

FAMILIAR/SIGNIFICANT

This is the domain of informed action, where important decisions occur frequently enough that we develop genuine expertise to tackle complex situations. This can also mean, however, that we eventually lack the sense of what's expertise gained over time and what's common knowledge, which can lead to getting unreasonably frustrated with newbies. *Recognize when:*

- Someone's expertise blinds them to the fact that others probably don't share their knowledge or level of experience (*expertise bias*)
- People are likely to suffer from *overconfidence bias*, or the tendency to inflate their subjective read on their ability beyond what's objectively true
- A deep level of knowledge, grounded in experience, can actually blind someone to new ways of doing things or solving problems effectively because it doesn't jive with their historical sense of "what good looks like"

SIGNIFICANCE manifests as a sense of *personal risk*, and the potential for negative impact that would strike close to home if a worst case scenario were to play out. This relates to the degree of perceived *agency*; some highly significant events occur naturally, outside of any reasonable expectation of personal influence. While certainly objectively significant, these situations don't invite nearly the same heightened sense of regret or stress as situations in which my personal decisions and actions may contribute to positive or negative outcomes. *The more perceived control I have over an important decision, the higher the stakes tend to feel.*

UNFAMILIAR/SIGNIFICANT

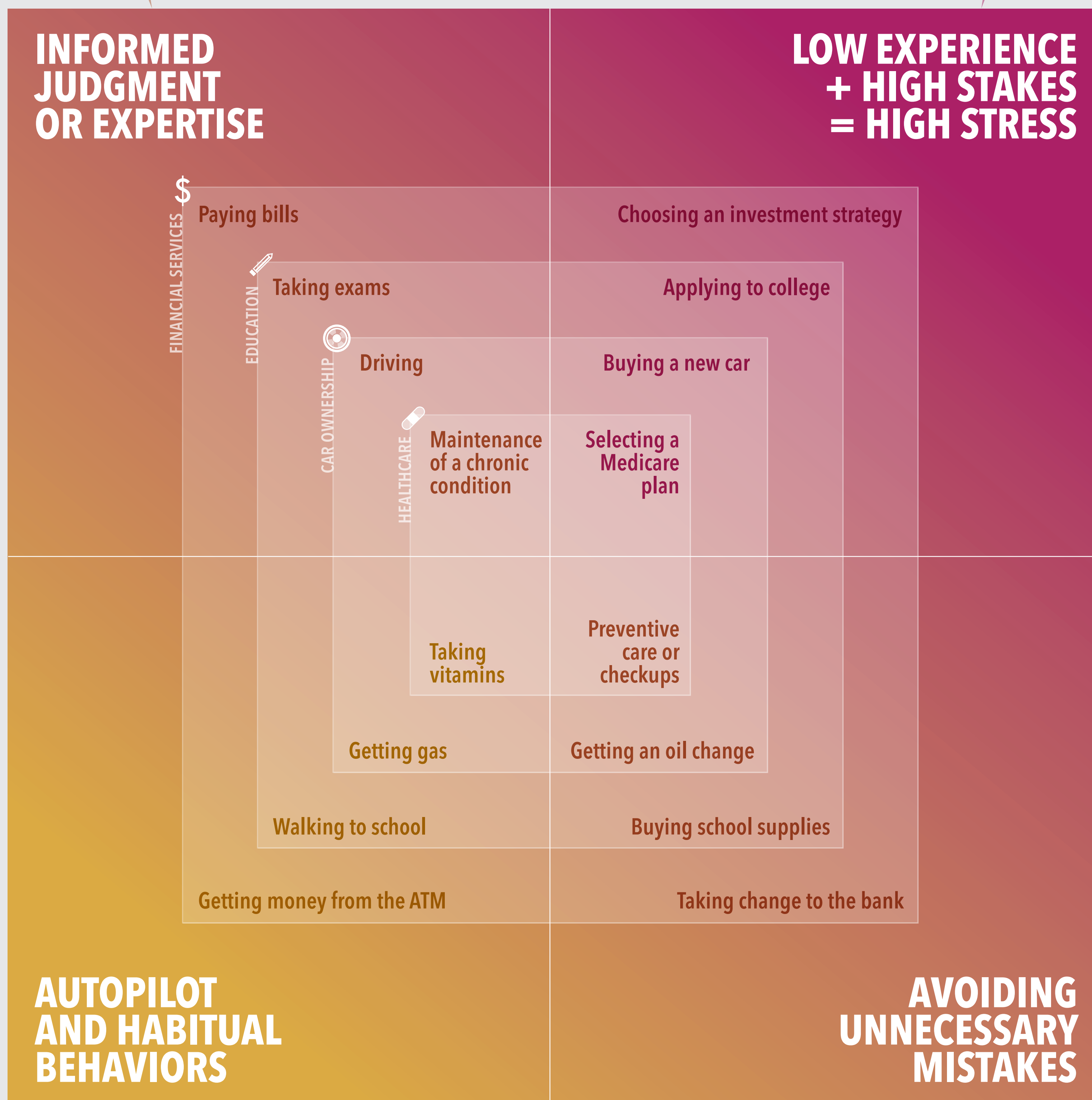
This is where the real whoppers sit; very important decisions or actions made with little—or no—practice. The stakes may seem impossibly high, especially if the decision weighs entirely on one person's shoulders... this can lead to a state where the goal becomes choosing a *least bad* choice rather than choosing a good one, and in a really stressful situation, to outright avoidance. *Recognize when:*

