



Nudging Yourself to Make Smarter Business and Personal Decisions



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Decision Making Should be Considered As Your Primary Life Skill

The only way you can purposefully improve your life is through the decisions you make. Everything else just happens due to others' decisions and happenstance.

Your decisions empower you to make contributions at work and enhance the quality of your life.

How Good are People at Making Decisions?

Over the past 50 years, psychologists, decision scientists, and behavioral economists have identified over 175 separate biases and errors (i.e. decision traps) that degrade our decisions.

Examples include:

- going with the alternative that is easiest to implement,
- selecting the status quo alternative,
- Choosing an alternative to justify earlier decisions (sunk costs),
- anchoring on first thoughts.

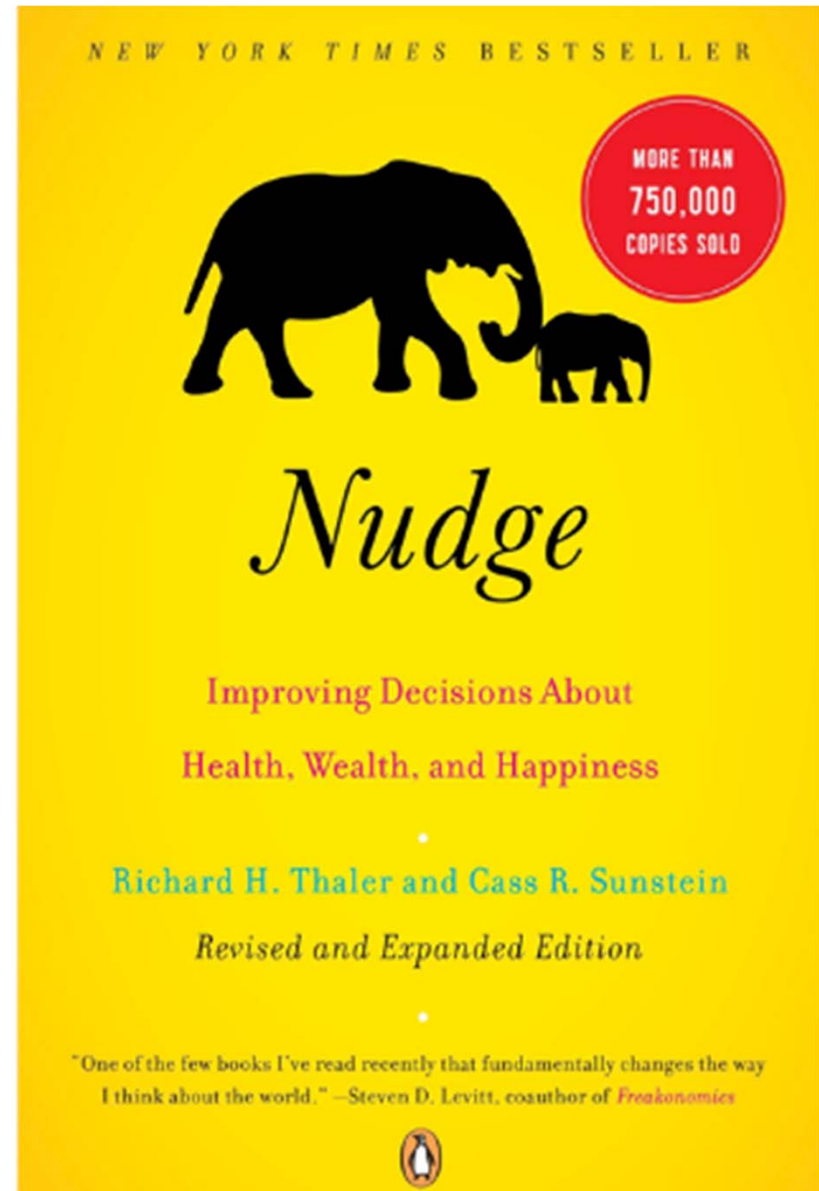
Nudge

A **nudge** is a gentle push that helps you make a better decision.

The 2008 book Nudge by Richard Thaler and Cass Sunstein indicates how to present decisions to individuals so their natural decision tendencies (biases) **nudge** them to make decisions more in their own interests. A choice architect presents those decisions.

