



Book The Impulse Factor

Why Some of Us Play It Safe and Others Risk It All. An Innovative Approach to Better Decision Making

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Recommendation

Are you likely to risk everything for a potentially huge payout? Or do you tend to look for a “safe bet”? Nick Tasler, research director for a workplace learning and training firm, examines the psychological and genetic factors that shape these human tendencies. He says that people approach decisions from either a “potential seeking” or “risk managing” perspective, and explains that how you manage the strengths and weaknesses of your particular decision-making style determines the quality of your choices. Tasler proves himself a raconteur as well as a scholar. His book is a delightful smorgasbord of case studies covering a variety of people and organizations, from Bill Gates and Neal Cassady to the National Football League’s San Diego Chargers. *BooksInShort* recommends this fascinating book to anyone who wants to understand and improve his or her decision-making style and abilities.

Take-Aways

- Impulsivity has genetic determinants. About one-quarter of all people have the “novelty-seeking gene.”
- Low levels of monoamine oxidase, an enzyme in the brain, lead to increased impulsivity.
- However, your biology alone does not determine how you make decisions. External conditions influence your choices.
- Even risk managers can act impulsively in certain social contexts, as in the “Tulip Mania” of the 16th and 17th centuries. This behavior is called “conditional impulsivity.”
- “Functionally impulsive” people take fairly harmless risks while maintaining direction in their lives, whereas people with “dysfunctional impulsivity” tend to be reckless.
- The “endowment effect” explains how people’s proprietary feelings cause them to act impulsively.
- People approach decisions as either “potential seekers” or “risk managers.”
- Potential seekers tend to overlook risks in pursuit of big, immediate gains.
- Risk managers make choices that ensure their security and peace of mind.
- By teaming up, risk managers and potential seekers can make more balanced decisions.

Summary

Impulsive Behavior: It’s in the Genes

Consider this experiment: A researcher offers subjects a choice between “two good deals.” The first deal is a chance to win a three-week trip to several European countries – but only if the subjects win a coin toss. The second is a guaranteed one-week trip to Italy. Which option would you choose? If you are like about three-quarters of the population, you would play it safe and select the second option. That means about one-quarter of people will impulsively take big chances to win huge prizes. Since the 1970s, scientists have conducted many similar experiments to study this decision-making trend, and the “cautious/impulsive ratio” has remained fairly constant: In any group, about one-fourth of the people will show impulsive behavior.

“Impulsive people actually see the decision itself from a different angle. It is not necessarily that they choose risk over safety. It is that they are naturally predisposed to pay little attention to risk because their mind is consumed by the potential reward.”

Genetics can help explain why some people are more impulsive than others. The human brain contains monoamine oxidase (MAO), an enzyme that limits impulsive behavior. However, some people have low levels of MAO. That allows dopamine, a “carefree chemical” linked to sociability and the desire to try new things, to reign free in the brain. The result: impulsive, fun-seeking and often risk-taking behavior. The dopamine receptor gene, D4, also influences impulsivity. All humans have this gene, but the number of times “a segment of the gene repeats itself in the genetic sequence” can vary from person to person. About three-quarters of the global population have a variation of the gene in which the segment repeats itself four times. And about one-quarter of people have a variant in which the segment repeats itself seven times. Scientists call this longer D4 variant the “novelty-seeking gene.” Those who have it are “less sensitive” to dopamine, so they must go out of their way to experience a dopamine rush. They are likely to engage in extra-stimulating, risky activities.

“Putting it on the line with no backup plan is the hallmark behavior of potential seekers.”

Though impulsive behavior can sometimes lead to recklessness, it can also enable great change and progress. This “adaptive edge” explains why the novelty-seeking gene exists in a substantial portion of the world’s population. The D4 variant first manifested in humans 40,000 to 50,000 years ago. A few scientists speculate that the humans who left Africa for Europe some 40,000 years ago may have possessed – and been spurred on by – this gene. As Europe’s Neanderthal population dwindled to extinction, the bold explorers who carried this gene advanced.

“All impulsivity is not created equal.”

