

The decisions we live by

How many of your choices as an existing small business owner or an entrepreneur would be different, if you had known then what you know today? Decisions can shoot a business to the top, or run it into the ground. The choices we make in uncertain economic times are particularly important for survival of a brand or company.



Professor Manie Spoelstra

Small business owners face a barrage of decisions every day. Some argue that making the right decision is always a matter of experience or know-how, coupled with luck. Negotiations expert Professor Manie Spoelstra, however, believes equipping people with the right skills can make all the difference, especially in times of economic uncertainty.

Spoelstra says, “We think we are better decision-makers than we actually are. Human beings do not, as they like to think, have the ability to predict long-term outcomes. By equipping people with the right decision-making and negotiation skills, people can improve the choices they make.”

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Often we are drawn to decision-making techniques that do not serve us well. For example, many use the decisions made by successful business moguls who they admire as a guide for their own decisions. Spoelstra emphasises that there is nothing wrong with using the business moguls as a yardstick by which to measure success, but using their success as motivation in decision-making is reckless.

Why? The world has only one Bill Gates, Richard Branson, Robert Kiyosaki, Sol Kerzner


and Warren Buffet. They are the exceptions, not the rule. Spoelstra says, “We often refer to a statistical population of one. So apart from hindsight bias, we suffer from a further inference of assuming that if it worked for Sol Kerzner, it will work for me.” As much as we are tempted to use their examples to defy the odds ourselves, statistically, we are backing the least likely outcomes.

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Add to this tendency our neglect of what he calls dead statistics or evidence. This is the information about an industry, product or service that is not communicated to the public or customer. It could include anything from how many people face bankruptcy after taking the advice of an investment banker, to how many times Thomas Edison failed before perfecting the first light bulb. Spoelstra believes that people need to heed the advice of dead evidence before making a decision.

The relativity error refers to our inability to make a decision without a benchmark, or something to compare it to. We like to determine the status of our health, wealth or happiness by comparing it to those more or less fortunate than ourselves. An example of this is a person who

is happy with his salary because it is higher than his brother-in-law’s salary. Spoelstra calls this the relativity error. “We are often caught in our own relativity traps. These traps are more severe in times of uncertainty due to the gap between us, and our friends and neighbours becoming vaster,” he says. We need to benchmark more appropriately.

And, lastly, people in business are often told to think with their heads, not their hearts for a rational result unclouded by emotion. Spoelstra says, “We have to realise that emotion is not separate from logical thinking. Emotion is what actually drives us to make decisions in the first place. Emotions are a tool that puts information into a format that allows us to live with a particular decision.” In essence, do not make decision you cannot live by. 



Sharpen your decision-making abilities

- **Know yourself** – Your decision-making abilities are not as good as you think. Accept it. Being over-confident can be the downfall of any sales strategy, business deal or company approach. Self knowledge will leave you more realistic when you make your next decision.
- **Add skills** – A man by the name of Dionece demonstrated that by flipping a coin with exactly the same strength and height, he could flip heads 10 times out of 10. In the same way, by equipping yourself with the correct skills, you can improve your chances of success dramatically.
- **Keep on flipping** – Coin flipping is done on the basis that there is a 50/50 chance of landing on heads (success). The problem is we get discouraged after the first time it lands on tails (failure). If we only keep on flipping, it will land on heads again.
- **Think of another plan** – Be ready and prepared for the day plan A fails (which happens about 50% of the time). Have contingency plans in place should events not go your way. •

Negotiating – What to look out for

- First impressions are of key importance when negotiating for anything, whether it is a salary increase or supplier discount.
- Be aware of the role that you are going to play in the negotiating process. If it is to sell something, frame yourself appropriately as a salesperson.
- Power in negotiations is always a contested force, and two parties are never exactly equal. There has to be an acceptance by both parties that they need each other. •