



The *risky* business of decision making

Dr Norman Chorn

DECISION MAKING CAN BE DIFFICULT

Decisions can be straightforward, but they are made more difficult by risk and uncertainty. In most cases, it's a case of mentally going through three processes: *what's happening?* → *what does it mean?* → *what will I do?*

But this process can all fall apart when risk, and the associated uncertainty, comes into play. And it's all to do with the way the brain responds to risk and the inherent danger that this represents.

RISK AND THE BRAIN

Risk represents uncertainty about future events. This might be represented by volatility in your cash flow or the possibility of a really harmful event occurring in the future. Phenomena such as these cause arousal in the brain because of the potential danger to you, and your brain seeks to take evasive action (the fight or flight reaction).

Under these conditions, the brain seeks various shortcuts in the thinking process to respond quickly and protect scarce resources. This *reflexive* process relies on habitual behaviours that have been effective in the past. They are influenced both by your experience and the prevailing narratives that have been part of the way you have learned to think.

BUT WHAT ARE NARRATIVES?

Narratives are the internally consistent stories that we use to create meaning and structure in the way we think. For example, a narrative might be “*rich people break the law and cheat their workers*”.

Narratives act as the binding force in groups and communities, and are focused on teaching the listener some message or overall learning. In most cases, they reflect the “teller’s” moral or cultural position and experience. As such, they can become fundamental to the way we understand and approach life.

It is important to note that the narrative we use to define a situation will shape the action we seek to deal with it. So, going back to our earlier example, if we are dealing with a rich person, we may tend to be extra vigilant for examples of lawbreaking and unfair treatment of workers.

In decision making, narratives come into play under two conditions:

1. Where we are in a hurry, in “action mode”, or simply looking for a quick answer. In these cases, the reflexive behaviour that relies on our narrative comes into play. We have no time for deeper thinking or there is a need to conserve our cognitive resources (we may be tired)
2. A risky decision where there is low clarity in the information (either too much or too little) and the outcome is really important (ie a risky decision). In this case, the narrative provides the context and sense making for us to make a clear decision.

SO, WHAT’S THE BEST APPROACH FOR MAKING DECISIONS UNDER RISK?

In essence, there are two broad approaches to use. The first is to manage the biology of the risk — how risk affects your decision-making ability. The second relates to the decision-making processes you may choose to use.

Manage the biology of risk

This approach is about mitigating and managing the impact of risk on the brain. As we now know, the associated uncertainty stresses the brain due to the perceived danger.

The basic approach is to pause, step away and reflect on the situation. Allow yourself the vulnerability of seeking the opinion of others — admit that you are unsure of how best to proceed.

Key to this is to avoid “rising to the challenge” of the situation. The state of arousal is not a productive way to make decisions in risky situations. Airline captains are trained to calmly follow a pre-determined series of diagnostic steps to ascertain the problem before taking any action. Instead of rising to the challenge, “falling back on your systems” may be a better approach.

Using appropriate decision-making processes

We need recognise that uncertainty produces a range of alternative futures or options. If you are seeking to understand what the future holds in uncertain conditions, use scenario planning. Scenarios help us to understand that there are a range of alternative futures, depending on how the various uncertainties play out. Understanding these alternative futures will help to define the different capabilities required to thrive in future conditions.

Alternatively, decision trees help to understand the outcomes and associated risks for each option we choose. By working through these various options, we can select the option with the most appropriate risk profile. The key is to understand that there is always more than one way to respond to an uncertain situation.

BETTER DECISION MAKING UNDER RISK

What can we learn about decision-making under risk? There are several key points to take away:

1. Situations of risk and uncertainty cause arousal in the brain due to the inherent danger they present. This prompts a more reflexive approach to decision making — one where your prevailing narrative plays an important part in shaping your decision
2. The choice of your narrative will largely define the action that is taken — the so-called “solution” to the problem. Be wary of how you define an issue — for this will determine how you address it
3. Be aware of when you are in an aroused state. Only then can you seek to mitigate and manage the biology of the risk in decision making
4. Use the appropriate tools and processes when making decision under risk:
 - Scenario planning when planning in an uncertain environment
 - Decision trees when you need to know the risks associated with your various options.



Dr Norman Chorn is a strategist and organisation development practitioner with the BrainLink Group. He uses principles of neuroscience to address the challenges of developing strategy in a complex and uncertain environment. His particular areas of focus are strategy in conditions of uncertainty; organisational and cultural alignment; and strategic leadership.

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