Leadership Innovation in Uncertain Times

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What influences your Decisions?

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A Quiz

- Is the population of Venezuela greater than 40 million?

- What's your best estimate of Venezuela's population?
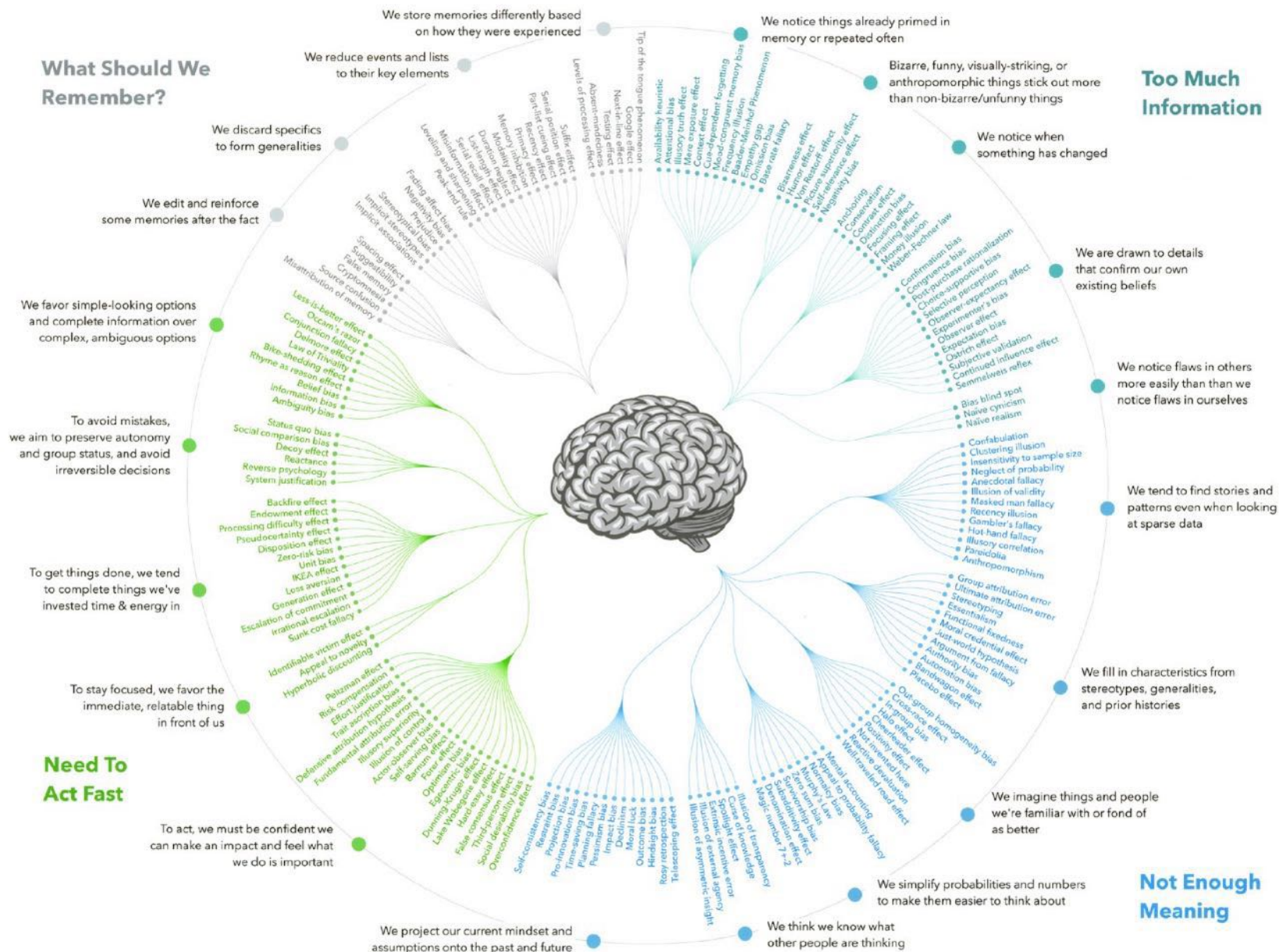
- **28.3 million** *(2022)*

Anchoring Effect

A Business Decision

- You are an insurance assessor charged with minimizing loss of cargo on 3 vessels that sank off Port Melbourne

- Each vessel holds cargo worth US$200,000 which will be lost if not salvaged within 12 hours

- A salvage company gives you two options

- **Option A** will save the cargo of 1 of the 3 vessels, worth US$200,000

- **Option B** has a 1/3 probability of saving the cargo on all 3 vessels worth US$600,000, but a 2/3 probability of saving nothing

- Will you choose **Option A** or **Option B**?

