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Lawrence: Lawrence still here, and welcome back to highintensitybusiness.com. This is Episode 251. Today's guest is Dave Smith PhD. Dave is a chartered psychologist and a Healthcare and Professions Council registered Sport and Exercise psychologist. He is currently a senior lecturer in Sport and Exercise Psychology at Manchester Metropolitan University, and associate editor of The Sports Psychologist, which is one of the most prominent peer reviewed sports psychology journals.

Lawrence: His research interests include psychological issues in bodybuilding and strength training, psychological skills training, particularly imagery and low back pain. He is a former personal trainer with a specific interest in high intensity training, and is also interested in target and precision sports, and forward decision making processes in sport and other contexts. Dave, welcome back to the show.

Dave: Thank you very much, Lawrence. Really glad to be with you again.

Lawrence: I appreciate that. It's great to have you back. I'm really excited to dig into the next part of this decision making podcast as we were kind of discussing before we got recording, this is going to be quite a few parts to this series since there is quite a lot to cover. And it's really important for us to talk about the theory so that people can make sense of the practical.

Lawrence: I wanted to sort of start this one off in terms of the depart to the ferry to ask you a couple questions about the previous. And something that's really fascinating to me in the UK, and maybe this is in the U.S. as well, or

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maybe other parts of the world is this obsession with investing in property. You know?

Lawrence: We see a lot of people who, when they're looking at their personal investing strategy, they often default to property because it's the done thing, right? It's what everyone seems to do with their money, they buy a house, they don't really think about alternative investment strategies quite often. And I was wondering if this is one of those investments that's a real kind of victim of recency bias. Because if you look at property values over the last hundred years, you can see that we had a huge property crash, where property hit rock bottom around the 1920s. It started declining, I believe, in 1910, and then hit rock bottom in the 1920s. I think that was during the Depression.

Lawrence: And then it actually took 45 years for the property values to climb back up to that kind of pre-crash level in 1910. But then after 1945, it's a hockey stick growth rate. Since then, it's been ridiculous just how much property values have increased every year. So I remember a friend of mine saying to me, we're very, very good at looking at property values in the law in our own lifetime, right? Or in the last, say, 50 years, but we're not very good at looking at it beyond that, which would give us a true reflection of the risks inherent in an investment like that.

Lawrence: So I feel for that... Based on that information, it's a highly, highly risky investment, if you, say, put all of your capital into that one thing as opposed to diversifying it in some kind of index fund or something like

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that. So I just wondered, is that a product of recency bias? Is that an example of one of those biases?

Dave: It's actually a great example of it, Lawrence. When you started talking about property, that's exactly what I was thinking in terms of bias because it's a classic example. If you looked at the data, as you see what you... as you say, what you'll see is a hockey shape kind of graph over the past... over the recent past. And that's always or should always be a big warning signal with investments. But the problem is that human beings, simply one of the reasons that we don't tend to make very good investors is because of recency bias. We have great trouble thinking long term.

Dave: And of course, the other issue there is that we tend to focus on things that are tangible, things that we can see, and that are in our experience. And as you say, in the recent past, and for most of most people's lives who are alive today, property has been something that has tended to go up in value. So the assumption is that that's what's likely to keep happening. People tend to extrapolate the recent past into the future, which is a huge mistake, funnily enough, because of mean reversion, which is something that I'll be talking about later on with you either today or later in our series. But it's a big, big problem.

Dave: And property, as you rightly say, if you look at it over the long term, isn't really as great an investment as all that. If you start looking back over the past century, you start finding actually that, overall, the returns from

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property investments, for example, in the UK, over that long time span, have been pretty meager and flat.

Dave: And it's interesting that if you take it from about 1920, so the last century, returns from property have been positive but they've not been very high. They've been on average low single digit. So that would be lower than if you put your... simply put your money in the stock market. But equally what a lot of people don't know is properties and asset class where there were the data on performance going back a very long time because, right back in the UK when we had the Norman invasion in 1066, after that, when the Domesday Book was written, people actually began to collect information on property prices back then. So we actually have a data set on property values extraordinarily going back to about 1200 in the UK.

Dave: And between about 1200 and 1920, would you like to hazard a guess as to what the performance of residential property in the UK has been?

Lawrence: I have absolutely no idea. Enlighten me. Not very good.

Dave: No. There's no reason why you would know this is just one of these weird facts that I picked up. It actually, in that time in real terms, so inflation adjusted the price of residential property halved in those 700 or so years.

Lawrence: Wow.

Dave: It went down 50%. So this idea that property is always a surefire winner is just pure recency bias.

