* - Reality-Test Your Assumptions:

Consider the Opposite: "We need the same disagreement to counteract our confirmation bias." Ask this about the other choices: "What would have to be true for

this option to be the very best choice?" "If someone asks you to figure out what would have to be true for that approach to work, your frame of thinking changes.… This subtle shift gives people a way to back away from their beliefs and allow exploration by which they give themselves the opportunity to learn something new…It goes beyond merely exposing ourselves to disconfirming evidence; it forces us to imagine a set of conditions where we'd willingly change our minds, without feeling that we "lost" the debate."

Ask probing questions that reveal problems or open ended questions: "The best [probing] question to ask, in hopes of discovering the truth, was this one: "What problems does it have?"" "How do you know whether to ask probing questions or open-ended ones? A good rule of thumb is to ask yourself, "What's the most likely way I could fail to get the right information in this situation?" Generally, it will be obvious what the answer is: If you're buying a used car, you're most likely to fail by not discovering a flaw of the vehicle, or if you're a vice president seeking feedback from factory workers, you're most likely to fail by not uncovering what they really think. You can tailor your questions accordingly."

Set tripwires: "A tripwire specifies the circumstances when the team would reconsider a decision. So if you're skeptical of a decision but lack the power to change it, encourage your colleagues to set a tripwire. ("If X happens, we'll take another look at this.") This will be easy for them to accept, since most people are overconfident and will underestimate the chances of hitting the tripwire. Meanwhile, you've made it possible to reconsider the decision at a later date without seeming like the person who said, "I told you so.""

Zoom Out: "The inside view draws from information that is in our spotlight as we consider a decision—our own impressions and assessments of the situation we're in. The outside view, by contrast, ignores the particulars and instead analyzes the larger class it's part of. So in deciding whether to book a reservation at the Polynesian Resort, the inside view relies on our own assessment: Does this look like the kind of place where I would enjoy staying? The outside view trusts the TripAdvisor reviews: How much did people, in general, enjoy staying there?" "Strange to think that when we make critical decisions, we do less objective research than when we're picking a sushi joint."

Zoom In: "A "close-up" can add texture that's missing from the outside view." Test things for yourself, don't just theorize.

Ask an expert: "Experts are good at estimating base rates but lousy at making predictions." "Just keep them talking about the past and the present, not the future."

Ooching: "To ooch is to ask, Why predict something we can test? Why guess when we can know?" "Ooching = running small experiments to test our theories. Rather than jumping in headfirst, we dip a toe in…Ooching is particularly useful because we're terrible at predicting the future…Intuit's Scott Cook believes in "leadership by experiment," not by "politics, persuasion, and PowerPoint." Caveat: Ooching is counterproductive for situations that require commitment." Experiment, don't predict.

3. How to overcome *Short-term Emotion* - Attain Distance Before Deciding:

10/10/10: "Think about our decisions on three different time frames: How will we feel about it 10 minutes from now? How about 10 months from now? How about 10 years from now? The three time frames provide an elegant way of forcing us to get some distance on our decisions.

Beware of mere exposure and loss aversion: "Our decisions are often altered by two subtle short-term emotions: (1) mere exposure: we like what's familiar to us; and (2) loss aversion: losses are more painful than gains are pleasant." "Loss aversion + mere exposure = status-quo bias."

What would our successor do?: "With one question—"What would our successors do?"—Grove managed to add some distance to the decision. By imagining what a clear-eyed replacement CEO would do, Grove sidestepped short-term emotion and saw the bigger picture." "Why does "distance" help so much? …with more distance we can see more clearly the most important dimensions of the issue we're facing." Distance gets you out of the emotional level.

What would I tell my best friend to do in this situation?: "When we're giving advice, we find it easier to focus on the most important factors…our advice to others tends to hinge on the single most important factor, while our own thinking flits among many variables. When we think of our friends, we see the forest. When we think of ourselves, we get stuck in the trees." This question is "perhaps the most powerful question for resolving personal decisions." Ask it, then take our own advice.

See the Forest: "The forest perspective really is the right one, because when people fail to prioritize the most important factor in the decision, their decision gets muddled. When we revel in complexity, we may cycle through our options constantly, changing our minds from day to day. But that kind of mental circling is risky, because it means that our choice may be determined by where we are on the merry-go-round when we're forced to make a final call."

Ongoing Emotions = Conflicting Core Priorities: "Quieting short-term emotion won't always make a decision easy. Agonizing decisions are often a sign of a conflict among your core priorities."

Identify Your Core Priorities: "Core priorities: long-term emotional values, goals, aspirations. What kind of person do you want to be? What kind of organization do you want to build? The goal is not to eliminate emotion. It's to honor the emotions that count." After identifying our core priorities, we must prioritize them. Which ones are most important?

Enshrine Core Priorities: "By identifying and enshrining your core priorities, you make it easier to resolve present and future dilemmas." Enshrining "that priority, [made]

it known to everyone in the organization, so that it could influence dozens or even hundreds of future decisions." One decision can answer 1000's of other questions.

