Twitter Thread by Alex Brogan ■

Alex Brogan ■
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Most people suck at decision-making.

Let's change that.

Here are 15 of the best decision-making mental models I've found ■

The Inside-Outside View

We have a natural tendency to favour the inside view—our own independent solution to a problem that incorporates all of our hidden biases.

To make better decisions, we should favour the outside view—one that incorporates the best available data.

The Inside-Outside View

> "**An inside view considers a problem by focusing on the specific task and by using information that is close at hand, and makes predictions based on that narrow and unique set of inputs.** These inputs may include anecdotal evidence and fallacious perceptions. This is the approach that most people use in building models of the future and is indeed common for all forms of planning.
>
> **The outside view asks if there are similar situations that can provide a statistical basis for making a decision. Rather than seeing a problem as unique, the outside view wants to know if others have faced comparable problems and, if so, what happened.** The outside view is an unnatural way to think, precisely because it forces people to set aside all the cherished information they have gathered."

—Michael Mauboussin

Ladder of Inference

Describes the thinking process we go through—often subconsciously—to get from a fact to a decision or action.

To make better decisions, we should move slowly and deliberately from the bottom of the ladder to the top of the ladder.
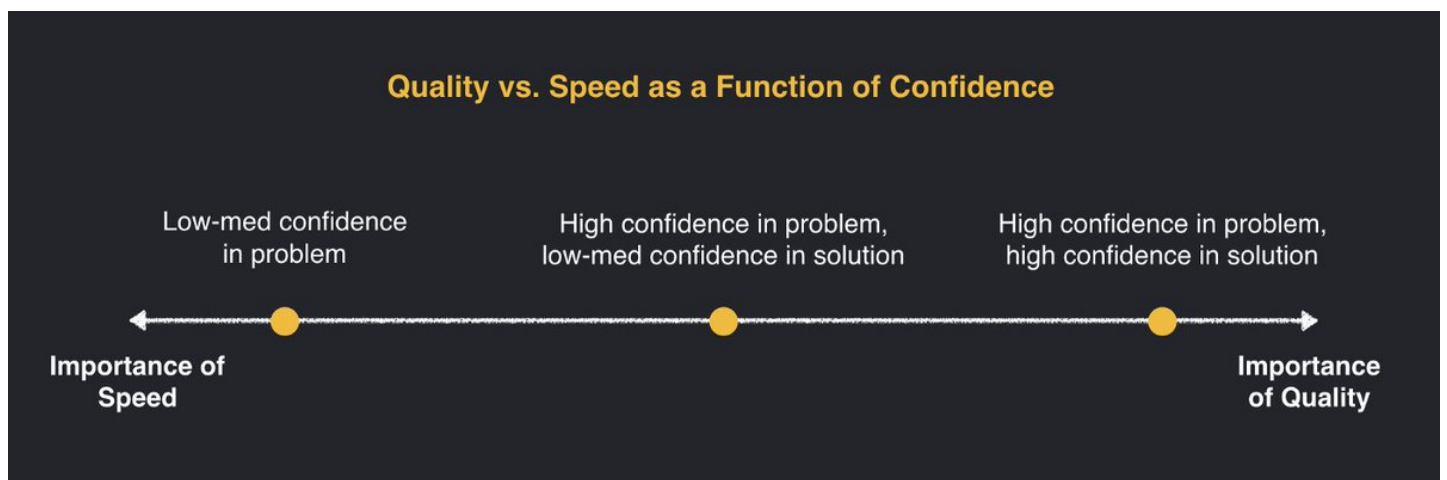
h/t (image) - @amrancz

Ladder of Inference

Actions — Why do I believe this to be the right action? What are some alternative options?

Beliefs — What beliefs do I hold about this? What conclusions are they based on?

Conclusions — Why did I conclude this? What are my assumptions there?

Assumptions — Are my assumptions valid? Why am I assuming this?

Interpretations — Am I looking at this data objectively? What other meanings could they have?

Selected data — What did I ignore or didn't pay attention to? Are there other sources of data I didn't consider?

Available data — Observable reality

@amrancz Confidence Determines Speed vs. Quality

The more confidence you have in the importance of a problem and your understanding of its solution, the more you should focus on quality.