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Lawrence: That's incredible. Just one quick question on... Sorry. I'll let you finish Dave, because I've got a counterpoint. But I want to let you finish first.

Dave: Oh, yeah. My other issue with property as an investment as opposed to buying a house to have somewhere nice to live in that's your own and that you can pay off, and do what you want to is that, as you've alluded to already, it lacks diversification. So it breaks that golden rule of not putting all your eggs in one basket. It also breaks the golden rule for most people of never borrowing to invest. Because what do we do most people who are investing in property [inaudible 00:11:44] tend to buy using mortgages. So it's a leveraged investment. And these are things that are probably not very wise. But in the recent past, what they've seen is a lot of examples around them of people who've been successful with it.

Dave: But of course, the other problem with that is, with the TV shows that show people investing in property and so on, they tend to only show the winners. So that goes back to survivorship bias as well.

Lawrence: Yeah. That's so fascinating.

Dave: So that's another thing to bear in mind. I was listening to a financial advisor talking about property investment on the radio just recently, and he made a really interesting point. He said that if you developed an investment that had the same properties as residential property in the UK and tried to market it, you wouldn't be allowed to. It would be banned, because it breaks so many government rules about what you're allowed to sell to retail investors, to the man on the street, that you'd never be

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allowed to do it. The risk is far too concentrated. You have to take on debt to do it, and loads of other issues as well.

Dave: So I think that's one of the things where the specialist knowledge and good financial advice are really, really important, if you're thinking about putting a lot of money into something like that.

Lawrence: Yeah, that's amazing. That last point you made there was really profound. I remember... I've had so many conversations with friends, people I really respect and admire about property. And I'm typically the contrarian, I'm the one saying, "I'm not sure if property is a great investment. I'm not sure if I'm ever going to buy a home, not for investment reasons anyway." And all my friends have often taken the more conventional approach on that side. And in some cases, they've been able to convince me that that was more... that I was sensible. Since then, now, I feel like I've been equipped to have a bit more knowledge about this.

Lawrence: And case in point, what you're saying there just shows that you have to be really careful when considering buying a house as a trillion investment. I remember years ago, before I decided to build an online business, Dave, I actually thought about getting into property because, as I was saying at the start of this, I've been surrounded by that as a default strategy for making money, right?

Lawrence: So I went to one of these big property conventions run by a company called Tiger, I want to say, and they partner with people like Kevin Green, who's the wealthiest or was at least back then. This is probably almost 10

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years ago. One of the, if not the wealthiest private property landlord in the UK. It was also endorsed by, I think, Robert Kiyosaki, who's obviously famous for writing Rich Dad, Poor Dad.

Dave: Sure.

Lawrence: Probably the most famous property investment book out there. And I went along to this to try and learn from these people who have been successful at doing this, like their strategies, and it was absolutely fascinating. And I actually learned a great deal in terms of the practical strategies and tactics and tools that they use in order to grow their portfolios, and things like that.

Lawrence: However, there were individuals there who had like... I remember there was one guy that had 50 houses, but he was so leveraged. He had so much debt, and it cash flowed so badly. And he had so many tenancy issues that it was an absolute nightmare, and he wasn't making money at all. And a lot of the people would see that and see someone who's got 50 houses and think, "Well, he must be incredibly wealthy." But when we lifted the cover up during the course, it was three day course, it was quite different to what people see on the surface.

Lawrence: And it was actually after the experience that I came up home, at the time, I was living in London, and I just decided that it wasn't for me. Firstly, because I didn't have much interest in the subjects of property, and I was far more attracted to the prospect of building something on the internet because it was... I had no money. So it has very low barrier to entry, and

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that was a key selling point. And it was just far more interesting to me. And so that's why I went down that route instead.

Lawrence: But a very quick counterpoint I just wanted to raise is, I was reading a little bit of macro economics before we started this podcast. I know that there's lots of potential problems of macro economics as a discipline, but there was a view there that one of the reasons why property value has hockey sticks so much since 1945 is mostly due to construction costs lowering and ultimately just improvements in technology.

Lawrence: Technology's made, I guess, houses a lot cheaper. And the population continues to grow. Maybe that's a factor, although that might... some people feel that might level out at nine billion or something like that. So I don't know. I may be talking about something that's completely irrelevant now. But I'm just curious, do you think that there is a counter argument to say, "Well hang on a second, there's a high probability that property will continue to go in this direction just due to technology driving that curve."?

