1

Resulting

OUTCOMES IN THE REARVIEW MIRROR MAY APPEAR LARGER THAN THEY ARE

All of the exercises in this book are designed to help you gain insight into the way you process information. For you to get the most out of them, it's important that you go with your first instinct when answering rather than trying to figure out the "right" answer. There are no right or wrong answers—just insight into how you think.

[1]

Job Hopping

1   Imagine you quit your job to take a position at a new company.
The job turns out great! You love your coworkers, feel fulfilled in your position, and within a year you get a promotion.

Was it a good decision to quit your job and take the new position? (Circle one.)   *YES*   *NO*

2   Imagine you quit your job to take a position at a new company.
The new job turns out to be a disaster. You are miserable at the company and within a year you have been laid off.

Was it a good decision to quit your job and take the new position? (Circle one.)   *YES*   *NO*

I'M GUESSING YOUR GUT told you that in the first case the decision to quit your job was good and in the second case the decision was bad. Doesn't it feel like if the job works out great it must have been a great decision to quit your old job? And if it doesn't work out, it must have been a bad decision?

The thing is, in neither case did I give you any meaningful information about the process used to arrive at the decision. I gave you only two pieces of information: (1) a bare-bones (and identical) description of what went into the decision and (2) how the decision turned out.

Even though you don't have any detail about the decision process, when I tell you how things turned out, it feels like you *really know* something about whether the decision was good or bad.

And this feeling that the *result* of the decision tells you something significant about the *quality* of the decision process is so powerful that even when the description of the decision is *identical* (you quit your job and take a new position), your view of that decision changes as the quality of the result changes.

You can spot this phenomenon across all sorts of domains.

You buy a stock. It quadruples in price. It feels like a great decision. You buy a stock. It goes to zero. It feels like a terrible decision.

You spend six months trying to land a new client/customer. They become your biggest account. It feels like a great use of your time and a great decision. You spend that same six months trying to land the client and you never close the deal. It feels like a waste of time and a terrible decision.

You buy a house. When you sell in five years you get 50% more than you paid for it. Great decision! You buy a house. When you sell in five years the house is underwater. Terrible decision!

You start doing CrossFit and after the first two months you have lost weight and gained muscle mass. Great decision! But if you dislocate your shoulder within the first two days, it feels like a terrible decision.

In every domain, the outcome tail is wagging the decision dog.

There's a name for this: ***Resulting***.

When people *result,* they look at whether the result was good or bad to figure out if the decision was good or bad. (Psychologists call this "outcome bias," but I prefer the more intuitive term "resulting.") We take this resulting shortcut because we can't clearly "see" whether the decision was good or bad, especially after the fact, but we can clearly see if the outcome was good or bad.

Resulting is a way to simplify complex assessments of decision quality.

The problem? *Simple isn't always better.*

Decision quality and outcome quality are, of course, correlated. But not perfectly, at least not in most decisions we make, and certainly not when we have only one try at the decision. The relationship between the two can take a long time to play out.

RESULTING

A mental shortcut in which we use the quality of an outcome to figure out the quality of a decision.

In a single instance (I quit my job and it turned out horribly), it's hard to say if a bad outcome (or a good one) was *because* of the quality of the decision. Sometimes we make good decisions and they turn out well. Sometimes we make good decisions and they turn out poorly.

You can run a red light and get through the intersection unscathed. You can go through a green light and get in an accident. This means that working backward from the quality of a single outcome to figure out whether a decision was good or bad is going to lead to some poor conclusions.

Resulting can make you think that running red lights is a good idea.

A necessary part of becoming a better decision-maker is learning from experience. Experience contains the lessons for improving future decisions. Resulting causes you to learn the wrong lessons.

[2]

The Shadow of Resulting

To be fair, in the first exercise, I didn't give you enough information to figure out whether the decision was good or bad on its merits. Maybe your mind just fills in the blanks when there isn't much to go on, like what happens with some visual illusions. That is not to say that resulting leads you to good conclusions under those circumstances. We would all learn better if we didn't autofill those blanks because we happen to know the outcome. But maybe resulting is confined to situations when you don't have much information about the decision.

Does our tendency to result disappear when we aren't operating in an information void?

