

# Coaching for Wisdom: System 3 Thinking in Complex Decision Making

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[www.coachingforwisdom.com](http://www.coachingforwisdom.com)

# THE COLLAPSE OF WESTERN CIVILIZATION

Oreskes, N., and Conway, E.M. (2014). *The Collapse of Western Civilization*. New York, NY: Columbia University Press.

President Donald Trump / Greta Thunberg



# PM Scott Morrison / PM Jacinda Ardern



# The long history of foolish decision making

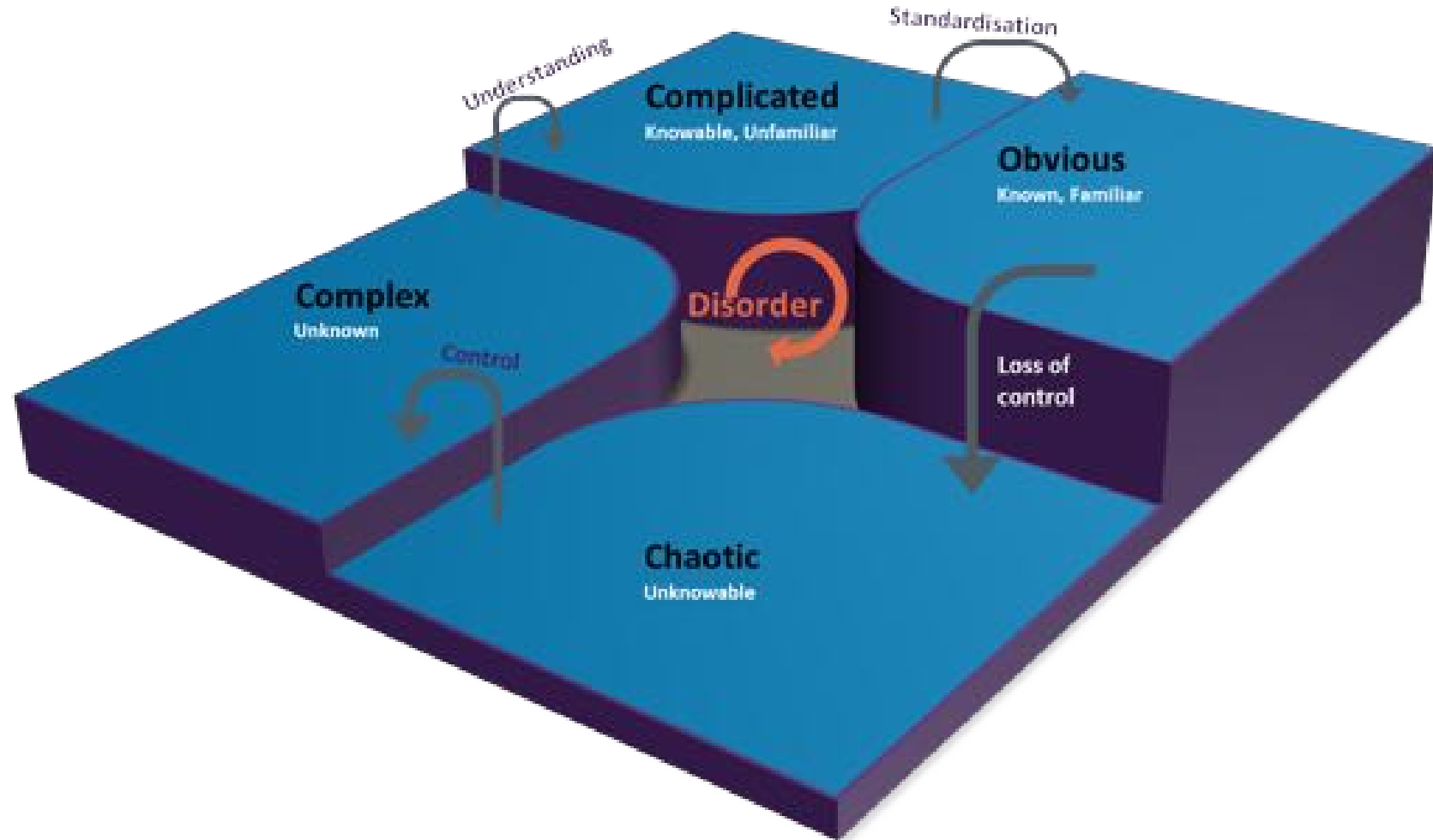