Dave: I think it's highly unlikely. I mean, none of us, and this is a bet get applied we're going to get into quite a bit later. We can't predict the future, but we do have a lot of data from the past to look at and interpret trends in these things. And one issue with the idea of property prices continuing to rise exponentially is, at some point, it gets to a point where it's so completely unaffordable to buy a house, because property prices are so out of whack with earnings, the prices then have to fall because builders and people looking to sell can't sell them. And certainly people that are renting

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properties won't be able to make any money because the rents they would have to charge, people simply can't afford. So there's a supply and demand issue.

Dave: At the moment in the UK, there's a chronic shortage of housing. And as we're gearing up for an election here, political parties are promising to put more money into house building. And if we build more houses, it reduces that mismatch between supply and demand. If anything, again, you would expect prices to fall.

Dave: The other problem is that you're never quite sure what governments are going to do. And some of the changes in tax in the UK and the way that income from rent and from residential properties taxed has made it much less attractive, and much harder to turn a profit. So there's political risk attached to these investments as well.

Dave: And if you've just got one house or a few houses, and that's your entire... your entire retirement is based on that, and the government come along and introduce some big tax on you, that means you can't make any money. You're stuffed, whereas if you have a diversified portfolio of stocks, for example, there are political risks in those, but if they diversify by region, you're not going to have the same political risks going forward everywhere at the same time.

Lawrence: Yeah. Absolutely. I completely agree, and makes me feel a little happy that I have my investment in an index fund where some of that risk is obviously diversified. So do you know what's funny, though? Obviously, as I've

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stated, I didn't think I'd be buying a house at all, but more recently, I live in Galway in Ireland and we are actually looking at upgrading our rental because we're having a baby in a couple weeks.

Dave: Oh, congratulations.

Lawrence: Thank you. And whilst our current place is fine, we might look to get something slightly larger to make that a bit more accommodating. And the Galway housing market is just so challenging right now because there is an overpopulation problem and not enough houses. And so rentals are few and far. And we have a small dog, and pretty much all of the rentals that are available don't accept pets. There's a no... It's like a strict policy about that. It's funny because I might end actually buying a home at some point, just because we have a dog and for no other reason. And I would never have... I would have probably made one of the biggest investments certainly today based on something like that. So it's a little bit humorous, really.

Dave: Yeah. Well, I think that the other advantage, of course, of buying your own home to live in is that once you've paid your mortgage off, then you don't have to worry about finding rent or money in retirement to keep a roof over your head. So it makes it [crosstalk 00:21:37].

Lawrence: Yeah. But the downside is you end up paying a ton more mortgage.

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Dave: You absolutely do. So it makes sense if you can pay as much as possible in cash, and I know that's easier said than done. But the more that you can, yeah, you'll greatly reduce the amount that you pay. So it's sensible.

Lawrence: So another thing I wanted to come on to, and then we will get into the other cognitive biases is just I wanted to check in on... You talked a fair bit about narrative fallacy and overconfidence bias in our last episode. For everyone listening, I will put the link to part one in this episode. In fact, I'll probably have... Each episode will have links to all that came before and after. So there's a complete content on each one.

Lawrence: When we were talking about narrative fallacy and overconfidence bias, we were talking about... you were providing a cautionary tale around following business gurus. There's one guru who says, "Look at what... This is exactly how I achieved X. This is how I achieved success," is a very dangerous way to decide in your own strategy because you don't see the... There's a survivorship bias you don't see, all of the graveyard of failures who did exactly the same approach, but didn't get lucky and didn't have good timing, and all the rest of it.

Lawrence: And we talked about this in a number of context. But I've recently come across a business system called Traction, or otherwise known as the Entrepreneur Operating System. And I just think it's absolutely fantastic. And it's a system and an approach to business, a framework, if you will, that is used across multiple industries, as it's been proven over and over

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again to be a successful framework, and build businesses that are very well organized, powerful brands, are very profitable.

Lawrence: And not only do we see across industry, and this is what makes it most interesting to me, we see it across the most successful businesses in high intensity strength training, be it businesses that are owned, or... I'm sorry, where all the studios are owned by the business, and also businesses that are franchises. And so for that reason, it's something I'm learning a lot about at the moment and I'm investing a lot of time in terms of implementing it in my online Business, but also in the studio that I help launch in February next year in Galway.

Lawrence: However, I was thinking about... In the planning for this, I was thinking about your narrative fallacy and overconfidence bias. But I'm guessing that this is one of those exceptions in a way where, if something has been tried and tested in all these different environments and contexts, then there won't just still be really vigilant about tracking and measuring it's applicability to their own environment and the results, but you can also go with a high degree of confidence that it's going to work out okay. Is that fair?

