

# Measuring and Managing Human Differences

Educational Scenario

Multi-Year Tech Capex Decision



DNA Behavior®

## Educational Scenario:

### Multi-Year Tech Capex Decision

Many business leaders say that their industry is likely to look very different in the coming years compared to today. Many wealth management leaders face the prospect that changes will be forced on them from outside their industry. This is a reality for many industries, given the power of technology and innovative thinking. Many of these leaders are considering where they have to make strategic decisions to make the necessary and meaningful changes required for future success. In particular, the questions of using AI, machine learning, and Big Data are at the center of the decision-making conversations as they are fundamental to future business models.

These business leaders can see the advantages of modernizing and upgrading the technology infrastructure of their organizations. However, such initiatives often require significant investments and can fail in the face of internal logistical hurdles, such as poor decision-making hygiene to achieve objectives.

Many leadership teams do not move forward simply because the decision-making process is confused, ill-informed, and fractured, leading to inconsistent decisions or no decisions.

#### Objectives of this Educational Scenario:

1. Using a real-life scenario, questions, and discussions to explore Behavioral Variability in decision-making for making a multi-year tech capex decision.
2. To open conversations that recognize the need to put a monetary cost to variable behaviors that result in poor decision-making in making decisions.
3. Define solutions to control the human behavior variability problem of decision-making experts in their decisions to the extent that should not be tolerated.
4. Reveal how Behavioral Variability can be measured and managed.
5. Highlight that the early exercise of intuition can lead to sub-optimal results. Nevertheless, recognize that decision-making will be improved if the practice of intuition is delayed until there has been an appropriate level of cognitive reflection.
6. Demonstrate the practical application of DNA Behavior's "Gene Method" of structured decision-making management using the "Estimate – Profile – Review – Estimate" steps to:
  - Explore why different decision-makers with the same specific task, including the same set of facts, circumstances, information, guidelines, or questions, respond differently.
  - Reveal the wide-ranging imperfection of individuals in exercising judgment due to a lack of understanding of behaviors and biases and the role each plays in driving decision-making in the advisor/client relationship.
  - Highlight the presence and consequences of unwanted Noise and its impact on Variability in decision-making.

## Reasoning – What We Intend to Reveal:

The inherent Behavioral Variability in decision-making is caused by human differences that remain invisible and only become visible once costs to the business are measured.

We will:

- Reveal the impact of Behavioral Variability in the decision-making process. That is the degree to which individuals given similar factual information and guidelines about a strategic business decision then exercise their discretion (make judgment calls) to arrive at different decisions.
- Point to the need for leaders and teams to understand different decision-making drivers, including natural DNA behavior styles, systemic biases, and other random “noise” factors.
- Show that there are no behavioral shortcuts because those in the decision-making space understand how each person approaches decision-making.
- Validate that greater decision-making consistency comes when individual behaviors are revealed, understood, and mastered.
- Indicate the monetary cost of variable decision-making for businesses, customers, stakeholders, and shareholders.

To do this:

We will feature a typical situation in the workplace where an executive decision-making team from a wealth management firm comes together with their leader to decide on a five-year strategy to invest in a new technology application in the behavioral sciences space. In particular, the firm is deciding on whether to build a customized human engagement platform for emotionally connecting with employees, clients, and stakeholders. As part of its foundation, the platform will have a scientifically based behavioral API (application programming interface) measuring 4,000+ behavior and money insights covering virtually every human habit. The leadership believes that adding a human element to their data with details on how a person communicates, earns, spends, invests, works, and lives and their financial wellness will increase revenue and productivity through a deeper understanding of clients and each other. Further, such a platform will help the firm manage differences by building its Behavioral Diversity DEI initiative.