Let's do another example in which we fill in some of those blanks to find out.

1 You buy an electric car and you love it. It's an awesome car, manufactured by a tech genius widely hailed as a visionary. Based on your experience with the car, you buy stock in the company.

After two years, the company's stock soars and your investment has increased in value twentyfold.

Rate how you feel about the quality of the decision to invest, on a scale of 0 to 5, where 0 is a terrible decision and 5 is a great decision:

Terrible Decision   0   1   2   3   4   5   *Great Decision*

Write down the reasons for your rating.

_____

_____

_____

2 You buy an electric car and you love it. It's an awesome car, manufactured by a tech genius widely hailed as a visionary. Based on your experience with the car, you buy stock in the company.

After two years, the company is out of business and you have lost your investment.
   Rate how you feel about the quality of the decision to invest, on a scale of 0 to 5, where 0 is a terrible decision and 5 is a great decision:

Terrible Decision   *0*   *1*   *2*   *3*   *4*   *5*   *Great Decision*

Write down the reasons for your rating.

_____

_____

_____

IF YOU'RE LIKE MOST PEOPLE, you interpreted the details about why you bought the stock in a different light depending on whether the outcome was good or bad.

For the good outcome, you most likely interpreted the details of the decision to invest in a more positive light: You had personal experience with the product and that should count for a lot. After all, if you love the car it's likely other people will. Plus, the tech genius is known to be successful, so if he is running the company it is likely to be a good investment.

But when the company turns out to be a dud, the poor outcome can make you see those same details in a different light. Now it is more likely that your reasoning includes how picking a stock based on your personal experience isn't a substitute for real due diligence. Are they making a profit? Can they? What's their debt burden? Will they have access to capital until they achieve profitability? Can they keep up with demand and increase their manufacturing capacity? Maybe you were such a happy consumer because they were losing buckets of money on every sale.

This is, of course, not limited to investment decisions.

You quit your job to join a promising start-up because it offers you equity. It ends up as the next Google. Great decision! You quit your job to join a promising start-up because it offers you equity. It fails after a year.

You end up out of work for six months and you run through your savings. Terrible decision!

You pick a college because you want to go to the same school as your high school sweetheart. You graduate with honors, marry your high school sweetheart, and land an amazing job. Picking that school feels like a great decision.

You pick a college because you want to go to the same school as your high school sweetheart. Within six months you have broken up. You decide to change majors and the school does not have a good program in your new major. You hate the town the school is in. And by the end of the first year you have transferred. Picking that school feels like a terrible decision.

In all of these cases, the quality of the result filters how we view the decision, *even when we have identical details about the decision process*, because the quality of the outcome drives how we interpret those details.

This is the power of resulting.

WHEN THE OUTCOME TURNS out poorly, it's easy to focus on the details that suggest the decision process was poor. We think we are seeing the decision quality rationally because *the bad process is obvious.*

But once the outcome is flipped, we discount or reinterpret the information about the decision quality because the outcome drives us to write a story that fits the ending.

The quality of the outcome casts a shadow over our ability to see the quality of the decision.

OUTCOME

We want outcome quality to align with decision quality. We want the world to make sense in this way, to be less random than it is. In trying to get this alignment, we lose sight of the fact that for most decisions, there are lots of ways things could turn out.

> **There are more possible futures than the one that actually happens.**

Experience is supposed to be our best teacher, but sometimes we draw a connection between outcome quality and decision quality that is too tight. Doing so distorts our ability to use those experiences to figure out which decisions were good and which were bad.

Resulting makes our crystal ball cloudy.

Now that you know what resulting is, think about a time in your life when you resulted. Use the space below to describe the situation.

_____

_____

_____

. . .

I<small>F YOU WANT SOME EXAMPLES</small>, go back to the very first questions I asked you: What were your best and worst decisions of the last year? The point of having you write those down is that most people don't actually think much about their best and worst *decisions*. They usually start by thinking of their best and worst *outcomes* and work backward from there.

That's due to resulting.

[3]

Luckbox

For any single decision, there are different ways the future could unfold—some better, some worse. When you make a decision, the decision makes certain paths possible (even if you don't know where they lead) and others impossible. The decision you make determines *which set of outcomes are possible and how likely each of those outcomes is.* But it doesn't determine which of that set of outcomes will actually happen.

