

Thinking Fast and Slow

The illusion that one has understood the past feeds the further illusion that one can predict and control the future. These illusions are comforting. They reduce the anxiety that we would experience if we allowed ourselves to fully acknowledge the uncertainties of existence.

Indeed, the halo effect is so powerful that you probably find yourself resisting the idea that the same person and the same behaviors appear methodical when things are going well and rigid when things are going poorly.

Because of the halo effect, we get the causal relationship backward: we are prone to believe that the firm fails because its CEO is rigid, when the truth is that the CEO appears to be rigid because the firm is failing. This is how illusions of understanding are born.

The average gap must shrink, because the original gap was due in good part to luck, which contributed both to the success of the top firms and to the lagging performance of the rest. We have already encountered this statistical fact of life: regression to the mean. Stories of how businesses rise and fall strike a chord with readers by offering what the human mind needs: a simple message of triumph and failure that identifies clear causes and ignores the determinative power of luck and the inevitability of regression.

The illusion that we understand the past fosters overconfidence in our ability to predict the future. The

If you are serious about hiring the best possible person for the job, this is what you should do. First, select a few traits that are prerequisites for success in this position (technical proficiency, engaging personality, reliability, and so on). Don't overdo it—six dimensions is a good number. The traits you choose should be as independent as possible from each other, and you should feel that you can assess them reliably by asking a few factual questions. Next, make a list of those questions for each trait and think about how you will score it, say on a 1–5 scale. You should have an idea of what you will call “very weak” or “very strong.” These preparations should take you half an hour or so, a small investment that can make a significant difference in the quality of the people you hire. To avoid halo effects, you must collect the information on one trait at a time, scoring each before you move on to the next one. Do not skip around. To evaluate each candidate, add up the six scores. Because you are in charge of the final decision, you should not do a “close your eyes.” Firmly resolve that you will hire the candidate whose final score is the highest, even if there is another one whom you like better—try to resist your wish to invent broken legs to change the ranking.

I quoted Herbert Simon's definition of intuition in the introduction, but it will make more sense when I repeat it now: “The situation has provided a cue; this cue has given the expert access to information stored in memory, and the information provides the answer. Intuition is nothing more and nothing less than recognition.”

The acquisition of expertise in complex tasks such as high-level chess, professional basketball, or firefighting is intricate and slow because expertise in a domain is not a single skill but rather a large collection of miniskills.

the proper way to elicit information from a group is not by starting with a public discussion but by confidentially collecting each person's judgment.

the likelihood that something will go wrong in a big project is high.

seriously consider wishing him or her optimism. Optimists are normally cheerful and happy, and therefore popular; they are resilient in adapting to failures and hardships, their chances of clinical depression are reduced, their immune system is stronger, they take better care of their health, they feel healthier than others and are in fact likely to live longer.

The observation that “90% of drivers believe they are better than average” is a well-established psychological finding that has become part of the culture, and it often comes up as a prime example of a more general above-average effect.

They know less about their competitors and therefore find it natural to imagine a future in which the competition plays little part.

The premise of the session is a short speech: “Imagine that we are a year into the future. We implemented the plan as it now exists. The outcome was a disaster. Please take 5 to 10 minutes to write a brief history of that disaster.” Gary Klein’s idea of the premortem usually evokes immediate enthusiasm.

The premortem has two main advantages: it overcomes the groupthink that affects many teams once a decision appears to have been made, and it unleashes the imagination of knowledgeable individuals in a much-needed direction.

The suppression of doubt contributes to overconfidence in a group where only supporters of the decision have a voice.

“Bad emotions, bad parents, and bad feedback have more impact than good ones, and bad information is processed more thoroughly than good. The self is more motivated to avoid bad self-definitions than to pursue good ones. Bad impressions and bad stereotypes are quicker to form and more resistant to disconfirmation than good ones.”

Loss aversion refers to the relative strength of two motives: we are driven more strongly to avoid losses than to achieve gains.