Dave: Yeah. I mean, I think it's important not to be nihilistic about this because people sometimes say, "Come on," with survivorship bias, narrative fallacy, and they say, "You're just saying basically all [inaudible 00:24:56] worthless and most experience is people who are success is worth

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anything." And I say, "Well, no, you're absolutely missing the point, if that's what you think."

Dave: All the research is suggesting is that you need to interpret those success stories with a high degree of caution, but it's not that you can't learn things from them. And it certainly isn't the case that there are sets of rules that are going to help you. In fact, when we talk about algorithmic decision making, we'll talk about this quite a bit, rules can be very helpful, but it's just that you always need to bear in mind the possibility of your own thoughts and behavioral biases impacting how you view things.

Dave: So as long as you build those in mind and build those into your decision making strategy, if you have a strategy, if you have a simple set of rules that seems to work well, then absolutely go for it. That's actually a really good way of making good decisions. So I'm not knocking that at all.

Lawrence: Great. Okay. I just wanted to run that by you. And so we wanted to go on to some more theory, obviously. Obviously, we talked about a little bit of theory there, and certainly provided a few case studies, which were helpful. But do you want to... How do you want to continue from here? I mean, I had here, we could talk about optimism bias. I don't think we really spoke about that a lot last time, but if you've got a preference of the order you want to go through the remaining theory?

Dave: Yeah. There's a few more biases that I think are important to understand, because they will impact your decision making [inaudible 00:26:43]. Maybe if we start off chatting about some of those, and then we can get

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on to some of the other issues and start thinking about how to apply some of the principles. That would be great.

Lawrence: Excellent. Yeah. Go for it.

Dave: Yeah. So you mentioned optimism bias. And I think it's really important there to understand that these biases have really strong evolutionary roots that they actually serve good purposes at times. So people do tend to be greatly over optimistic. And in one sense, that's not a bad thing, because it means that people are much more likely to, for example, start businesses, even when there's a risk of failure, like I mentioned, the restaurant business example, I think last time. So that can be a good thing. But the problem is, then people often blame themselves to risk, and that obviously can be bad.

Dave: So people do tend to be over optimistic. And one of the things they do that kind of aids that process is something called confirmation bias. So most people think that they logically dispassionately examine all the evidence relating to an issue, and they come to objective conclusions. But all the evidence we have shows that that's not true, that's not how people work. In actual fact, what happens is, people tend to form their views first, and then they search for evidence to support it.

Dave: So for example, if you look at any contentious issues, a good one to look at with this because it makes it very clear. So for instance, if you were to look at somebody searching the internet for information to do with Brexit, which is obviously a very big, a very contentious issue in the UK right now,

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what you'll tend to find is that they will look for evidence that tends to support their point of view. But what they will also do is delude themselves, they're actually the objective ones and the people on the other side of the issue, they're biased, but no, no, I'm not biased. I'm really searching for the truth here. But actually, we all tend to search for information that tends to confirm what we already think.

Dave: So we need to be very, very careful of this because when we do that, that can lead to us making really bad decisions, because we don't have a whole picture of an issue. You can see this in... There's lots of research on this. So for example, there was one famous study done on people's views on capital punishment. And it showed people what was supposedly a scientific study with some data on the deterrence effect of capital punishment, and it showed the data to the people who supported it and people who were against it. And they both interpreted exactly the same data supporting their point of view.

Dave: And then they took it a stage further, and they took the data, and they then modified it so that the exact same data were used to examine another contentious issue, in this case it was termination. So they were interested in comparing the pro life and pro choice lobbies. In that study, they showed them the studies on... They showed people of a more liberal kind of band and a more conservative band the studies on capital punishment and the abortion. And again, it was exactly the same people's views reflected their original views, not the data. But it didn't matter what their original views were, whatever they were, they found things in the

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data to support them and they tended to blank out the bits that didn't support their view. So we need to be really careful of this.

Dave: And we can see... In science, it happens a lot because all research studies have flaws, right? We all know this. Let's research 101 as an undergraduate, you're taught nothing's perfect, every study has limitations. So if a study find something you don't like, there's always something you can pick apart in that study that means that you'll ignore it. And if it finds something that you do like, then you're much more likely to ignore the flaws and say, "Oh, this study supports me."

Dave: So for example, if you cast your mind back a few years, you might remember there were a few meta-analysis published in the strength and conditioning literature on single versus multiple sets, which was for years and still have a controversy on that one still rages on as you know. But the interesting points about that was that those studies tended, and I'm generalizing here, okay? So I don't want the research guys to kind of pull me apart on this.

