

# “Don’t make that mistake!” - *Better Decisions With a Behavioural Business Toolkit*

By **Sandy Vaci**, Founding Partner



**Nov. 13, 2020 - Hungary**

**CodeBreakers<sup>TM</sup>**  
**Be Conscious.**

[WWW.CODEBREAKERS.CO.HU](http://WWW.CODEBREAKERS.CO.HU)

# Your Presenter



Sandy Vaci

- 39 years, 45+ countries (North Am, Europe, Asia)
- Detergent Product Development → Bank CEO / Chairman



- Businessman → MBA Professor



“This message is brought to you by...”

**CodeBreakers™**  
Be Conscious.



UNIVERSITY OF  
**OXFORD**



**Sandy Vaci** – Founder

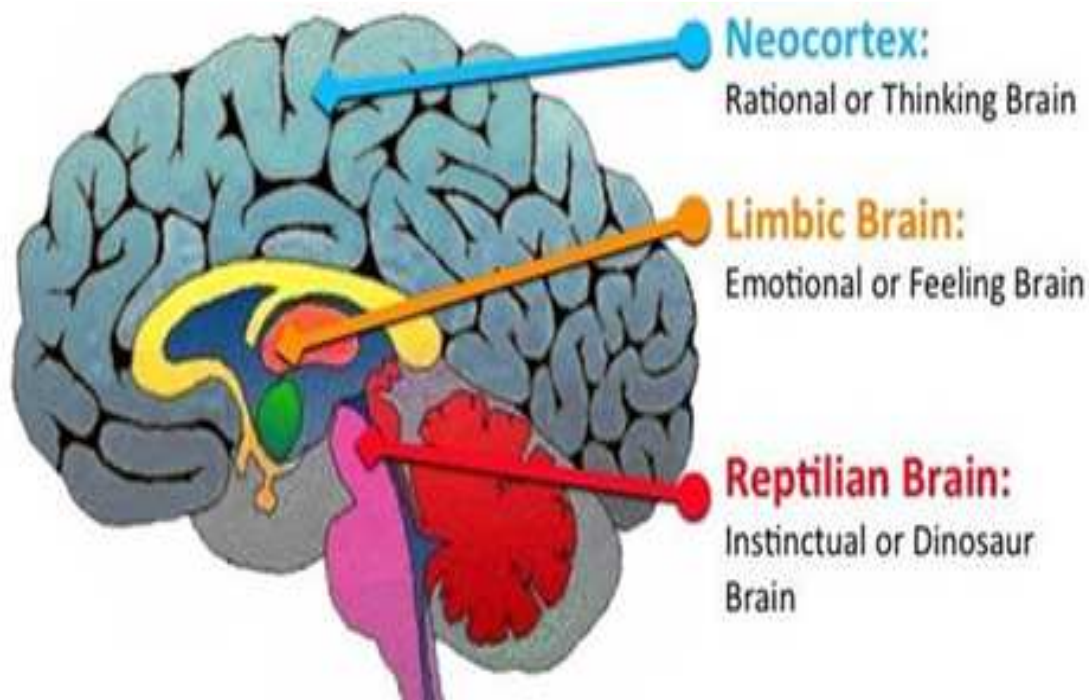


**Frigyes Endersz** - Founder



**Olivier Sibony** - Inspiration

# “The Car with Three Drivers” – Our BRAIN



- 2-3 mill. yr. old (“New Kid on The Block”)
- Conscious decisions, abstract thinking
- Cultural biases
- Makes us sentient, intelligent individuals
- 150 mill. yr. old
- Psychological and some physiological biases
- Creates individuality in us
- Makes us social beings (like primates)
- 500 mill. yr. old
- Evolutionary (physiological) biases
- Survival instincts
- Makes us adaptable animals

