HOW WE THINK...

People are great at learning. The amount of knowledge that we can store in our heads, in the form of information or skills, is practically limitless. Whilst storage capacity (in "long-term" memory) isn't an issue, our ability to access that knowledge is very variable and depends in part on how practiced we are in using it.

When a situation is familiar, knowledge is made available **automatically**, but when it is new or unclear, then we can struggle, and need to apply more **controlled** thought processes that use our "short-term or working memory". This allows us to control and manipulate information in much more complex ways than those provided by automatic processing. It is a powerful tool but relatively slow and has limited capacity. **Our ability to focus on more than one difficult task at a time is pretty much non-existent.**

The difference between controlled and automatic mental processes is important, because it is impossible to consciously think about everything. We use automatic processes much of the time, because this type of processing is quick and not constrained by our mental resources.

We have a number of words for automatic processing: when it is routine, we call it a habit - something we do without thinking; when it is useful, we often call it expertise – an expert has developed habits in thought and action that make certain activities more effective; when the results are negative, one word we use is bias - an unwanted influence on what we do that we don't completely control, caused by the automatically supplied knowledge not fitting the situation. **We are all experts in many parts of our lives, but not having to think about this behaviour means that it is very difficult to change.**
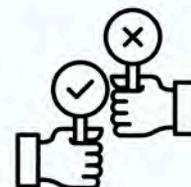
HOW WE WORK

NOTICE
THE PROBLEM

CONSIDER
THE PROBLEM

MAKE
DECISIONS

MAKING DECISIONS

Baselines become very important when we make decisions. Every decision involves putting value on where we are now and where we could be, involving some sort of gain or loss. Both gain and loss are always involved, as in doing one thing we lose the opportunity to do something else, and any change results in losing continuity **(people love continuity, it makes life predictable and safe)**.

A critical point in how people make decisions is that they value losses more than gains: people feel the pain of a loss more than the pleasure of the same sized gain. This leads to **"loss aversion"** where avoiding a loss will normally be preferred to achieving a similar gain.

Loss aversion adds yet more weight to the "do nothing" option when examining a problem – and do nothing is always an option. **People invest a lot of themselves in the decisions they have made and how they choose to work, so changing incurs a significant loss for them.**

CLOSING THOUGHT

When we consider our cognitive psychology, the surprise is not why leaders choose not to act in the face of problems, but why they would ever act at all! We are all hard wired to avoid losses and protect what we have, to trust what we know over uncertainty, even when what we know isn't true!

We can overcome these barriers to action by engaging our controlled thought, to think beyond the immediate and use additional information to plan ahead. This also enables us to modify what we have learned and modify our automatic responses in the future. In a changing world, knowing when our habits, expertise and biases work best, and how to update them when they don't, is the key to improving both our personal and businesses performance.

We help leaders: assess, establish or improve their businesses performance management frameworks to ensure their teams, managers and leaders always take action to improve performance.