# Mapping the problem – what are you seeing?



# The Cynefin Framework

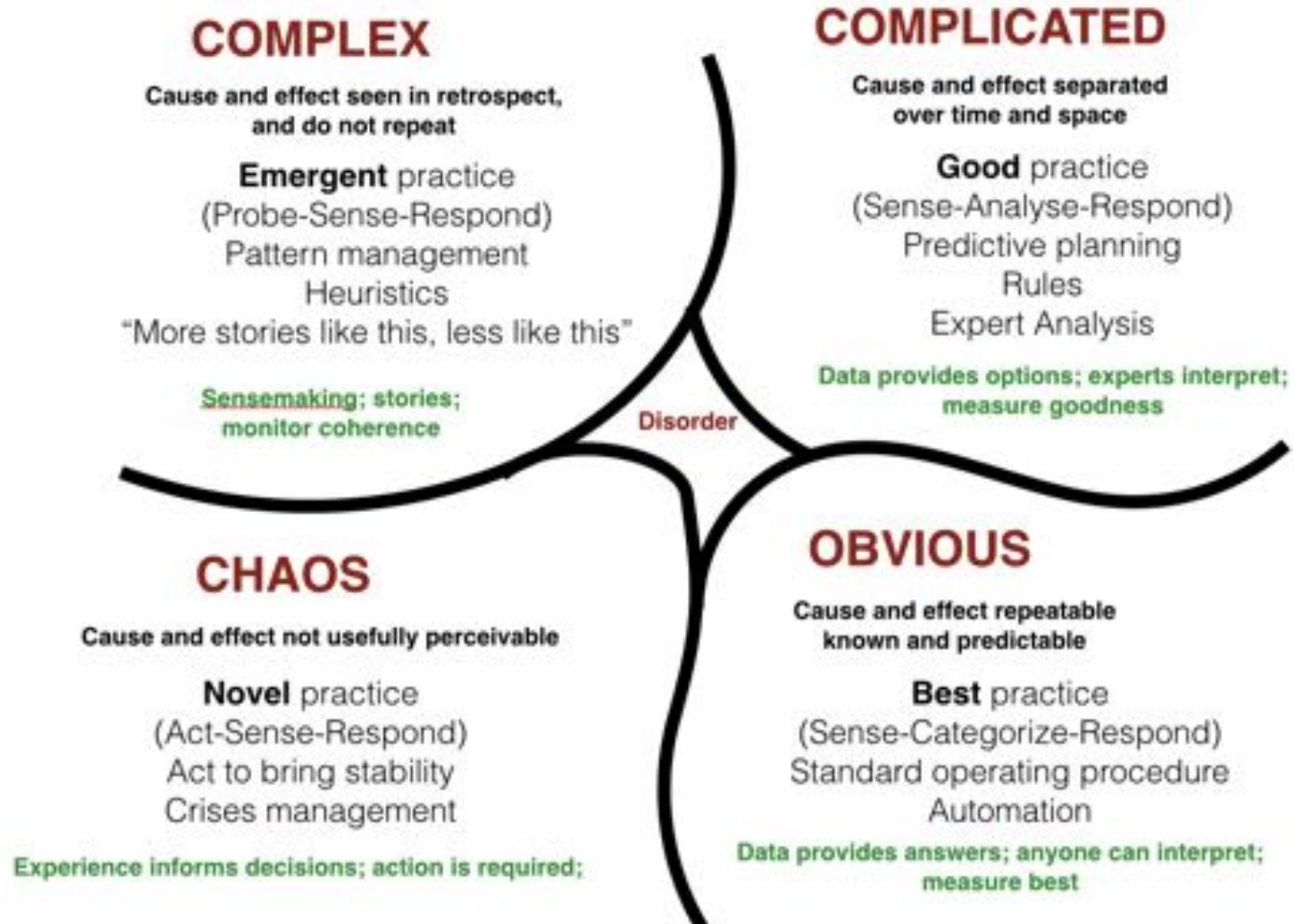
*“In what ways is the issue I’m dealing with in a **predictable** space, and in what ways is it in a **non-predictable** space?”*



Dave J. Snowden and Mary E. Boone (2007). A Leader’s Framework for Decision Making, *Harvard Business Review*, November 2007 <https://cognitive-edge.com/>

# The Cynefin Framework

“In what ways  
is the issue  
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what are you NOT seeing?



