

Ask the 'dumb' questions

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True confession: I am a business professor who does not understand the financial crisis. Ask me to explain things like derivatives and I'll look blankly at you. My credentials in economics, negotiation and law should qualify me to speak, but often the news leaves me slack-jawed with confusion. Bring me to a panel discussion, and I'll ask dumb questions. In short, I am a role model. I want my students to be more like me.

Each semester, I introduce my students to a key idea: I want them to join me in the fight against the fear of looking dumb. Overcoming that fear can save them from serious traps.

In 2001, for example, Fortune magazine reporter Bethany McLean asked Enron CEO Jeffery Skilling a dumb question: How did Enron make money? Skilling attacked, calling her an

ill-prepared incompetent. Yet, McLean's article was the first to rightly ask whether Enron was overpriced, and later, news broke that Enron never had made money. In an interview, McLean drew a central lesson: Often, it's the seemingly stupid question that matters most.

Danger of swallowing questions

I agree. To highlight the point, each semester I have top MBAs do an exercise I designed that "ruins" them if they fear looking dumb. Students pretend to be teams of entrepreneurs, preparing extensively. I walk into class in the role of a corporate executive and give each team a complex investment offer. Secret: My character wants to take over their businesses, using charm, jargon and complicated terms. If they understand my offer, or admit to themselves they don't understand it, they'll walk away. Yet, it's easy to con a third to a half of them into fatal deals. Worse, they don't even realize they've been taken. They all say, "I got a good deal."

Isn't it unfair of me to put them in this situation? Yes — except that's the situation business people face every day: Complex terms fly, pressure builds, jargon flows, money seems there for the taking and they think, "I'm the only one who doesn't really understand; I'd better act like I do."

Danger lies in the fear of asking questions. That fear is helping to ruin people and destroy our economy.

Seth Freeman is a professor of negotiation and conflict management at New York University's Stern School of Business and at Columbia University. He is working on a book, Promises: Making Commitments More Reliable in Business and Beyond.

Many sophisticated people tragically invested in Bernard Madoff's fraudulent firm without knowing what they were investing in. Reportedly, he threw out investors who asked questions. Few did.

Similarly, recent homebuyers frequently didn't understand the consequences of resets in their mortgages, taking on debt they almost inevitably couldn't repay. Unprincipled mortgage brokers and banks urged them on. Meanwhile, regulators praised complex and risky mortgaged-backed securities. Many economists and other experts still insisted in 2007 that markets were in great shape. Few understood; everyone acted as if he did.

We will never completely avoid confusion, chicanery or folly, especially when big gains beckon, but we can better protect ourselves. How? A good way to start is to ask good dumb questions. Here are a few:

- "Let me see if I understand. Is this what you're saying?" Reveals misunderstanding, overcomes jargon and demonstrates good listening.
- "What do I want and why?" Reveals interests you must satisfy.
- "What if?" Reveals foreseeable problems.
- "How do I know?" Reveals reliability problems and unfounded claims.
- "I'm sorry, I don't understand. Can you say that another way, please?" Reveals more clearly what the other person is saying.

I once had to ask an insurance salesman that last question four times before he grudgingly admitted he was offering me a terrible policy.

'The new smart'

True, asking dumb questions can slow things down. But where has our rush to do bad deals gotten us? True, too, dumb questions can be risky. Yet, the smarter someone is, the more he respects and uses them. A colleague once asked Nobel laureate Richard Feynman to explain one of Feynman's ideas. Feynman promised to create a basic "freshman lecture" about it. Days later, he reported that he couldn't, which, he added, meant he didn't understand the idea himself. Years later, during the probe into the Challenger explosion, Feynman cut through a witness' technocratic talk with simple questions that revealed the critical flaw.

Think of it this way then: "Dumb" is the new smart. A healthy willingness in business, finance, investing and regulation to say, "I don't understand," to stop fooling ourselves and to ask dumb questions, could be as crucial to a bright future as anything else.

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