



## Four Principles for Making Better Decisions



By Pan Pan , Founder and Managing Partner of Pantèra Ventures

**“The road to hell is paved with good intentions” says the proverb. Such good intentions are sometimes dashed by bad decisions, but we can improve our ability to choose the best path.**

Too few options is clearly not a good thing, but too many good choices can be just as great a bane. Many healthy and wealthy residents of the rich world are overwhelmed with options and attractive choices, yet find themselves unhappy and anxious.

The **paradox of choice** is illustrated by a famous **story told by Jean Buridan**. The fourteenth-century philosopher and Catholic priest wrote extensively about free will and the inability to choose due to excess uncertainty and, potentially, excess choice as exemplified by Buridan’s ass: An apocryphal donkey finds itself standing between two equally appealing stacks of hay. Unable to decide which to consume, it starves to death.

Changes in technology and innovations such as smartphones and tablets only exacerbate our plethora of choices. Constant connectivity and the over-consumption of real-time data and social media can leave little room for self-reflection and rest, making it more difficult to make decisions that can ultimately lead to decision fatigue and potentially paralysis.

Yet life is about making choices. In my [last blog post](#), I wrote about how working backwards from your ideal goals can help you put meaning in your career. The exercise was meant to give some guiding principles to make decisions one can stand by today. So what are the things one can do to make better decisions? Below are some principles I have found useful:

1. Distinguish between *real* options and *false* options.

It may sound simple, but sometimes, it may seem like we are faced with endless choices, but when you examine them carefully, you realise they are not as realistic as you think. In fact, you probably face far less options than you think. Case in point: A friend of mine wants to change jobs but says there are so many jobs he can do, he doesn't know which one to choose. Asked to show one solid job offer he can accept and he comes up empty handed.

2. Differentiate between risk and uncertainty.

Risk means that event probabilities are known. Uncertainty means that the probabilities are unknown. One can make calculations with risk and decide whether or not to take a gamble, but not with uncertainty. Unfortunately, most life decisions involve uncertainty rather than risk (which is generally limited to casino games, coin tosses and statistics textbooks). We must learn to make decisions with imperfect and incomplete information.

Some frameworks and heuristics for modelling such decision-making actually exist. One example is the [Markov process](#) named after the Russian mathematician Andrey Markov and another is the *optimal stopping rule* (choosing a time to take a particular action to maximise reward and minimise loss), first introduced with "[the secretary problem](#)" for example.

3. Draw up your ideal criteria *before* looking at available options.

Write down what you *do not* want to pursue in life - it is often easier to come up with what you *do not* want rather than what you *do* want to do. Take time to sit down and think hard about this so you only need to do it once. This will save you time and energy later when you can consult the list to help you eliminate choices quickly.

#### 4. Don't forget the past but let go of it.

One of the first things we learn on the MBA is the *sunk cost fallacy* and it is good to be reminded of it. Rational decision-making asks us to disregard the costs incurred to date no matter how much you have already invested - monetarily or emotionally. Only the assessment of future costs and benefits count. Learn to close doors, only then can you open new windows. Forgive and forget, but keep a list of names! Except for drawing useful lessons, the past is a sunk cost.

The above four points are rational advice. But we are emotional beings and life is not a multiple choice test but full of ambiguity and contradictions. Above all, it is essential to take decisions that you believe in: Do not be trapped by the noise of others' opinions and dogma; have the courage to follow your convictions. Come up with your own guiding principals and create your own path.

Our time is limited. Don't waste it. The status quo is not an option. **Steve Jobs said** remembering his mortality was the most important tool he's ever encountered to help him make the big choices in life and avoid the trap of thinking that one has something to lose.

*Pan Pan is Founder and Managing Partner of Pantèra Ventures. She has an MBA from INSEAD ('03). You can follow her on Twitter [@pansquared](https://twitter.com/pansquared).*

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#### **About the author(s)**

**Pan Pan** Pan Pan is the founder and managing partner at Pantèra Ventures, a Swiss investment advisory and consulting boutique, as well as investment advisor to a family office.

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