## The Decision-Making Event Structure:

Under the guidance of an external (independent) Decision Moderator, the Gene Method of "Estimate-Profile-Review -Estimate" will be deployed as follows:

- First, a sample decision-making group will be selected.
- Then, each member will be given a case study educational scenario to read.
- Next, each member of the group will independently (online) complete a range of questions to "estimate" what their decision would be.
- Each group member will participate in a scientifically formulated behavioral "profiling" instrument delivered in the form of the DNA Behavior Natural Behavior Discovery with Business DNA and Financial DNA reports provided as applicable to the situation.
- In addition, there will be 1:1 facilitation of the DNA Natural Behavior Discovery reports before a group meeting.
- Next, the group will come together to "review" the scenario.
- Then, the group will reveal and share its profiling reports.
- Finally, the group will independently (online) answer the original set of questions a second time to develop a final "estimate."
- The Decision Moderator will compare both responses to the questions and capture any differences.
- The business stakeholder will formulate a cleaner approach to decision-making within their organization using the data collected during this event.

## The Role of the Decision Moderator:

The Decision Moderator should be:

- Highly skilled and experienced in facilitating high-stakes decisions.
- Prepared to adopt the "Gene Method" of facilitation involving the Estimate-Profile-Review-Estimate steps.
- Certified by DNA Behavior to understand and manage scientifically measured behavioral styles.

They will work with C-Suite executives to ascertain the history of decision-making and choose the test group to undertake the proposed event.

The Decision Moderator will ensure that each participant in the decision-making group knows what is expected. They will outline the event's purpose with an introductory letter, email, and video to ensure clarity and a common understanding.

They will then have a critical role in facilitating and moderating the event.

The Decision Moderator will ensure each person in the selected group has completed the following pre-event homework:

- Read the educational scenario.
- Independently answered the question to obtain an "estimated" decision in the scenario context.
- Completed an online DNA Natural Behavior Discovery with either/or both the Business DNA or Financial DNA reporting provided as applicable.

In the case of high-stakes decision-making, it would be appropriate for the Decision Moderator to meet online or in-person with each participant to individually discuss their DNA Natural Behavior Discovery Results so that there is personal clarity before the event.

Once the pre-event homework is completed, the DM will instruct each member of the decision-making group to come together in person or online to "review" the following:

1. Their interpretation of what they have read in the scenario.
2. How and why they have responded to the questions as they have.
3. Their DNA Natural Behavior Discovery results in their similarities and differences as a decision-making group or team.

The Decision Moderator will preside over the event and the discussions. They will monitor and record exchanges and conversations and, where necessary, move the conversation from one topic to another.

The Decision Moderator remains impartial, open, and unbiased and will not be part of the conversations or benefit from their outcome.

They will collate and record the group's responses and document key behaviors observed as the decision-making group discusses the scenario and their responses to the questions.

## Pre-Event Homework:

In advance of the event, the Decision Moderator will contact each participant of the selected group to arrange the following action:-

1. Completing an online process to reveal their behaviors typically takes 10 to 12 minutes. The link is provided. <https://www.businessdna.com/start-free-trial/>
2. On completion, each will receive a report that should be brought to the strategy session as it will form the basis of some conversations and activities for everyone present. In addition, a facilitator will arrange for each person to receive one-on-one feedback on their behavioral report. This will be made available online before the session.
3. Each member of the decision-making group will receive a copy of the proposed scenario in the session.

The group will be given a scenario to familiarize themselves with. Though fictional, it is based on actual life facts and will form the basis of session work at the event. While reading this, they will be instructed to suspend reality and see themselves in the room, part of the wealth management group required to make a strategic decision about the impact of introducing a technical solution into the business.

## The Scenario:

Max Speed is the CEO of Jackson and Fielding (J&F).

J&F is a long-established, well-respected wealth management company with a growing international business that prides itself on its reputation and ability to craft and implement holistic wealth management solutions for its clients wherever they or their family members live.

Six senior wealth managers form the strategic decision-making group under Max's leadership. Historically, they have disagreed on solutions to business issues, causing Max's frustration levels to rise.

Decisions must be taken now that set the direction for the next five years. Failure to formulate a workable technology plan will lead to many business challenges. Not least of which is lack of business growth, dissatisfied employees who see management level as ineffective, and market uncertainty in the ability of the company to service their offering to their clients.

