

# Article reflection

[Business](#), [Management](#)



Smart People, Dumb Decisions" by Michael J. Mauboussin Synopsis The main objective of Michael J. Mauboussin's article "Smart People, Dumb Decisions" is to illustrate that smart people do not necessarily make better decisions. In fact, it is otherwise - smart people make poor decisions because they are influenced by the internal (the trained brain) and the external (complex world) bias. These hinder people from making smart decisions.

Understanding how decisions are made, as underlined in this course, helps in learning about the tools and processes of decision-making. But to prepare one for effective decision-making required for managing organizations, one needs to understand its pitfalls as well according to Mauboussin.

One of the biggest hindering factors to poor decision-making Mauboussin points out is overconfidence. People make poor decisions because they tend to think they are above-average; are optimistic; and have the illusion of having control over the situation. The experience and training people gain over the years influence their perceptions which inevitably lead to poor judgments and predictions.

Another, major factor which influences decision-makers is the perception of the outside world. When decision-makers are confused by their internal information, they turn towards the outside world to gauge how others have dealt with similar problems. People try to find trends and events to base their own decisions on. Sometimes this is effective but at other times miscalculation can occur due to wrong interpretation of data, information bias and sometimes simply because trends do not account for ad hoc situations. Nevertheless, this outside view, according to Mauboussin is a more realistic approach because it gives a "reality check" to decision-

makers. It offers decision-makers the opportunity to evaluate and contemplate which is an important in decision-making.

### Reflection

However, I am of the view that decision-making is a combination of both internal and external knowledge. One cannot negate the fact that internal knowledge, ones professional experience and learned processes are also critical for decision-making. Mauboussin seems to have leaned on external factors more as opposed to internal factors for effective decision, a bias in my view. If all decision-makers start to rely exclusively on external information and trends, then it would be difficult to make instantaneous decisions in the field such as in the case of doctors, paramedics, firefighters and other life-saving professionals. Furthermore, I feel that Mauboussin has overly relied on his financial background in writing this article whereas management decisions include people, situations, problems, ethics, and sentiments which may not be found in statistics, books or computer systems.

### Validity of Arguments

Having said that, to a certain extent Mauboussin has been perceptive in coming to his conclusions because he has relied on secondary research, interviews and personal experiences. The author has used his experience in the financial industry as well to emphasize his points. But he compromises his own arguments by cautioning people to be aware of black swans - extremely unique situations, and stress. In these instances it is expected that decision-makers will be more prone to make decisions to resolve immediate situations with little consideration for long-term consequences.

Such situations would be a challenge for future studies as Mauboussin has not been able to effectively resolve it in this article. Nevertheless, Mauboussin has effectively presented a different view to decision-making which has been enumerative and challenging for the readers.

#### Reference

Mauboussin, M. J. (2010). Smart People, Dumb Decisions. *The Futurist*, March-April Issue.