

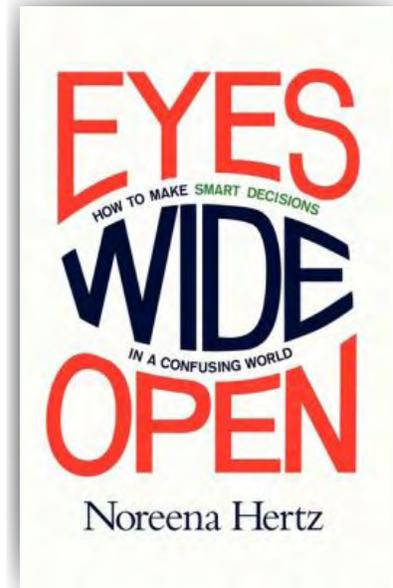


Eyes Wide Open

How to Make Smart Decisions in a Confusing World

Noreena Hertz

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KEY CONCEPTS

In **Eyes Wide Open**, Noreena Hertz suggests that individuals must take a closer look at how they make decisions. By using different techniques to take control of how decisions are made, it is possible to increase the odds that choices will be successful.

- *Recognize that in an age of data deluge, continuous disruption, and disorder we need different decision-making skills.* Advances in technology have dramatically changed the nature of work and home life. People have access to huge amounts of data from many different sources. At the same time digital overload makes it hard to carve out time to think. To navigate this complexity, people need to develop a tool box to support better decision-making.
- *Look beyond the obvious and assess the bigger picture.* There are many pitfalls that cause people to ignore important information when making decisions—overuse of Powerpoint and overreliance on metrics are just two examples. Being cognizant of these potential problems and slowing down the decision-making process can help individuals keep their eyes wide open.
- *Understand that different factors manipulate how people make decisions.* Language, color, music, and touch can all affect the way people make choices. By actively reflecting on decisions and “anchors,” it is possible to improve decisions.
- *Challenge traditional experts and seek out “lay experts.”* All too often people blindly accept advice from experts. Instead, individuals should challenge information from experts whose track records can be pretty poor. In addition, “lay experts,” those who have experience on the front lines and ground floor often have new insights that can be valuable.
- *Consider whether online information sources may be useful.* Social media tools offer insight into how people are thinking about different issues. Listening in on chatter can help preempt crises or trends. However, online data will not always be credible. Delve into the “who, how, where, what, and who

else” of online information to ascertain how trustworthy it is.

- *Learn how to interpret statistical data.* People are often manipulated by statistics. Learning the common ways that data is distorted can be valuable.
- *Acknowledge that emotions and physical cues can affect decisions.* Many individuals do not realize that their emotional state can have a strong impact on their choices. The same applies to making decisions when one is hungry or tired.
- *Seek out divergent opinions.* Whether at work or at home, it is never good to be surrounded by people who share similar ways of thinking. Many bad decisions have been made due to conformity and insufficient divergence of opinions.

INTRODUCTION

Everyone is faced with decisions in their personal and professional lives. The decision-making process can be daunting since making the wrong choice can have serious repercussions. Despite this fact, many people do not give much thought to how they make decisions and how that process could be improved. In **Eyes Wide Open**, Noreena Hertz suggests that individuals must take a closer look at how they approach decision-making. By using different techniques to take control of how one makes decisions, it is possible to increase the likelihood that one’s choices will be successful.

COMING TO GRIPS WITH A WORLD IN HYPER-DRIVE

Lifestyles today have been dramatically changed by technology. Technology has also had a significant impact on people’s ability to gather information, analyze it intelligently, and make smart choices. Hertz suggests that there are three aspects of home and work life that affect how people make decisions:

1. *The age of data deluge.* Thanks to the Internet and other information sources, it is now possible to get data directly from the source, in unedited form. While this represents a great opportunity, the sheer volume of data is also a concern. Studies have found that people cannot hold more than seven pieces of information in their minds simultaneously. In addition, it is necessary to filter through

data to determine what is credible and what is not.

2. *The age of continuous disruption.* People today spend as much as three quarters of their time receiving information from email, mobile phones, text messages, Skype calls, and more. It is essential that people become skilled at evaluating information in spite of never ending interruptions.
3. *The age of disorder.* Established information sources have been augmented with new, crowd-sourced online information outlets. Yet, the new curators of information may not be trustworthy. The resulting disorder has the potential to stimulate innovation and positive change, but it also can generate uncertainty and make people feel like they are unsure where to turn.