The five-year plan under discussion sets four high-level strategies:

1. To build enhanced engagement of employees and clients
2. To bring each business arm into a more integrated 'one-stop approach' to delivering wealth management services to clients.
3. To simplify the business offering and reduce overheads and other costs.
4. To adopt a more employee and client-focused behavioral culture.
5. To invest in an API to predict variations in advisor and client decision-making to improve the quality of investment advice and reduce clients' emotional reactions to the energy of money.

The sticking point under discussion is item 4.

Max believes that delivering a one-size-fits-all approach to their employees and clients will never see the business grow. He knows that to change this approach becomes nearly impossible when each employee and client is different. Max and his board believe that a deeper understanding of behavioral variability in decision-making will enable them to shape their employee and clients' behavior rather than respond to it.

Max has read a great deal about how many businesses, including wealth management firms, have already established disciplines around behavioral variability in decision making and believes investing in an API that delivers behavioral coaching methodologies and insights is the way forward. He is fully persuaded that gathering behavioral and demographic data and blending it will provide higher personalization levels to their service offering.

To reveal motivations decision-making styles and measure advisors' and clients' risk and financial behavior will radically change their business offerings.

He believes that using a behavioral discovery process to understand consumer behavior and decision-making and broader applications such as hiring, onboarding, leadership, and general retention lies in future business growth.

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The strategic decision-making team cannot agree on introducing a scientifically based technology solution. Some team members are for it, and some are against it; some believe understanding behaviors have a place in decision making; others don't.

Max explained that not everyone needed to be an expert in understanding behaviors. Instead, the proposed technology is a process that can help many financial institutions understand how clients and advisors behave and how they make decisions.

Max handed over the next stage of the meeting to the Decision Moderator.



## The Decision Moderator (DM) – Group Discussion Part 1:

The team was gathered together and asked to respond to a) find a decision-making benchmark and b) demonstrate variability in decision-making; the DM anonymously asked the following questions of the team and recorded their responses.

Respond to the question using: 1 (No) 2(Unsure) 3(Maybe) 4(Likely) 5 (Absolutely)	Max Speed <b>Initiator</b>	Mike Tudor <b>Influencer</b>	Anna Summer <b>Influencer</b>	Jack Sun <b>Initiator</b>	Joshua Connor <b>Reflective Thinker</b>	Peter Madden <b>Strategist</b>
Do you think investing in an API to predict employee and client decision-making variations will improve the firm's culture and business decision-making?	5	1	3	2	2	2
Would behavioral insight into self (employees and advisors) and clients improve the quality of wealth management decisions?	4	1	1	1	1	1

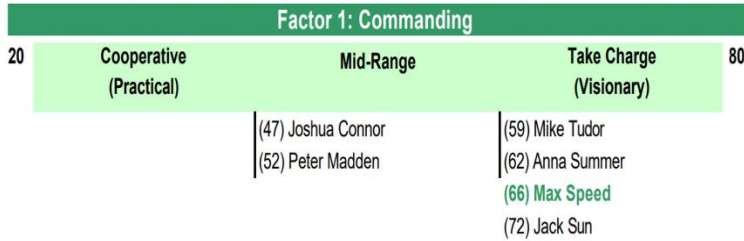
The DM then showed them a summary behavioral team report to demonstrate at a high level their similarities and differences based on their overall styles and the two strongest factors. While the team has a relatively high level of similar styles from a behavioral standpoint, there was no common ground. It was clear from the responses that the team was not aligned. Further, little progress was made to reach a mutual response with strong reactions in the debate.

The DNA Natural Behavior Style and two strongest behavioral factors for each member of the team are shown in the table below. The team leader has been highlighted in bold throughout this report.

Team Member	DNA Natural Behavior Style	Strongest Behavioral Factor 1	Strongest Behavioral Factor 2
<b>Max Speed</b>	Initiator	Fast-Paced	Risk-Taker
Mike Tudor	Influencer	Risk-Taker	Spontaneous
Anna Summer	Influencer	Pioneer	Anchored
Jack Sun	Initiator	Take Charge	Risk-Taker
Joshua Connor	Reflective Thinker	Planned	Pioneer
Peter Madden	Strategist	Skeptical	Fast-Paced

Looking more closely at the team summary report, this graph shows the two strongest behavioral factors of the team.

