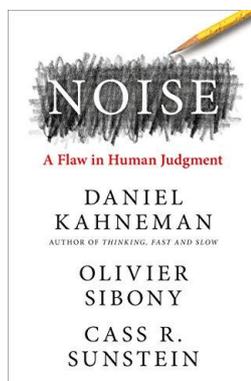




BrainCandy No. 68: Daniel Kahneman is back. And how! His latest work 'Noise' opens our eyes to an underestimated mechanism that leads to serious human errors of judgement. And this mechanism has nothing whatsoever to do with so-called depth psychology.

The title is a bit unfair. Kahneman did not write the book alone, two other professors, Sibony and Sunstein ('Nudge') were involved. I'll let Kahneman run on here as a synonym for the three for simplicity's sake. Also because his co-authors emphasise how central 'Danny' was to the content of the book.

The book is exciting to read, but also an intellectual board with over 400 pages and very many detailed examples. I can never do justice to this in a BrainCandy without writing a book myself here. Therefore, I will only touch on it and whet your appetite to get to grips with the work itself. Kahneman is now 87 years old and I asked myself, how powerful can he actually still be? The answer: very, very powerful. A genius at work. I've listened to several podcasts with Kahneman about this book and it's not an old man talking. This is someone who is still curious and completely on top of things, who answers in a differentiated and punchy way. My new role model. Unfortunately, no one asked him how he did it - besides all the intellectual work. So hopefully he likes to drink wine and doesn't do yoga.



What is the book about? It's about the automatic mistakes people make when making decisions. The authors had received a seven-figure advance from the publisher. A very good investment.

Until now, he had concentrated on the so-called biases and contributed significantly to the great interest in these biases as an explanation for non-rational decisions. See his world bestseller "Thinking fast and slow" from 2011. Then, in large consulting projects, he suddenly came across, besides biases, another error of at least similar size, what he understands by 'noise'. While biases produce an error in the same direction, for example, too few women are hired in the case of a gender bias, the noise of errors goes in different directions, so that completely different influences lead to too many unsuitable candidates being hired.

This undesirable error noise is mainly found in organisations when different decision-makers assess the same facts very differently, but also in people themselves when they assess the identical facts differently when these are resubmitted. But in contrast to bias, it cannot be recognised in an individual decision, 'hires few women', but only in the statistical after-analysis. Since such analyses practically do not take place, the significance of the noise was not recognised earlier.

An example: We citizens expect systems such as courts, forensics, hospitals or insurance companies to come to the same decisions again and again in comparable cases. That we receive exactly the same punishment for our offence as everyone else in a comparable context. That the guardianship courts decide in the same way.



That our X-rays are interpreted by experienced doctors in the same way and the therapy is decided accordingly. We do hear about spectacular outliers in decisions from time to time, but on the whole we assume that it usually fits.

Kahneman now shows that the deviations, i.e. the decision errors, are much greater than we are aware of. The management of a large insurance company assumed that the range of variation of premiums in the insurance of individual risks was a maximum of 10%. In fact, 55% difference was measured in comparable cases. This is not trivial. If premiums are too high, you lose customers; if they are too low, you lose money. I was even more amazed at how large the measured deviations were in court. The range for the comparable facts was between a few months and 10 years! So you draw a lot in a lottery - with many unfair losers.

What are the key factors that contribute to this noise?

1. Level Noise: This is an individually different decision-making measure. One judge generally judges certain offences more harshly than another. But perhaps a strict judge is also particularly lenient with older shoplifters. A different measure (level) in the sentences can be recognised rather well statistically. Level noise creates stable patterns of decision errors.

- 2. Transient Noise:** Here it is particularly human: Temporary contextual factors that have nothing to do with the matter itself influence the decision. Whether the home team won or lost the football match can have a significant impact on the decision. Or if, hungry before lunch, one makes a stricter judgement. The Americans have invented the beautiful word 'hangry' for the condition, the combination of hungry and angry. Or if the applicant resembles the daughter, that can also lead to significant decision errors. Of course, it is the exact context that counts, not only the basic relationship between mother and daughter, but also the emotions of this signal that have just been experienced.
- 3. Pattern noise:** How does the individual decision-maker react to the different factual components? How does he weigh the partial aspects? This shows that people combine the same information in very different ways to form a story that is congruent for themselves and thus come to completely different decisions. Employee appraisals are a good example that many are familiar with. Only about a quarter of the judgement is empirically related to actual performance. The rest depends on the appraiser. How likeable is the person, what idiosyncrasies of the employee do you perceive and how do you weight them? How do you evaluate a quiet follower versus a restless free spirit? Noise is guaranteed. With two independent assessors, this would quickly become apparent. But that rarely happens. According to Kahneman, this individual pattern noise is the strongest cause of error noise in systems.