Loss Aversion

COGNITIVE BIAS CODEX

What Should We Remember?

- We store memories differently based on how they were experienced
- We reduce events and lists to their key elements
- We discard specifics to form generalities
- We edit and reinforce some memories after the fact

Too Much Information

- We notice things already primed in memory or repeated often
- Bizarre, funny, visually-striking, or anthropomorphic things stick out more than non-bizarre/unfunny things
- We notice when something has changed
- We are drawn to details that confirm our own existing beliefs
- We notice flaws in others more easily than than we notice flaws in ourselves
- We tend to find stories and patterns even when looking at sparse data
- We fill in characteristics from stereotypes, generalities, and prior histories
- We imagine things and people we're familiar with or fond of as better

Not Enough Meaning

- We simplify probabilities and numbers to make them easier to think about
- We think we know what other people are thinking
- We project our current mindset and assumptions onto the past and future

Need To Act Fast

- To act, we must be confident we can make an impact and feel what we do is important
- To stay focused, we favor the immediate, relatable thing in front of us
- To get things done, we tend to complete things we've invested time & energy in
- To avoid mistakes, we aim to preserve autonomy and group status, and avoid irreversible decisions
- We favor simple-looking options and complete information over complex, ambiguous options

ALGORITHMIC LAYOUT + DESIGN BY JM3 · JOHN MANOOGIAN III · CONCEPT + METICULOUS CATEGORIZATION BY BUSTER BENSON · DEEP RESEARCH BY WIKIPEDIANS FAR + WIDE

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Common biases in decision making

Common Biases in Decision Making

1. Self-serving bias

We tend to believe that any life successes can be attributed to our own talents and inherent value

BE WITH FRIENDS WHO KEEP YOU GROUNDED

2. Cognitive fluency

Easier ideas take less effort to process and are considered more "true."

IF IT SOUNDS TOO GOOD, QUESTION IT

3. Sunk cost fallacy

Our intense aversion to loss causes us to carry on, even if it is clearly a lost cause

FOCUS ON FUTURE COSTS AND BENEFITS NOT PAST LOSSES

4. Confirmation bias

We only search for evidence that confirms our beliefs

SEARCH FOR CONTRADICTORY EVIDENCE

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How can we choose more wisely?

