

# Making good decisions - how does your brain work?

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## Challenges and quiz questions.

Each table discussed one of the following statements, decided whether they agreed or disagreed and provided examples for and against. The research based results are summarised below. Our second task was to individually complete four quiz questions. The answers were intended to demonstrate some of the behaviours highlighted in the discussions about the statements. Our groups answers are shown (X%).

### A. We surround ourselves with information that matches our beliefs

True. This is known as confirmation bias. Research shows that we spend 39% more time reading an essay aligned with our opinions than one that doesn't reflect our views or beliefs. We are more likely to be friends with someone if we agree with their beliefs. It also means that subconsciously we may also tend to ignore or dismiss what conflicts with our views. We seek out what we already believe and then think there's an actual increase in the frequency of these occurrences.

In a research project carried out at the University of Minnesota in 1979, a story about a woman who acted introverted in some ways and extroverted in others was given to a group of librarians and a group of estate agents. On later questioning, the librarian group recalled her introverted behaviour and thought she would make a good librarian, whilst the estate agent group focused on her extroverted behaviour and thought she would make a good agent but a poor librarian!

### B. We are good at distinguishing between selection factors and results.

False. Professional swimmers don't have ideal bodies as a result of their training. It's the other way round - they are good swimmers because of their physique. Their body attributes are a factor for selection not a result of their activities. Is the tuition at schools which get good results really excellent or do they get the best students? Many adverts rely on our inability to accurately make this distinction - we are drawn in by adverts which suggest we can improve our skills in areas where are unlikely to ever excel.

### C. We are not worried by things (time, money etc) we have already lost

False. Through evolution we are wired to feel loss more strongly than gain. We worry about the sunk cost and as a result sometimes ignore logic and facts - instead making an irrational emotion based decision. The key is to realise that the investment has already been made and the decision now is which option promises the greatest return in the future.

In Question 1 below - the total spend is £1,500 and logically one should choose the 'even better' trip to Italy - whatever 'even better' means to you. Many people are reluctant to 'write off' the £1,000 or will be distracted and confused by the choice between the two countries.

<b>Question 1:</b> Imagine you have paid £1,000 for a good ski trip to France but soon after found an even better trip to Italy and paid £500 for that one as well. It turns out the two trips clash, and you can't go on both., and can't refund or resell either ticket. Do you choose France or Italy?					
<b>A</b>	France	32%	<b>B</b>	Italy	68%

**D. We are good at predicting odds**

False. We place too much emphasis on past events and confuse our memory with how things actually are, leading us to think that past events will have an effect on future outcomes. In the example of flipping a coin (see questions 2 below) - past results have **no** influence on future results. Gamblers often suffer from this. Our GBC members did very well in the related quiz question - but we all need to guard against the tendency to place undue emphasis on our experiences. Drink drivers who get away with it are often tempted to repeatedly drink drive because no adverse consequences have so far arisen - despite the obvious risks.

<b>Question 2:</b> Imagine you are playing heads and tails with a friend, best of 10. So far, heads has won five times and tails four. What is the most likely result from the final flip?			
<b>A</b>	Heads	<b>B</b>	Tails
<b>C</b>	Both equally likely - <b>100%</b>		

**E. We rationalise purchases we don't want**

Many members thought we should have asked about 'needs' not 'wants'. Arguably we buy something because we 'want' to - whether we 'need' it or not. Things we need are much easier to justify, so a strong internal conflict is more likely with things we don't need. Our buying decisions are often based on emotions - such as the influence of 'brand'. This sets up an internal conflict which psychologists call cognitive dissonance, often because our actions don't match our beliefs. As the purchase has already been made we subsequently try to justify it.

**F. We make decisions based on comparisons ('the anchoring effect')**

True. That's what the research shows. Sometimes a seemingly useless option can affect our decisions. Behavioural economist Dain Ariely gave several examples in one of his TED talks, one of which was based on a real advert for subscriptions to *The Economist* magazine. We attempted to recreate this experiment, by giving some delegates only two options whilst others had three.

<b>Question 3:</b> Which of the following subscriptions to <i>The Economist</i> would you choose?			
<b>A</b>	<b>Economist.com - \$59.00</b> One year web subscription inc online access to all <i>The Economist</i> articles since 1997 <b>53%</b>	<b>B</b>	<b>Print subscription \$125</b> One year subscription to <i>The Economist</i> (print edition)
<b>C</b>	<b>Print &amp; web subscription \$125 47%</b> One year subscription to <i>The Economist</i> (print edition) and online access to all <i>The Economist</i> articles since 1997		

In his research, when presented with all three options 84% choose the combo deal, 16% choose the cheaper web only option and nobody went for the useless print only option. Useless of course, because the *print and on-line* option is the same price.

<b>A</b>	<b>Economist.com - \$59.00</b> One year web subscription inc online access to all <i>The Economist</i> articles since 1997 <b>50%</b>	<b>B</b>	<b>Print &amp; web subscription \$125</b> One year subscription to <i>The Economist</i> (print edition) and online access to all <i>The Economist</i> articles since 1997 <b>50%</b>
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When he removed the print only option, the majority chose the cheaper web only option. So the inclusion of the print only option made the combination option seem a much better deal.

In our test, when offered all three options our group was equally split between *online* and *print and online*. Including the third option altered the results but not as materially as Ariely found.

In a similar experiment two types of chocolates were sold in a kiosk, *standard* and *luxury*. The luxury were priced well below their normal selling price, so the majority of people choose those. However, when both prices were reduced by the price of the standard chocolates - so they were free and the luxury's represented even better value, almost everybody choose the standard chocolates.

The standard chocolates free of charge represented a no risk option. We are constantly trying to avoid giving up more than we can spare - but our ability to balance between cost and reward is often skewed and unduly influenced by a desire to avoid risks.

**G. We believe facts more than our memories**

False. We favour our experiences more than facts, and our access to immediately available examples is key. For example if given a page of text and asked whether it contains more words 'ending in ING' or more words 'where the second to last letter is N', most people will choose 'ING' ignoring the fact that these words have N as the second to last letter! Statistically, there will be at least as many words with N as the second to last letter and probably more. But because they are harder to recall - our brains tell us that ING is more prevalent.

**H. We pay more attention to stereotypes than we think**

True. Lots of 'mind' related mistakes demonstrate our ability to easily ignore the facts. As our quiz question, borrowed from research conducted by D Kahneman and A Tversky, demonstrated.

<b>Question 4:</b> Linda is 31 years old, single, outspoken, and very bright. She majored in philosophy. As a student, she was deeply concerned with issues of discrimination and social justice, and also participated in anti-nuclear demonstrations. Which alternative is more probable	
<b>A</b>	Linda is a bank clerk <b>38%</b>
<b>B</b>	Linda is a bank clerk and is active in the feminist movement <b>62%</b>

If B is true then A MUST also be true. A is therefore more likely. For those who prefer to think in terms of venn diagrams, B is a subset of A.

**Summary**

We really hope that you enjoyed our session and hope that being more aware of the pitfalls we often fall into when making decisions can help us to recognise them and perhaps aid future decisions.

Our session was inspired by Belle Beth Cooper's Buffer post dated 30 September 2013.

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