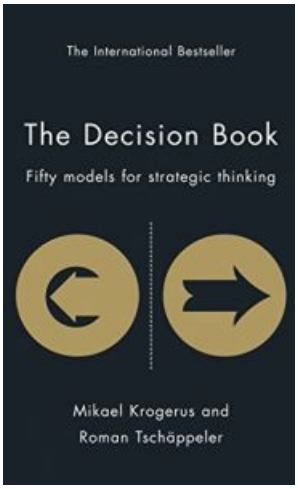

Book The Decision Book

Fifty Models for Strategic Thinking

Mikael Krogerus and Roman Tschäppeler
Profile Books, 2011
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Recommendation

Journalist Mikael Krogerus and communications expert Roman Tschäppeler summarize 50 of the most popular decision-making models that individuals and businesses around the world adopt and use to make significant choices and to think in a strategic way. The authors' thoughtful little book shows readers how to develop a strategy, how to choose among alternatives and how to make intelligent decisions. Accompanying graphics illustrate each of the models. While a book that summarizes 50 strategies does not cover any one of them in depth, and much of the content is simple synopses of other people's models, *BooksInShort* endorses this fun, informative little book about conceptualizing and decision making.

Take-Aways

- To resolve difficult decisions, people turn to decision-making models.
- These models simplify choices into their most relevant aspects.
- You can use decision-making models for four reasons: to "improve yourself," to "improve others," to "understand yourself better" or to "understand others better."
- Models artificially represent reality, and often they can mislead even their creators.
- Failing to make a decision is a decision.
- The best way to remember new information is to recall it on a regularly scheduled basis.
- To manage time effectively, rank your daily tasks and work on them in order.
- People often act against their most strongly held beliefs.
- The past is not a guide to the future.
- Sophisticated "prognosis tools" for decision making will replace current models.

Summary

Improve the Way You Decide

Decision-making models simplify tough choices. They draw important information in a practical way. They "reduce complexity" into decipherable graphical matrices and can help you organize your thoughts. While decision-making models do not provide strict solutions and may not accurately "reflect reality," their purpose often is to help you view situations in a new light.

"You can't change the past. But you can ruin the present by worrying about the future."

The world's most famous decision-making models fall into one of four categories: "how to improve yourself," "how to understand yourself better," "how to understand others better," and "how to improve others." Each category contains numerous models that can help you improve your decisions.

1. How to Improve Yourself

The models that enhance your decision making include:

- **"The Eisenhower matrix**" – Former US president Dwight D. Eisenhower was a superb manager of time. His approach will work for you. Prioritize all your tasks according to "what is important and what is urgent." Do tasks that are urgent and important right away, and schedule a time in the future to do jobs that are important but not urgent. Handle assignments that are neither important nor urgent later and get someone else to take care of tasks that are urgent but not important. Investment guru Warren Buffett has his own simple but effective time-management system: List and rank the tasks you want to complete each day. Work first on your Number 1 task. Do not proceed to your Number 2 task until you complete the first job. Follow the same step-by-step approach for all remaining tasks.
- **"The rubber band model"** – When facing a choice between two equally compelling alternatives, picture yourself caught in the middle of a stretched rubber band. Ask yourself: "'What is holding me?' and 'What is pulling me?'" Carefully evaluate the two opposing options.
- **"The family tree model"** – Which customers matter most? To find out, ask your customers who recommended your product to them and to whom they would recommend it. Respondents will separate into three groups: "promoters, passive satisfied customers and critics." Display these categories on a graphic that resembles a family tree. Measure your success by the ratio between promoters and critics.
- **"The Esquire gift model"** – What gift should you give? A cheap gift may be insulting and seem stingy, and while recipients will always welcome an overly expensive gift, that punishes the giver. Create a chart with the "value of the gift" on a vertical axis and the "number of years you have known the recipient" on the horizontal axis. Chart your gift expenditure accordingly.
- **"The consequences model"** – Many people fail to make consequential decisions when they begin a new project. That's understandable, since everyone has only minimal knowledge when an undertaking begins. However, not making a decision is, in effect, a decision. Sometimes you must decide without the benefit of adequate data. Act when the situation demands action.