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Thinking, Fast and Slow
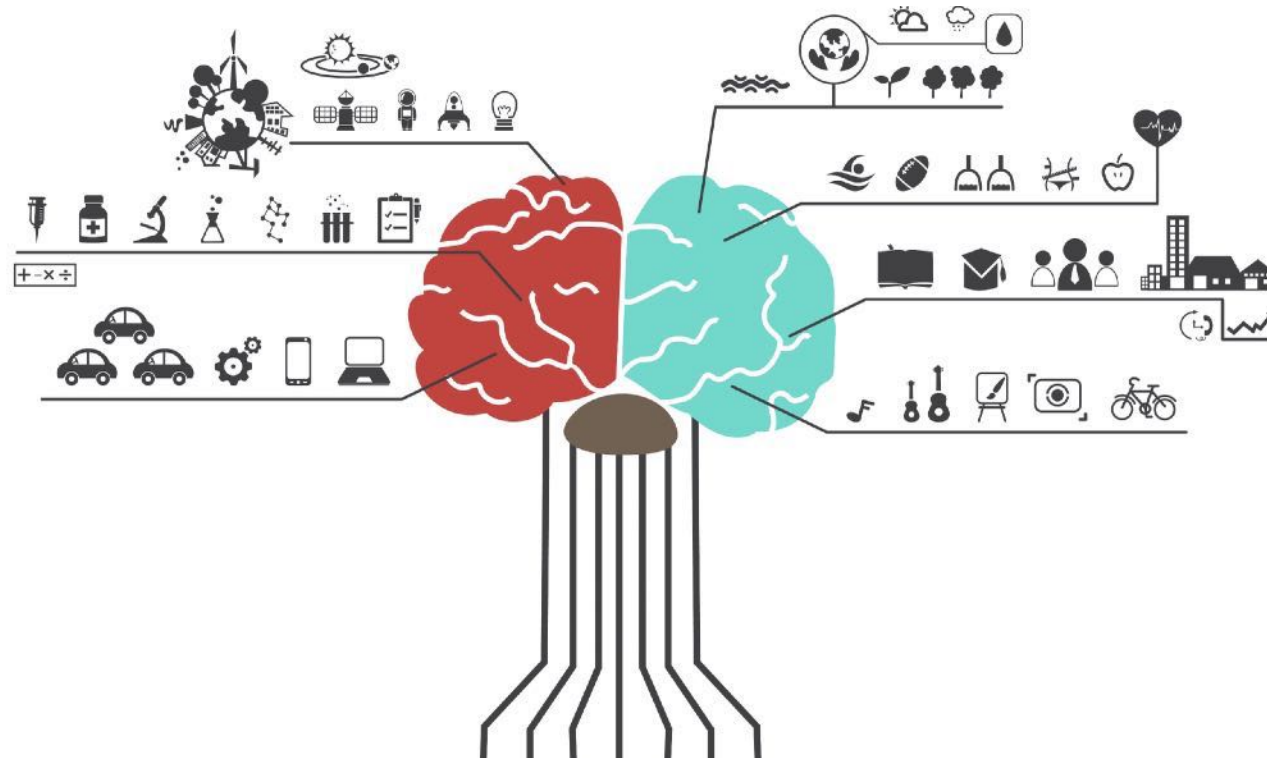
System 1 Thinking

- Intuitive
- Experiential
- Automatic
- "Gut Feeling"

System 2 Thinking

- Deliberate
- Rational
- Calculational
- "Look at the Facts"

