

Le Bon Journal

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Is it possible to sail through life without the agony of making decisions? To decide means to “de” and “cide,” to kill the choice. By leaving your options open and not deciding, you can be fooled to think that the world is your oyster and that everything is possible.

Resistance to change

We grow up expecting that everything is static, certain, and permanent. It's a secure feeling we carry with us from the womb. Indeed, our parents reinforce that expectation by providing stability, continuity, and comfort.

And yet when we're let loose in the world, we learn painstakingly that the world is not at all certain. It is far from static and permanent. In fact, change is the only certainty - some would say. And things don't always turn out the way you expect.

Initially to deal with this uncertain world, I went with the flow. I embraced change. Better yet, I welcomed it wholeheartedly. I sought change where no change was needed. But I could not understand why certain people consistently opposed my change proposals. People showed their resistance to change in different ways. Some dragged their feet. Others stuck their heads in the sand like ostriches. Still others pretended to agree but did absolutely nothing.

After years of changing jobs, moving house, shifting continents, I find myself desiring the peace of a stable, secure, and permanent homebase. It is comforting to return home. It is pleasant not having to change. Routine is usually repetitive and boring, but at least it doesn't change. You don't have to make decisions and perform scenario analysis. You don't have to be alert for the possible outcomes and prepare different ways to react against them.

Did I become resistant to change after a long period of actively

pursuing change? Would I have become change embracing at this time in my life if I had earlier been change resistant? I don't know the answer to these questions. But I do take tremendous pleasure in not having to look for another place to live or another job. It's nice to just stick with it and enjoy the ride.

The decision of indecision

Many people tell me that they make decisions intuitively. According to one marketing guru, he doesn't consciously draw a decision tree but he is conscious of the decisions he makes. He "intuitively" knows what he wants. And all his subsequent research and actions justify it.

Being conscious of the need to make a decision often lands me in indecision land. My study of the concept of flexibility taught me to postpone making decisions for as long as possible, for this allows new choices (possibilities) to appear. At the same time, the uncertainty of lack of closure can be quite distressing.

One approach is to minimise regret. The older we get, the more opportunity we have to "regret", for it is only having made a decision that one has the opportunity to regret. Indeed, leaving things status quo has its own regrets.

Decision making takes practice. In a society where you are told what to do from day one, it's hard to know what you want. In such a Confucian society, it's more important to know what's expected of you than to know what you want.

Fear of regret

Children are so innocent, simple, and unafraid. Somewhere along the way, they learn to fear. And if they happen to study decision analysis, they would learn the decision criterion of minimising regret.

How often I've operated in that mode: act to minimise future regret. One strategy is to accumulate lots of options so that I wouldn't regret not

having a choice when I need one. Another is to perform scenario analysis on all the possible outcomes and constantly prepare against each.

Fear has set in. Where once I embraced uncertainty, I now prepare cautiously. This is not a way to live.

I became afraid to let go of what I had in case I'd regret not having them if I needed them. I became afraid of reaching out, in case I got rejected. Fear grips the handle of uncertainty.

In my recent travels, I met many interesting people whose lives I would dearly like to intersect, not just on a professional basis. But it is much safer to stay on the main road than to veer off. Would I regret not choosing the path least taken? Would I regret not staying focussed on the main road?

As things get more complicated and uncertain, people take comfort in the familiar. Perhaps that's why people mind their own business and stick to routine. Would I rather know what I may be regretting or fear that I would regret?

Decision paralysis and procrastination

Decision paralysis comes from over-analysing a decision. Unless there's a tight deadline, Murphy's Law of analysing a decision until there's no time left applies.

Similarly with procrastination. If you are allowed to procrastinate, you will. You wait until the last possible moment to do something.

People gripped with decision paralysis procrastinate committing themselves to a course of action. By not making a decision, you think you have lots of choices open. Wrong! It's an illusion.

Until you commit yourself and close off all other options, you're stuck in the land of endless possibilities. Procrastinating only postpones the future.

