

Don't be Dispassionate: How to Use Emotional Impulses to Make Better Decisions - Full Article



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"Heuristic / you risked it."
—Hank Lazer

Recently, I had an opportunity to read a special issue of the *Harvard Business Review* called "The Brain Science Behind Business"—a compilation of previously published articles about neuroscience. Reading these articles got me thinking about the role of heuristics in risk management.

Heuristics refers to a set of rules we develop through experience that help us assess risk and make decisions. Common terms for a heuristic will be familiar to all: rules of thumb, an educated guess, or listening to your gut. Recent discoveries in the field of neuroscience offer new insights into heuristics, and the imperfect methods that help us understand the mechanics of problem solving. Significantly, these discoveries are helping us appreciate the role of emotions in risk assessment.

Deliberation vs. Intuition

How does a heuristic best serve us in our decision-making process, and what is the value of listening to subjective emotions, against dispassionate reason? Can we optimize instinct in decision-making, and could intuition outperform deliberation? Debate in the scientific community is ongoing, but there are ways heuristic techniques are already used in risk management that enter into this dialogue between business and science.

Internally-directed Learning

Over the past decade neuroscientists have made fascinating discoveries into the brain's "default network"—a class of cognition that controls introspection, with the ability to envision alternatives based on one's past experience. One discovery is that even during periods of unfocused down time the brain is spending considerable energy processing existing knowledge. Our learning is never truly at rest. These self-generated thoughts can be a source of creative insights that facilitate unique solutions to ongoing problems.

When you engage in unfocused activity, you are not detached from the default network in the brain. This discovery, something artists and scientists have recognized throughout history (the muse responsible for

inspiration, or Eureka! moments), has led more companies (particularly tech firms) to encourage unfocused free time as a valuable and underutilized factor in generating breakthrough innovations.

You may have experienced the default network when you've found the solution to a difficult problem only when you stepped away from the desk, or while taking a morning shower, walking your dog, reading a novel, or daydreaming at the beach. The question is, how do we unlock the default network, and tap into the "affect network" (automatic and endocrine responses that the brain interprets as emotions)? Or simply put, what is the role of heuristics in decision-making?

Learning from Hunches

As Adam Waytz and Malia Mason, authors of one of the *HBR* articles write in "Your Brain at Work," new approaches to neuroscience are revealing, "A hunch is not some mystical sixth sense. It's a real neurological response that manifests itself physically." Heuristics are tools and approaches ingrained in the neurological response to our physical reality. It's how you are able to sometimes fly by the seat of your pants and still land on your feet. "Leaders tend to push away feelings in making decisions because they think it's best to be dispassionate. But a mounting body of neurological evidence suggests that emotional impulses should not be ignored. The 'affect network' fast-tracks decision making and helps us process information that may include too many variables So hunches are extremely useful in helping us bypass complex and laborious analysis. Should we always trust them? Absolutely not," say Waytz and Mason.

Hunches tend to be binary (a positive or negative hunch, rarely neutral) even if they are sometimes experienced as vague and amorphous impulses. Leaders who espouse the value of positive thinking at all costs, over naysayers in their organization, may do so at their peril. The *HBR* authors don't suggest leaders be guided by doubt and anxiety, but listening to doubt, evaluating fears instead of avoiding them, can generate better outcomes, " . . . the neuroscience of emotion shows us that although hunches are fallible, it's worth exploring them more than we do. Particularly in situations involving risk, negative gut feelings can prevent leaders from making overconfident or overly optimistic decisions."

Leaders who are over reliant on metrics may believe these tools detach them from an emotional response, pushing away their feelings when making important decisions because they believe it's best to be dispassionate. This can lead to an over reliance on information gathering, and to overriding their own experience. Information may be knowledge, and knowledge may be power, but information is not intelligence. It's not even learning.