Doubt

Dilemma

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Disruption

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System 3 Thinking

- Balanced
- Compassionate
- Insightful
- "Good judgement"
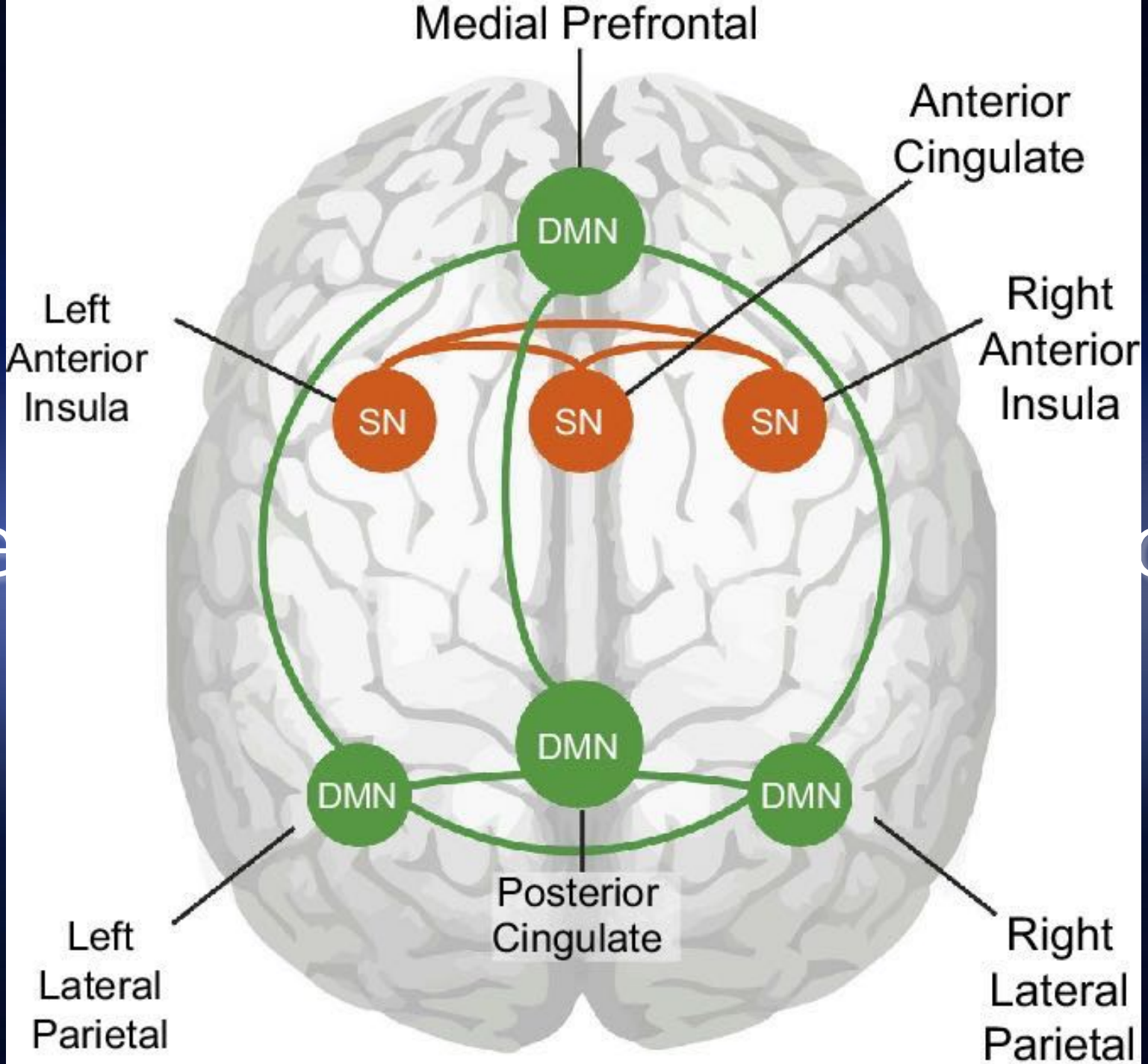
A Question of Balance
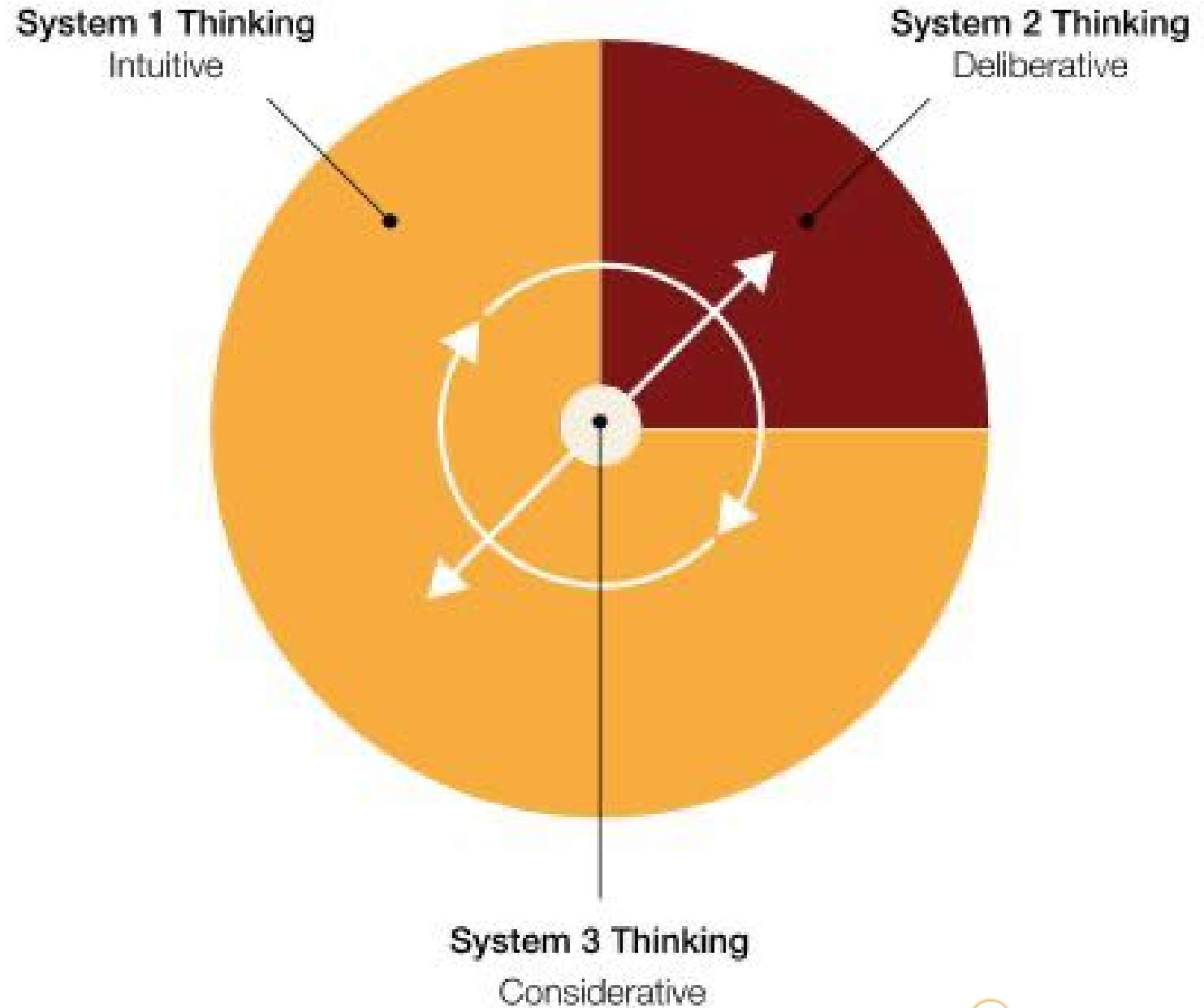
System 1 Thinking
Intuitive

