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RESPONSE

Thinking, Fast and Slow: great for practitioners but not so great for academics

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We must declare our hand. As business school academics, we try to do research that is not only robust and theoretically interesting, but also applied to real organizations. This is not always a straightforward task. For our academic audience, including *Prometheus*, the format includes an extensive literature review, detailed analysis and critical evaluation of limitations at the end. On the other hand, if we present the same research to a business luncheon, then a different form of writing is required. The literature, methods and internal critique are still there, but backstage. The emphasis must be on the examples and application (perhaps with a good deal of elegant slide design and non-technical language to placate the critical System 2).

Kahneman's book (2011) is clearly directed at practitioners. We agree with Peter Earl that there are many more contributions to behavioural economics, but would their consideration really have made the book better for his target audience? As shareholders of a business, we would be happy to know that the chief executive had read the book and understood the decision biases that she was likely to encounter. Whether she was familiar with the work of Herbert Simon or the Carnegie School would not really concern us.

In terms of being a very successful practitioner book, perhaps it is overly laboured and technical. The topic is fascinating and important, but – like Stephen Hawking's *Brief History of Time* (1988) – it is quite likely to be sold more than it is read. Kahneman is not as optimistic as the author of *Blink*, Malcolm Gladwell (2005), about the powers of intuitive thinking and the science behind Kahneman is far more robust, but in the battle of influence, Gladwell will win the popular ground because he is an entertainer and a storyteller. Probably Kahneman's *Harvard Business Review* articles with other authors are more effective translations for managers.

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If the reader of *Thinking, Fast and Slow* is not sceptical about rational decision making by the end of the book, then he cannot have read it very carefully. Kahneman's book is a disconcerting read for those who are convinced of their superior decision-making powers, and that includes strategy academics. One way that Kahneman achieves this outcome is through the use of thought experiments that he invites the reader to try. He understands that the overconfidence bias also applies to decision-making skills and therefore the use of case studies alone will not shake our faith in our own superiority.

Gratefully, Kahneman also gives solutions to these problems. A long-term theme in Kahneman's work is that awareness of these biases is not sufficient for us to avoid them. This is where the real value of the book lies. It is a tool kit for overcoming biases and making better decisions. Indeed, some of Kahneman's findings have had a profound impact on real and seemingly intractable business problems. An excellent example of this is Flyvbjerg's (2006) translation of Kahneman's ideas of overconfidence and the remedy of reference-class forecasting in major infrastructure projects. Cognitive biases have cost the infrastructure construction industry billions of dollars and changing the procedures for evaluating projects with the incorporation of objective returns from similar completed projects holds great promise for changing the reputation of a broken industry.

However, we do need to be careful that when we attribute decision making to individual minds, we do not forget about group factors in cognitive bias and also the way that organizations affect decision making. Many years ago, Prahalad and Bettis (1986) brought the concept of dominant logic to the management literature as a cognitive factor in explaining the reluctance of organizations to change. Individuals may have such logic (possibly related to the ideas of System 1 and WYSIATI). We can also see how this cognition could be shared through socialization in groups but attributing mental processes to organizations is problematic. As we explore Kahneman and Tversky's contributions and what they mean for organizations, we must be very clear about what level of organization we are talking about and how these theories fit. Perhaps organizations also have the equivalent of System 1 and System 2, but we should be very careful about how we use these concepts when we move beyond the psychology of individuals.

Peter Earl's review also raises another limitation to Kahneman's methods for rectifying decision-making biases. There is an implication throughout the book that the truth is out there. True uncertainty, in the Knightian sense, is a genuine problem in strategy. Unknown unknowns surround strategy and if Kahneman's book is taken on board by the management community as a recipe for perfect decision making then there is a risk that we will underplay the importance of experimentation and learning, which is a better response to uncertainty in organizations. Clearly, there is a balance here and if Kahneman can convince us to be more humble about our capacity to understand the complex world that we live in, then maybe we will indeed be more prepared to experiment and learn rather than judge and commit to hard and fast courses of action.

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