Without a doubt, the context for decision-making is changing and it is challenging. Strategies that used to work well for decision-making may no longer be appropriate for an era of data deluge, disruption, and disorder. Since it is impossible to define one approach to decision-making that will fit all situations, Hertz instead recommends that people develop a tool kit for making more confident decisions.

KEEP YOUR EYES WIDE OPEN

In 2005 Professor Richard Nisbett, a cognitive psychologist, conducted an experiment. He showed a

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group of American students and a group of Chinese students a set of images for three seconds each. The Americans focused on the main object in the photo, but did not pay attention to the background. In contrast, the Chinese students took longer to focus on the main object, but also took time to look at the background of the photo. Hertz makes the analogy that in a complex world where dangers are hidden and opportunities are fleeting, we need to consider the “background,” as well as the main topic we are looking at. She notes that in the context of decision-making, the picture one first sees may not give all the information required to make the best choice. Nisbett’s experiment suggests that people are likely to focus on information that only provides part of a larger story. It is necessary to get better at looking beyond what is immediately obvious.

Hertz has identified several pitfalls that cause people not to focus on the big picture:

- *Inattentional blindness.* When people are very focused on one thing, they are unlikely to register new data points.
- *Oversimplification of information.* This can lead to loss of essential detail. A good example of this pitfall is the NASA space shuttle disaster. When making decisions based on summaries, it is still necessary to probe into key details that may be buried elsewhere.
- *The cult of the measurable.* By focusing only on things that can be easily quantified, other important fac-

tors that are intangible may be overlooked.

- *The glass is half full.* People often dismiss information that suggests bad things will happen and only focus on positive news.
- *Looking for data to confirm theories.* Once a person reaches a conclusion, he or she looks for information that supports it, and ignores contradictory information. It is important to actively look for data that challenges one’s preconceived ideas.
- *Focusing on the past.* Being too attached to past suc-

For the sake of our health, our wealth and our future security, we must take it upon ourselves to challenge the way we make our decisions. It’s a matter of self-empowerment.

cesses or failures can affect how individuals view current decisions. The interplay between the environment and outcomes is always changing.

To avoid these pitfalls, people should try to slow down the decision-making process and find others who can provide their viewpoints on decisions, as well. The best decisions are made with flexibility built in.

People must also be aware of the way that language affects how they think and how decisions are made. For example, it is common for individuals to evaluate fractions differently from percentages. When numerical data is presented as a frequency—such as “20 out of 100 people,” it generates clearer and sometimes more frightening mental images. On the other hand, a percentage usually does not create a clear emotional response.

Color, music, and touch can also trigger emotions, reactions, and memories that may affect decision-making. Given the wide range of ways that the decision-making process can be manipulated, it is important to actively reflect on decisions and attempt to dislodge the anchors that others are trying use as influences. Or, ask who is communicating information and what their agenda might be. Also consider the language being used and how it might sway the way an opinion is made.

BECOME YOUR OWN CUSTODIAN OF TRUTH

Because it is human nature to crave certainty, it is not surprising that people tend to blindly accept advice

ABOUT THE AUTHOR

Noreena Hertz is a bestselling author, academic, and thinker who has been described by *Vogue* as “one of the world’s most inspiring women.” Hertz has given talks for TED and the World Economic Forum, and she also advises a range of major corporations. She is associate director at the Centre for International Business and Management at the Judge Business School, University of Cambridge.

from experts. Yet, experts do get things wrong. It is essential that people challenge experts and consider dissenting views. Consider asking experts whose payroll they are on, as well as whether they are up to date with the latest research. Also, gather different expert opinions before making important decisions.

A good practice is to become as educated as possible on the important issues. This enables people to understand what experts are saying and evaluate their advice. It is important not simply to go with the majority opinion. Hertz recommends investigating experts' track records and determining how good their past assessments have been. If an expert seems very certain, this is often a warning sign of a person who is driven by his or her ego, rather than a commitment to objective investigation and advice. It is a

We have to understand that the picture we see at first may not give us all the information we need to make the best possible decision. We need to learn to see beyond what is obvious, beyond what we are culturally or conventionally attuned to focus on.

bad idea to take an expert's advice, simply because it corresponds with one's personal views. To make wise decisions, people must be willing to consider viewpoints that are dramatically different from their own.