2. How to Understand Yourself Better

In some situations, you might find that coming to a decision requires learning more about yourself:

- **"The flow model"** – Psychologist Mihaly Csikszentmihalyi studied more than 1,000 people to learn what makes them happy. His found that people feel happiest when they focus on a single activity that challenges them but is not too difficult, includes a well-defined objective and provides quick feedback. When people engage in such activities, they don't feel the passing of time anymore; they are "in the flow."
- **"The cognitive dissonance model"** – Many people act against their basic beliefs, thus creating a state of cognitive dissonance. To illustrate, a parent might believe strongly that physically punishing children is wrong and yet slap a child for misbehaving. Perhaps the parent justifies it by arguing that the child deserved a punishment. To eliminate cognitive dissonance, change your attitude or your behavior.
- **"The unimaginable model"** – Do you believe in something impossible to prove, for example, in the existence of God? Your belief may be so strong that you require no proof. Philosopher Immanuel Kant claimed that the ability to imagine "a being as perfect as God" is the only proof necessary that a supreme being exists. Many people also believe in unimaginable entities, such as black holes in outer space, even if they do not understand the supporting scientific evidence.
- **"The SuperMemo model"** – Long-term memory has two components: "retrievability" – how easy something is to remember – and "stability" – how well-anchored something is in your brain. For example, your phone number from years ago is a stable memory that is not easily retrievable. To remember something – like a new word – remind yourself of it on a regular, scheduled basis.
- **"The hype cycle"** – This model says that most new technologies go through a five-phase cycle of promotion and hype before they become fully established in the marketplace:

1. The "technology trigger," when everyone talks about the new product.
2. The "peak of inflated expectations," when people love the product but begin to notice some problems.
3. The product reaches the "trough of disillusionment" and no longer seems cool.
4. On the "slope of enlightenment," the product is not new anymore, and the company may remove it from the market or alter it.
5. At the "plateau of productivity," and by now in version 2.0 or 3.0, it is well established.

3. How to Understand Others Better

To reach decisions, you often must take account of forces outside yourself. Numerous tools can help you to understand others, including:

- **"The Swiss cheese model"** – This model demonstrates how a small mistake can lead to calamity. Picture individual slices of Swiss cheese. Each has holes in different places. Stack the slices together. In this conceptual model, if a mistake occurs, it enters the first slice through one of the holes but goes no further because the holes on the next slice don't line up; having reached a dead end, the mistake can do no major damage. However, if the mistake enters a hole on the first slice that aligns with holes on all the other slices, the end result could be catastrophic.
- **"The small-world model"** – Psychologist Stanley Milgram believed that all human beings connect to each other by a maximum of six degrees of separation. Thus, actress Freida Pinto is connected to screen immortal Greta Garbo in the following way: Freida Pinto appeared in a 2010 movie with Roger Ashton-Griffiths, who was in a 1986 movie with Bill Fraser, who was in a 1964 movie with Melvyn Douglas, who was in a 1932 movie with Greta Garbo.
- **"The Pareto principle"** – More than a century ago, economist Vilfredo Pareto noted that 20% of Italy's richest individuals owned 80% of all the nation's wealth. Occurrences of the 80-20 ratio are widespread: 20% of the work force accomplish 80% of the work; 20% of drivers commit 80% of all road accidents; 20% of people in bars drink 80% of all alcohol sold. The ratio pops up in many situations, but don't be fooled. Pareto does not always apply.