System 2 Thinking
Deliberative

System 3 Thinking
Considerative

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The 6 Dimensions of System 3 Thinking

- Focus
- Experience
- Decisiveness
- Compassion
- Emotions
- Values

Focus

Sustained, focused attention on meaningful tasks and activities; necessary to balance mental activity with mental control

Life Experience

Able to give good advice, life knowledge, and life skills

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Decisiveness

Recognizing ambiguity but making quick and effective decisions

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Compassion

Going out of your way to help the physical, mental, or emotional pain of another and of yourself; also associated with fairness, justice, and interdependence

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Emotional Regulation

Conscious regulation of feelings and self-control

Tolerance for Divergent Values

being nonjudgmental and accepting of other value systems

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The 6 Dimensions of System 3 Thinking

Focus	Experience	Decisiveness	Compassion	Emotions	Values
Pay attention to what really matters.	Discern what makes common sense from your life experience.	Make small decisions first. Try small actions to find out what works best.	Grow compassion. Demonstrate care for humanity through consistent action.	Regulate your emotions. Tune into and use your emotions without feeling overwhelmed.	Develop tolerance for divergent values. Acknowledge and appreciate different value systems.

Enhancing System 3 Thinking

- **Focus** 10-20 mins daily mindfulness training

- **Experience** Reflect on lessons from your own life and others' lives

- **Decisiveness** Practice making small, deliberate decisions daily

- **Compassion** Reflect on actions of kindness, fairness, and justice daily

- **Emotions** Cultivate a rich and balanced emotional life and expression

- **Values** Practice curiosity about other beliefs and value systems

Widen your view

- Avoid "either/or" and "whether/or not" decisions. Think AND not OR.

- Ask yourself, "what different outcomes or solutions could there be?"

- Ask yourself, "could my opinion on the situation be incorrect?"

- Find someone who has solved this problem before, or Google key words related to the issue.

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Interrogate reality

- If you think your best option is correct, consider, "in what ways might this be the wrong decision?"

- Ask yourself "what's the biggest obstacle to this being the right decision?"
  - "In what ways could I fail?"

- Ask yourself, "what would have to be true for each of these options to be the best possible choice?"

- Ask yourself, "can I accept that there may be information to which I do not have access?"

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Sense what is emerging

- Ask yourself, "what do I notice when I put myself in the other person's shoes?"

- Retreat from the issue and allow time for stillness and reflection; let your awareness redirect itself; Allow the inner knowledge to emerge.

- Ask yourself, "what is waiting to emerge into being through this decision?"

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Enact a way forward

- Take the first step in the direction of the decision. Don't procrastinate or wait for more data or analysis, it may be too late.

- Experiment and prototype, learn through taking action: "fail forward and fail fast".

