



Management Minute

Blink or Think?

"Good decisions come from experience. Experience comes from making bad decisions." - Mark Twain

Decisions are the soul of management. Deciding on a new budget, whether to hire a job applicant, what communications or advertising program to adopt, when to launch a new product or program: this is what managers do. The ability to make correct decisions – decisions that result in a desired objective – is what distinguishes the best managers.

Experienced executives and successful organizations pride themselves on their decision-making processes and their decisiveness. In particular, they pride themselves on their developed instincts to make correct decisions promptly. When decisions result in an unanticipated outcome, it is rarely the process that is faulted. Blame is placed elsewhere.

A new book by psychologist Daniel Kahneman, who won the Nobel Prize in Economics in 2002, challenges that premise. *Thinking, Fast and Slow* explores how human beings – individually and in groups – think (and make decisions). He explains, “We use fast, intuitive thinking – System 1 thinking – whenever possible, and switch over to more deliberate and effortful System 2 thinking only when we truly recognize the problem at hand isn’t an easy one.” He observes that “people who face a difficult question often answer an easier one instead, without realizing it.”

Continuing, Kahneman contends:

“The confidence we experience as we make a judgment is not a reasoned evaluation of the probability that it is right. Confidence is a feeling, one determined mostly by the coherence of the story and by the ease with which it comes to mind, even when the evidence for the story is sparse and unreliable. The bias toward coherence favors overconfidence. An individual who expresses high confidence probably has a good story, which may or may not be true.”

“... people come up with coherent stories and confident predictions even when they know little or nothing. Overconfidence arises because people are often blind to their own blindness.”

Kahneman concedes that intuitive thinking and decision-making (Fast, System 1) most often serves us well, but that there is danger in relying too much upon it, often to the exclusion of employing a more deliberate, analytical effort (Slow, System 2) to make judgments. Many reviewers have characterized *Thinking, Fast and Slow* as a counterpoint to Malcolm Gladwell’s popular 2005 book *Blink: The Power of Thinking Without Thinking*, which argues that intuitive judgment is most often correct. Kahneman, armed with considerable academic evidence, argues “it ain’t necessarily so.”

Further Reading:

- *Thinking, Fast and Slow* by Daniel Kahneman (Farrar, Straus and Giroux, October 2011)
- “Don’t Blink! The Hazards of Confidence” by Daniel Kahneman, *New York Times Magazine*, 10/19/11
- *Blink: The Power of Thinking Without Thinking* by Malcolm Gladwell (Little, Brown and Company, 2005)