Worksheet for Annie Duke | How to Make Decisions Like a Poker Champ (Episode 40)

We've talked before about how uncertainty in life is an uncomfortable inevitability, but one that provides us with valuable feedback if we understand how to pay attention to what it's trying to tell us. Properly applied, it can guide our decisions if we can just get comfortable with the discomfort of acknowledging it and putting it to use.

In this episode we're joined by Annie Duke, World Series poker champion and author of *Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts*. She'll explain how poker strategies bring this uncertainty to light and help us understand the relationship between outcomes, decision quality, and luck.

Acknowledging Uncertainty in Decision Making

Annie Duke, a professional poker player who also holds a PhD in psychology, talks about the correlative process we can draw from the game that helps us in evaluating how to make smart decisions with limited information.
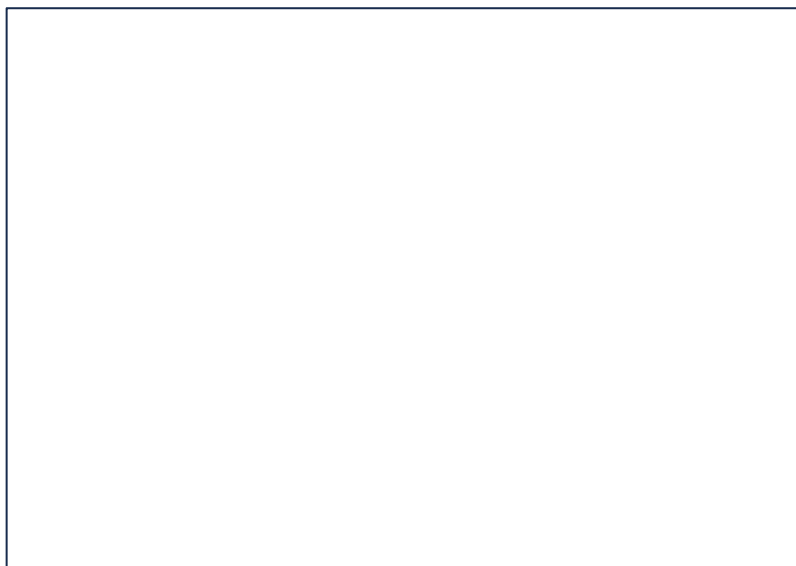
By acknowledging that uncertainty exists with any decision we make, we can distill better outcomes by using "betting" as an evaluation tool to suss out higher quality decisions and eliminating biases that may be influencing us by forcing the uncertainty of the outcome to the surface.

The next time you are faced with an important choice *(something bigger than what to eat for dinner)*, try to calibrate the quality of the decision by asking: "How much would I be willing to risk on the outcome? One month's pay...one year's pay...my house?"

"What is the risk weight of this decision? Is there another possible decision that I would be more likely to bet on instead of my original decision?"

Good Decisions May Lead to Good Outcomes...But Not Always

When playing chess, the outcome is entirely based on the quality of your decisions versus your opponent's decision. We tend to believe the same for life and fail to acknowledge uncertainty, or luck, if you prefer.

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Annie used two key decisions by Super Bowl head coaches to illustrate how luck influences us to believe that poor outcomes are the result of poor decisions, when in reality good decisions can *still* lead to poor outcomes, *and* poor decisions can lead to good outcomes.

In 2015, then-Seattle Seahawks coach Pete Carroll made a decision to pass while on the goal line, rather than hand off to his Pro Bowl running back. That pass was intercepted, leading many sports pundits to argue it was a poor decision, rather than bad luck.
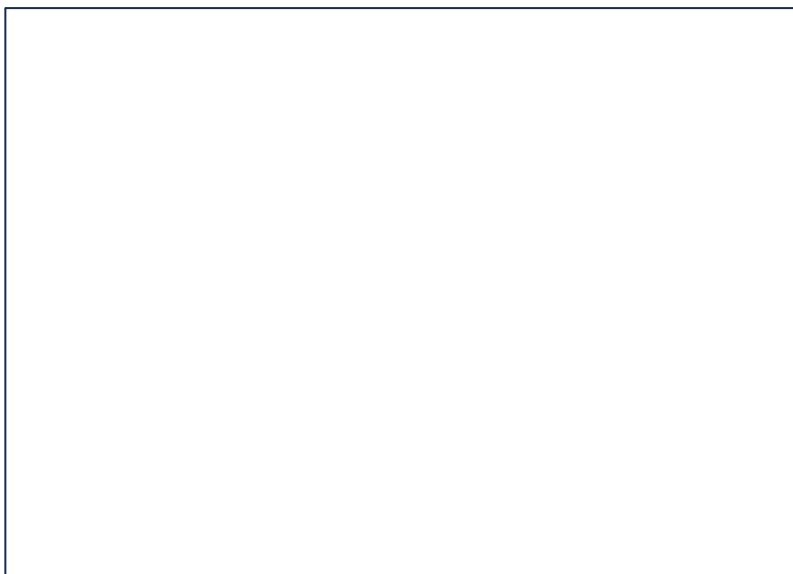
In 2018, faced with a fourth down on the goal line at the end of the half, rather than kicking a field goal, Philadelphia coach Doug Pederson chose to run a trick play where the ball was thrown to the Quarterback, resulting in a touchdown. This decision was lauded as "smart" because of the result.