Dave: But in general, they tended to find that there weren't statistically significant differences between doing one set to failure and multiple sets. But they did find, when they looked at the raw data, that on average, multiple sets seem to produce higher gains, but they didn't reach statistical significance. Now, as a researcher, you're always thought if a difference isn't significant, it's not a difference. Yeah?

Lawrence: Sure. Because of, like, measurement error and stuff, right?

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Dave: Absolutely. And that's the whole point of the significance tests. They factor that in. So if you don't reach your criterion of significance, there is not a difference. And you still get researchers claiming it. And as a journal reviewer and editor, it's really frustrating to me. We get this all the time. They'll say, "Well, we didn't find a significant difference. But, hey, they seemed to work better than that, because they've scored high." And you completely missing the whole point of doing the stats.

Dave: But the interesting point was that the guys who were very much in favor of single set would look at that and say, "Will these data support the idea that single set is the sensible way to do it?" But the people who supported multiple sets would say, "No. But hang on, even though it didn't reach significance, that's probably just goes with a low sample size. And actually look, there clearly is a difference. Multiple sets are the better." So it's a classic example where people see what they want to see.

Lawrence: Yeah. And also it's the people that advocate multiple sets. It can even be simpler than that, right? So for instance, single set crowd might say, "Oh, look, there's no difference. Therefore, we should just do single sets to failure." And the multiple set crowd might say, "Oh, look, there's no difference. We should just do multiple sets, because it's better, because I prefer it, because I'll fill in the blank." You know?

Dave: Yeah.

Lawrence: And I shouldn't take credit for viewing it like that, because it's a friend of mine, Scott Myslinski, who actually mentioned that to me on a phone call.

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And so I was like, "Wow," because I was so entrenched in my own confirmation bias around single set to failure, that I had never seen it in that way before.

Dave: Yeah. I think that's a great point. I think you're absolutely right. It links nicely to another bias as well called self-serving bias, which is when we have ambiguous information like in that study, and we interpret in a way that it's beneficial to our own interests. So, politicians, of course, do this all the time. Two politicians on opposite sides look at the same set of economic data, and they pick out what they want.

Dave: But we see it in science as well. So with psychologists, what I've noticed is in sports psychology, sometimes we can over psychologize issues. So, for example, we're looking for psychological issues in an athlete. So we're like, "Ooh, this looks like a psychological issue to me," when actually it might not be. And given the popularity of sports psychology, sometimes athletes can be like that as well.

Dave: So for example, I had a potential client come to me awhile ago, some months ago, was a professional pool player. And that person had said that they were an international pool player, I should say. And they were struggling. They said, "I really struggle with my concentration. And in competition when I'm playing all day, after awhile, I get really tired and I can't focus. And I start not thinking straight, and it really reduces my performance."

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Dave: I talked to them for a bit, and I found out that there seemed to be some evidence that their diet wasn't great. And they probably weren't properly hydrated either. And I said, "Well, I could maybe work with you, but I think the first thing you need to do from what you've told me is get your diet sorted out, make sure on the day, in competition, you're eating right, and you're getting plenty of hydration."

Dave: I actually referred that person to a registered dietitian, a sports dietitian that I knew. And they went off to them and fix them up. And suddenly, rather than going to a competition, getting there in the morning and eating a big breakfast full of fried food and then wondering why they wanted to go back to bed a little later, they had to be eating properly getting plenty hydration. And I saw them recently and they said it is solved the problem.

Dave: So, it's very easy to interpret information in a way that is in our own interest. I could have taken the money, I could have said, "Oh, yeah, I can really help you with that. We'll look at your concentration strategies." And try to help them. But Abraham Maslow, the famous psychologist, what he said is, "If the only tool you have is a hammer, you tend to see every problem as a nail." And that's self-serving bias in a nutshell. So that's another one that we need to be, I think, pretty careful of.

Lawrence: That's fantastic. Thank you for going for that one. I just wanted to jump back for a moment. I know we were supposed to cover this probably in a part three or part four, but I can't wait that long, Dave. This is really... The point you made about one study being interpreted differently by two sets

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of people with a different confirmation bias is just so problematic. I mean, oh my God, you're it so much now. I mean, I think about diet tribalism, people that are either really into plant-based diets or really into, let's say, carnivore diets. You're seeing a huge uproar from the carnival community in response to the Game Changers movie, which is a vegan pro, or plant-based movie. Have you been seeing any of this stuff, by the way, at all?