However, if you need to learn more, move fast and break things.

h/t - @BrandonMChu

Quality vs. Speed as a Function of Confidence

Low-med confidence in problem

High confidence in problem, low-med confidence in solution

High confidence in problem, high confidence in solution

Importance of Speed ← ——— → Importance of Quality

@amrancz @BrandonMChu Devil's Advocate Position

The antidote to confirmation bias.

It involves forcing yourself to view a decision from the opposite viewpoint or finding people who disagree with you.

It forces you to create a more compelling argument.

Don't take my word for it:

"I never allow myself to have an opinion on anything that I don't know the other side's argument better than they do."

—Charlie Munger

@amrancz @BrandonMChu Pre-Mortem

Involves assuming that your decision has failed and working backwards to determine what the potential causes were.

This process has multiple benefits:
• Removes overconfidence and irrational optimism
• Reveals blind spots
• Simplifies thinking

h/t @KleInsight

Gary Klein's process for conducting a pre mortem involves some simple stages:

Accept that the plan has failed + Consider the reasons for failure + Assess and prioritise the reasons for failure → Strengthen the plan to address potential points of failure

@amrancz @BrandonMChu @KleInsight Post-Mortem

Regardless of success or failure, this can be used to drive continuous improvement in your decision-making.

Here, you ask:
• What went well?
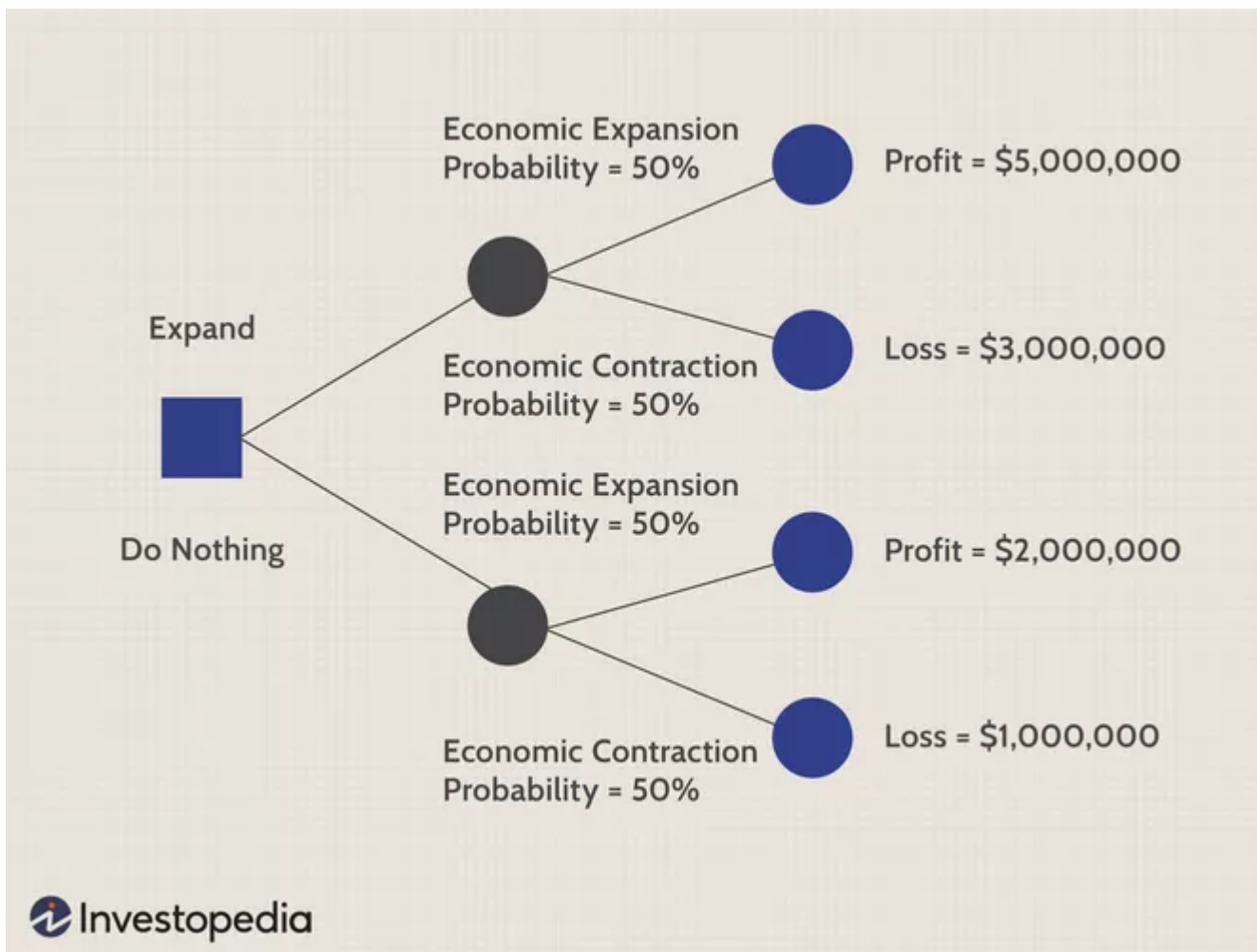• What went poorly?
• What can be improved next time?