At the other end of the spectrum from traditional experts are ordinary people, or "lay experts," who have deep firsthand experience that may be relevant to the decision-making process. Because lay experts are on the front lines, they often have access to insights that experts or people at the top of an organization may never see. Unfortunately, most organizations undervalue the lay knowledge which resides among employees. Instead of posting suggestion boxes in the workplace, Hertz suggests identifying specific questions that the organization needs input on and posing those questions to employees. Another option is a "prediction market" which aggregates information from employees about the probability of future events occurring. Prediction markets are useful because they allow companies to continually revise forecasts as new developments occur in real time.

While lay experts can be an important source of

information for decision-making, it is important to remember that they must have direct experience related to the decision in question. If his or her lay expert does not have that type of experience, feedback will not be useful. Lay experts also tend to provide anecdotal information which may not support generalizable claims. Input provided by lay experts should be analyzed and challenged in the same way that feedback from traditional experts is.

GOING DIGITAL WITH CAUTION

Today's information gathering and broadcasting processes are very different from years past, when information was handed down from media authorities. Thanks to social media and mobile phones, it is possible for ordinary citizens to co-create sources of knowledge. For decision makers, however, it can

be challenging to navigate this landscape and to identify which information streams are credible and which are not. On the other hand, decision makers also now have the opportunity to incorporate unfiltered, real time information into decisions which

can be beneficial.

By listening in on digital conversations, it is possible to monitor how people are thinking about different issues and identify patterns. With social media tools like Twitter, information is disseminated so rapidly that it may be possible to discover information well before broadcasters and analysts have communicated it more widely.

On the other hand, when listening into online conversations, there are ethical considerations. In addition, questions of representativeness are also an issue—that is, what can be read into what is communicated online. Often online dialogues only include one group of people. Since social media is still relatively new, little is known about the relationship between what people say online and the actions they actually take. As with all aspects of decision-making, it is important to interrogate any new information and not take it at face value.

An interesting online phenomenon is "sock puppets"—these are people who assume a completely false

identity online and disseminate untruthful information. More generally speaking, the Internet is rife with people expressing extreme views, as well as false information. Even the U.S. government was found to be considering ways to distribute pro-government comments online. When security technology company HBGary Federal was hacked by Anonymous in 2011, the hackers found that the U.S. government was inviting bids for development of “persona management” software that could create social media bots that would post pro-government comments.

The burden lies on decision makers to ensure that their information sources are credible. For example, Hertz recommends trying to contact online information sources directly via phone, email, or in person. To determine whether online information is trustworthy, she has developed a five step process:

1. *Who?* Is the information source who they claim to be? Is there an obvious reason why they might not be who they claim to be? Extreme viewpoints are often an indicator.
2. *How?* How did the online source obtain its information?
3. *Where?* Where is the source located? This may provide insight into whether views can be trusted. If knowledge is supposedly local, can that be proved?
4. *What?* It is important to determine whether what a source is saying is fact or opinion.
5. *Who else?* It is a good idea to see if there are at least a couple of other sources that can corroborate information. *Triangulation* is the term used for finding at least two other independent sources to support information, while *falsification* is the term used for finding credible information that contradicts a claim.

When making a decision, people must be sure to allow enough time to review information and identify red flags before taking action.

DEVELOPING SURVIVAL SKILLS

One key to smart decision-making is being comfortable with numbers and statistics. This is the best way

to avoid being manipulated by data. Hertz outlines several pitfalls associated with mathematical information:

- *Assessing risk.* A good first step is to determine whether the risk being discussed is an absolute or relative risk. An absolute risk is the actual chance that something will happen to a person, while a relative risk provides information about a proportional increase or decrease in risk. For example, the lifetime risk of developing colon cancer is about five percent or five people in 100. This is the absolute risk. A 20 percent increase in relative risk would mean that the absolute risk would be increased by just one percentage point—six percent or six people in 100. When doctors and pharmaceutical companies discuss drugs, they usually present benefits as relative risks which can skew judgment.

If it's a decision that really matters, you need to build your own knowledge base, think for yourself, be ready to know what the right questions are, and what kind of answers you might receive. You've got to make sure you understand what it is your experts are telling you, what they're recommending or advising, so that you can properly consider their steer.