Dave: Yes. Quite a bit. I follow these kind of trends with great interest as a psychologist because I'm fascinated by crowd behavior and herd behavior and always have been. We see this a lot, and there's a lot of research on it in psychology. And clearly, again, it seems to be a natural thing for human beings. We have a herding bias, we like to follow others because when humans were evolving, we had to grow together with others to survive. If we were back in caveman times when we formed early settlements, if we were banished from the community, that was a death sentence.

Lawrence: Yeah. Exactly.

Dave: So there's a really, really strong tendency in humans to find our tribe and to go with them, and will defend people in our tribe who are doing things that people in other tribes did were denounce, for example.

Lawrence: So... Sorry, Dave. Go on. Sorry.

Dave: So it's a really... I'm just saying it's a really powerful instinct. And we see it a lot in these kinds of trends. And again, it goes back to this idea of

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counter intuition. The intuitive thing is to go with the crowd. But also the other thing is, when you have kind of appeals to emotion, they work very well. Yeah? Because most people, if we go back to system one and system two, for a lot of the appeals of these diets tend to relate to is system one rather than system two. Because if you start saying to people, "Well, you're a better person if you have a plant-based diet because you're helping to save the planet." And I'm not criticizing that, by the way, I'm simply pointing out that there's an emotional component to that that might be quite persuasive to people above and beyond any argument about the nutritional benefit.

Lawrence: Yeah. I agree. This is where I get a little bit stuck. So hoping you might better help me on this. So our mutual friend, James Fisher PhD, yesterday, about arranging a podcast with him and maybe David Schneider who's on the leadership team for Discover Strength to talk about... to do a little kind of podcast on scientific reviews, and kind of give David the opportunity to ask James questions for his team, which have all been really productive.

Lawrence: I messaged James about a paper, actually a blog post, that reviewed a paper regarding, based on the papers view, a benefit in a faster concentric stroke in repetition speed. So it basically advocated faster concentric reps, produce greater gains in strength and maybe even hypertrophy.

Lawrence: And James came back to me and said, "If we're going to do this, we're not going to even look at that blog. We're going to look at the paper." And I completely understand why he said that. And obviously, you made it

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even clearer during this conversation with you as you're getting their interpretation.

Lawrence: So that leads me on to ask you, if we've got so much of these biases built in, how do we go about... I mean, the scientific method is supposed to account for all of these biases, or as many of them as possible, right? So how do we actually, I guess, in a word, defeat those biases or remove them and make sure that we're seeing things in the truest lie, and we're evaluating things objectively, like science, for example? How do we do that?

Dave: Well, there are a number of ways that we can do it to try to improve our thought and decision making processes, but I think it's important always recognize, the scientists, like everyone else they're human. And therefore, they have the same biases. The truth is, this is not easy. It's very, very difficult. Anyone who thinks that it's easy to change people's behavior or thought processes is deluded. It's very, very difficult.

Dave: And that's one of the key takeaways from 40, 50 years actually of research on cognitive biases is that these things, even if you understand them and know all about them, and can support them better in other people, it's very, very difficult to condition yourself to be less susceptible. And I think that's the best we can hope for here. So we mustn't be expect too much. We can't eliminate them. But what we can do is have a decision making process in place and the thought process that minimizes them, recognizes them and minimizes them.

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Dave: And in my opinion, one of the best ways to do that, and we'll get on to this maybe a little later, is to automate your thinking and decision making processes as much as you can. And the way you might do that is using algorithms. But as I say, I don't want to get ahead of myself.

Lawrence: Yeah. I get you.

Dave: But we'll talk a bit about that. So there are ways we can reduce it. But what I would say for now is that what we should aim at, realistically as psychologists and just as individuals, is to recognize and have procedures in place to minimize. Daniel Kahneman will tell you, he's 85 years old, he's been researching this for 50 years, he's won the Nobel Prize. He's done everything. He spent his whole life understanding these things and he still falls for every single one of them. And [crosstalk 00:48:04].

Lawrence: That's so competent.

Dave: Yeah. There is about... So for the rest of us, actually it ways the race, because what that means is that having these biases is just being human. But what we're trying to do as psychologists is help people still be human, but try to minimize them as much as we can, so that we can improve the thought and decision making processes a little bit. And if we can do that, then that's a big thing because marginal gains are important. So if our decision making processes, our thought processes in general, are that little bit sharper than our competitors, that could be a huge advantage.

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Lawrence: Yeah. Absolutely. That is enormously comforting to hear you talk about Daniel Kahneman in that way. It made me think about something I learned from Jordan Peterson, who I'm sure you're probably familiar with, Dave. You've met Jordan.

Dave: Oh, yes.