# From Coding...

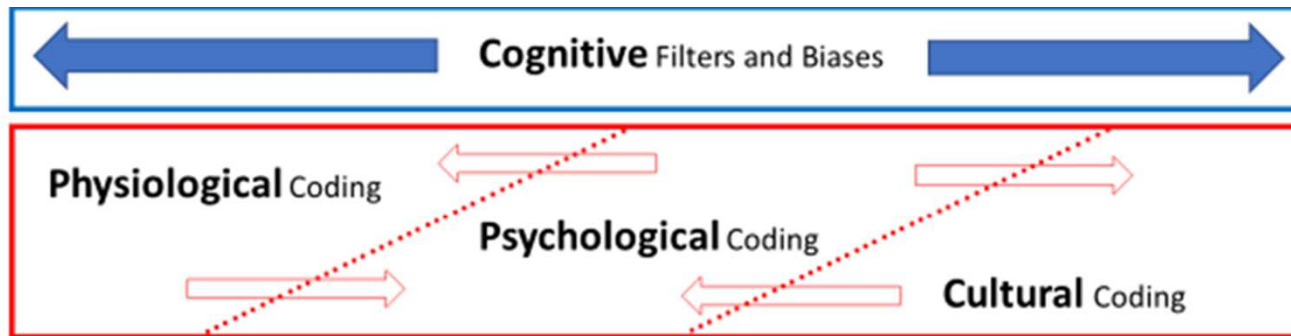


**Physiological Codes:** Mostly programmed into us during evolution, to ensure survival

**Psychological Codes:** Develop as we grow up, influenced by our immediate environment

**Cultural Codes:** Develop as we grow into, and adapt to, our wider environment

# ... to Cognitive Biases...



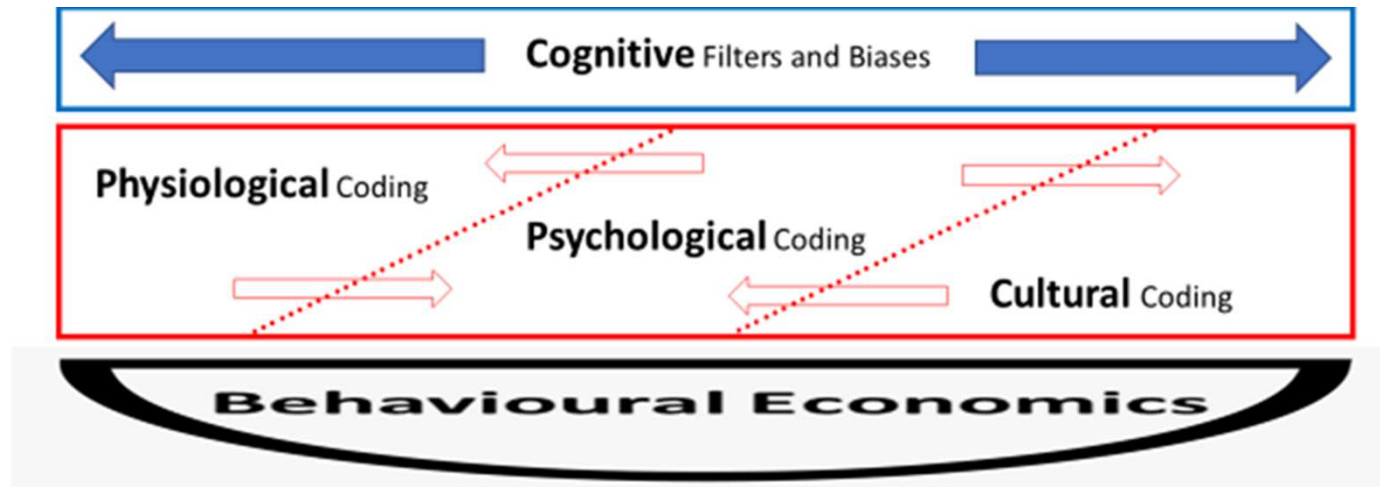
**Physiological Codes:** Mostly programmed into us during evolution, to ensure survival

**Cultural Codes:** Develop as we grow into, and adapt to, our wider environment

**Psychological Codes:** Develop as we grow up, influenced by our immediate environment

**Cognitive Biases:** Sum total of all coding, but usually in a non-differentiated, "integrated" way

... to Behavioural Economics...



