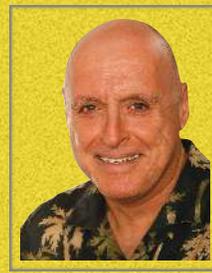


THE EXTRA POINT

BY JERRY ROBERTS



240 Understanding Consequences Better

Whenever we make decisions there are going to be consequences. Hopefully positive and possibly negative...but would that be to the first, second, or third order? I'm Jerry Roberts and today we talk about a subject that affects everybody, but maybe you've never looked at it the way we will — next, on The Extra Point.

Ray Dalio is the founder of Bridgewater Associates, the largest hedge fund in the world, managing \$160 billion in assets. Today we're going to talk about how he visualizes a decision in terms of consequences, positive and negative. It's not how most people do it.

The majority see a situation and try to figure a solution, handling the matter as quickly and painlessly as possible. We likely don't dissect the decision, trying to figure out what impact it could have downstream. We also don't have billions of dollars riding on our choices as does Dalio. Still, it won't hurt to understand his ways.

Dalio is about 70 and several years ago he wanted to retire, write a book and pursue outside interests. You don't just leave a position like his and he needed to go through a thoughtful transition. This had him working more than ever to find the right replacement, which was the opposite of what he wanted. He hadn't seen that as a consequence.

Let's say you want to improve your health and decide to get up an hour earlier than normal so you can get in daily exercise. Let's break it down. You feel better and have more energy, which is the first consequence. Your overall health improves, which is a second order consequence. As well, you become more productive at work, a consequence of the third order. You want a fourth order? The boss sees your results ramp up and offers you a promotion and pay raise. All this because you made a decision to get healthier. Pretty good, huh?

Oops, there was also a negative consequence.

Because you get up an hour earlier you go to bed an hour earlier, and this means that you don't spend as much time with your kids after dinner. This is known as an unintended consequence. Did you see that happening when you were considering the decision?

Here's another one. Your boss decides to go with a new software vendor for the program that runs your entire enterprise. It's \$50,000 more than what you're paying now and your service manager advises against the purchase because it could disrupt the operation. However, the reviews are so good that the boss makes the buy anyway — promising the service manager that he'll love it.

The first consequence is that training people on the new program takes much longer than expected. This creates havoc with HR, sales and service, a consequence of the second order. Long time customers are angry and some switch to a competitor, a consequence of the third order and while unintended, the service manager predicted it. The fourth order? That manager resigns, joins the competitor, and ends up hiring two of your best techs away. It takes your company two years to fully recover.

If you're about to make a big decision, walk your way through it, imagining the possible scenarios, considering potential risks and rewards. Get smart people around you to give you their opinions. Not having a process for this can bring on unhappy consequences.

That's The Extra Point. Get out there and make something good happen today. For 93.3 and the Ray Gibson Show, I'm Jerry Roberts.

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