Lawrence: Yeah. So I've got really into his work in the past year or two, really enjoyed his book 12 Rules for Life. And I've watched a lot of his stuff online. I saw a lot of his podcasts. And I went through a phase perhaps before I came across his work where I would... In fact, it was probably during consuming his work, where I would try and be hyper critical of everything I say and do, and almost try and be a bit deluded in trying to be this perfect version of myself in every context. And it became really debilitating because then if you've got such high expectations, then you get nervous and you don't express yourself fully, if that makes sense. And you can't relax as well. And actually you're just probably not as effective.

Lawrence: And then when, I think, I can remember where he said it, but probably in his book or one of his podcast, he talks about how, look, humans are full of flaws. We are beyond ignorant in so many ways, and it's part of our humility and our humanity and it's something you can't avoid. And all you're really trying to do each day or each moment is just get a little better, just improve yourself as much as you can, but understand that you're going to make mistakes. You're going to say things incorrectly. You're going to be... Yeah. Make mistakes based on what we've been

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talking about, your different cognitive biases, your ignorance. And that's okay.

Lawrence: And it's being comfortable with that and realizing it after the fact and striving to improve yourself and be a better version of yourself over time, but not always trying to expect that you're going to be perfect, which is highly unlikely. So I think that makes sense. But that's certainly something I've been thinking a lot about in the last year or so just relaxing into that.

Dave: Yeah. It makes perfect sense. And actually, there's a lot of evidence that perfectionism is really bad for our mental health because you're setting yourself up to fail, essentially, if you're a perfectionist. Because as human beings, nobody is perfect. We're all flawed. We all make these mistakes. So a bit of self kindness is really, really helpful here. And understanding that that's how you're set up to think is really helpful, because then when you make those mistakes, you shouldn't be too hard on yourself. You try to learn from them, but you also understand that that's part and parcel of being human.

Dave: And even just being aware of them and improving our thought processes that little bit every time, when we get that feedback and we [inaudible 00:52:07] is really, really helpful. So I'd agree 100%. I think it's really, really important to understand that being hypercritical of ourselves is really debilitating. Yes, we want to improve, and we want to see carb our flaws that we can improve, but if all we're ever doing is being really negative about ourselves, then that's going to really damage our confidence, it's

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going to make it less likely that we'll try things, that we'll aim high. And that can be really negative.

Dave: And I think that's why the irony is... That's why a lot of these biases have evolved because they mean that we're much more likely to be motivated and we're much more likely to have more positive mental health, if we think good of ourselves. So for example, again, going back to that optimism bias and the self-serving bias. These are biases that help us get through the day because they help us think more positively about ourselves.

Dave: Another one, another classic in this regard, is something called the actor-observer bias. And what that is, is it's a bias relating to whether we are viewing a situation or an action as an actor. So we're involved in it of where that we're the observer, observing what's going on. And there's evidence there that we explain behaviors differently depending on whether we're actor or observer.

Dave: So for example, if you see somebody in the street littering, then you might think, "Oh, that person's being really inconsiderate. They're just some low that likes to pollute the environment, throw rubbish about," but when you litter it yourself is because there's no dustbin around. And there's loads of these behaviors where people tend to be or are automatically tuned to be quite kind to themselves, which is a good thing, but tend to be more negative towards other people who are doing the same thing. So, that's part and parcel of this whole area of personal positivity and optimism.

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Dave: The other thing that tends to happen here is that we tend to access others behavior on individual disposition, whereas we explain our own behavior based on the situation. So for example, we naturally as humans, tend to associate bad behavior with poor character in other people, but we more readily explain our own poor behavior as a reflection of the social situation that we're in. Does that make sense?

Lawrence: It does completely. Yeah.

Dave: So, it's really important to understand the situational influences that will influence people's behavior, so always think about situation as well as disposition. And in fact, there's a lot of evidence that situation is likely more important than the disposition in explaining behaviors in lots of situations.

Dave: So it's really, really important to understand those situational influences and have something that [Michael Mobison 00:55:49] calls attributional charity. So when you're attributing motives to others, be charitable because you can't walk a mile in someone else's shoes. You don't know what the situational factors are that have influenced them to behave in that way. And therefore, you shouldn't automatically jump to the conclusion that it's some fatal flaw in that character that has made them behave in that way. Maybe there's something in the situation that might help to explain that as well. So it's really, really important to [inaudible 00:56:29].

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Dave: In fact, Dan Kahneman says, one of the key things that an understanding of all this stuff does for you this positive is, it makes you more empathetic, because once you understand about how these situational influences can influence people, you become a lot more charitable in your interpretations of their actions and a lot more.

