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Highlights

- Our decisions shape our lives;
- A tool we use facing opportunities, challenges and uncertainties;
- The best approach to decision is a proactive one;

- Researches conducted throughout 50 years;
- +1k analyzed decisions done by the authors through 40 years.
Decision-making methods are important

- IBM was struggling in 1980s, when a new CEO stepped in
- In 2002, the CEO left with a 800% appreciation in IBM’s stocks
- One of the main reasons: decision-making method
The Eight Elements of Smart Choices

1. Problem
2. Objectives
3. Alternatives
4. Consequences
5. Tradeoffs
6. Uncertainty
7. Risk Tolerance
8. Linked Decisions
Work on the right decision problem

- State your decision problems carefully;
- Acknowledge their complexity;
Specify your objectives

- Your decision should get you where you want to go.
- What do you most want to accomplish?
- Consider your interests, values, concerns, fears an aspiration;
- Your objectives will give direction to your decision making.
Create alternatives

- Alternatives represent the different courses of action you can choose;
- If you do not have different alternatives, you do not have a decision;
- Consider all the range of creative and desirable ones;
- Your decision can be no better than your best alternative.
Understand the consequences

- How well do your alternatives satisfy your objectives?
- Assessing frankly the consequences of each alternative will help you identify those that best meet your objectives — all your objectives.
Grapple with your tradeoffs

- Objectives often conflict with one another, therefore you will need to strike a balance;
- In complex decisions, there is no perfect alternative;
- Different alternatives fulfill different constellations of competing objectives;
- Your task is to choose intelligently among the less-than-perfect possibilities.
Clarify your uncertainties

- Effective decision making demands that you confront uncertainties;
- Therefore, you need to judge the likelihood of different outcomes and assess their possible impacts.
Think about your risk tolerance

- Uncertainties may lead to a consequence that is not the desired one;
- Individuals should have conscious awareness of their willingness to accept risk;
- Always seek to choose an alternative with the right level of risk for you.
Psychological Traps

https://thedecisionlab.com/biases/

- There is an entirely different category of errors that can undermine even the most carefully considered decisions.

- They arise because our minds sometimes play serious tricks on us.
The Anchoring Trap

- The mind gives disproportionate weight to the first information it receives;

- Initial impressions, ideas, estimates, or data “anchor” subsequent thoughts.
The Status Quo Trap

Most decision makers display a strong bias toward alternatives that perpetuate the current situation.
The Sunk Cost Trap

- We tend to make choices in a way that justifies past choices, even when the past choices no longer seem valid.

- Our past decisions create what economists term “sunk costs” — old investments of time or money that are now unrecoverable.
The Confirming-Evidence Trap

- We seek out information that supports our existing point of view while avoiding information that contradicts it.

- It affects how we collect and interpret evidence;

- We give too much weight to supporting information and too little to conflicting ones.
The Recallability Trap

- Human beings infer the chances of events from experience from what we can remember – those that leave a strong impression on our memory;

- Disproportionate attention in the media;

- A dramatic or traumatic event in your own life.
Thank you!

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