In both of the above situations, the outcome was the measurement for the quality of the decision...and this is referred to as "resulting," which discounts the luck element in a decision's outcome.

List some decisions you have made. How many of these decisions have you credited as high value, purely based on a positive outcome? How many have you discredited based on an undesirable result? Can you see any where there is a discrepancy between value of the decision and value of the outcome?

Weighing Quality of Decision vs. Luck

Annie gives an example of the real estate market in the early 2000s leading people to use resulting as an inaccurate measure of their skill in flipping houses. In reality, almost any real estate purchase made during that time was benefitting from an ever-expanding bubble that inflated the market as a whole -- but this also led these same individuals to believe they were the victims of bad luck rather than poor decision making.

From the above list, using a scale of 1-10, quantify the results in terms of quality of decision (10) versus luck (1). In looking at the results, how are you currently using the previous decisions to shape your future results? Are you more likely to have a "lucky" outcome, or a "high quality" outcome?

Looking at the Numbers

Natural selection has always favored what is referred to as a type one error, or false positive. If our ancestors heard a rustling in the bushes and fled, they were more likely to survive, even if it was just the wind and not a predator.

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Poker strategy is similar in that an opponent with a large sum of chips is likely to "leverage the pot" by betting regardless of the quality of his cards, knowing that the threat of you losing all of your chips may cause you to fold. This kind of risk aversion may keep us from seeing clearly as to the quality of the decisions we make.

If you were to strip away emotional bias with your decision making and look purely at the numbers, what would be the ratio of a positive outcome to cause you to make that decision again? Eight times out of ten? Six out of ten?

Find a risk tolerance threshold that feels comfortable for you so you can use that metric in the decision-making process going forward.

Temporal Discounting

In decision making, we can get caught "ticker watching" rather than taking the average of the results over a greater period of time. Annie uses the example that the valuation of Warren Buffett's company Berkshire Hathaway could find itself losing financial ground for multiple days in a row, but in the bigger picture still be gaining value. As individuals, we tend to be thrown into emotional turmoil by these kinds of swings. As such, it becomes helpful to step back and look at the bigger picture to frame our current state of events.

List some positive and negative experiences from the past year. On a scale of 1-10, how would you have rated those experiences in the moment *(1 being negative, 10 being positive)*. Now, in retrospect, how would you rate them?

Using this information the next time you experience something you perceive as negative, reframe the emotion with that "rear-view" cognitive process.
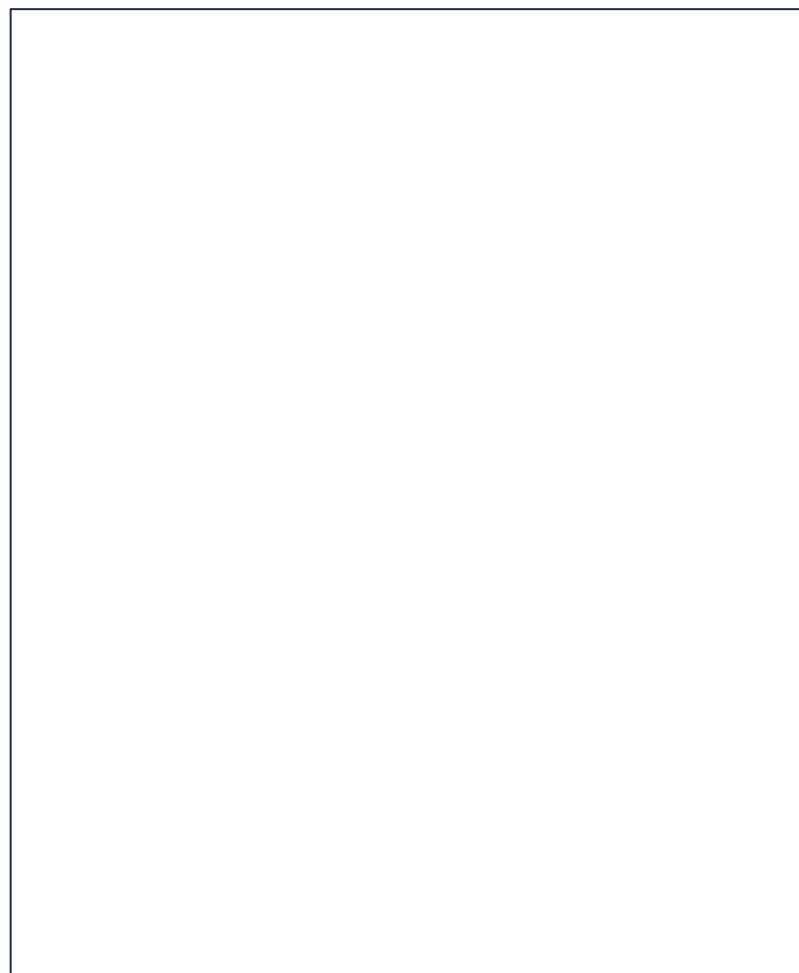
Full show notes and resources for this episode can be found here.

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We deconstruct the playbooks of the most successful people on earth -- and learn new strategies, perspectives, and insights you can't find anywhere else. Then, take these insights into your own life and live what you listen.

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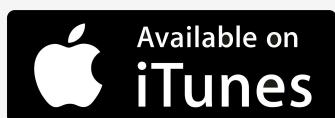
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