Make space: To carve out space to pursue our core priorities, we must go on the offense against lesser priorities." Create a ""stop-doing list": What will you give up so that you have more time to spend on your priorities?" "Make it concrete: Look back over your schedule for the past week and ask yourself, What, specifically, would I have given up to carve out the extra three or four or five hours that I'll need?"

Evaluate: "Hourly beep: Am I doing what I most need to be doing right now?" "Our calendars are the ultimate scoreboard for our priorities. If forensic analysts confiscated your calendar and e-mail records and Web browsing history for the past six months, what would they conclude are your core priorities?"

4. How to overcome *Overconfidence* - Prepare to Be Wrong.

Bookend the Future: "The future is not a "point"—a single scenario that we must predict. It is a range. We should bookend the future, considering a range of outcomes from very bad to very good….To prepare for the lower bookend, we need a premortem. "It's a year from now. Our decision has failed utterly. Why?"…To be ready for the upper bookend, we need a preparade. "It's a year from now. We're heroes. Will we be ready for success?"

FEMA: ""failure mode and effect analysis" (FMEA), a precursor to the premortem that has been used for decades in the military and government. In an FMEA, team members identify what could go wrong at every step of their plans, and for each potential failure they ask two questions: "How likely is it?" and "How severe would the consequences be?""

Buffer Factor: "To prepare for what can't be foreseen, we can use a "safety factor." Elevator cables are made 11 times stronger than needed; software schedules include a "buffer factor.""

Vaccinate: "Anticipating problems helps us cope with them. The "realistic job preview": Revealing a job's warts up front "vaccinates" people against dissatisfaction." If we know people are going to face problems, help them out by letting them know in advance. We can also vaccinate against difficult interpersonal issues. This is done by "mentally rehearsing how to respond in difficult interpersonal situations."

Set a Tripwire: "In life, we naturally slip into autopilot, leaving past decisions unquestioned. A tripwire can snap us awake and make us realize we have a choice… David Lee Roth's brown M&Ms signaled that he needed to inspect the production….Tripwires can provide a precious realization: We have a choice to make."

Deadline Tripwire: "Turn a hopeful prediction into an early-warning alarm system." If ____ doesn't happen by _____, we pull the plug.

Partition Tripwire: "Tripwires can actually create a safe space for risk taking. They: (1) cap risk; and (2) quiet your mind until the trigger is hit."

Pattern Tripwire: "Many powerful tripwires are triggered by patterns rather than dates/metrics/budgets." Ex: "Unexpected problems: A children's hospital told nurses to call the rapid-response team if they were worried about a patient."

Opportunity Tripwire: "The same idea is applicable to opportunities as well as threats. Organizational leaders need people to be sensitive to changes in the environment and to be brave enough to speak up. Here's something new. Here's a great opportunity for us."

Bargaining: "Decisions made by groups have an additional burden: They must be seen as fair…"Bargaining"—horse-trading until all sides can live with the choice—makes for good decisions that will be seen as fair…Bargaining will take more time up front—but it accelerates implementation."

NOTE: A "skeptical reaction you might have to bargaining is this: Yes, involving lots of people in a decision is a wonderful idea, and it'd be fantastic to negotiate to the point where everyone agreed, but c'mon, get a grip: We don't have time to do that! The business world thrives on quick decisions, and you can't build consensus quickly. This objection must be conceded. Bargaining is indeed a slower way to make a decision. But that's not the right way to judge its effectiveness, because decisions are a means to an end. Your group might need to pick a software solution for handling customer-support calls, but that decision isn't the end goal. The end goal is to make customers happier, which means not only that you've picked the right solution but that your staff is using it enthusiastically in a way that pleases customers. In other words, success requires two stages: first the decision and then the implementation. That's why the initial slowness of bargaining may be offset by a critical advantage: It speeds up implementation. The superintendent can make a lightning-fast decision if she makes it autocratically, but if her administrators and teachers hate it, then adoption will come to a standstill. So where do you want to spend your time? Bargaining up front, or fighting foot draggers later? Bargaining yields buy-in."

Trust the Process - Procedural Justice: "It's not just the outcome that matters; it's the process. The elements of procedural justice are straightforward: Give people a chance to be heard, to present their case. Listen—really listen—to what people say. Use accurate information to make the decision, and give people a chance to challenge the information if it's incorrect. Apply principles consistently across situations. Avoid bias and self-interest. Explain why the decision was made and be candid about relevant risks or concerns." "We should make sure people are able to perceive that the process is just… High-stakes mediator [says]: "I state back the other side's position better than they could state it."…[An] entrepreneur: "Sometimes the best way to defend a decision is to point out its flaws.""

Conclusion:

"Using a process for decision making doesn't mean that your choices will always be easy, or that they will always turn out brilliantly, but it does mean you can quiet your mind. You can quit asking, "What am I missing?" You can stop the cycle of agonizing."

"Process" isn't glamorous. But the confidence it can provide is precious. Trusting a process can permit us to take bigger risks, to make bolder choices. Studies of the elderly show that people regret not what they did but what they didn't do."