*Q: Is the population of Turkey greater than 35 million?*

**Anchoring Effect**

*What's your best estimate of Turkey's population?*

*79.7 million (2016)*

# Making a business decision

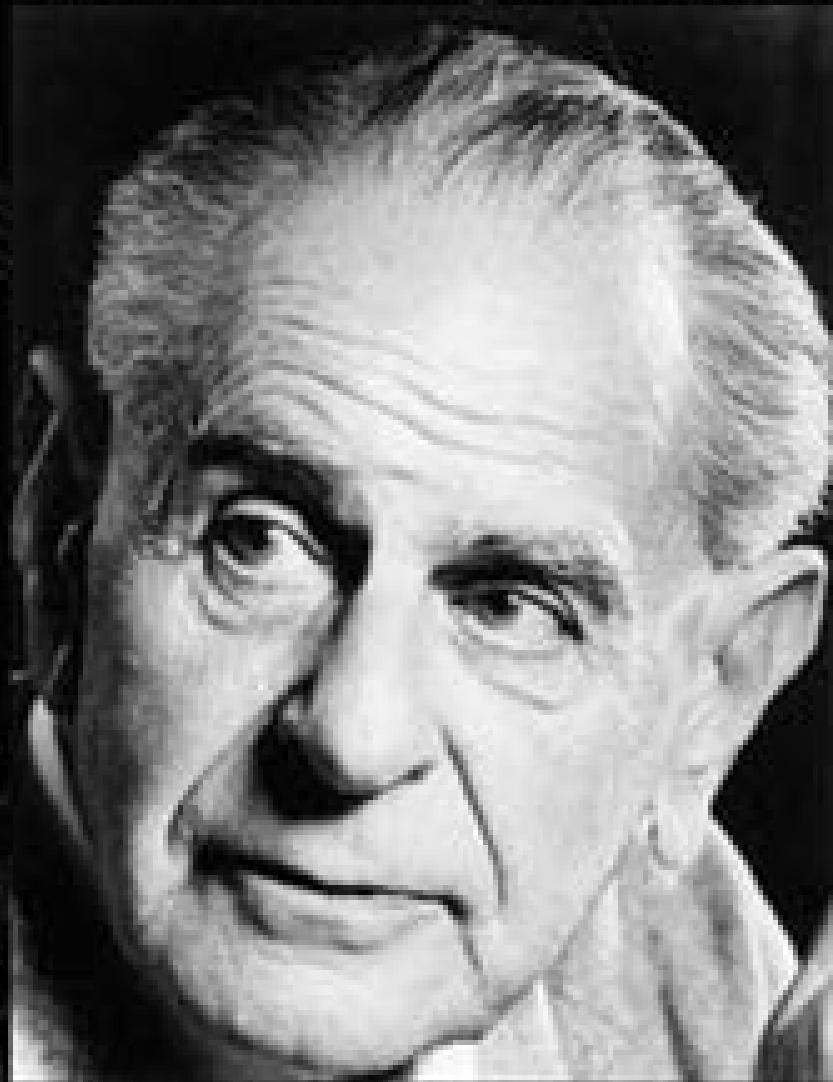
- *You are an insurance assessor charged with minimising loss of cargo on 3 vessels that sank off Port Botany yesterday.*
- *Each vessel holds cargo worth US\$200,000 which will be lost if not salvaged in 12 hours.*
- *A salvage company gives you 2 options, both of which cost the same:*

***Option A:*** *will save the cargo of 1 of the 3 barges, worth US\$200,000*

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

**Option A or B?**

**Loss Aversion**



If we are uncritical we shall always find what we want: we shall look for, and find, confirmations, and we shall look away from, and not see, whatever might be dangerous to our pet theories.

**Karl Popper**  
1902 - 1994

A background image of Keanu Reeves as Neo from the movie The Matrix. He is wearing his signature black sunglasses and a dark suit jacket. The background is a green digital rain effect, similar to the Matrix code.

# The rise of AI (Artificial Ignorance)

*“Artificial Ignorance is everywhere: the lack of political courage, the building of walls against collaboration across national boundaries, self-interest and greed which supersedes compassion. We have seemingly lost the ability to solve the global problems of our time.”*

A man in a white shirt and tie is sitting at a table in a meeting. He is looking towards the camera with a neutral expression. The table is covered with several yellow sticky notes, a white paper, and a Starbucks cup. A person's hand is visible on the right, holding a smartphone. The background is a textured grey wall.

*“Thou shalt not suffer cognitive biases nor commit logical fallacies”*

# The 1996 Mount Everest Disaster

## Rob Hall

### Adventure Consultants

- Climbed Everest 4 times
- Led 39 clients to the summit in 6 years
- Leading a party of 8
- Largest team of clients ever
- “I’m going to make the right choices”
- Methodical, organized, caring, detail oriented
- Well respected

- 2 clients and a guide died
- **Rob Hall** died

### Over-Confidence Effect

- 3 Indo-Tibetan Border Police died
- **Scott Fisher** died

## Scott Fisher

### Mountain Madness

- Rival adventure consultant
- Took on a writer in exchange for publicity
- 8 people as well
- Cash-strapped business; pressure to perform
- Many clients were not fit
- Hurried, unscheduled, disorganized
- Needed to prove his competitiveness in the market