The quintessence of the book, according to the authors, is: **Everywhere there is judgement, there is noise. And probably more of it than you think.**



Shrugging their shoulders, people sometimes argue that the deviations due to noise would average out after all. This is an error in thinking. If you get two very different diagnoses and consequently different therapies for your symptoms, at least one is 100% wrong.

Noise, i.e. individual deviation, is not bad everywhere! Creative processes thrive on it. But in system decisions we want to have as little error noise as possible. And those responsible should therefore actively strive to minimise noise.

How can you reduce noise? The authors provide concrete assistance in the book. On the one hand, they advise **noise audits**. So that you understand the extent of the noise for the first time. And they explain how to do it.

Then they recommend establishing **decision hygiene** in the decision-making process. This includes, for example, breaking down complex problems into subcomponents that are evaluated individually and independently of each other. This can go as far as teams assessing only one sub-problem at a time. Without finding out what others think about it.

The authors strongly suggest that the typical decision-making bodies are a poor solution when they try to reach a judgement together. The mutual influences are far too high. Does this possibly remind you of group discussions? It is better if all participants have received the relevant information beforehand and make and justify their decision in writing straight away. On this basis, a subsequent discussion of the individual judgements is actually meaningful.

I was a bit proud when I read that we have been using this principle in our creative group discussions for a long time. First the participants make their judgement in writing before the opinions are discussed. Situational influences are reduced and the participants' judgements become more real for us. The average of independent judgements is helpful before trying to aggregate them. Similarly, in psychological interviews we try to avoid absolute scales and use relative scales, i.e. how one fact is experienced in relation to another fact. The authors explain in detail why our brain can process relativity very sensitively, but can only use school grades, for example, to make sense of a surprisingly limited number of alternatives.



According to the authors, it is also of no use to motivate ourselves to think laterally because we do not become aware of the external and internal influences on our perception and our automatic reactions.

And what about intuition, our gut feeling? Our intuition is, at least in part, an important cause of noise. Then, when we draw conclusions too quickly, we overweight the information that confirms our stance and block out contrary signals for a coherent story, intuition does speed up the decision - but also amplifies the error. It is better to evaluate the partial aspects as objectively as possible, with as little intuition as possible, and only then make an overall judgement.

And what is very important to me is what does not appear in the book: The 'depth' psychology still popular in German marketing as an explanation for individual decision-making behaviour and thus the noise. Kahneman very briefly discusses the current leading model of personality traits, the famous Big Five, but immediately says that these correlate only weakly with decision-making behaviour, which was my topic in BrainCandy 47. Because people's concrete individual life experience is much more important for their learned decision-making behaviour.



Two people may have the same propensity for aggression, but what exactly triggers it will be very different depending on what they have experienced. So it is the unique contexts in life that have shaped people's idiosyncrasies. At this point I am happy to announce that we have written a marketing textbook on the importance of contexts, which will be published by Springer Gabler in the next few months.

The authors have also resisted the presumably great temptation to write something about decision-making behaviour in the pandemic, even though that is the place where system noise has become clear to everyone even without measurement. And I am therefore also holding back here. Except to point out that I don't see any approaches that allow politicians to seriously check decisions made for actual effect. We are hurtling 'noisily' towards the next pandemic.

And finally: Kahneman sees algorithms as the best way to eliminate noise from system decisions. In his opinion, even simple algorithms are sufficient for this. He also believes that artificial intelligence will significantly improve the diagnosis of diseases - and that treatment decisions will then be made on this basis by very experienced doctors.

Kahneman smiles when he says that the fight against visible biases has a charismatic aura. The fight against invisible noise, on the other hand, would be an effort with little potential for glory. But: A world in which organisations can make error-free decisions more regularly is certainly a better world.



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