Examples: retirement accounts, cafeteria eating

NUDGES



Give Yourself a Nudge

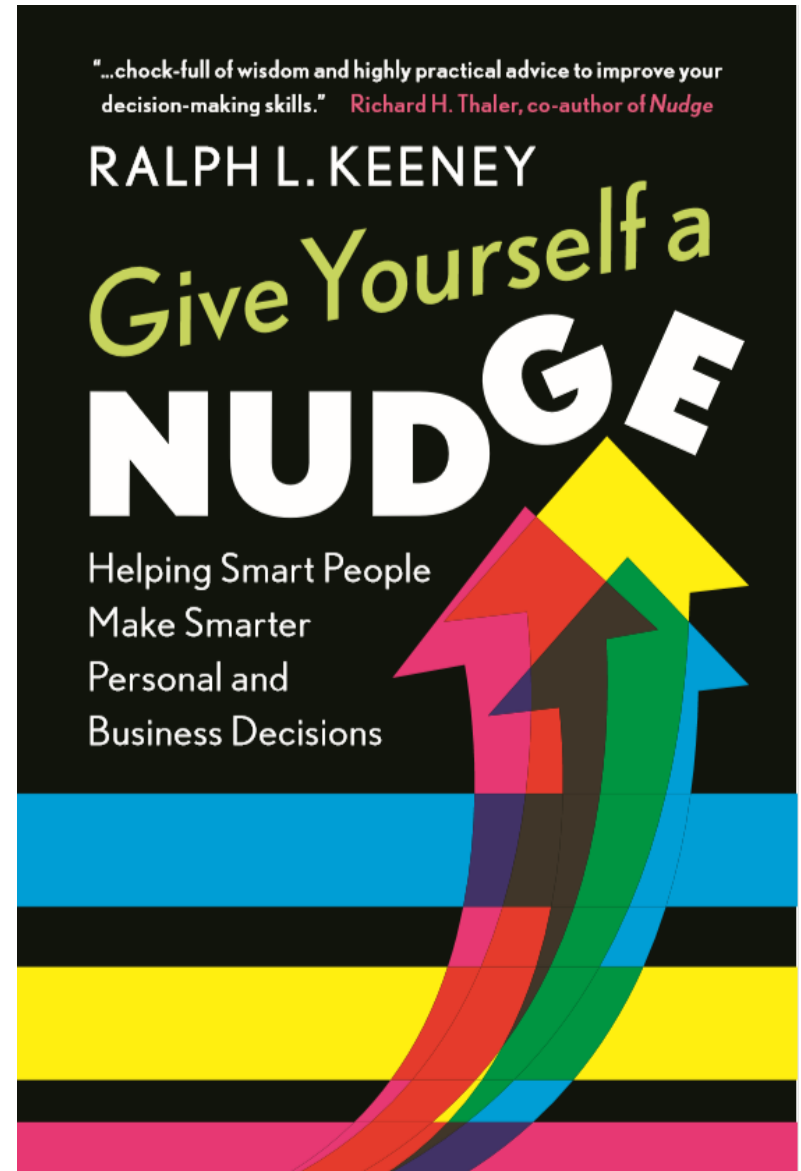
For most decisions that you face, no external choice architect can nudge you. Only you can nudge yourself.

This presentation is about **practical nudges** that you create to make better business and personal decisions.

Details and numerous examples are found in [Give Yourself a Nudge](#), published earlier this year.

EXAMPLE - important business dinner

NUDGE



How Are Decisions Usually Made?

Typically, something happens that leads us to

1. recognize a decision problem
2. We want to solve it, so we identify an alternative (or alternatives) to do so
3. evaluate the alternative(s) and implement one

This is Alternative-Focused Decision-Making

We each developed such decision making habits from our personal experience making decisions. Very few of us learned decision-making skills.

How Should Decisions be Made?

Once you recognize a decision that you want to make:

1. Your first serious thinking should be about your values for a decision – what you want to achieve – which is why it is worth thinking about it.
2. Your values then guide all else that you do regarding this decision. **How could you create good alternatives if you do not know what you want to achieve?**

This is

Value-Focused Decision-Making.

It nudges you to make better decisions.

Value-Focused Decision Framework

Front-End: **Define and structure the decision you face**

1. State the decision that you want to face.
2. Identify your values and state them as objectives.
3. Create alternatives that contribute to achieving your objectives.

Back-End: **Describe and evaluate your alternatives and make your decision**

1. Describe possible consequences to indicate how well each alternative achieves your objectives.
2. Evaluate alternatives by weighing the pros and cons of each.
3. Select an alternative using insight from your analysis.

This presentation concerns the crucial front-end.

Your Decision Frame

The front-end takes you from your initial thought that you have a decision to make to a unambiguous frame of the decision you should address.

Front-End

1. State the decision.
2. Identify your values.
3. Create alternatives.

Each contribution to that frame is a **nudge** that guides you to make a better decision.

from the set of alternatives that best achieves

	Alternative A	Alternative B	Alternative C	Alternative D
Value 1 Objective 1				
Value 2 Objective 2				
Value 3 Objective 3				
Value 4 Objective 4				

Choose the alternative

your stated objectives

Decision Frame

A quality decision frame is a powerful **NUDGE**

Two Poll Questions for Each Participant

Please answer the following:

- Questions 1 and 2 if you are a member of the Society of Decision Professionals.
- Questions 3 and 4 if you are NOT a member of the Society of Decision Professionals.

1 and 3. Check how many complete decision analyses you have done of personal decisions.

☐ 0 ☐ 1-5 ☐ 6-15 ☐ 16-40 ☐ ≥ 41

2 and 4. Check how many complete decision analyses you have done of business decisions.