# The Mars Climate Orbiter Crash 1999

In 1999 NASA lost the \$125 million Mars Orbiter

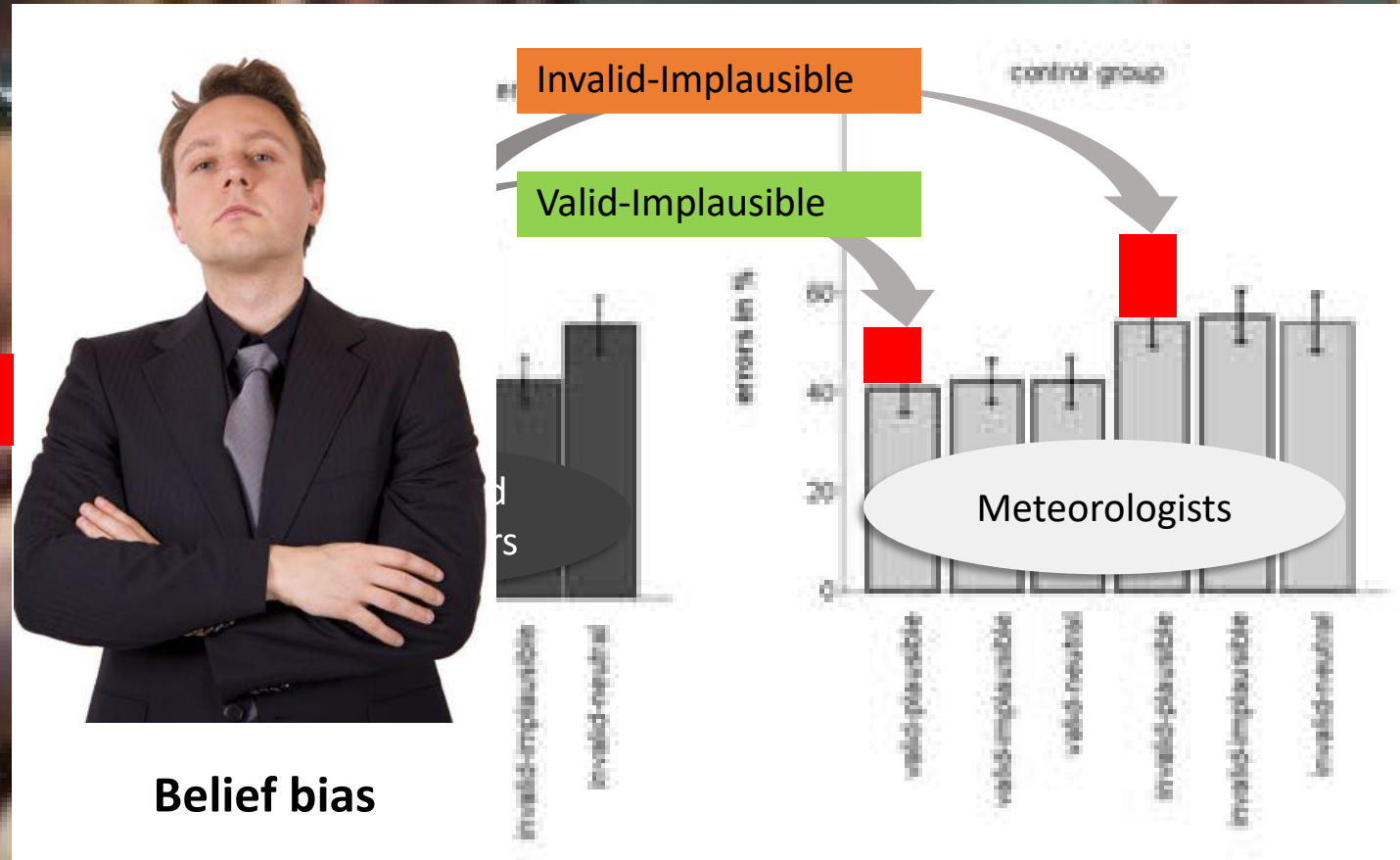
**Confirmation bias**

Because half the project engineers used Imperial measurements and the other half used metric



# The Illogicality of Stock-Brokers

↑  
Errors %



Markus Knauff, \* Claudia Budeck, Ann G. Wolf, and Kai Hamburger (2010) The Illogicality of Stock-Brokers: Psychological Experiments on the Effects of Prior Knowledge and Belief Biases on Logical Reasoning in Stock Trading *PLoS One*, 5(10): e13483 doi: [10.1371/journal.pone.0013483](https://doi.org/10.1371/journal.pone.0013483)

# Banking Bad

*“The [Final Report](#) of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry was released 1<sup>st</sup> February 2019, and it presents an eye-watering Litany of misdeeds, misappropriations, mismanagement, and missed opportunities for reform. Both business and government leaders appear to have been sitting on their hands while customers were routinely fleeced of their money. How did this become so seemingly normal?”*

Ferguson, A. (2019). *Banking Bad*. Sydney, NSW: HarperCollins.