Dave: Once you can get a little better into somebody's head, and you'd obviously can never do that fully. But once you can do that, to some extent, and understand how different things might affect people and affect the way they behave might make some people completely be motivated or might be more likely to influence people to behave badly. Once you understand those things, that makes you a lot more empathetic. And it also makes you a lot more humble because you begin to realize that these things can affect all of us.

Dave: So there was an interesting study done by psychologists a few years after a couple of shootings in the U.S. back in 1991, quite famous ones where a Chinese physics student went on a bit of a rampage basically and shot his research supervisor and somebody else because he failed to win an award. I think he shot the chair of the awards committee and his supervisor. And roughly the same time, a postal worker who was sacked again went on a rampage and shot his previous employer. Now, the interesting thing about this study was what the psychologists did. They looked at how the press in the U.S. and in Asia reported these stories.

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Dave: And what they found was the Western press tended to focus on the flaw of the perpetrator. So they said, "Oh, they had a bad temper. The guy was mentally unstable. The guy was just a psycho." The Eastern press tended to emphasize the relationships and the social context. So for example, they talked about them possibly being copycat killings because they might have been influenced by recent mass slaughtering in Texas. They talked about how the Chinese student didn't get along with his advisor, and that he'd been had problems with racism, et cetera.

Dave: So, the point here is that depending on... This was different because Eastern cultures tend to emphasize the collective more, whereas Western cultures tend to emphasize the individual more, in the U.S. and UK, particularly the U.S., very much a culture of rugged individualism. My point isn't to say one's better than the other, they're just different. And understanding that social context can be really helpful.

Lawrence: Yeah. Just one last point. You make me think about something I learned listening to [Navarro Ravercan 00:59:51], who is just an unbelievably wise, investor, entrepreneur and just, I guess, you could call him a modern day philosopher. Fantastic podcast are linked to with Joe Rogan and Navarro Ravercan.

Lawrence: And he talks about how, again, linked to what Michael said about charitable attribution, is if you go around judging people, based on what you see, and you make judgments, you're going to end up being bloody lonely, or feeling very lonely. Because you might get a kind of short term

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satisfaction feeling like you're better than that person, but in the long term, if you walk around, judging people in your mind, and making assumptions based on their character and things like that, it's actually going to make you pretty unhappy long term. And I can say that from personal experience, because I've made a radical shift in my own mindset in those instances. And I know friends that do that as well that judge you. And I can see it play out. And so that's something that I thought was very much related to what you're saying there.

Dave: Very much so. I mean, I feel... Likewise, with yourself, I've really found that it has helped me. And understanding of all this kind of thing has really changed the way that I view others behavior. It does make you much more empathetic, much more understanding. And particularly, it enables you to look at your own situation critically as well and try to understand when, for example, situational, the situation is leading you to engage in undesirable thoughts and behaviors and then you can recognize them and modify that.

Lawrence: Yeah. You just become a lot more mindful about all of this stuff. And Dave, I want to be respectful of your time. And I'm so sorry that I spoke far too much and therefore we didn't get through as much of this episode and the plan as we would have liked to. But we did kind of somewhat plan for that. And so obviously, we'll be doing additional one to three podcasts to cover this topic because it's absolutely fascinating. And I found this so valuable and just want to say thank you so much again for joining me. So what's the best way, again, for listeners to find out more about you?

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Dave: Well, they can always check out some of my research on research gates or with a little Google search bar. If they want to talk to me some more, then they're always more than welcome to email me. I'm more than happy to chat by phone as well to give up call for people if they want to learn more about any of this stuff. It's usually quick. It's simply to drop me a line at the d.d.smith@mmu.ac.uk, and I'll respond pretty quickly.

Lawrence: And will you be watching the England V Montenegro game tonight, Dave?

Dave: I certainly will. I love football. So I'll definitely be checking that one out.

Lawrence: That's the real reason, isn't it? Why you needed to keep this podcast relatively short because you need to make sure that you've got plenty of time to prepare, or get your work done before the match, right?

Dave: Absolutely. Oh, yeah. You find me out there. Absolutely. As a sport psych, our work is for a living, but I still love watching it as well just for fun.

Lawrence: Yeah. I'm very excited as well about the match. And yeah, this has been, as I said, really enjoyable, always learn a lot talking to you, Dave. And really excited about doing part three. And for everyone listening, to find the blog post for this particular episode, and obviously a list of all of the series, please go to highintensitybusiness.com and search for Episode 251. And until next time, thank you very much for listening.

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