> **LUCK**
>
> **Luck exerts its influence between your decision and which of the possible paths you end up on. It is the element you have no control over that determines which of the possible outcomes you actually observe in the short run.**

Being a better decision-maker means being a better predictor of the set of possible futures. This book is designed to sharpen your skills, getting you closer to having a crystal ball. But, as fortune-tellers correctly warn us, "The future appears hazy," because the way the future will eventually unfold is always uncertain.

In other words, there's an important factor that influences the way our lives turn out: luck.

Luck is what intervenes between your decision (which has a range of possible outcomes) and the outcome that you actually get.
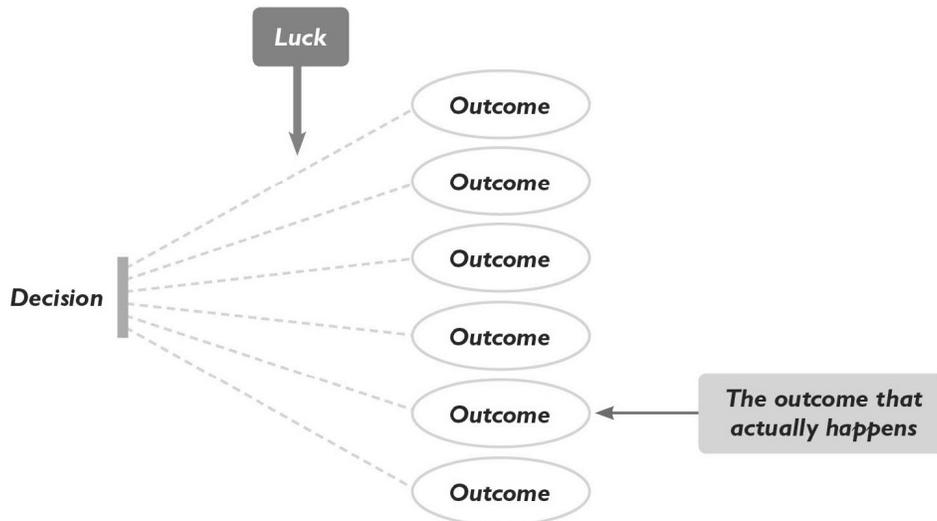
Because any decision determines only the set of possible outcomes (some good, some bad, some in between), this means good outcomes can result from both good and bad decisions, and bad outcomes can result from both good and bad decisions.

We can think about the relationship between decision quality and outcome quality like this:

- An *Earned Reward* comes when you make a good-quality decision that results in a good outcome, like when you proceed through a green light and get through the intersection safely.

- *Dumb Luck* comes when you make a poor-quality decision that turns out well. You can be waiting at a traffic light and fail to notice the light has turned green because you are deeply entranced by the world's most important tweet. If, while you are sitting there failing to proceed through the intersection, you happen to avoid getting in an accident with a car whose driver ignores the red light in their direction and barrels through the intersection, that doesn't make looking at Twitter while driving a good decision. That's just Dumb Luck.
- *Bad Luck* comes when you make a good-quality decision that turns out poorly. You can proceed through a green light and get in an accident with someone turning into traffic. That's a bad outcome, but it wasn't because your decision to follow the traffic laws was poor.
- *Just Deserts* means making a poor-quality decision that results in a bad outcome, like running a red light and getting in an accident.

Obviously, there are plenty of examples of all four of these categories in everyone's decision-making history. Sometimes your great decisions turn out great; other times bad luck gets in the way. Sometimes your bad decisions turn out horribly; other times you get lucky.

But resulting can cause you to lose sight of the role of luck in how things turn out.

Once we know what the outcome is, we often treat things as if there were only Earned Rewards or Just Deserts. Bad Luck and Dumb Luck recede into the shadows.

Outcome Quality

	Good	Bad
Good	EARNED REWARD	BAD LUCK
Decision Quality		
Bad	DUMB LUCK	JUST DESERTS

When it comes to learning from experience, those shadows can cause you to learn a lot of bad lessons.