# Why we must bring wisdom to decision making

**HARVARD BUSINESS PUBLISHING**

## Wise Leadership

An Interview with  
**Hiroataka Takeuchi**  
Professor, Harvard Business School

**Ikujiro Nonaka**  
Professor Emeritus, Hitotsubashi University

**The Wise Leader**  
How CEOs can learn practical wisdom to help them do what's right for their companies—and society by Ikujiro Nonaka and Hiroataka Takeuchi

The cover features a large white silhouette of a human head in profile, facing right. The background is dark with various business-related icons and text elements. Visible text includes 'The Big Idea', 'NEW CONSTRAINTS', 'INCOMPLETE', 'FRAUD', 'GRIEF', 'PREDICTABILITY', 'Lack of Integrity', 'Volatility', 'HUMAN', and 'CONSUMER'. There are also several yellow silhouettes of heads and figures scattered around the main silhouette.

*Harvard Business Review, May 2011*

A man in a dark suit and tie is sitting on a large, brown, cylindrical object that resembles a suitcase or a piece of luggage. He is holding a black umbrella over himself. The scene is set on a body of water, likely a boat, with a city skyline in the background under a cloudy sky. The man is looking upwards and to the right.

What's the difference between a good decision  
and a wise decision?

# Wisdom research findings - summary

1. What we attend to determines the kinds of decisions we make
2. Context matters: being wise in one situation does not necessarily mean you will be wise in another
3. Neither academic intelligence nor personality play a major role in the development of wisdom-related knowledge
4. Wise thinking is a skill (which can be enhanced)
5. Wise reasoning dips in middle age and then goes up
6. Women are somewhat better at wise reasoning than men

Paul Baltes and Ursula Staudinger from the Max Planck Institute for Human Development, Berlin

Howard Nusbaum, Director of the Center for Practical Wisdom at the University of Chicago

Igor Grossmann, Director of the Wisdom and Research Lab at the University of Waterloo in Ontario, Canada

Dilip Jeste, Director at the Stein Institute for Research on Ageing at the University of California San Diego



How do we nurture wise thinking  
and wise decision making?

# WISE decision making

W

iden your view

I

nterrogate reality

S

ense what is emerging

E

nact a way forward

# WISE decision making

A man in a dark suit and white shirt stands on a silver ladder, looking through binoculars. In the background, a colorful hot air balloon with red, yellow, and blue stripes floats in a cloudy sky. The scene is set against a backdrop of rolling hills or mountains under a soft, hazy light.

## 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?” Generate a list of options.
- 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.





# WISDOM decision making

## Interrogate reality:

- If you think your best option is correct, consider, “in what ways might this be the wrong decision?”
- Ask yourself disconfirming questions such as, “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?”

# WISE decision making

## Sense what is emerging:

- Ask yourself, “what do I notice when I put myself in the other person’s shoes?”  
“What might be that person’s perspective?”
- Ask yourself, “what might other people think or feel if they were watching the situation?”
- 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?”

