Decision-making in an uncertain world:

Insights from a Superforecaster

As scenario planning becomes more challenging amid heightened uncertainty, rapid change, historically low visibility, and a widening range of possible futures, stepping back to consider a company's decision-making process can be a valuable exercise. Warren Hatch, CEO of Good Judgment Inc and a Superforecaster, says discipline, process, humility, and open-mindedness distinguish quality decision-making from choices all too often driven instead by gut instinct or familiarity.

Dr. Hatch says anyone can become better at forecasting, which, by his definition, underlies all decision-making. "By forecasting, we really mean decision-making, because every decision you make is basically a forecast: you're going to take a course of action that you think will get you to your desired outcome," he says. He describes good forecasting as assigning probabilities that align with the frequency of events (things you say are 80% likely will happen about 80% of the time). Superforecasters—forecasters who have ranked in the top 1–2% across Good Judgment's tournaments—are especially skilled at this and consistently outperform the rest of the crowd in forecasting the likelihood of specific events or outcomes.

In a conversation with the KPMG LLP Board Leadership Center, Dr. Hatch shares his insights about what makes a good forecaster and how boards can help strengthen an organization's scenario planning and decision-making capabilities.

BLC: What makes a good forecaster—or a good contributor to forecasting discussions?

Warren Hatch: It's about discipline and the process. While it's going to be different for different people and in different situations, there are some things we know from the Superforecasting research that are good to have on everyone's checklist. The key steps in the process are recognizing the dangers of overconfidence and underconfidence, avoiding groupthink, updating your views with new information, and, finally, getting feedback.

Overconfidence is first on my list because most people are overconfident even though they usually don't think they are. That can and does interfere with judgment. There are things you can do to counteract overconfidence, such as get feedback. Underconfidence can be just as bad, though it's not as common. Superforecasters find the right balance to avoid both these dangers.

Next is avoiding groupthink. It's best to make your initial judgment on your own. Ask everyone to write it down and bring it to the meeting. That way, even if certain voices are louder in a group, everyone gets to form their own opinion first. Sharing different perspectives is crucial. We all have partial information that strengthens the group when it's shared collectively.

This is how Superforecasters work too. First, they make their independent forecast, then they work in a team and update their call based on what their teammates bring.

Which brings me to the third point on the checklist. After you share information, make an update. This is critical. If the facts change, you want to change your mind. Some people think it's best to stick to their guns. That might make for good television, but they're going to be lousy forecasters.

Finally, and this is what most organizations miss: Keep a record of your decision. Once the outcome becomes known, look back. What did you get right? What did you get wrong? What could you do better next time? Feedback is a critical step. That's how you can improve, and that's how you convert acting on a hunch into a skill.

BLC: How can boards help reduce overconfidence in decision-making?

WH: One quick tip is: Beware of stories. We all have the tendency to believe that an outcome is more likely than the evidence warrants if there's a persuasive story attached to that outcome. Your brain relaxes. In Kahneman's terms, it's "System 1,"[1] avoiding the hard thinking.

That's what scenarios are: coming up with stories. Scenarios tell you plausible futures that you may find yourself in. The board's biggest danger is to stop there. Finding the probable futures is the next step, and that's where you want to strip out the story. Get down to the essentials. What are the key drivers? What are the key risks that you might need to pay attention to? Evaluate those probabilities without the story. That's the board's pathway to better judgment on any big decision.

BLC: On the flip side, what's one way forecasts sometimes go wrong?

WH: One thing that often happens with bad forecasts is overweighting information that isn't actually relevant to the decision you need to make. It's noise, and it often happens when it's an expert who says the same thing over and over. Even when what they say is relevant, repetition clutters your brain, leading you to mistake volume for breadth. What you want is multiple sources that are relevant to the decision. Signal, not noise.

BLC: What are some other things directors can do to strengthen the quality of boardroom conversations around key decisions?

WH: It's helpful to minimize the risk of anchoring bias by adding some initial anonymity to the discussion process. We use a variation of the Delphi method, developed decades ago by RAND.[2] As much as possible, get everyone to form their initial view independently. Even writing it down on a piece of paper when you're sitting around the board table is helpful. Then have a discussion. That way, whoever speaks first isn't going to anchor the group. You're going to be able to hear everybody's independent perspectives, and you're going to have a better-informed opportunity to update your own judgment.

Also, conduct a pre-mortem, which is a wonderful tool from Gary Klein.[3] Imagine you are in the future, and the decision you made today went wrong and the project failed. Explore why that happened. Ask what you missed. Then update again.

BLC: What are some questions to ask during boardroom discussions about major decisions to help surface hidden risks and assumptions?

WH: First, ask: What do we all agree on? That's usually the easiest question, and that's what most people ask, and then they stop there. But points of disagreement are just as important. So, the next step is to ask what those points are. What do I think is important that someone else doesn't see that way? Getting those points of contention surfaced ensures that risks and hidden assumptions are part of the discussion. Finally, ask: 'What would get you to change your mind?' It might be an opposing viewpoint; it might be something else. If the answer is, 'Nothing will get me to change my mind,' that could be a red flag. You want to have people on your team who are willing and able to change their minds when the evidence changes.

BLC: There's a lot of discussion about the importance of human judgment in using AI. How can AI help support complex decision-making? How are Superforecasters using AI?

WH: At Good Judgment, we've long argued for humans plus AI, not either/or. We've discussed having a variety of perspectives while also avoiding noise. This is where AI can be helpful, and this is one way Superforecasters use it in their research. The world is awash with information. Most of it is not going to be relevant to what you need to decide.

AI can help you cast a wide net, then help sift through what's meaningful and what's not. It can also help with developing questions we should ask ourselves to challenge our preexisting views. And it's great at synthesizing large amounts of data. Where it fails is where data is sparse and decisions are messy and complex. It doesn't replace human judgment there.

BLC: Talk about Superforecasters' openness to changing their minds.

WH: In plain terms, their strength is relentless curiosity. They treat beliefs as hypotheses, always testing them and adapting as the facts change.

The views and opinions expressed herein are those of the participants and do not necessarily represent the views and opinions of KPMG LLP.

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[1] System 1 operates automatically and quickly, with little or no effort and no sense of voluntary control. Source: Daniel Kahneman, "*Thinking, Fast and Slow*," Farrar, Straus and Giroux, 2011.

[2] Bernice B. Brown, "*Delphi Process: A Methodology Used for the Elicitation of Opinions of Experts,*" RAND Corp., 1968.

[3] Gary Klein, "Performing a Project Premortem," Harvard Business Review, September 2007.

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