Although understanding how your biology influences your impulsivity, and thus your decision making, is important, you must also consider the external conditions that shape your choices. Remember that “every decision...has two key elements that determine its outcome: the person and the situation.” To manage decision making effectively, become aware of your own patterns, then combine that knowledge with insights about how external conditions affect you.

“Directionally Correct”

Impulsive people and cautious people often make vastly different decisions. This results, in part, because they bring different perspectives to decision making. Impulsive people focus so heavily on rewards that they often overlook risks. As a result, some impulsive people score big gains. However, they often suffer big losses, too. That is the chance they are willing to take. They “go for broke” and sometimes “end up going broke.”

“Conditional impulsivity brings to light the fact that a risk-taking decisive person exists inside everyone.”

Whether people’s impulsive behavior leads to success or ruin partly depends on whether they exhibit “functional impulsivity” or “dysfunctional impulsivity.” Functionally impulsive people take risks that are fairly harmless. They are aware that a “correct path exists,” and they know their own limitations. As a result, they are able to maintain a clear direction for their lives. Take, for example, Microsoft co-founder Bill Gates, a functionally impulsive individual who attained great success. By contrast, dysfunctional impulsivity causes people to be antisocial and reckless. Some even become career criminals.

It’s All Politics

Most people are “security-minded.” They pay much closer attention to bad news than good news because they are looking out for potential dangers. Many politicians exploit this tendency in their campaign strategies. Rather than focusing on their own qualifications, these candidates send out “danger calls” about their opponents. This taps an unconscious nerve in many voters, one linked to natural instinct. In effect, these politicians are signaling to the public that their opponents are “predators.” In politics, this approach often works. Voters who fear politicians will not vote for them. Safety far outweighs other concerns.

“Tulip Mania”

During the 16th and 17th centuries, an odd phenomenon known as tulip mania swept across the Netherlands. The Dutch fell in love with the beautiful but then-rare flower. People paid great sums of money for tulips: The price rose as high as the equivalent of \$76,000 per tulip bulb. Aristocrats and poor folks alike sought loans to invest in tulips. But, as with all speculative bubbles, the price of tulip bulbs eventually fell. When it did, the Dutch economy collapsed.

“Cautious people don’t behave impulsively to distance themselves from the group. They behave impulsively to keep up with the group.”

Many people became wildly impulsive during the tulip craze, even individuals who would normally have been cautious. This is because “cautious individuals will predictably make risky decisions whenever they have fallen below some self-set reference point.” For Dutch citizens with this mind-set, inactivity represented a loss. Not investing posed a bigger risk than borrowing against their property, so they engaged in “conditional impulsivity.”

“Playing Mine Games”

Economist Richard Thaler studied a phenomenon he calls the “endowment effect”: the way in which proprietary feelings can cause people to act impulsively. Thaler examined how this phenomenon affects trading on or following draft day in the National Football League (NFL). He observed that NFL fans tend to develop a sense of ownership of the individual players their teams draft. Thus, if a team trades a drafted player for a different athlete, the fans view the swap as a “loss” rather than a “strategic move.” As a result, the disappointed fans may stop buying tickets. Team owners know they must adapt to the “fans’ impulsive response” to continue making money, so they avoid trading their draft picks.

“When forced to make a decision, cautious people often tend to define the outcome that they don’t want and then let that conclusion guide their choice.”

“Prefeeling” causes a sense of “expected ownership” in people. This “ability not only to imagine future events, but also to experience how [you] might feel in the future” can make you dread losing something you’ve never actually owned. For example, car dealers use strategies that encourage prefeeling in shoppers. The salespeople routinely invite prospects to take a car out for a spin. They know that when you get behind the wheel of a new car, you experience what it would be like to own that car. Turning over the keys to the salesperson at the end of a test drive is difficult, because you sense a “lost opportunity.”

“Factoring You into Your Decisions”

Understanding functional and dysfunctional impulsivity, conditional impulsivity and the endowment effect can help you become aware of patterns in your own decision making. Identifying your individual decision-making style is also important. Two basic types of decision makers exist: “potential seekers,” who desire huge, more instantaneous gains, and “risk managers,” who carefully analyze the long-term effects of a decision. Keep in mind that these are just general behavioral trends: No two risk managers or potential seekers will make decisions in exactly the same way, and “all people are capable of occasionally playing both roles.” What type of decision maker are you? The following descriptions may help you decide.