# WISE decision making

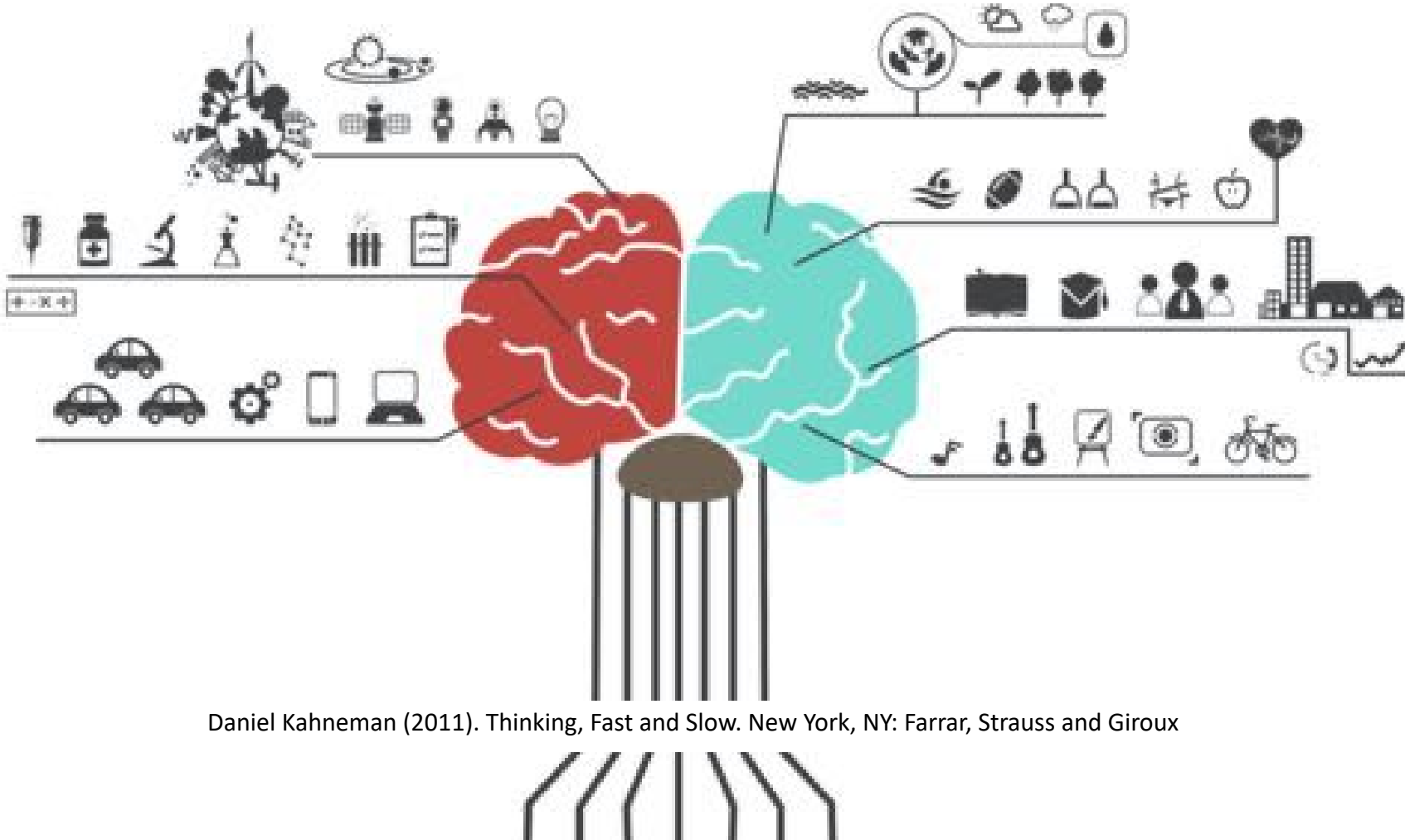
## Enact a way forward:

- 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".
- With each action ask yourself these four questions: "What just happened? Why do I think it happened? What can I learn from this? How will I apply these learnings?"
- Take action from the predicted future state, as if you are already there.

# The population dilemma



# Thinking, fast and slow



Daniel Kahneman (2011). Thinking, Fast and Slow. New York, NY: Farrar, Strauss and Giroux

## System 1: *Intuitive* information processing

- ❖ Thinking fast
- ❖ Automatic
- ❖ Based on experience
- ❖ 'Gut feeling'

Using your innate or gut feel to quickly arrive at a decision that “feels right”



## System 2: *Deliberative* information processing

- ❖ Thinking slower
- ❖ Logical
- ❖ Rational
- ❖ 'Look at the facts'

Drawing on your knowledge to analyze the information and deduce a solution



# System 3 thinking





# Ned's moral dilemma

A blurred tram moving on tracks in a city street, with buildings and a speed limit sign visible in the background.

# Frank's moral dilemma



### System 3: *Considerative* information processing

- ❖ General knowledge of life
- ❖ Decisiveness
- ❖ Emotionally balanced
- ❖ Insightful
- ❖ Compassionate
- ❖ Non-judgmental
- ❖ 'Look at all sides'

Think about how to balance the various interests in the short and long term





# Competencies of System 3 thinking

**(F) Focus:** sustained, focused attention on meaningful tasks and activities; necessary to balance mental activity with mental control.



# Competencies of System 3 thinking

**(L) Life experience:** able to give good advice, life knowledge, and life skills



# Competencies of System B thinking

**(D) Decisiveness:** recognizing ambiguity but making quick and effective decisions



# Competencies of System 3 thinking

**(C) 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





# Competencies of System 3 thinking

**(E) Emotional regulation:** conscious regulation of feelings and self-control



A close-up photograph of two hands clasped together. The hand on the left is light-skinned, while the hand on the right is dark-skinned and has a vibrant, multi-colored tattoo on the back of the hand. The background is a solid purple color.