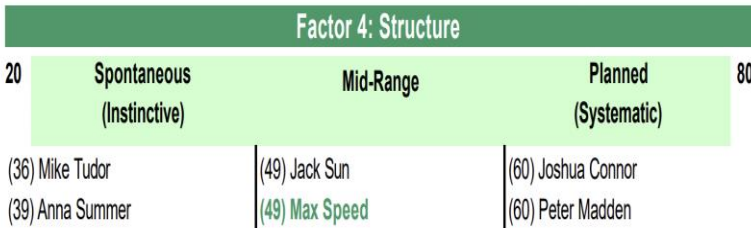
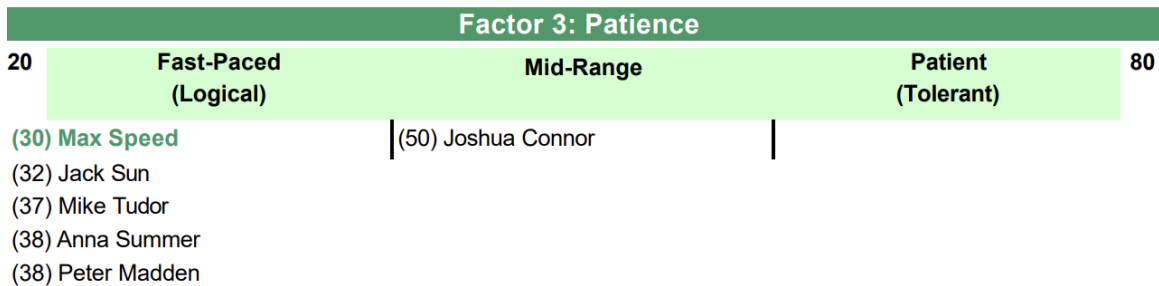
And even more pointedly, the DM pointed out that four wanted to take charge and drive decision-making. None were willing to listen to the facts and advantages of this business solution. Only Joshua and Peter were inclined to wait for more information before deciding. Peter, in particular, was skeptical about the proposal.



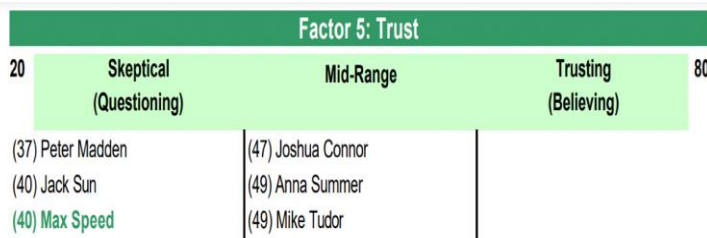
Using the J&F team report, the Decision Moderator was able to show them that four of the six-team members wanted to take charge and were visionaries.

In a decision-making environment at this level of the organization, this variability in decision-making translates into four would-be leaders, all with opinions and each assuming authority to lead in the decision-making process.

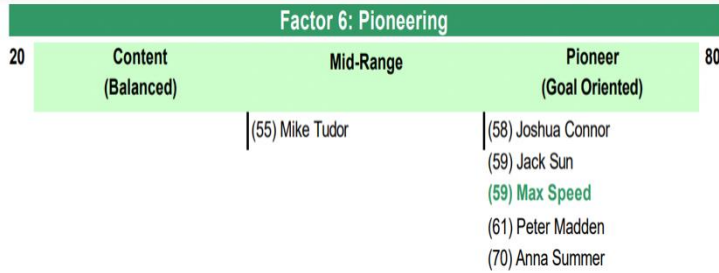
A further revelation sees five of the six wanting to get things done, moving issues forward quickly to get results, and thinking logically about how to do that, allowing bias and even ego to get in the way of making decisions.



The DM pointed out one interesting behavior in terms of structure. The team has a healthy well-balanced mix of structure.