**Physiological Codes:** Mostly programmed into us during evolution, to ensure survival

**Psychological Codes:** Develop as we grow up, influenced by our immediate environment

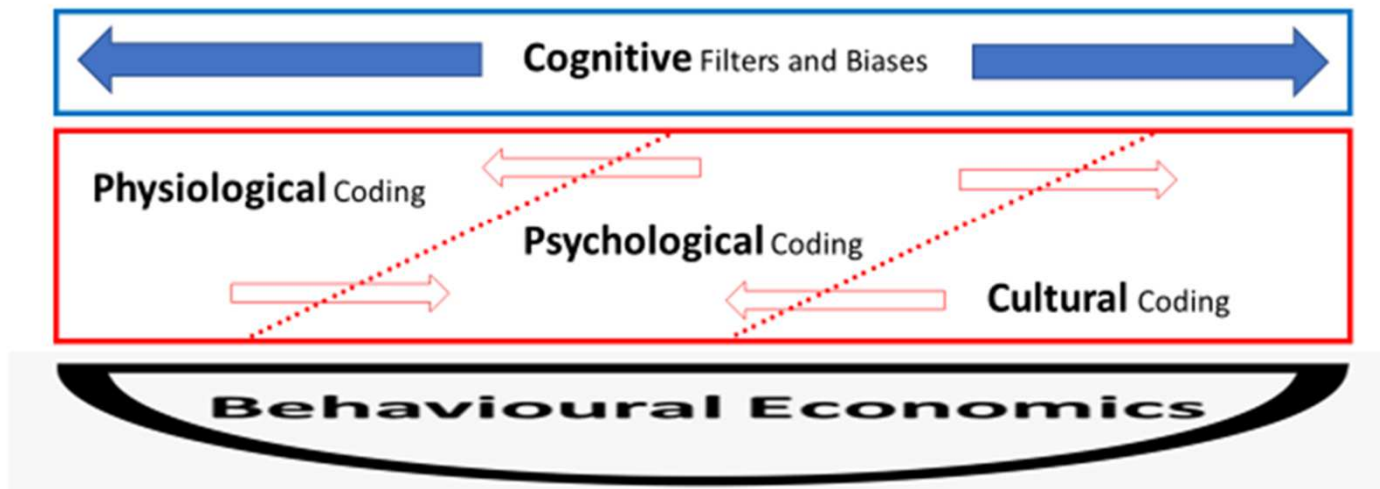
**Cultural Codes:** Develop as we grow into, and adapt to, our wider environment

**Cognitive Biases:** Sum total of all coding, but usually in a non-differentiated, "integrated" way

**Behavioural Economics:** Takes all this coding into account for better business predictions

# ... to Behavioural Business

DECISIONS and ACTIONS Based On Built-In Drivers of Human Information Processing and Responses



**Physiological Codes:** Mostly programmed into us during evolution, to ensure survival

**Psychological Codes:** Develop as we grow up, influenced by our immediate environment

**Cultural Codes:** Develop as we grow into, and adapt to, our wider environment

**Cognitive Biases:** Sum total of all coding, but usually in a non-differentiated, "integrated" way

**Behavioural Economics:** Takes all this coding into account for better business predictions

**Behavioural Business:** Better decisions, communication and actions - based on all of this

# Cognitive Biases

They are...

1. Mostly useful
2. Individual
3. Hard to see
4. Impossible to eliminate

Note:

- Impossible to define “The Bias” responsible
- Not all bad decisions are due to biases

## SYSTEM 1

First Reactions



Fast  
Automatic  
Impulsive  
Little / No Effort  
Emotional

## SYSTEM 2

Thinking



Slower  
Deliberate  
Reflective  
Effortful  
Analytical



Source: Daniel Kahneman

N.B.: We are all “above average”!