☐ 0 ☐ 1-5 ☐ 6-15 ☐ 16-40 ☐ ≥ 41

Definitions Needed for Two Poll Questions

Personal decision: a decision where you (sometimes together with family members) have the complete authority to make a decision (examples include decisions about education, housing, health, vacations, etc.)

Business decision: a decision where you, alone or as the leader of a team, have the responsibility to make or recommend the alternative that should be chosen by a business or organization. You could be a member of or a consultant to the business/organization.

Complete decision analysis: an analysis that explicitly addresses all steps of the decision analysis, including describing the possible consequences of alternatives, including probabilities of possible relevant events, constructing an objectives function to evaluate alternatives, and calculating the overall desirability of competing alternatives.

Why the Front-End Is So Crucial

- You cannot do a quality decision analysis without a quality front-end. A quality front-end enhances the insight of any back-end information, analysis, and evaluation of alternatives.
- The vast majority of your decisions will not benefit from a decision analysis, so thinking about the front-end components will be the main guide to make a smarter decision. Thinking clearly about this front-end will be worth the time and effort on your decisions worthy of thought.

Creating a Quality Front-End of a Decision

You do not develop skills without individual practice.

- Learn how you should do it
- Practice what you learned
- **Practice should be on personal decisions**
 1. Numerous decisions for practice
 2. You choose what to work on and when
 3. You need not display decision flaws to others
 4. Each individual works on all decision aspects (On business and organizational decisions, much of the front-end is provided by others, so you get little opportunity to develop individual skills)
- *Benefiting from better personal decisions, you quickly understand how important and easy it is to learn to make better decisions!!*

1. Your Decision Statement

- Your decision statement should clearly, accurately, and concisely state the decision you want to address.
- It guides your identifying of the values for the decision and an appropriate set of alternatives to consider.
- These values and alternatives define **your decision frame, which then replaces your decision statement.**

Composing Your Decision Statement

Begin any decision statement with the *decide* typically followed by which, what, when, whether, how or if.

Two examples:

‘*decide* how can I have more enjoyable weekends’



‘*decide* what my personal policy should be to avoid getting covid-19’

Create a few decision statements and select the best.

Then, make sure that the statement summarizes the decision that you want to make.

Another individual should clearly understand your decision by reading a good decision statement.

Poor Decision Statements

- Decide what to do because my job isn't interesting
vague: is this about talking to your boss, improving your job, resigning, getting a new job
- Decide if I should visit Canada on my vacation next summer. unclear: what would you otherwise do?
- Decide whether or not to visit your grandmother this weekend. versus decide when to visit your grandmother the next four months; you may never visit with sequential decisions 
- Decide whether to exercise today. versus a policy decision to decide whether to exercise regularly. 

2. Identifying and Organizing Your Values

If you don't know what you want to achieve by making a decision, how could you possibly make a good decision?

Values, which are what you care about regarding a decision, can be stated in any form; just articulating them is the key. Values are then clarified by stating them as objectives.

Where do values come from? the minds of decision makers

Key Question: How good are decision makers at identifying their values for a decision?

Experiment: Creating MBA Internship Objectives

Step 1: DMs generate as many relevant objectives as they can.

Step1a: *DMs try harder*

Objectives List
▪ DM Objective A
▪ DM Objective B
▪ DM Objective C
▪ DM Objective D
▪
▪
▪

Step 2: DMs see the master list and check all objectives that are relevant.

Master List	
<input type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input checked="" type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input checked="" type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input type="checkbox"/> Objective	
<input checked="" type="checkbox"/> Objective	
<input type="checkbox"/> Objective	
<input checked="" type="checkbox"/> Objective	
<input type="checkbox"/> Objective	

Step 3: DMs map objectives from Step 1 to the master list. Checked items that map back are *self-generated* objectives; all others are *recognized*.

Master List	
<input type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input checked="" type="checkbox"/> Objective B	<input checked="" type="checkbox"/> Objective D
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input checked="" type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input type="checkbox"/> Objective	
<input checked="" type="checkbox"/> Objective A	<u>DM Objective C</u>
<input type="checkbox"/> Objective	_____
<input checked="" type="checkbox"/> Objective	_____
<input type="checkbox"/> Objective	_____

Step 4: DMs rate the importance of all checked objectives.

Master List	
<input type="checkbox"/> Objective	<input checked="" type="checkbox"/> Objective
<input checked="" type="checkbox"/> ^① Objective B	<input checked="" type="checkbox"/> Objective D
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input checked="" type="checkbox"/> ^⑤ Objective	<input checked="" type="checkbox"/> ^② Objective
<input type="checkbox"/> Objective	<input type="checkbox"/> Objective
<input type="checkbox"/> Objective	
<input checked="" type="checkbox"/> Objective A	^③ <u>DM Objective C</u>
<input type="checkbox"/> Objective	_____
<input checked="" type="checkbox"/> ^④ Objective	_____
<input type="checkbox"/> Objective	_____

Master List of MBA Internship Values

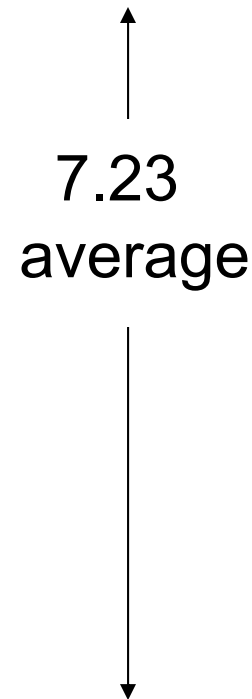
I would like to choose an internship that...