High on the DM's watch list' was the absence of trust in the group. This manifests as questioning, skepticism resulting in mistrust and lack of belief in what they were trying to achieve.



Harnessed appropriately, this pioneering trait is all about delivering goals and should make the company incredibly successful. Understanding this drive and knowing how and when to flex the behavior will ensure it doesn't present as aggression.



Seeing Mike Tudor, the chief compliance officer, with a 70 on risk suggests he is a risk-taker and may not naturally be disciplined at risk management.

Mike's fast-paced and spontaneous behavior would exacerbate this lack of discipline, as shown by the factor scores above. If following is not understood, this behavior could lead to others following his example in terms of risk.

However, Mike's tolerance of risk could also leave advisors unchecked in persuading clients to take higher investment risks than they are behaviorally able to manage, leading to emotional regret if markets shift.

It became clear to the DM that the CEO's frustration stemmed from an endemic issue in this group making decisions. Lack of behavioral awareness led this team to make poor decisions. They reacted from an inherent behavioral position of systemic biases and also a wide range of random "noise" factors coming from their background experiences, education, and values. Now was the time to have a more structured decision-making methodology that prevented premature or uninformed decisions and taking what may be considered impulsive action.

The team came together to talk about what caused this variability in decision-making. The debate was fierce, and no real solutions or coming together to form opinions resulted.

If not known and understood, the energy surrounding money and behaviors can distort decision-making.

There is a strong case for behavioral coaching to help these advisors and decision-makers acknowledge and support individual behavioral styles. That awareness demonstrates the importance of a behavioral API process to work with clients.

Given the behavioral style range of the strategy team and the strong characters in the room, the DM noted that decision-making in this team would be fraught with challenges until the group had a more profound understanding of their behaviors, bias, and decision-making style. Each member of the team spent time discussing their DNA Behavior results.

### Max Speed - Initiator Style.

CEO. His family founded the company, and he is the third generation in a senior executive role. He likes to take bold, aggressive actions and create the rules.

Over Trading Bias

Over Confidence Bias

## Anna Summer – Influencer Style.

Private Wealth Advisor.

She will take all opportunities to be in front of people and be at the center of decision-making.

Optimism Bias

Benchmark Focus Bias

## Jack Sun - Initiator Style.

Senior Portfolio Management Director.

He likes to take bold, aggressive actions and create the rules.

Consolidated View Bias

Over Confidence Bias

## Joshua Connor - Reflective Thinker Style.

Senior Financial Advisor.

He is serious, focused, and analytical in his approach to everything he does.

Pattern Bias

Risk Aversion

## Mike Tudor – Influencer Style.

Chief Compliance and Risk Officer. His primary concern is the company's risk management function.

He will take all opportunities to be in front of people and be at the center of decision-making.

Over Confidence Bias

Instinctive Bias

## Peter Madden – Strategist Style.

Wealth Management and Financial Planning Associate.

He naturally blends his strong drive to reach goals with sound knowledge, high-quality processes, and quality control standards.

Over Trading Bias

Pattern Bias

## Exploring Variability In Decision-Making



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1. What causes variability in decision-making requiring judgment?
2. In what areas does your business make judgment decisions which are relatively similar in nature?
3. How can decision-making variability get detected and be measured?
4. How can decision-making be better managed?
5. Who will embrace decision-making variability in an organization?

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## Estimate – Profile – Estimate – Review – Estimate: Group Discussion Part 2:

After discussing and coaching about their individual and group decision-making behaviors and inherent styles, the DM had each person anonymously complete the decision questionnaire a second time. This time, each suspended their natural inclination to either rush to judgment, demand more information, stick with the status quo and instead look collectively at the merits of the suggestion set out in the question.

A healthy debate took place. The DM observed how they questioned each other as to their reasoning; they challenged, appropriately, opposing views, yet it was clear the decisions they made were based on merit, supported by the team. Joshua and Peter still asked for additional information but only as part of their need to know.

They then answered the decision questions a second time.