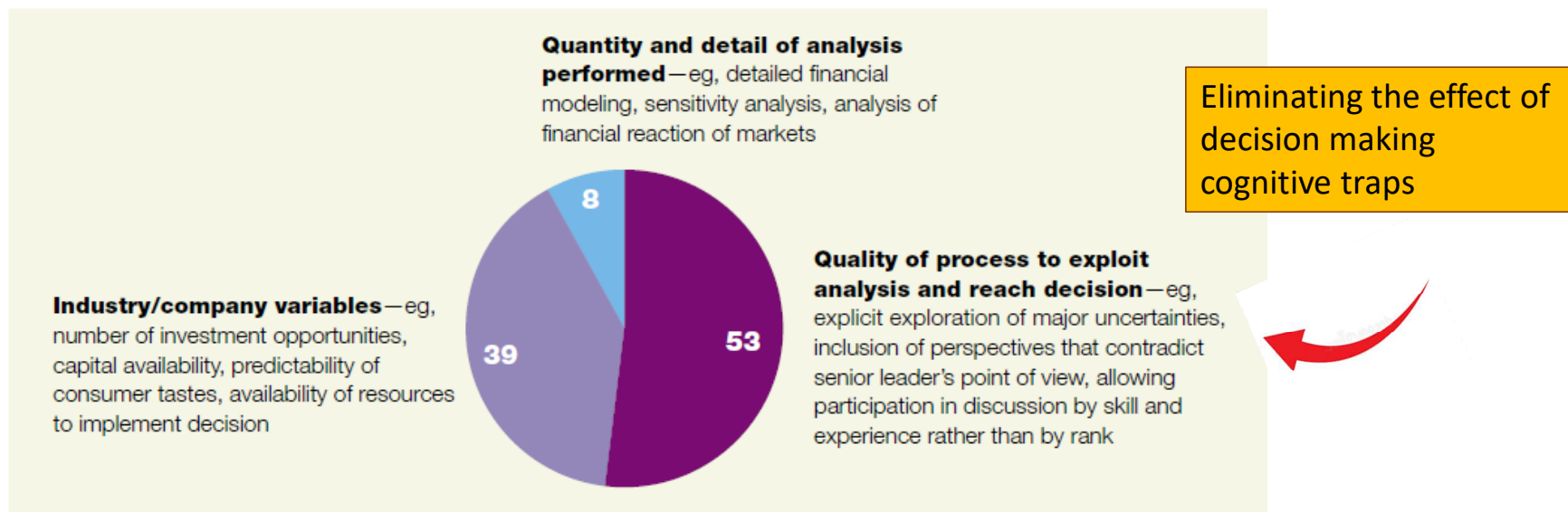
# WHAT are we talking about?

1. “Bring me a cold beer...”
2. “How much is that snow shovel?”
3. “Split this \$100!”



# WHY are we talking about it?

- McKinsey study of 1048 decisions – success measured by revenue, profitability, market share and productivity increase
- Percentage contribution to decision success:



## 9 Decision Making Traps – Sibony Method



1. Story telling
2. Imitation
3. Intuition
4. Overconfidence
5. Inertia
6. Risk perception
7. Time horizon
8. Groupthink
9. Conflict of interest