When you make a decision that has only a 10% chance of a bad outcome, you will, by definition, get a bad outcome 10% of the time. And thanks to resulting, that 10% of the time you are in danger of thinking the decision was bad after the fact, even though it had a 90% chance of working out. It was a good decision, but your experience will have taught you not to make decisions like that again in the future.

This is the cost of resulting.

Now let's get you out from under the shadow of resulting by filling in *all* the cells in the matrix with examples from your own life.

First, think of a time in your life when things worked out well and you think your decision-making was also good. Briefly describe the situation in the Earned Reward cell below.

Next, think of a time in your life when things worked out poorly and you think your decision-making was good. Briefly describe the situation in the Bad Luck cell below.

Next, think of a time in your life when things worked out well and you think your decision-making was pretty poor. Briefly describe the situation in the Dumb Luck cell below.

Finally, think of a time in your life when things worked out pretty poorly and you think your decision-making was also pretty poor. Briefly describe the situation in the Just Deserts cell below.

Outcome Quality

	Good	Bad
Good	**EARNED REWARD**	**BAD LUCK**
Bad	**DUMB LUCK**	**JUST DESERTS**

Decision Quality

[4]

When Bad Things Happen to Good Decisions (and Vice Versa!):
Pulling apart outcome quality and decision quality

Now let's dig into the pair of decisions you identified in which the quality of the decision did not align with the quality of the eventual outcome, Bad Luck and Dumb Luck.

1   What did you identify as your Bad Luck outcome?

_____

Describe some of the reasons you think your decision-making was good despite the bad outcome. Those reasons can include, for example, the probability of that bad outcome (or any set of the outcomes that were undesirable) occurring, the information that went into making the decision, or the quality of the advice you sought.

_____

_____

_____

List at least three reasons why you got the bad outcome despite your decision-making being good. That is, what were some of the things outside your control or things you didn't anticipate in your original decision process?

_____

_____

_____

What are at least three other ways things might have turned out given the decisions you made?

_____

_____

_____

2 What did you identify as your Dumb Luck outcome?

_____

Describe some of the reasons you think your decision-making was poor despite the good outcome.

_____

_____

_____

List at least three reasons why you got the good outcome despite your decision-making being poor. That is, what were some of the things outside of your control or things you didn't anticipate in your original decision process?

_____

_____

_____

What are at least three other ways things might have turned out given the decisions you made?

_____

_____

_____

3 Which was easier to think of an example of, Bad Luck or Dumb Luck? (Circle one.)

Bad Luck

Dumb Luck

Why do you think one was more difficult than the other?

_____

_____

IF YOU'RE LIKE MOST PEOPLE, it's easier to blame bad luck for a bad outcome than it is to credit good luck for a good outcome.

When bad things happen, it's comforting that it might not be your fault. Luck lets you off the hook, allowing you to still feel good about your decision-making despite an undesirable result. It gives you an out that helps

your self-esteem along, letting you view yourself in a positive light despite things not working out.

On the other hand, taking credit for good outcomes feels good. If you allow for the role of luck in creating your positive result, you forgo the awesome feeling you get from feeling smart and in control. When it comes to good outcomes, luck gets in the way of your self-narrative.

In order to become a better decision-maker, it's imperative to actively explore all four of the ways that decision quality and outcome quality relate to each other.

> **Left to our own devices, we will notice some of the bad luck but overlook most of the dumb luck.**

It's not easy to be willing to give up the credit that comes from feeling like you made good things happen, but it is worth it in the long run. Small changes in how much you notice the luck that you would otherwise overlook will have a big influence on the way your life turns out. Those small changes act like compounding interest that pays big dividends on your future decision-making.

Experience can teach you a lot about how to improve your decision-making, but only if you listen well. Developing the discipline to separate the quality of the result from the quality of the decision can help you to figure out which decisions are worth repeating and which aren't.

[5]

*Resulting's **Other** Impact on Learning: Don't wait for decision errors to find learning opportunities*

When you overfit decision quality to outcome quality, you risk repeating decision errors that, thanks to luck, preceded a good outcome. You may also *avoid* repeating *good* decisions that, because of luck, didn't work out.

Resulting has the biggest effect on learning when outcome and decision quality are misaligned.