Respond for each question using: 1 (No) 2(Unsure) 3(Maybe) 4(Likely) 5 (Absolutely)	Max Speed Initiator	Mike Tudor Influencer	Anna Summer Influencer	Jack Sun Initiator	Joshua Connor Reflective Thinker	Peter Madden Strategist
Do you think investing in an API to predict employee and client decision-making variations will improve the firm’s culture and business decision-making?	5	5	5	5	4	4
Would behavioral insight into self (employees and advisors) and clients improve the quality of wealth management decisions?	4	4	4	4	4	4

As each group member referred back to their DNA profile and understood their behavior and their impact on others, they were asked to review their responses to the pre-event questions and determine if they would make any changes to them in light of completing this event.

Max realized that previous group discussion and decision-making had fallen to a few authoritative voices in the room whose opinion was followed in a herd-like fashion simply because they sounded the most confident and knowledgeable.

.....End Scenario.....

## Lessons Learned:

*Most organizations do not solve their problems not because they cannot solve them but because they cannot see them. Most problems start with the behavioral differences of the people. This is where we look first whenever we are asked to transform an organization.* Source: Hugh Massie, Chairman, and Founder of DNA Behavior International, March 2004

Without insight into behavioral variability, it is impossible to formulate plans and manage change involving a diverse range of people.

The causes of Behavioral Variability:

1. **Objective Ignorance** – lack of enough of the right information
2. **Ego** - causing over-confidence, particularly in making predictions and determining the probability
3. **Substitution Biases** – when faced with a difficult decision, people substitute an easier question leading to a mis-weighting of the evidence.
4. **Conclusion Bias** – bypassing of evidence or distorting it to fit a need
5. **Excessive Coherence** – magnifying first impressions and reducing the impact of contradictory evidence (“First impressions count”)
6. **Personality and Psychological Factors** – causing attention to different issues and impacting confidence
7. **Low EQ** – lack of personal awareness and mismanaged reactions
8. **Selective Recall** – selective attention to facts and issues (“Selective Amnesia”)

This educational scenario is based on an actual situation where a strategy team could not initially decide concerning a multi-year tech capex proposal needed to increase business and provide a greater awareness of behavioral needs for both staff and clients. They unknowingly allowed Noise to impair organizational decision-making.

After understanding their behavioral styles and gaining a greater insight into why their decision-making as a strategic team was flawed, they could make vital business decisions without bias and in a spirit of mature behavioral understanding.

In light of this exercise, the importance of everyone's opinion and input is a) listened to and b) valued.

With more effective behavioral education, many of the challenges subsequently faced by the business could have been managed.

The behavioral technology was eventually introduced successfully, and at the final debrief, a common observation from senior management was this:

We need to understand that not everyone has to be a behavioral expert. Still, they need to manage their behavior in making decisions, and the collective “group amplification” of their team styles needs to be managed. Further, both employees/advisors and clients must know why they make the decisions they do and, more importantly, the risk to the investors and the advisors when ignorance replaces behavioral insight.

## In Conclusion:

### DNA Behavior in 2022:

In 2022 DNA Behavior International will be introducing a range of new dashboards and functionality to enhance their already significant offering from a depth and real-time usability perspective. This will take all the heavy lifting from understanding your employees and clients (or customers).

The ability to measure and better manage Behavioral Variability in the decision-making of your executives, experts, and professionals will be accessible for the individual or the group on every device at the push of a button.

Traditional economic theories rely on the proposition that decision-making is rational and therefore perfect. However, this misses the principles of behavioral finance, which says that the natural variability of the human mind leads to imperfect decisions because of inherent biases and random noise factors, including emotions. The power of the DNA Natural Behavior system is its capability to predict the decision-making patterns of the human mind with the scientific measurement of over 575 validated behavior and money insights at a 91% reliability level.

2022 will bring faster, more extensive behavioral data to you to improve your organization's decision-making.



## About DNA Behavior

Rethink and reshape how you measure and manage human differences in high-stakes decision-making. Manage the talents and financial behaviors of your employees, advisors, and clients with DNA Behavioral.

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DNA Behavior Atlanta, GA

(866) 791 – 8992