Is at a well recognized / respected company
Allows me to meet interesting people
Is with an organization that I am passionate about
Uses skills I have learned in my first year of B-school
Improves my attractiveness for full-time job offers
Makes me more savvy about office politics
Allows me to experience a new geographical area
Gain experience leading team projects
Helps me improve my analytical skills
Is in near family or friends
Is enjoyable to do
Enhances my knowledge in a particular industry
Could lead to a full time offer from that firm
Compensates me well
Provides information to help select a job after graduation
Enhances my resume
Helps me develop my leadership skills
Helps me improve my communication skills

Provides flexibility for personal interests during the summer
Gives me a substantial project of which I can feel ownership
Provides opportunities to interact with senior managers
Is with a company whose culture I identify with
Gives me pride from landing a prestigious internship
Provides a structured program for learning and training
Is professionally challenging
Let me work with a diverse group of people
Offers the chance to learn new skills
Helps me decide what courses and skills I need to develop next year
Is at a company that sponsors work visas for placement in US offices
Helps me make good networking contacts
Is a job that I would like to do full-time after graduation
Helps me decide whether the internship field is good for me long-term

Summary of MBA Internship Experiment Results

	<u>Average Number of Values Created</u>	<u>Importance of Values</u>
Original list	6.4	7.28 average
<u>Then think more/work harder</u>		
Review/add as appropriate	0.5	
Research shows ..., think		
• Add any you think of	2.8	
• Add at least 3	3.1	
• Add at least 6	3.9	
• Add at least 9	4.9	
• Use categories:	3.6	
Tangible Benefits, Intangible Benefits, Develop Professional Skills, Enhance Attractiveness to Potential Employers		
Checked Objectives	20.1	



Summary of Experimental Results

Decision makers

- often identify **less than half** of their values
- miss values roughly as important as those identified

The implication: It is important to **dedicate serious effort to specify the values for each of your decisions**

EXAMPLE - important business dinner



NUDGE

A Process to Help Identify Your Values

- Step 1** Create a wish list. Include every value you hope to achieve in the decision situation.
- Step 2** Stimulate additional values by using mind-probing techniques.
- Step 3** Ask others for suggested values. Their suggestions may be one of your values or stimulate you to think of others.
- Step 4** Use previously identified values to identify additional values

Step 2: Stimulate Values Using Mind-Probing Techniques

Technique	Questions
Emotions and Feelings	Articulate your emotions and feelings evoked by the decision situation. Ask yourself why you care about these and how your alternatives may address them.
Alternatives	Identify a perfect alternative, a terrible alternative, some reasonable alternatives, the status quo. What is good or bad about each?
Consequences	Think about what might occur after you make your decision. What might occur that is good or bad?
Goals and Constraints	Review any goals and constraints you have. What are your reasons for setting these?
Different Perspectives	Suppose a friend or a competitor you know faced your decision. What might their values be? If you faced this decision at some time in the future, what would concern you?
Strategic Values	Consider the strategic values for guiding your life or your organization that are relevant to the decision? Are any of these values, or aspects of them, relevant to this decision?
Disappointment and Regret	After you have experienced the consequences of your decision, what might disappoint you and what might you regret?
Generic Values	What values have you had for the same or similar decisions that you have faced? Are these relevant now?

Step 3. Ask Others for Suggested Values

Don't initially ask others for suggestions,
or you may anchor on their thoughts

Step 4: Using Recognized Values to Search for Missed Values

For each recognized value, ask yourself:

- a. Why do I care about this value?
- b. How can you best achieve this value?
- c. What does this value mean?

Example: product quality... maximize sales...
maximize income... maximize profit

Clarifying Values

- Once you have listed values for your decision, it is useful to state them in a common format.
- An **objective** is a value stated in a **verb-object format** that clarifies the meaning of that value, for example:
 - ‘money’ may become ‘maximize my salary’ or ‘maximize profits’ or ‘minimize cost’
 - ‘a smelly river’ may become ‘reduce pollutant inflow’ or ‘restore habitat’ or both
 - ‘successful’ may become ‘increase my skills’, ‘be promoted’, or ‘be respected by peers’

Organizing Your Values

Stating your values as objectives helps to understand their relationships and to facilitate their use.

Relationships between objectives

- **Means Objective**: an objective whose importance stems from its influence on achieving another objective, referred to as an **ends objective**.
- **Fundamental Objective**: an objective that defines a basic reason for caring about a decision.