Cultivating Institutional Knowledge

We still believe there is a need to pursue analytics using proven tools of risk assessment, and that these tools are enhanced by self-discovery. The *HBR* literature backs up NRMC's philosophy that risk assessment isn't a product, rather it's an adaptive process, a continuing journey of best practices, best understood through a healthy alchemy of doubt, mission, and experience. NRMC's risk management process consists of five steps that roughly correspond to our core neural pathways for information gathering:

1. *Consider the context:* In risk management, context refers to the environment in which an organization pursues its mission and delivers programs and services. Context is the backdrop for risk-taking and risk practice, making certain risks more or less likely to materialize. Risk context includes the setting, the surroundings, and the awareness of what is routine. In some instances, contextual issues or considerations may make risk management an urgent priority (such as post-scandal) or burdensome (such as during a period of high turnover). Contextual issues will affect implementation or adoption of risk management strategies.
2. *Appraise risks:* The process continues with identifying and discussing risks and exposures to events that potentially affect the objectives of the organization. Some nonprofit teams approach this part of the risk management process through informal brainstorming. Others use tools such as the Risk Bow Tie, root cause analysis, or the review of incident logs and claims files. Whether your team takes an informal approach or uses a framework to guide risk identification and appraisal, the key outcome is a deeper understanding and awareness of risks. After identifying risks, it's important to consider which issues warrant primary, versus secondary focus. This is the stage where some teams use a numeric scoring

framework related to probability, potential impact, and in some cases, the organization's risk readiness. The NRMCM team has found that spending an enormous amount of time on scoring can give the impression that the team's educated guesses are something more. An important reminder at this stage is to make sure the team identifying and appraising risks is diverse: include veterans as well as newer hires, those who are risk-takers and others who are risk averse.

3. *Decide what to do and communicate your decisions:* This step involves considering the possible options to address the likelihood or potential consequences of risk, or the organization's readiness to respond should the risk event occur. The team working on risk management evaluates alternative methods for addressing your exposures and selects the appropriate (practical, affordable, and effective) solution for each targeted exposure.
4. *Act on your decision(s):* Implementing strategies the risk management team has selected (such as a new screening process for volunteers), is often the most difficult part of the risk management process. This involves determining the necessary resources, including financial resources, human resources, and information technology required to bring new policies and practices to life.
5. *Follow up and adjust:* This step involves monitoring the results. How is the change in practice, policy, or training working for the organization? Has there been any pushback or suggestions to amend the approach? Strategies that are not working will almost certainly be felt on an emotional level, before they can be codified in a directive.

Finding Cognitive Balance: Professionalism and the Irrational

Most readers will be familiar with Malcolm Gladwell, who tackled some of these ideas in his runaway bestselling book *Blink* from 2005. Gladwell provided anecdotal evidence for a kind of emotional algorithm, validating choices that seem to be made in an instant. In Gladwell's findings, great decisions aren't necessarily those made through a laborious process of information gathering and deliberation but are best made by those who have perfected the art of filtering the few factors that matter most from an overwhelming number of variables. Unfortunately, *Blink* could also reinforce lazy tendencies. We are not saying here that because first impressions sometimes prove to be correct, one should always follow the gut and glibly trust instinct above reason. What is clear, however, is that our default mode network is doing more than blinking at the world through a transparent eye.

This brings me back to artists, mentioned above. There is a tradition of the irrational element in the arts, generally. Our concentration here is not with a pathological sense of the irrational. The poet and career Hartford insurance executive Wallace Stevens wrote often on this topic, and directly addressed what neuroscience is discovering in the default mode network of the brain. What interested Stevens was, "a particular process in the rational mind which we recognize as irrational in the sense that it takes place unaccountably . . ." He continues, "It is easy to brush aside the irrational with the statement that we are rational beings, Aristotelians and not brutes. But it is becoming easier every day to say that we are irrational beings; that all irrationality is not of a piece and that the only reason why it does not yet have a tradition is that its tradition is in progress." The irrational has legitimacy in how we approach risk. Recognition and acknowledgement of the irrational element in our thinking is itself a heuristic, a practical method for reaching immediate goals.

In 2016 educational psychologists Denis Dumas and Kevin Dunbar found in a study that students at the University of Maryland were able to solve creative problems more successfully if they pretend to "behave like an eccentric poet rather than a rigid librarian." As an occasional lecturer in college classrooms, I observe more rigid poets than eccentric librarians, but the point is clear. Pretend, when you're stuck in a creative process, to be someone else for a short time. Risk management isn't about avoidance; nonprofit leaders must take on enough risk to move nonprofits forward. The embrace of heuristics for creative problem solving to simplify complex issues can be a practical approach to self-discovery and makes the most of institutional knowledge, decoupling us from rational-to-a-fault modes of habitual thinking. If you'll risk it.

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