- *Evaluating medical tests.* Conditional probabilities often come into play with medical tests. For example, mammograms correctly classify 90 percent of women. But what is the probability that a person gets a positive result from a routine mammogram and does not have breast cancer? The confusion with mammograms often stems from mixing up the hypothesis of having breast cancer and the evidence of the test result. If a person has cancer, there is a 90 percent likelihood that the test will be correct. But it is necessary to compare the likelihood of a correct positive and the likelihood of a false positive. To make this comparison, the baseline risk must be known—that is, the proportion of women over 50 who are likely to have breast cancer. Out of 100 women of a similar age, one will have breast cancer. Since her test will probably be accurate, there is one correct positive. However, of the 99 women who do not have cancer, around ten per-

cent (or ten women) will falsely test positive. That makes 11 positive tests and only one is accurate.

- *Identifying the context.* It is a good idea to think about who is providing a number and what their intention is. If their goal is to shock, it is advisable to contextualize the number. This can help avoid missing the bigger picture. Another approach is to check the source of the number.
- *Considering correlation and causation.* When a conclusion is based on statistics, it is important to understand how the conclusion was reached and whether the right assumptions were used. Consider whether the inferences are logical. In some cases, numbers can serve as a “red herring,” distracting people away from the true cause and effect.
- *Avoiding cherry picking.* In some cases, data is selected specifically to support a particular position. To determine whether data is distorted, look at the time span and consider whether anything unusual was happening in that period.
- *Evaluating graphs.* Graphs can be constructed in ways that are misleading. Always check the y-axis and see if it starts at zero. If it does not, try reimagining how the graph would look if it did. It is important to put graphs in context: how does the data compare to a longer period or a different year?
- *Analyzing surveys.* Consider who completed the survey and why. Even if the survey methodology is sound, people may not respond to questions truthfully. The questions may also be structured in a way to prompt one response over another.

The credibility of online sources is a major issue, with serious ramifications for how we interpret and act on the information they offer up. One that is increasingly ours to address. For of course, making smart decisions isn't only about who to turn to for advice, or where to get your information from.

In addition to developing better skills for interpreting numerical data, another important survival skill is monitoring how one's emotions affect decision-making. It is not surprising that stress can influence how people make choices. When individuals are stressed, they are more likely to succumb to common decision-

making pitfalls. In times when important decisions must be made, Hertz advises people to distance themselves from the common stressors in daily life. If it is possible to ask someone else to assume less important responsibilities, this can free up time and space for better decision-making.

Internal emotional cues can also have a significant impact on how people make decisions. However, studies show that simply acknowledging emotions can lead to better choices. When people detach themselves from their feelings, it can prevent them from unconsciously making decisions that support their emotions and support more rational choices. It can be as simple as asking how one is feeling and answering in as specific a way as possible.

SHAKING THINGS UP

The secret to shaking up decision-making is to embrace dissent and encourage difference. The reality is that people do not make decisions in isolation. They are influenced by what other people say, think, and do. It is human nature to surround oneself with people who are similar, but this has a negative effect on decision-making. There are many examples of bad decisions that were made due to conformity and insufficient divergence of opinions.

To make better decisions, people need to surround themselves with people who have different experiences and backgrounds. Research has shown, for example, that multi-generational management teams perform better than teams comprised of people of a similar age. Getting people to speak their minds is important. Unfortunately in the workplace, employees often tell their supervisors what they think they want to hear, rather than what they need to hear.

One way to avoid these dynamics is to assemble teams where members have diverse experiences. From a hiring perspective, it is also a good idea to hire from different backgrounds. Using structured interviews as the basis for hiring rather than informal chats can help achieve this goal. Managers also need to make it clear that they want to hear opinions that may not conform to the majority views. This means asking

questions, listening attentively, and making it clear that one's mind has not already been made up. Outside the workplace, people can commit to getting their information from a wide variety of sources which portray a multitude of viewpoints.



FEATURES OF THE BOOK

Estimated Reading Time: 5–6 hours, 344 pages

Eyes Wide Open provides many different tools that readers can use to make more conscious and informed decisions. Most readers will want to read the book from cover to cover. Each chapter concludes with takeaways and a list of “quick tips.” These features are useful references for individuals who may want to revisit the book to refresh their knowledge of certain key points. At the end of the book, the author has also provided notes and an index for reference.

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