Uses of Means and Fundamental Objectives

- Only fundamental objectives should be used to evaluate and compare alternatives.
- Means objectives can be used to create alternatives

EXAMPLE – Cancer Treatment

If necessary to face such a decision, what are your values/objectives?

Objectives for Cancer Treatment

- Get all the cancer
- Avoid a recurrence of cancer
- Ensure that the cancer doesn't spread
- Minimize medical risks of treatment
- Minimize medical risks of cancer
- Reduce the likelihood of death in the near future
- Reduce the likelihood of serious complications
- Minimize personal costs of the entire procedure
- Have insurance pay the maximum possible
- Limit any pain and suffering
- Minimize inconvenience to self
- Have a comfortable hospital room
- Avoid worry about treatment
- Have trust in doctors
- Minimize inconvenience to family
- Receive good communication
- Have the best physicians
- Receive quality healthcare
- Limit time in hospital
- Minimize limits on activities after recuperation
- Receive friendly service at the hospital
- Provide future financial security for family

You can gain insight from organizing such a long and multifaceted list of objectives

Means and Fundamental Objectives for Cancer Treatment

Means Objectives

Get all the cancer
Avoid a recurrence of cancer
Assure that the cancer doesn't spread
Minimize medical risks of treatment
Minimize medical risks of cancer
Receive friendly service at the hospital
Reduce the likelihood of serious complications
Have insurance pay the maximum possible
Have a comfortable hospital room
Have trust in doctors
Receive good communication
Have the best physicians
Receive quality healthcare

Fundamental Objectives

Minimize the likelihood of death in the near future
Minimize personal costs of the entire procedure
Limit any pain and suffering
Avoid worry about treatment
Minimize inconvenience to self
Minimize inconvenience to family
Minimize limits on activities after recuperation
Provide future financial security for family
Limit time in hospital

Fundamental Objectives for Evaluating Cancer Treatment

- Minimize the likelihood of death in the near future
- Minimize limits on activities after recuperation
- Minimize inconvenience for self and family
 - limit any pain and suffering
 - avoid worry about treatment
 - limit time in hospital
- Minimize personal costs of the entire procedure
 - for the hospital
 - for physicians
 - for recovery
- Provide future financial security for family



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A Pause for Questions

3. Creating Alternatives

- Alternatives are the potential choices for pursuing your objectives. They must be completely under the control of the decision maker.
- **Two important facts about alternatives:**
 - You can never choose an alternative that you haven't identified
 - Your chosen alternative can be no better than the best of those that you have identified

How Good Are Decision Makers at Creating Alternatives?

Summary of Experimental Results

For real decision problems:

- Individuals often identify **less than half** of the potential alternatives
- They often do not identify readily available alternatives that are much better than the alternative eventually chosen.

The implication: It is important to **dedicate serious effort to create alternatives.**

Pitfalls when Creating Alternatives

- No (or little) time spent creating alternatives
- Stopping your search after one alternative is identified
- Not thinking creatively
 - Thinking too narrowly (e.g. business as usual)
 - Anchoring on existing alternatives (tweaking)
 - Inappropriate constraints
 - Focusing on alternatives presented by others

Conventional Advice: Think Outside of the Box

The spirit of this advice is worth following.

However, outside of the box is everywhere else, which is a phenomenally large space to look for anything.

You cannot look everywhere effectively or efficiently.
Guidance on where to look would be useful.



“the proverbial box”



“outside the box”

My Advice: Think Inside the Right-Sized Box

You need to think “outside of the box”, but not “outside of a box”. You should think inside a bigger ‘right-sized’ box.



The proverbial box
(a too-small box)



The Alternatives Box
(a right-sized box)



Outside of The box
(a very large space)

The size of this right-sized *Alternatives Box* is defined by your objectives.

How Should You Create Alternatives Inside the Alternatives Box?

- Since alternatives are the means to achieve the objectives, the set of objectives describe the *alternatives box*.
- **Create alternatives using your objectives.**
Thinking about 'how to better achieve each objective' will lead to alternatives, or elements of alternatives, that contribute to achieving your objectives

Practical Guidance for Creating Alternatives

Initially, work alone so you don't anchor on suggestions made by others.

First identify alternatives to achieve each objective.

Second, use pairs of objectives, then larger sets.

Third, enhance alternatives that you have already created.

Fourth, have friends and other knowledgeable individuals suggest alternatives or enhancements.

Value-Focused Brainstorming

A process to focus group brainstorming sessions on the creation of alternatives for specific decision problems

1. State decision you face
- 2. Identify objectives of the decision**
- 3. Individually generate alternatives**
4. Collectively generate alternatives

A Value-Focused Brainstorming Workshop

A 2.5 day workshop to identify all creative alternatives **for emergency evacuation from large buildings**. Those emergencies could be due to fires, natural disasters, or human-caused problems including terrorist attacks.

