

URL: https://ecorner.stanford.edu/?post_type=snippet&p=65599

When asked what he studied in school that set him up for success, Instagram co-founder Kevin Systrom singles out the field of decision analysis. Understanding the concepts of “expected value” and “variance,” he observes, fundamentally impacted the way he makes decisions. He adds that “expected value” is about much more than money; decision analysis can also help you optimize for things like utility and happiness.



Transcript

I think the best knowledge area that I spent time on was the idea of decision-making.. So I don't know, I assume the major still exists, management and science in engineering still exists, but I focused on something called finance and decision analysis, but the decision analysis was the part that I found most interesting, 'cause it was with a set of data, under uncertainty, how do you make an optimal decision? And I stress about this on everything from cooking dinner to choosing where to go out with friends to managing the company, everything in my life.. And what was really valuable to me was not necessarily applying equations to, are we eating steak or chicken tonight, right, but instead, understanding the concept of expected value, and understanding the concept of variance, right? How much risk am I taking, and what do I get paid to take that risk? And understanding that you always wanna pick a path in life that maximizes your expected, your probability-weighted expected value.. That to me, if I were to teach one course or one class, let's imagine we had one session with college students, I would just spend an hour on the fundamentals of making decisions based on expected value.. And that has changed my life, and I've noticed how many people don't necessarily think like that, and I think, if you spent 30 minutes just looking up online expected value, and just understanding how you incorporate that into your decisions of whether you're taking a new job, right, you're choosing between three new jobs, which one do you take, right? And by the way, expected value is not always money.. Expected value is utility, it's happiness, it's a bunch of things, and that's one of the harder things to model in your life...