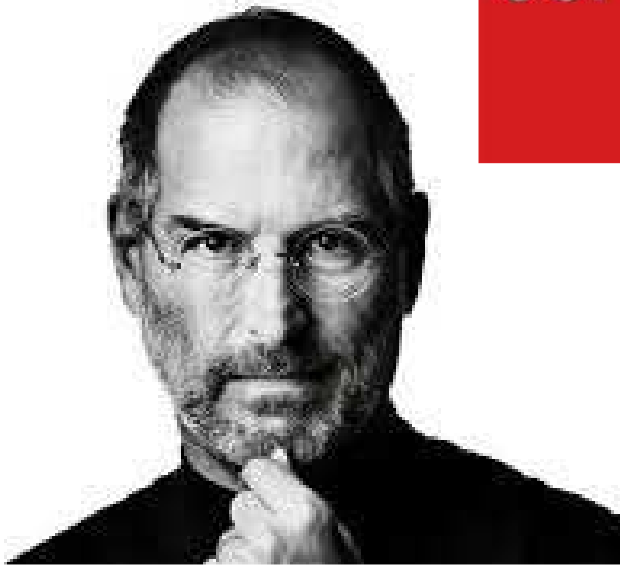
# Decision Making Trap 1

## “Story Telling”

- Confirmation bias (my beliefs)
- Champion influence (who said it?)
- Experience (mine!)
- Overconfidence (in numbers)
- Illusion (want to believe)



# Decision Making Trap 2



## **“Imitation”**

- Attribution (to a person)
- Halo (projections)
- Survivorship (sampling error)

# Decision Making Trap 3

## “Intuition”

- Pattern recognition:  
Need high validity  
environment with enough  
recent learnings
- Strategic decisions are the  
opposite



## Decision Making Trap 4



### “Overconfidence”

- Own ability overestimation
- Planning fallacy (optimism)
- Precision overconfidence
- Competitive ignorance
- Leadership bias (action bias without solid decision first)
- Control bias (optimistic about uncontrollable items)

# Decision Making Trap 5

## “Inertia”

- Past-based planning
- Limited reallocation
- “Anti Robin Hood”
- Anchoring
- Sunk costs
- Commitment escalation
- Status quo bias



# Decision Making Trap 6



## “Risk Perception”

- Loss aversion
- No portfolio thinking
- Uncertainty aversion
- Low risk choices on highly risky numbers
- Hindsight / inevitability

# Decision Making Trap 7

## “Time Horizon”

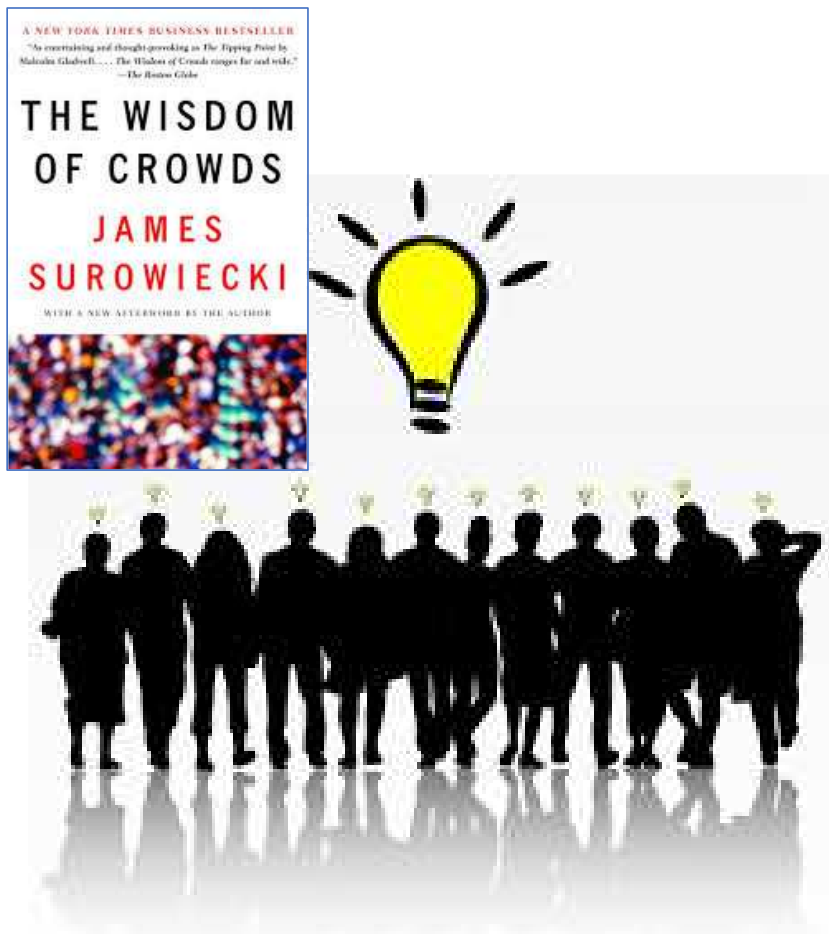
- Present bias – current discount rate is higher than future rate
- “Short termism” – management myopia