The expertise of the approximately 35 participants included architecture, fire safety, legal issues, standards and codes, people with disabilities, emerging technologies for evacuation, and human behavior.

Prior to discussing objectives, participants were asked to write down any alternatives that they would be useful.
221 alternatives were collectively identified.

Results: Objectives Categories Created

The seven fundamental objectives identified by the participants were:

- Save lives and prevent injuries to occupants
- Save lives and prevent injuries to firefighters/responders
- Minimize property damage
- Minimize impact on property operations
- Minimize economic costs
- Reduce stress
- Reduce grief

Additionally, 12 categories of means objectives were identified:

- Enhance detection
- Maximize situation awareness
- Make people feel safe
- Minimize response time
- Enhance communications
- Enhance safety
- Facilitate responder access
- Isolate fire
- Minimize evacuation time
- Improve knowledge about the system
- Improve education and training
- Provide easy egress procedures

There were several component objectives in each category.

Creating New Alternatives

Recall that prior to mentioning specific objectives, participants **collectively identified 221 alternatives.**

Now, using the objectives to stimulate thought, **179 additional new alternatives** were created:

81 using single objectives,

48 using pairs of objectives,

50 more in groups of two to four participants.



NUDGES

An intuitive evaluation of 37 of these alternatives by 9 groups of about 3 individuals each rated several high on usefulness, feasibility, and creativity.

4. Decision Opportunities

- Who should make your decisions?
 - **You should!**
- Who should choose the decisions that you face?
 - **You should, at least more than you do.**
- Making decisions on problems that you must face is **reactive**.
- You have the power to create decisions that you choose to face. This is **proactive** and I refer to these decisions as **decision opportunities**.

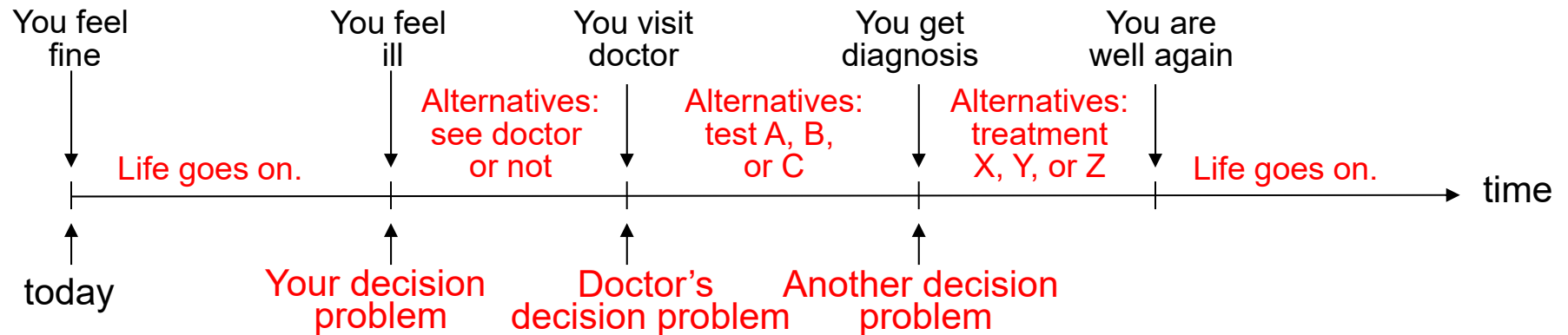
How Do Your Decisions Occur?

- Most of your decision are caused by the decisions of others, happenstance, actions that you take without thinking, and bad consequences of your decisions (from good decisions or poor decisions).
- Examples: your employer eliminates your job, you contract a serious illness, fire damages your home.
- Each of these situations presents you with a decision problem and it is definitely a problem.

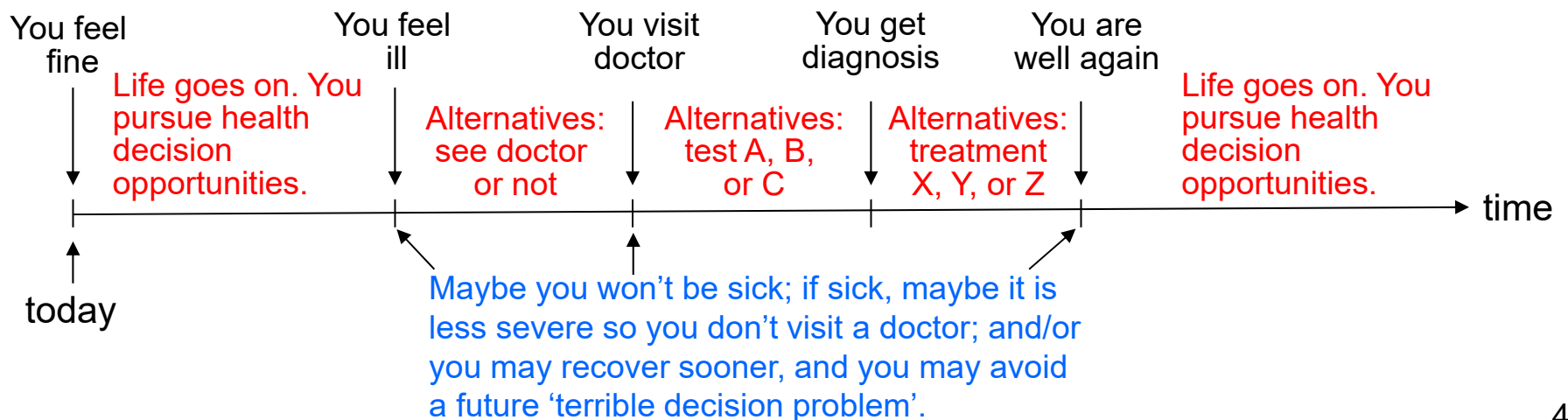
Who wants to always deal with only problems?