- Structure and other scaffolds can help prioritize or judge options
- Other people's experiences can serve as a stand-in for prior exposure
- Identifying key uncertainties can reframe a decision to reduce anxiety (e.g. During the 2008 financial crisis, Hyundai's *Assurance* program allowed customers to return the car at its original cost in the case of job loss. Hyundai sold over 450,000 cars but only 350 needed to use the program.)
- People under- or overestimate the chance of low probability/high impact events

SIGNIFICANT

FAMILIARITY represents the regularity or predictability of a situation; events that occur on a regular or habitual cadence contribute to a set of reliable expectations and known responses. The slower the cadence, the more time goes by during which individuals can forget or need to relearn what to do; When that set of cases slows to a trickle or is genuinely new, *uncertainty* can set in due to a lack of knowing what to do, or even a complete deficit of realistic expectations. This void can sometimes be filled by proxy experiences, such as learning from people who have been in this situation before or observing others, but the lack of "what good looks like" or what to expect can be unsettling and unnerving.

FAMILIAR



↑ INCREASED SENSE OF PERCEIVED/ PERSONAL RISK

INSIGNIFICANT

→ INCREASED SENSE OF UNCERTAINTY OF PROCESS OR OUTCOME

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For everyday, even trivial, behaviors that occur on a regular basis, people often have a tendency to go into autopilot and to act without conscious deliberation. Sometimes these behaviors are genuinely useful, saving our mental capacity for decisions that actually require more conscious consideration and effort to make, but sometimes these "non-decision decisions" are in need of shaking up or a reminder that we've fallen into a rut. *Recognize when:*

- Better choices exist, but the ease of staying with the norm (*status quo bias*) is causing effort aversion
- It may be useful to introduce "*positive friction*" to slow down or jolt new behaviors
- Connecting new desired behaviors to existing ones can increase their chance of uptake (e.g. taking daily medication at the same time every day, or associated with events like walking the dog)

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The less frequently we do something, the more we may find these decisions never *quite* making it to the top of the list unless there is a mechanism to force action. Not only may these actions not feel particularly important or pressing, but our lack of practice may also make them feel more like chores if they require having to deal with boring logistics from the ground up each time. *Recognize when:*

- Forcing *deadlines* on decisions or activities may be necessary to ensure actions take place
- *Social prompts* (e.g. telling people in advance that you will do something) or using *priming* to connect actions to other existing events can help increase the likelihood of action
- Creating *defaults* or recurring reminders (e.g. setting up a next dentist appointment before leaving the last one) can enforce commitments that require more effort to neglect than to follow through

RISK and **UNCERTAINTY** can feel like similar concepts, but in economics their meanings are distinct. In 1921, Frank Knight described them this way, which is still used as the baseline in behavioral economics:

RISK implies that one can estimate and calculate the probability of potential future events; in other words, we know what potential futures are possible and can generate likelihoods of their occurring.

UNCERTAINTY is not calculable because we simply don't know all the possible outcomes. As a result, we're incapable of accurately weighing the odds because they can't be determined based on what we know.

That's **economics**... but how do actual **people** interpret these words and cognitive-emotional states?

Most people are not in the habit of calculating probabilities and odds, yet they make dozens, if not hundreds, of decisions from the time they wake to the time they sleep that are imbued with elements of uncertainty and risk. Instead of grounding their impressions in probabilistic theory, humans interpret these states more in the way they perceive their ability to make smart choices based on the situation's familiarity and potential level of risk.

All decisions are not created equal

Understanding the nature of the decision, and where it sits with regard to **familiarity** and perceived **significance** can help us recognize common behavioral tendencies, which failure modes may be most likely to occur, and how to more effectively design for them.

Taking action is hard enough when it's just us in the picture; when there is more than one player involved — in other words, when a decision sits in one quadrant for one person but in a different one for another — designing an effective solution must take this well into account to avoid adding complexity into the situation.

THE HUMAN PERSPECTIVE ON RISK AND UNCERTAINTY