Potential Seekers

If you are a potential seeker, you’re able to make quick decisions. You are always ready to place your bet in a situation, though you may have learned from past experiences to “fend off an impulse that could cause damage.” Failure to see how your decisions affect others may be one of your greatest limitations. Though you tend to take many risks, you “don’t particularly enjoy risk or failure” more than any other person. You want only to win – and win big.

“Whereas risk managers can occasionally be too focused on what other people are doing or thinking, potential seekers have a tendency to be too focused on immediate gain and not enough on other people.”

To become a successful potential seeker, get in the habit of questioning your decisions and judgments. Whenever you face a new decision, ask yourself, “Is this decision in line with the direction I’ve chosen for myself?” If your answer is no, ask, “Do I need to make a correction?” Phrase your questions in a constructive way. Don’t ask, “What are the risks?” Instead, ask, “Will this decision destroy future potential for me?” Be aware of your strengths and weaknesses, and know when to ask for help. Understand that as a gambler, you cannot possibly win every hand you are dealt. Routinely put aside some of the money you gain through your bold gambles. This emergency fund will be useful when the dice don’t roll your way.

“Creating connections with the people around you requires the very patience that potential seekers tend to lack.”

Don’t make the mistake of trying to repress your impulsivity. If you are impulsive, self-control runs counter to your nature. Instead, channel your impulsivity in positive, healthy ways. Concentrate on taking risks that align with your chosen direction. Gather input from other people to ensure you are on the right path. Build a support network of friends and colleagues to keep you from straying from your goals. Planning and organization probably are not your strong suits. Try to find someone who is good at these functions to help you with them.

Risk Managers

If you are a risk manager, you don’t like to play the odds. Your careful decision making results in steady progress over time rather than great leaps forward. Though your cautious approach helps you make sound choices, your fear of taking a wrong step may lead to indecision. However, you are excellent at anticipating problems, and you know how to stay on top of a situation. Planning is one of your strengths, and you usually employ sensible, well-conceived strategies.

“For some people the impulsive tendency is a lifestyle choice as much as it is a genetic predisposition.”

Because you are attuned to possible dangers and threats, you may have a tendency to fold up your tent and retreat at the first sign of trouble. As a result, you sometimes miss out on good opportunities. Try not to focus on what you want to avoid. Instead, zero in on what you want to achieve. Use the “think, analyze and react” formula to guide you through a difficult decision:

- **Think:** Sort information into “key factors” and “distracters.”
- **Analyze:** Examine only the key factors; ignore the rest.
- **React:** Make a timely decision based on your analysis.

“The universally correct way to make a decision is a moving target that will forever be one to two steps ahead of us.”

Fear of negative consequences is part of your mental landscape. As a result, you may tend to overanalyze situations. Avoid falling into this trap by asking yourself, “Do I really need additional data to make a decision?” Examine your true motives. Do you require more information, or are you avoiding taking a stand on an issue? If you are chronically indecisive, take steps to strengthen your decision-making skills. Force yourself to make quick choices in a relatively stress-free context, like the grocery store or a restaurant. Try to increase your decision-making speed with each new visit. Arrive at each destination with a clear goal in mind, and stick to it. Employing “targets and time limits” will enhance your decision-making style and build your confidence.

Opposites Attract

This maxim, which is true in many aspects of life, is highly relevant to decision making. If you are a risk manager, enlist the help of a potential-seeking teammate for your projects. (Be sure to choose one that is functionally impulsive.) Similarly, if you are a potential seeker, look for a risk manager who can complement your strengths and weaknesses. This effort to “strike a balance” is an effective business strategy. The risk manager in a team can plan and organize long-term projects. The potential seeker can then operate within the risk manager’s blueprints to strike boldly when it’s most strategic.

About the Author

Nick Tasler is the research director for a business consultancy firm that routinely works with *Fortune* 500 companies. He is a regular contributor to *BusinessWeek.com*.
