The Problem with the Probable

By Jack Schlafer

Humans prefer the path of least resistance, a behavior we are born with to choose the most accessible and comfortable route. “Our brain tricks us into believing the low-hanging fruit really is the ripest,” says Dr. Nobuhiro Hagura in a study by the University of College London [1]. Humans are innately inclined towards what is available, called availability bias. We gravitate towards the common, obvious, and simple. And we choose not to explore things that seem to be difficult or complex. The problem with what is readily apparent and simple is they are often things that are not driving value.

“The world is driven by tails—a few variables account for the majority of returns.”
- Morgan Housel

Housel’s view on the world of finance acknowledges that the infrequent and non-obvious drive the majority of returns. In his book The Psychology of Money, Housel explains that predicting the market is futile; he invests in index funds and calls it a day [2]. This is an unsatisfying conclusion for readers seeking sage advice on making better decisions.

However, looking back at the source of Housel’s “tails” theory, we find something more general: Pareto’s 80-20 rule. Like Housel’s tail events, Pareto describes how 80% of the results are derived from 20% of the causes. The inverse is also insightful: 80% of actions will lead to just 20% of the results.

"You cannot overestimate the unimportance of practically everything.”
- John C. Maxwell

It seems obvious to say, “Understand what drives your impact and just do that.” By nature, Pareto’s valuable 20% and Housel’s few variables are hard to find or predict. They are similar in concept to Nassim Taleb’s Grey Swans, events or items that can be predicted, although challenging, that ultimately drive value. Predicting these once-in-a-lifetime events in the market is impossible, but understanding value drivers in a business setting is not. It’s just really hard. So, without a crystal ball, how can you be more successful at finding and leveraging the key elements or events that drive value? Finding Grey Swans is challenging, but an intentional methodology to discover them can be incredibly helpful.

"Deciding what not to do is as important as deciding what to do."
– Steve Jobs

Getting lost in a chaotic schedule, approaching deadlines, and competing priorities is easy at the beginning of any endeavor. Often, the objectives and end goals get lost. That is why setting clear goals and *beginning with the end in mind* is crucial. Spending time intentionally setting these goals and objectives is an essential first step. With clear goals, identifying what will drive towards these goals becomes more easily understood. Even more critical is communicating goals clearly and aligning the team with them. By doing this, the entire team understands the end goals and can keep them in mind as they complete their tasks. Keeping these at the forefront of the endeavor enables better resource allocation and stakeholder alignment.

“It is a capital mistake to theorize before one has data.”
- Sherlock Holmes in A Study in Scarlet by Arthur Doyle

Good data can enable you to sift through what could be critical variables and what are not. Being objective when dealing with data is important because it can also be biased. Ensuring that data is not used to confirm current biases is crucial when attempting to ground yourself or your project in data. Stakeholders are more likely to champion initiatives with data supporting or driving them. With data, you can prove or disprove something with a high degree of certainty and allow that decision to further push towards end goals.

Data alone does not paint the whole picture; *understanding the human element*—how biases, fears, and preconceptions influence interactions, timelines, budgets, and more—helps identify and validate critical variables. Like Taleb’s Swans, Chris Voss, in his book Never Split the Difference, labels these critical variables as “Black Swans,” which can only be found through deliberate conversational tactics [3]. People help highlight the greater picture, showcasing priorities, biases, desires, and fears. Understanding people and their motivations helps reveal critical variables.

“The things that matter most should never be at the mercy of the things that matter least.”
- Johann Wolfgang von Goethe

It is vital that once identified, critical variables become, and stay, the priority. Prioritizing the wrong variables or allowing priorities to drift will cause setbacks and failures. The team can handle project tasks and complications more effectively by aligning to these variables. Research by Kahneman and Tversky found that individuals tend to simplify complex decisions by focusing on a few key factors [4]. Critical variables help lead the charge toward effective progress. Much like how the Vikings used the North Star to determine direction, we, too, should use critical variables to assess strategy and define the approach.

“Decision-making is easy when your values are clear.”
- Roy Disney

Other decisions are simplified once the critical variables are identified and the most likely outcomes or roadblocks are understood. Determining direction or strategic approach is the hardest part of any endeavor. Tactical challenges and decisions become less complicated once a strategy is developed and aligned to the essential items. Research done by Eisenhardt and Sull reinforces the importance of identifying critical success factors in strategy implementation, as they found that it facilitates the correct prioritization of resources and efforts [5]. Saving time and money, especially in constrained environments, is precious.

"In an uncertain and fast-moving world, what we need even more than foresight or hindsight is insight—where we apply the 80/20 rule to focus on what truly makes the difference."
- Jim Collins

Ultimately, there is always the element of the unexpected. Unforeseen events, such as car accidents or sudden market shifts, are bound to occur, which can significantly impact your project. While you can prepare for many contingencies within reasonable limits, foreseeing every potential disruption is impossible. In the end, you cannot predict everything.

The fastest way to drive business value is by identifying and aligning resources to the critical variables that drive outcomes and value. True value cannot be found in the most likely scenario. Instead, it lies within the Grey Swans, those hard-to-find and often overlooked items that can significantly impact the project. By focusing on these high-value, critical variables, you can uncover unique opportunities and mitigate unforeseen risks. Doing so can help you overcome the availability bias and reach higher than the temptation of the low-hanging fruit. In doing this, you can position yourself to capitalize on something most have not even thought of.

References:

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