With the answers, future decisions will be better informed.

@amrancz @BrandonMChu @KleInsight Decision Trees

These are tree-like graphs with the branches showing results of possible choices for a given decision or action.

The decision tree allows options to be compared against each other, for both risk and return.

They're particularly helpful for financial decisions.

Economic Expansion Probability = 50% → Profit = $5,000,000

Economic Contraction Probability = 50% → Loss = $3,000,000

Economic Expansion Probability = 50% → Profit = $2,000,000

Economic Contraction Probability = 50% → Loss = $1,000,000

Expand / Do Nothing

Investopedia

@amrancz @BrandonMChu @KleInsight Information Overload

Information overload is when you have too much information at hand.

This causes decisions to take too long.

It also leads to 'analysis paralysis' where your decision-making suffers paralysis because you over-analyze the body of information available.

@amrancz @BrandonMChu @KleInsight Analysis Paralysis

It's the paradox of choice: having too many good options slows us down because the best one isn't clear.

Remember: by not making a choice, you are actually making a choice: the status quo.

A model to cope with this: reversible vs. irreversible decisions.

@amrancz @BrandonMChu @KleInsight Reversible vs. Irreversible Decisions

Irreversible decisions are 'one-way doors.'

They must be made slowly and deliberately.

Reversible decisions are 'two-way doors.'

These decisions can and should be made quickly.

https://t.co/IEwHegYCyB

> The @JeffBezos Reversible Vs. Irreversible Decisions Framework is a powerful mental model for unlocking growth in your career, business, relationships, or life.
>
> A short thread on what it is and how it can improve your life: pic.twitter.com/GjgikKWTHm
>
> — Alex Brogan \U0001f6a2 (@_alexbrogan) May 4, 2022

@amrancz @BrandonMChu @KleInsight Luck Razor

If stuck with 2 equal options, pick the one that feels like it will produce the most luck later down the line.

Should I stay in tonight or should I go and meet this interesting stranger?

Choose to increase your surface area of luck when you have the choice.

@amrancz @BrandonMChu @KleInsight Make Proud Decisions for Your 80-Year Old and 10-Year Old Self

Your 80-year-old self helps you makes decisions you won't regret when you're old.

Your 10-year-old self reminds you to stay foolish and have some fun along the way.

h/t - @SahilBloom

@amrancz @BrandonMChu @KleInsight @SahilBloom Minimize Unforced Errors

A concept from tennis, 'unforced error' is a metaphor for any situation where an avoidable mistake is made.

The first goal of decision-making should always be to minimize unforced errors.

How?

Sound judgement and decision making techniques.

@amrancz @BrandonMChu @KleInsight @SahilBloom Outcome Blind

The biggest mistake when judging performance is only looking at the outcome.

Instead, we should focus on the process used.

It's possible to win with a bad decision making process (luck) or lose with a good process.

What's important is knowing the 'Why.'

@amrancz @BrandonMChu @KleInsight @SahilBloom 10/10/10 Rule

We're all guilty of making decisions without thinking about long term consequences.

To avoid this, ask:
• How will I feel about this 10 minutes from now?
• 10 months from now?
• 10 years from now?

This helps clarify the decision that results in a win/win/win.

@amrancz @BrandonMChu @KleInsight @SahilBloom That's 15 of the best decision-making models I've found.

Tell me, what would you add?

If you enjoyed this thread:

1. Follow me @_alexbrogan for more mental models, concepts, and frameworks

2. RT the tweet below to share this with others who might enjoy it :) https://t.co/DUuiG7bnyY

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> — Alex Brogan \U0001f6a2 (@_alexbrogan) May 7, 2022