- Take action from the predicted future state, as if you are already there.

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Defining the problem space
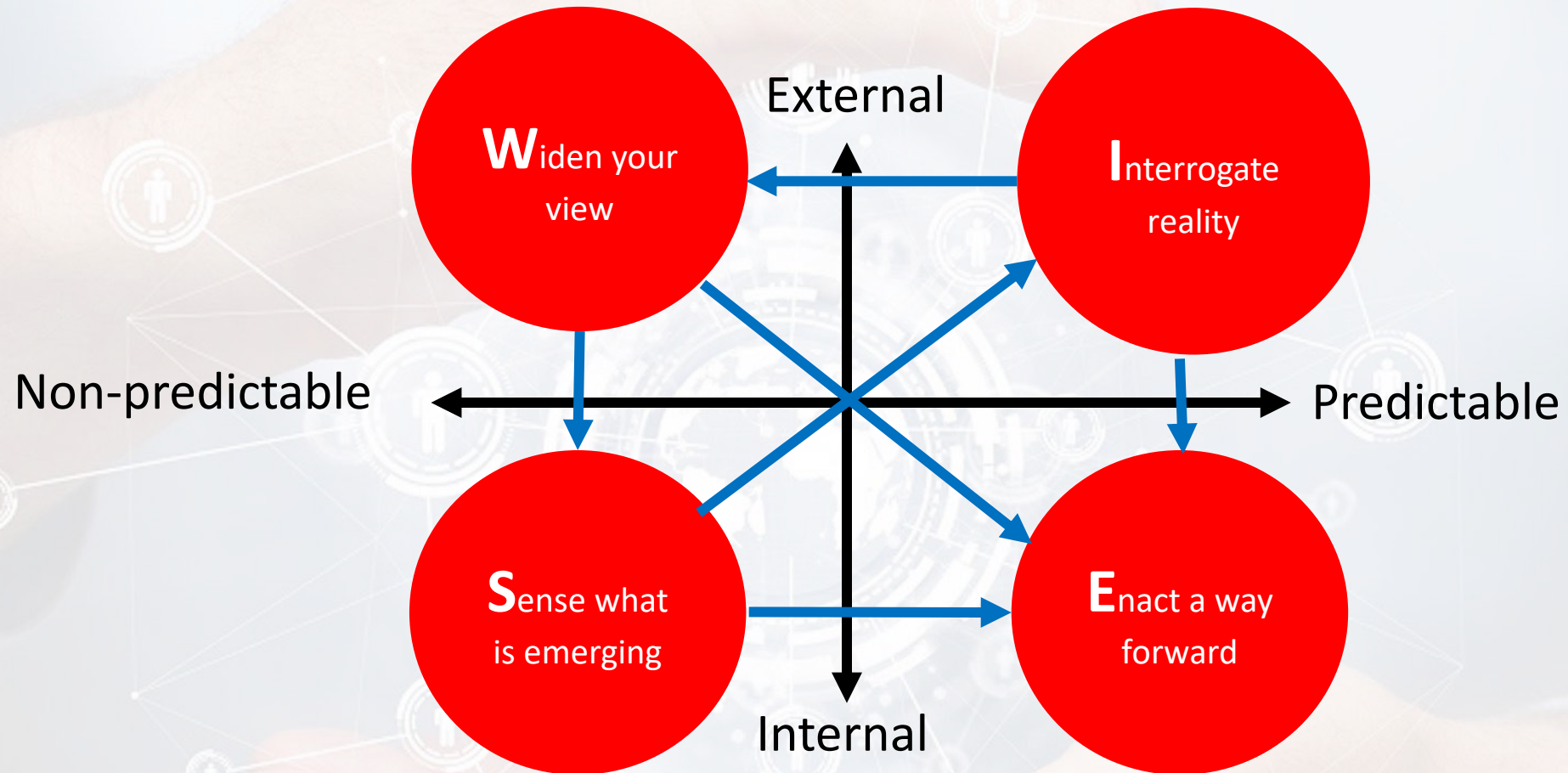
The meaning of wisdom

"To love. To be loved.

To never forget your own insignificance.

To never get used to the unspeakable violence and the vulgar disparity of life around you.

To seek joy in the saddest places.