Reactive versus Proactive Decision-Making for Health Decisions

Reactively Solving Decision Problems



Proactive Pursuing Decision Opportunities



Creating Decision Opportunities

- You can create decision opportunities by thinking of improvements that you would like to experience in your business or your life.
- **Value-focused thinking** helps you be systematic about creating decision opportunities.

EXAMPLES: decide to routinely exercise, develop a new work skill, become a better decision maker



NUDGES

Stimulate the Creation of Decision Opportunities

Initial Thought

I want more information for a decision

Keep my family safe from Covid-19

I would like a more interesting life

I admire people who have skill S

I'd like to do X, but I can't because ...

My office is always a mess

Have opportunities suggested by others

Decision opportunity: Decide

what information to collect

how to lower the chance of covid infection

how to meet more interesting people

to develop skill S

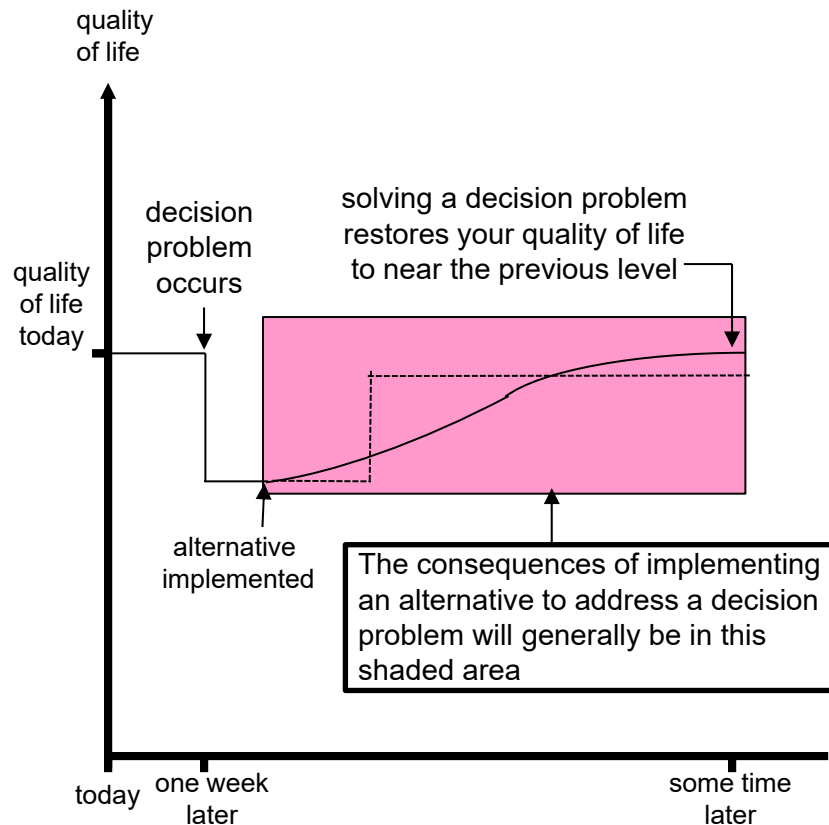
to eliminate the reason why I can't do X

1. to understand why it is always a mess
2. what policies will best reduce the mess