Less obviously, but no less importantly, there are lessons to be learned from Earned Rewards that are easily overlooked.

1 Go back to the table you filled out earlier in this section. What did you identify as your Earned Rewards outcome?

_____

Describe some of the reasons you think your decision-making was good. Those reasons might include your assessment of the probability of that bad outcome occurring (or any set of the outcomes that were undesirable), the information that went into making the decision, or the quality of the advice you sought.

_____

_____

_____

Now take some time to think about **what could have been better** about the decision. Some questions to consider:

Could you have gotten more or better information before deciding?	*YES*	*NO*
Could you have decided more quickly?	*YES*	*NO*

Could you have taken more time with the decision?	*YES*	*NO*
Was there information you learned after the fact that you could have known beforehand that might have changed your decision?	*YES*	*NO*
Were there even better outcomes possible than the outcome you got?	*YES*	*NO*
If yes, if you had made a different decision, could you have increased the probability of those better outcomes occurring?	*YES*	*NO*
Can you think of any reasons why you would make a different decision if you had to do it over again?	*YES*	*NO*
Even if you would likely come to the same decision, can you think of ways you could improve your decision process if you had to do it over again?	*YES*	*NO*

2 Use the space below to reflect on any of your "yes" responses.

_____

_____

_____

3 Exploring those cases in which decision quality and outcome quality align is just as important as exploring the cases in which they don't. For Earned Rewards, you may have made a good decision and gotten a good outcome, but you can still find worthwhile lessons examining those decisions.

The same is true for Just Deserts.

Take a moment to go back over this exercise and reflect on how you can apply the same questions to those times when the outcome quality and decision quality were both poor.

EVEN WHEN YOU MAKE a good decision, that doesn't mean that it was the *best* decision. In fact, it rarely is. Striving to improve means being willing to fight the complacency that can come from a good decision leading to a good result.

> **Don't assume you can't find worthwhile lessons while taking a victory lap.**

Learning from experience is what allows you to make better decisions as you go along. Resulting keeps you from sharpening the view into your crystal ball, making you a worse predictor of the future because you skip lessons you could get from the past.

An insidious cost of resulting is that you don't question your assessment when decision quality and outcome quality align. When that happens, especially when things worked out, your decisions are more likely to remain unexamined while you just accept your intuition, which tells you, "Nothing to see here."

[6]

Reexamining Your Best and Worst Decisions

Go back to what you identified at the start of the book as your best and worst decisions.

How do you feel about those answers now? Has your mind changed? Upon reflection, were they actually your best and worst decisions (free of the influence of resulting)? Can you see more clearly how the quality of the outcomes influenced your choice of your best and worst decisions?

Use the space below for reflection.

After reflecting, include other decisions that you might add to the consideration of best/worst.

_____

_____

_____

RESULTING MAKES US LACK compassion for ourselves and others.

When someone has a bad outcome in their life, we judge their decision-making as poor because of resulting. That makes it easy to blame them for the way things turned out. No need to have compassion because the outcome was their fault.

And it's not just other people. We lack self-compassion when we make these connections in our own lives. We beat ourselves up when things don't work out the way we had hoped.

For good outcomes, we're not doing anyone a service by potentially overlooking their mistakes simply because it worked out. We're definitely hurting ourselves, not just in learning, but in assessing our self-worth based on how things turned out rather than on whether we made a good decision under the circumstances.

[7]

Resulting Wrap-up

These exercises were designed to get you thinking about the following concepts:

- **Resulting** is the tendency to look at whether a result was good or bad to figure out whether a decision was good or bad.
- **Outcomes** cast a shadow over the decision process, leading you to overlook or distort information about the process, making your view of decision quality fit with outcome quality.
- In the short-term, for any single decision, there is only a loose relationship between the quality of the decision and the quality of the outcome. The two are correlated, but the relationship can take a long time to play out.
- **Luck** is what intervenes between your decision and the actual outcome. Resulting diminishes your view of the role of luck.
- You can't tell that much about the quality of a decision from a single outcome, because of luck.
- When you make a decision, you can rarely guarantee a good outcome (or a bad one). Instead, the goal is to try to choose the option that will lead to the most favorable *range* **of outcomes**.
- Making better decisions starts with learning from experience. Resulting interferes with that learning, causing you to repeat some low-quality decisions and stop making some high-quality decisions. It also keeps you from examining good-quality/good-outcome decisions (as well as bad-quality/bad-outcome decisions), which still offer valuable lessons for future decisions.
- Resulting reduces compassion when it comes to how we treat others and ourselves.