- **"The Monte Carlo simulation"** – When you roll a die, you must, by the nature of dice, roll a number between one and six. When gambling you never know in advance which number will be on top. The Monte Carlo simulation tries to determine probability and, thus, divine order from randomness. However, trying to predict random outcomes with definitive accuracy simply doesn't work. The Monte Carlo simulation reminds us that models approximate, but cannot define, reality.
- **"The black swan model"** – Naturalists long assumed that all swans were white until, to their shock, they discovered black swans during the 17th century. Writer Nassim Nicholas Taleb terms this conceptual dilemma the "black swan" and defines it as trying mistakenly to predict the future (only white swans exist until some black ones show up) by looking at the past (all swans are white). Expect the unexpected, and never assume that the past provides a model for the future.
- **"The black box model"** – As the world turns increasingly complex, it becomes more difficult to understand. This is the black box, where "complex constructs" abound – including most advanced new technology – that are difficult for laypeople to grasp. As a result, the amount of data people believe to be true without understanding it is increasing. Those who seek to influence others in the future will rely more on "images and emotions" rather than "arguments."
- **"The prisoner's dilemma"** – This famous game theory conundrum works as follows: Police keep two crime suspects apart and unable to confer. They offer an identical deal to each prisoner: 1) If one confesses that both prisoners are guilty and the second prisoner stays silent, the confessor goes free and the silent prisoner receives a 10-year sentence; 2) if both men stay silent, each receives a two-year sentence; and 3) if both men confess, both get five-year sentences. If you were one of the suspects, what would be your optimum strategy? Research results involving 200 rounds of this dilemma game, pitting one player against another, indicate that your best option is to trust that your fellow will protect you initially; subsequently, you should match the other suspect's previous moves. If you begin imitating that person's moves, they will imitate yours.

4. How to Improve Others

Reaching an organizational decision may involve managing and persuading others. Numerous tools can help you encourage other people, including the following:

- **"The Drexler-Sibbet team performance model"** – Any team project involves seven stages; as a team leader, determine where each staff member is now and what must happen to move each one to the next necessary stage:

1. "Orientation ('Why am I here?').
2. Trust building ('Who are you?').
3. Goal clarification ('What are we doing?').
4. Commitment ('How will we do it?').
5. Implementation ('Who does what, when, where?').
6. High performance ('Wow!')".
7. "Renewal ('Why continue?')."

- **"The Hersey-Blanchard model"** – Paul Hersey and Ken Blanchard developed a "situational leadership model" that distinguishes these separate core aspects: "instructing," where new employees require active direction and leadership; "coaching," where employees have some expertise but are less motivated than when they first began their jobs and need questions answered; "supporting," where employees have amassed considerable knowledge and can operate independently; and "delegating," where employees are now fully expert at their work.
- **"The role-playing model"** – Edward de Bono, an expert on creative thinking, developed an approach to energizing communication among team members. All team members adopt a selected viewpoint that corresponds with different-colored hats: "analytical, objective" thinking is white; "emotional thinking," red; "critical thinking," black; "optimistic thinking," yellow; "creative, associative thinking," green; and "structured thinking," blue. Then they discuss a topic carefully using their assigned perspectives.
- **"The result optimization model"** – This project management model breaks a project down into three separate loops – "gathering [information], consolidation and implementation" – essentially creating three separate projects. This approach enables project managers to enhance the quality of a project. Be sure to complete one phase before you move on to the next one. Otherwise, you will negate this model's dynamic.

The Future of Decision-Making Models

Eventually, management science will benefit from sophisticated analytical processes pioneered by current research in genetic engineers. One day, these processes will supplant current decision-making models. Indeed, such "prognosis tools" already are in profitable use in numerous areas. For example, sophisticated analyses enable managers at Harrah's Casinos to predict when dejected gamblers will be ready to give up, close their wallets and retire to their hotel rooms. To forestall such occurrences, Harrah's dispatches a "luck ambassador" at precisely the right moment to give the despairing loser a gift and entice him or her to gamble away more money.

About the Authors

Mikael Krogerus formerly wrote for the *Neue Zürcher Zeitung*, a Swiss daily newspaper. **Roman Tschäppeler** is CEO of Guzo, a communications agency in Biel, Switzerland.