# Competencies of System 3 thinking

**(T) Tolerance for divergent values:**  
being nonjudgmental and accepting of other value systems

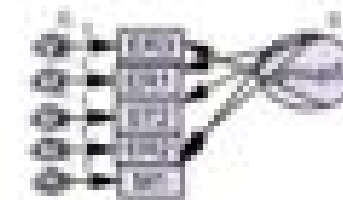
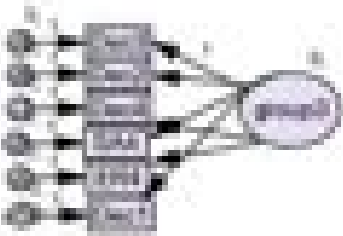
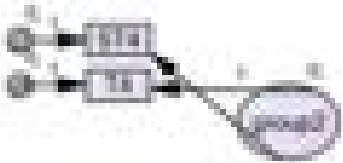
# Competencies of System 3 thinking



1. Focus
2. Life experience
3. Decisiveness
4. Compassion
5. Emotional regulation
6. Tolerance for divergent avlues

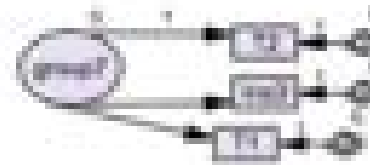


# Factor Analysis T3 Profile<sup>©</sup>

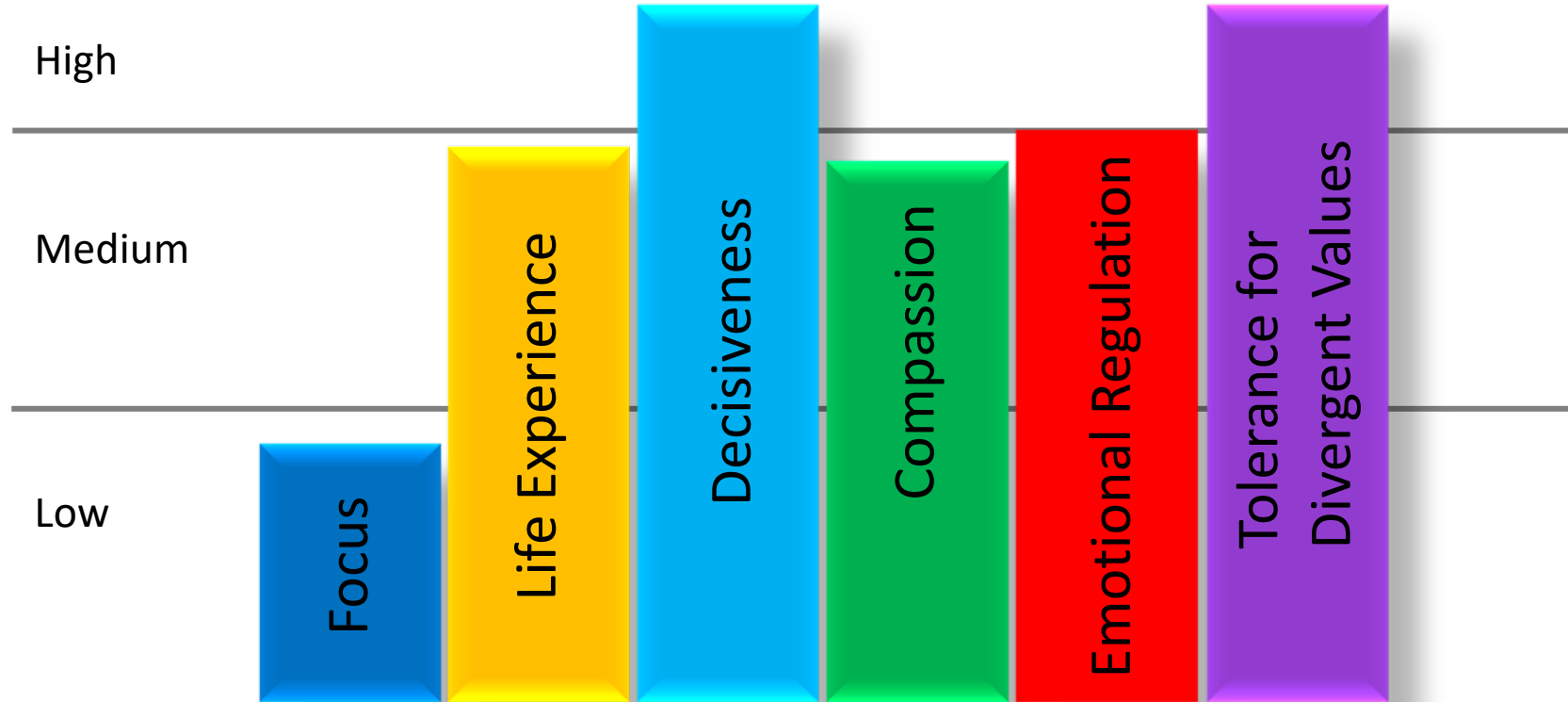