RESULTING CHECKLIST

☐ How much is the outcome clouding your judgment (or someone's judgment you've observed) about the quality of the decision?

☐ Even if bad decisions preceded a bad outcome, can you identify some good decisions made along the way? Can you identify some ways in which the process of coming to the decision was good?

☐ Even if good decisions preceded a good outcome, can you identify some ways the decision could have been better? Can you identify some ways in which the process of coming to the decision could be improved?

☐ What are the factors outside the control of the decision-maker (who might be you), including the actions of other people?

☐ What are the other ways things could have turned out?

A LONG TIME AGO
IN A MOVIE FRANCHISE FAR, FAR AWAY

Star Wars has been a legendary success. The original film cost $11 million to make, and its total box office has exceeded $775 million. That's just the tip of the iceberg: eleven *additional* financially successful films (for a total worldwide box office, not even taking into account inflation for some numbers that are forty years old, of over $10.3 billion as of early 2020), a gigantic industry of merchandise tie-ins, and theme-park rides. In addition, Disney paid $4 *billion* to buy the rights to the franchise in 2012.

Film studio United Artists had the first opportunity to get in on *Star Wars* and passed. After seeing George Lucas's sci-fi film *THX 1138* at the Cannes Film Festival, UA signed Lucas to a two-picture deal.

The studio passed when Lucas offered them *Star Wars*, after having earlier passed when he offered it *American Graffiti,* which went on to become a huge hit.

Several other studios also rejected *Star Wars*, including Universal (which had cleaned up by distributing *American Graffiti*) and Disney (which paid roughly *four hundred times* what it wouldn't spend in the early 1970s to get in on the franchise thirty-five years later).

The consensus opinion is that United Artists, Universal, and Disney, each in their own way, made a colossal blunder. Syfy Wire, one of numerous websites covering the long-unfolding story of the film franchise, took the typical view, referring to the quality of UA's decisions: "Keep in mind this was the studio that was busy putting out yet another Pink Panther sequel, so they weren't too interested in films that weren't safe or remotely not bad."

The difficulty in getting *Star Wars* made is one of the chief reasons people repeat what the late William Goldman, legendary novelist and screenwriter, famously said about Hollywood: "NOBODY KNOWS ANYTHING."

Those are easy conclusions to make, and practically everyone makes them. There is so much we ignore, however, when we do that. Using the format of the prompt in this exercise, these are ways we can recognize that

the conclusion that it was a giant mistake to pass on *Star Wars* was resulting:

Other ways the decision could have turned out: Even without knowing much about the movie business, when a movie is just a concept, as *Star Wars* was when Lucas pitched it, a lot of things could happen. His concept could sound great but look terrible when executed, $10 million later. None of the stars were big names. If Lucas had cast different actors, the movie might have flopped. The mass audience could have decided it wasn't interested in sci-fi films. A recession could have hit just as the movie was being released that kept people from going to the movies.

Information that was overlooked or couldn't have been known: We don't know what the decision looked like when Lucas pitched *Star Wars* to these studios. Twentieth Century Fox, which picked up the film, didn't act like they had a sure-fire franchise. Lucas and Fox executives have said in interviews that the studio didn't understand what Lucas was trying to do. It seemed like a crazy project to them but the studio head told Lucas, "I don't understand this, but I loved *American Graffiti,* and whatever you do is okay with me."

Unreasonable inferences about the decision process driven by the result: What we don't see is any similar decisions these studios made to pass on films that turned out to be great decisions.

Lack of data to draw conclusions about how good the decision was: Until you look at a studio's entire slate of movies and evaluate what they bought and what they turned down, you're reaching a conclusion based on insufficient information.

The point is, it's difficult to reach a conclusion about decision quality from one result. That one result shouldn't count as much as a greater quantity of data (on all the decisions the studio executives made and their overall results) or data of higher quality (on what the decision looked like as it was presented to the studios).