Do You Make Bad Decisions? Here's How to Tell, According to a Professional Poker Player

Inc inc.com/leigh-buchanan/how-to-make-decisions-like-a-master-poker-player.html

January 10, 2018

Every time a leader makes a decision, she or he is a placing a bet--a bet on whether or not it's wise to start a business or hire a job candidate or open an office in Paraguay. Framing choices in terms of probabilities and potential outcomes leads to better decisions, and how well you perform depends on both the luck of the draw and how you play your cards.

In the business world, making "bets" has become synonymous with conducting small experiments. Annie Duke, a professional poker player, returns to its original definition: Staking something of value under conditions of uncertainty. Duke, who has racked up more than $4 million playing poker, is the only woman to have won the World Series of Poker Tournament of Champions.

In her new book, *Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts*, she explains that the need to "make multiple decisions with significant financial consequences in a compressed time frame ... makes the poker table a unique laboratory for studying decision-making."

Should you trust your gut or analytics?

For decades, business experts have debated the virtues of gut versus analytical decision-making. But that's a false dichotomy, Duke explains. The prefrontal cortex, which manages deliberative thinking, simply can't handle all the things we'd like it to weigh in on. So while leaders marshal their analytical firepower for big, consequential decisions (analogous to the big, consequential decisions made in the third or fourth betting round in a game of poker), they rely on their gut for smaller decisions leading up to those big bets. Often, their gut plays them false, drawing on misguided biases or beliefs. As a result, the major cumulative decision is compromised.

In an interview, Duke gave the example of a CEO who lets his sales team prioritize on a day-to-day basis nonproductive accounts they've already invested time on rather than chase new leads. When year-end results are disappointing, "the CEO decides what to do by looking at the big things: whether the product is wrong, the pitch is wrong, or they're in the wrong sector," says Duke. "He doesn't consider that the problem was in these much lower-level decisions about how the salespeople organized their work stacks, which were made because of this strong, reflexive bias people have about sunk costs."

What are the odds?

Bets are exercises in uncertainty. Approaching decision-making in terms of placing bets forces you to constantly reassess how much you don't know and to question your beliefs. For example, that bringing production in-house is the best way to ensure quality, or that starting in English-speaking markets is the smart way to globalize. Duke urges leaders to reassess such "wisdom": How do I know this? How up-to-date is my information? What similar things have I been confident about that turned out not to be true?

The next step is to assign numerical probabilities between 0 and 100 percent to your degree of certainty. That number reflects both incomplete information and the influence of luck. As more data is gathered and more potential outcomes explored, the number either rises or falls. Today, you may be 58 percent confident that a particular strategy will turn out well. By week's end, that number may be 84 or 37 percent.

Of course, no single future is ever assured. That's why leaders should get comfortable telling employees they are acting with less than perfect confidence. "Presenting something with absolute certainty is a misrepresentation of the world," says Duke. "If you express yourself with 100 percent confidence, then the people you are leading think you aren't open to exploring alternative hypotheses." That shuts down dissenting opinions and the introduction of data that might point toward a different strategy and raise the odds of a good decision.

A bad outcome doesn't always mean a bad decision.

Duke reassures that long shots pay off--like Donald Trump's election, the Brexit vote, and the astonishing artistic achievement of the *Twin Peaks* reboot.

When results are beyond your control, changing strategy merely because something doesn't work out can be unwise, says Duke, who calls the conflation of bad outcomes with bad decisions "resulting." She advises creating a culture that rewards people for how decisions are made rather than for how they work out.

"If employees know that they'll get blamed for a single bad outcome, and a single good outcome will get them all the kudos in the world, they are going to do everything to keep the probability of bad outcomes as near to zero as possible," says Duke. In other words, they won't place anything but very small bets.

Asked which business leaders would make good poker players, Duke offered up Bridgewater Associates' founder Ray Dalio. "His whole culture is built around hearing dissenting opinions," says Duke. "I imagine he would be a beast at the poker table."