9 factors down to 6

36 items down to 18



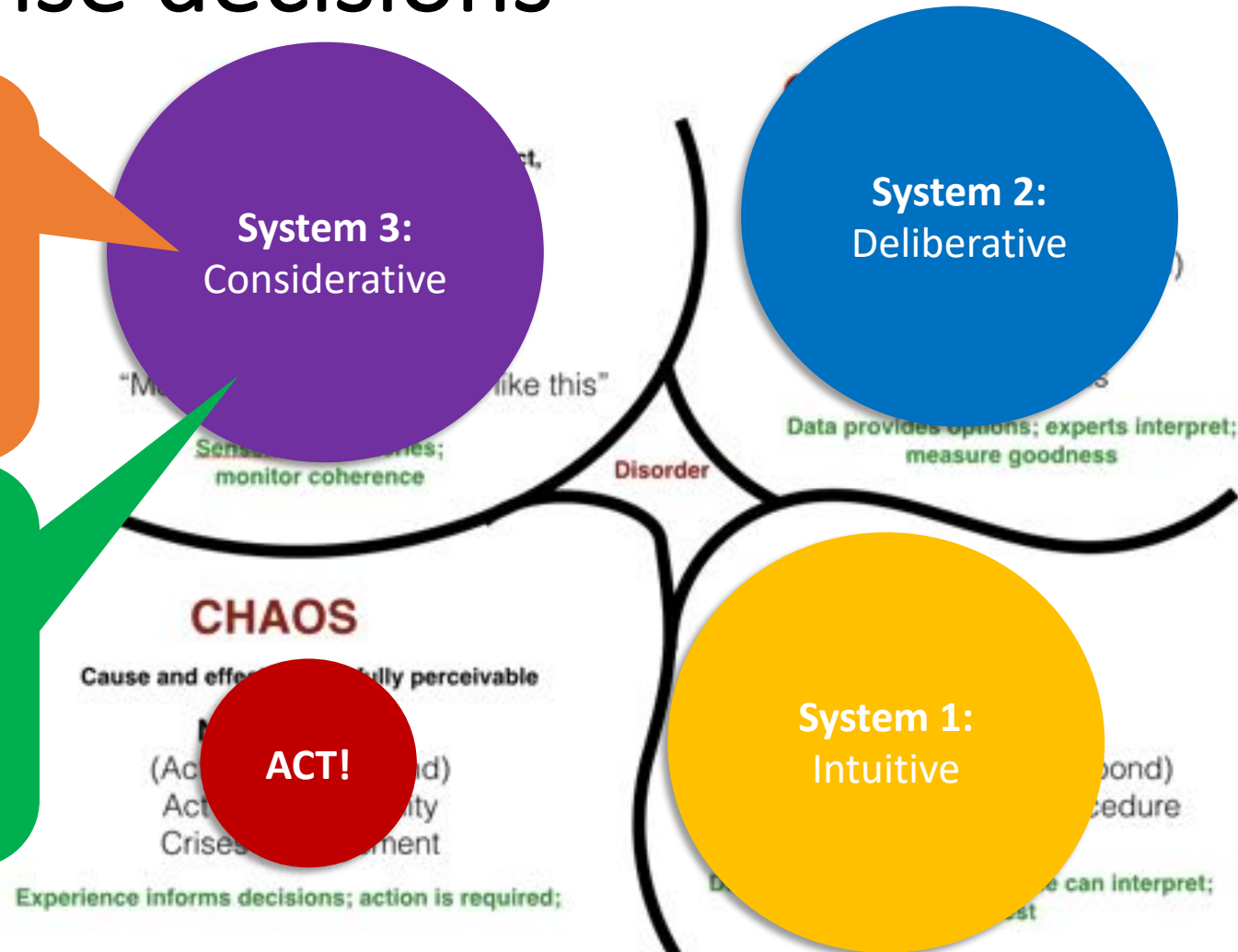
# System 3 thinking: T3 Profile<sup>©</sup> - example



# Making Wise decisions

**W**iden your view  
**I**nterrogate reality  
**S**ense what is emerging  
**E**nact a way forward

1. Focus
2. Life Experience
3. Decisiveness
4. Compassion
5. Emotional Regulation
6. Tolerance for Divergent Values



# What is 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, best-selling Indian author, 1961 -