be in the right place at the right time

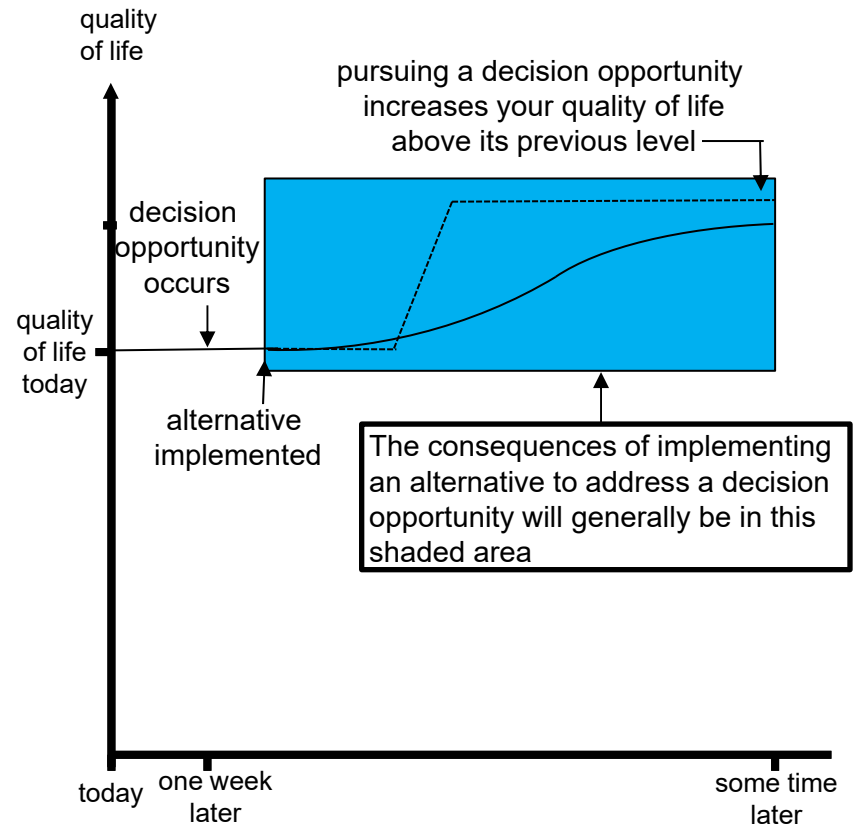
A Key Distinction between Decision Problems and Decision Opportunities

Decision problems usually do not improve your life



A Decision Problem

Decision opportunities usually do improve your life



A Decision Opportunity

Why Don't Decision-Makers Routinely Create Decision Opportunities?

Two main hindrances to creating decision opportunities:

- We think of decisions as problems (i.e. problem solving). Since we have enough problems already, and we don't like them, why should we create any for ourselves?
- We don't have a clear concept or name for what I'm calling a **decision opportunity**, so we don't routinely think about utilizing this idea.

A Pause for Questions



The Key **Nudges** of Value-Focused Decision-Making

Four practical nudges that you can routinely use:

- **State the decision that you face clearly and thoroughly.**
- **Understand your values.** For any decision, create a list of what you care about. State values as objectives and organize them.
- **Create alternatives.** Don't just accept the obvious alternatives. Create new alternatives that may be better.
- **Generate decision opportunities.** Do not wait for problems to occur. Proactively create decision opportunities to make your life better and possibly avoid future decision problems.

Improving Your Decision-Making Skills

1. Learn the concepts and their usefulness for decision-making.
2. Practice using those concepts on less complex and less important decisions
This is analogous to developing competence with other skills, such as any sport, playing a musical instrument, being a good parent, or cooking.
3. As you become more skilled, you can naturally address more complex decisions more effectively.

Last Thoughts

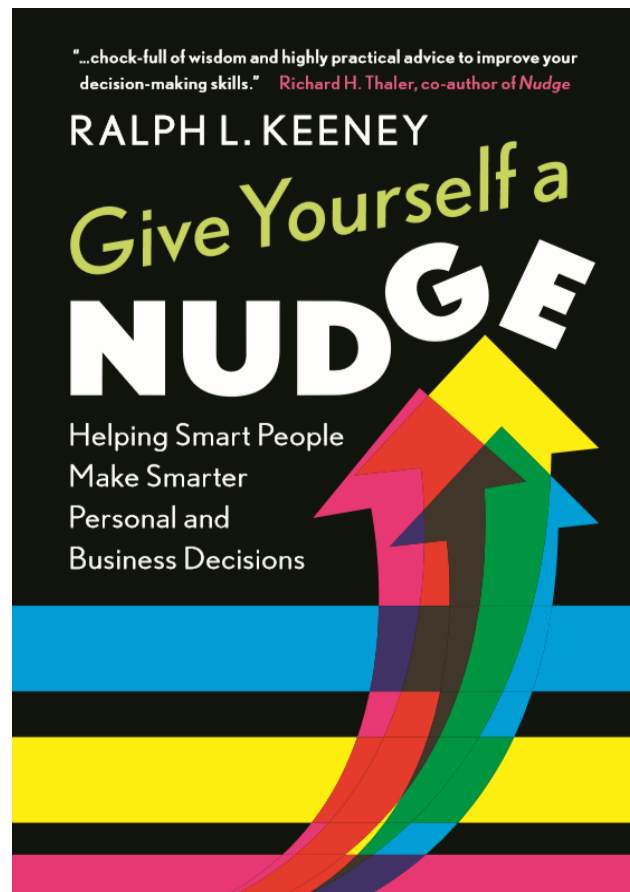
Being a proactive value-focused nudging decision maker is conceptually easy.

But most of us have a life-long habit of being a reactive alternative-focused decision maker.

To break such an engrained habit, practice using the ideas presented to become skilled at using value-focused nudges. **It's worth it.**

Give Yourself a Nudge and master this skill.

Thank You



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