To pursue beauty to its lair.

To never simplify what is complicated or complicate what is simple.

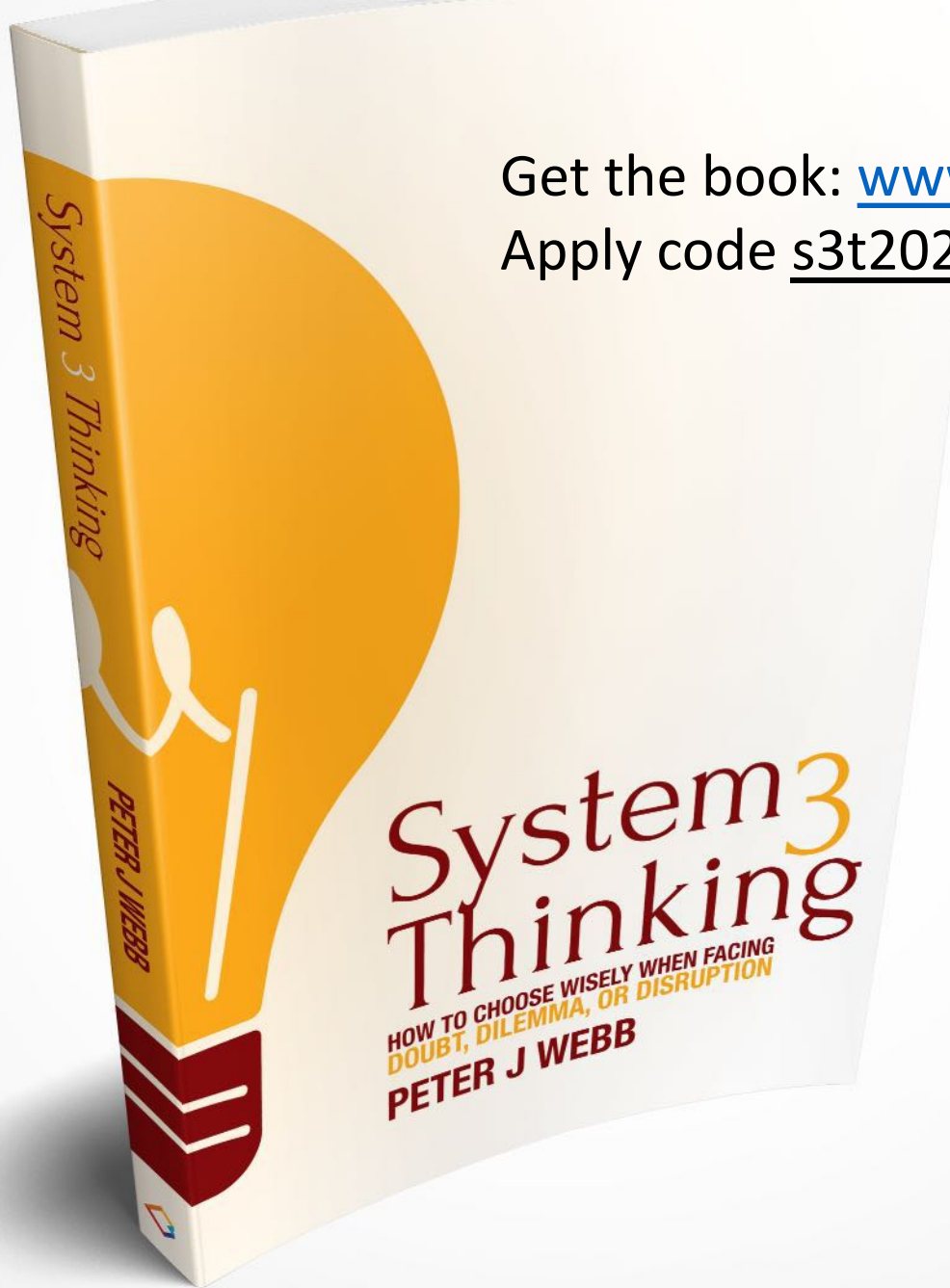To respect strength, never power.

Above all, to watch. To try and understand.

To never look away.

And never, never, to forget."

Suzanna Arundhati Roy (1999) *"The Cost of Living"*

Get the book: www.peterjwebb.com
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