**Jack Welch:**  
*One of America's Greatest CEOs*

*“Control your own destiny or someone else will.”*  
— Jack Welch



# Decision Making Trap 8



## “Groupthink”

- Conformity bias
- “Rational adjustments”
- Proposal process
- Availability focus
- Over confidence
- Value conflicts vs. company

# Decision Making Trap 9







## “Conflict of Interest”

- Reciprocity bias
- Territory defense
- Overconfidence in impartiality

Dr. Robert B. Cialdini's

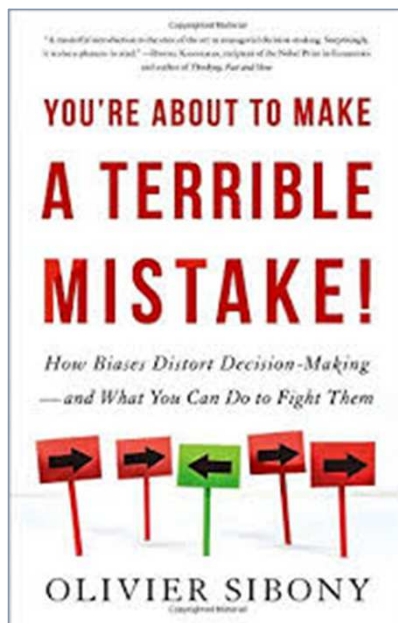
# 6 Principles of Persuasion

LaConte Consulting ©2019 <https://laconteconsulting.com>

<b>1. Reciprocity</b> Desire to give back “in kind” when you receive an unexpected gift		<b>4. Liking</b> Desire to agree with a person who resembles you or shares the same values	
<b>2. Commitment</b> Desire to maintain consistency in what you've already said or done		<b>5. Authority</b> Desire to trust and agree with an “expert” based on visual cues (lab coat, uniform, power)	
<b>3. Social Proof</b> Desire to follow the lead of those who are similar to you		<b>6. Scarcity</b> Desire to get something that is limited or difficult to obtain (time, quantity, space)	

# Role of the Leader

From “Lead and Decide” to...



- Lead and *be prepared* to decide
- Conduct “Decision Making Orchestra”
- **Create Strategic Decision Architecture**
- Use the “40 Yes/No” template

# Checklist for a good decision architecture

- A. Orchestrate **dialogue**
- B. Encourage **divergence**
- C. Create the right **environment**
- D. Start using your **tools**



# Your “Architecture Development Template”

- A) Dialogue - 10 Yes/No questions
- B) Divergence - 12 Yes/No questions
- C) Environment - 12 Yes/No questions
- D) Tools - 6 Yes/No questions

**Simple,  
40-question  
template  
from**



**CodeBreakers™**  
**Be Conscious.**

# Sample Questions

1. **Dialogue** - Do we do 'pre-mortem's? ("Let's assume we failed... why could that be?")
2. **Divergence** - Do we often change the default option to action instead of status quo?
3. **Environment** - Do we use a template for recommendations and decisions? (a la P&G)
4. **Tools** - Do we know our company's "behavioural business style" based on our values?



# Recap

1. The science behind Behavioural Business – our brain
2. Cognitive biases and their effects – good and bad
3. The 9 decision making traps - examples, impact
4. Decision making architecture to eliminate the traps
5. Templated approach – from CodeBreakers™



**CodeBreakers™**  
**Be Conscious.**  
[WWW.CODEBREAKERS.CO.HU](http://WWW.CODEBREAKERS.CO.HU)