Heuristics and biases

I was overjoyed to read that Daniel Kahneman (together with Vernon Smith) won the Nobel Prize for Economics. It's about time, I say!

Kahneman and Tversky's "**Judgment under uncertainty; heuristics and biases**" has been cited hundreds if not thousands of times. It's seminal work, bringing psychology to economics and questioning whether human beings are indeed as rational as the economists assume. It is among the groundbreaking research that laid the foundation for "behavioural decision theory."

In short, a heuristic is a rule of thumb. They are also known as ad hoc patterns of behaviour, habits of thinking that can be taught. These general rules of thumb allow people to make decisions with less time and effort. Although the results may be good estimates, they generally lead to biases (systematic deviations from correct answers.) The following are some heuristics that people follow.

availability heuristic: we think it more likely the more easily we can think of it.

representativeness heuristic: we judge how likely A is to be B by how closely similar A resembles B, even though they might have nothing to do with each other.

anchoring and adjustment heuristic: the first number that you start with "anchors" or affects your subsequent estimates.

Expected values

A decision analyst found my musings on dealing with uncertainty and flexibility on the Internet. He was so curious about my analysis and philosophy that he made his way to London to have a word with me.

I explained to him my decision dilemma. A portfolio career means juggling lots of things in the air without really holding on to anything or going deeply into anything. As someone who is used to a comprehensive and exhaustive

approach, this can be both contradictory and tiring.

I want to write, but not necessarily in energy. But if I leave the energy world, I will never be able to return. That is clear. The transaction costs are too high. I want to do my music. And now, I know that if I channel everything into this effort, I can make a living solely in music.

So what is preventing me from devoting myself completely to music?

I explained my perfect hedge. While I continue to do both, I have excuses for not doing them well. If I don't play well, I can always say that I'm really a writer. If I don't write well, I can always say that I'm really a pianist. So the vocation and avocation form a risk-free portfolio.

But is that really the case? The decision analyst concluded that my expected values for writing energy articles and playing the piano are equal. An expected value is the weighted sum of all future probabilities and values. In other words, an expected value captures the expectation the decision maker has of his future.

If this is true, then it explains why I am still living in London. My expected value for living here is higher than moving away. Either that, or I'm just resistant to change.

About decision analysis

There are many decision tools that help us make better decisions. Good decisions are those whose outcomes meet our expectations.

In the simplest case, we can use *cost benefit analysis* to weigh the pros and cons of each choice. However, this often leads to *trade-off analysis* as we only want the benefits not the costs of the choices available and yet often we can only choose one, not both.

When there are many choices with many characteristics, we can use *multi-attribute utility analysis*. We first set out the criteria or characteristics called attributes to which we attach weights according

to importance to us. Then weigh each choice against each attribute. Then we do a weighted average calculation.

For decisions that lead to other decisions or whose impact appear some time in the future, we can use *decision trees* to analyse our interaction with the unknown.

Learners and abdicators

According to my marketing professor friend, buyers either want to know about the details (learn) or pay someone else to figure it out (abdicate)

Expanding this further, we can be learners in certain situations and abdicators in others. When it comes to most matters, I'm a learner. But when it comes to my computer problems, I'd rather have someone else fix it.

Thinking back, I really shouldn't have applied my learner approach to so many trivial one-off tasks. I allowed my builders to explain what was required and the details of what was involved. Perhaps it was the way I listened that made them want to elaborate.

Unfortunately, so many decisions these days are way too complicated. We can't just pay someone else to choose for us. So we read consumer reports, find people who have gone thru the decision making process, and then make up our minds.

I would argue, though, that sometimes ignorance is bliss. Had I known everything about what was involved in building web sites, I would have never started analyticalQ.com



Editor

Anne Ku has a PhD in Decision Sciences and that's why she likes to think about such things. These stories are extracted from the **Diary of Anne Ku and Bon Journal** at <http://www.analyticalQ.com>

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