The Psychology of Good Decisions November/December 2013

As human beings, we are naturally programmed with an existing set of emotions, habits, perspectives and opinions. We are sometimes drawn to making decisions for reasons we do not fully understand; we might hire a new employee because it feels right, or we promote those on our team because they deserve it.

Decision making lies at the very core of our personal and professional lives. Understanding the psychology of good decisions on an individual level can make a tremendous impact on an organization as a whole. Psychologists and behavioral economists have studied this issue, and understanding their discoveries can help avoid the traps that get in the way of wise, calculated professional business decisions.

Fairness
A recent article in Forbes posed this scenario: a bored rich woman sits between two strangers (we'll name them Robert and Juliette) on a plane. For entertainment, she offers to give Robert $10,000, with the proviso that he must make a one-time binding offer to give some of it to Juliette. If Juliette accepts Robert's proposed split, they divide the money accordingly. If she rejects it, the rich woman keeps her money, and Robert and Juliette get nothing. In theory, Robert could offer Juliette only $10. A rational person would accept that: It's free money. In practice, and the experiment has been conducted repeatedly, people in the Juliette role regularly reject offers they deem unfair. A powerful moral principle – fairness - plays a big role in decision making, often stronger even than self-interest.

Keep fairness in mind when evaluating decisions – both how fairness plays a role in the verdict, as well as how the decision will be perceived by others. In a professional setting, any decision deemed unfair (such as giving raises and bonuses to senior level management while laying off junior staff) can be met with resistance solely due to the principle of injustice.

Pattern Recognition
In their book, *Think Again: Why Good Leaders Make Bad Decisions*, Sydney Finkelstein, Jo Whitehead, and Andrew Campbell explore the concept of pattern recognition – a complex process that integrates information from as many as thirty different parts of the brain. They share that when faced with a new situation, we make assumptions based on prior experiences and judgments. This pattern recognition is exactly why a chess master can assess a chess game and choose a high-quality move in as little as six seconds; he or she draws on patterns seen before and determines the most appropriate course of action. However, pattern recognition can also hinder us; when we're dealing with seemingly familiar situations, our brains can cause us to think we understand them when we don't.

This pattern recognition can also explain part of why leaders can have a difficult time transferring prior success to a new company. Just because you have a track record of achievement doesn't mean that it will apply within your current organization. As such, leaders need to be mindful of the workplace conditions, co-workers, resources and how to create momentum in a new environment.

The Ladder of Inference
The Ladder of Inference can be climbed in milliseconds. You observe objectively, as an observation by itself is not a biased activity. Next, you select data from what you observed – which is where the filtering begins. Assumptions are created about which parts of the observation are important, and this assessment is based on how the things that have been observed affect you, or fit into your cultural experience. You then add meaning and make assumptions because when something is unknown, it is natural to assume that the motivations, behaviors, wants, desires, likes and dislikes will match your own. Now that you've convinced yourself you understand the situation, you draw conclusions and have feelings about these conclusions. You then take action based on those feelings, and usually exhibit an emotional, rather than a rational, response. These assumptions take the guesswork out of understanding the situation.

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What can you do? Begin by identifying the true decision to be made, and reasons behind the need for the solution. Get all of the facts, and understand their causes. Make your thinking process visible to others by explaining your assumptions, interpretations, and conclusions. Invite others to test your assumptions, push back on your conclusions, respectfully confront your reasoning, or give you an alternative perspective.

After all information has been considered, a decision based on that information should be made and implemented. While this might seem obvious, a decision only counts when it is executed. Former CEO of IBM Lou Gerstner said, *"There are no more prizes for predicting rain. There are only prizes for building arks."* The final examination of any decision is whether or not the problem was solved. Did it go away? Did it evolve? Is it better now, or worse, or the same? What new problems did the solution create?

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—*Karen Schmidt*