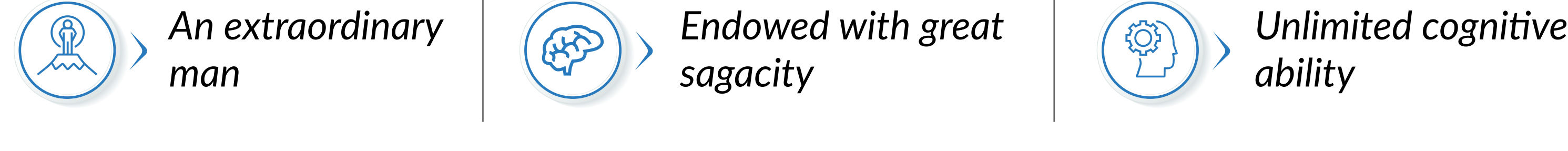


The Return of Homo Economicus and Unbounded Rationality

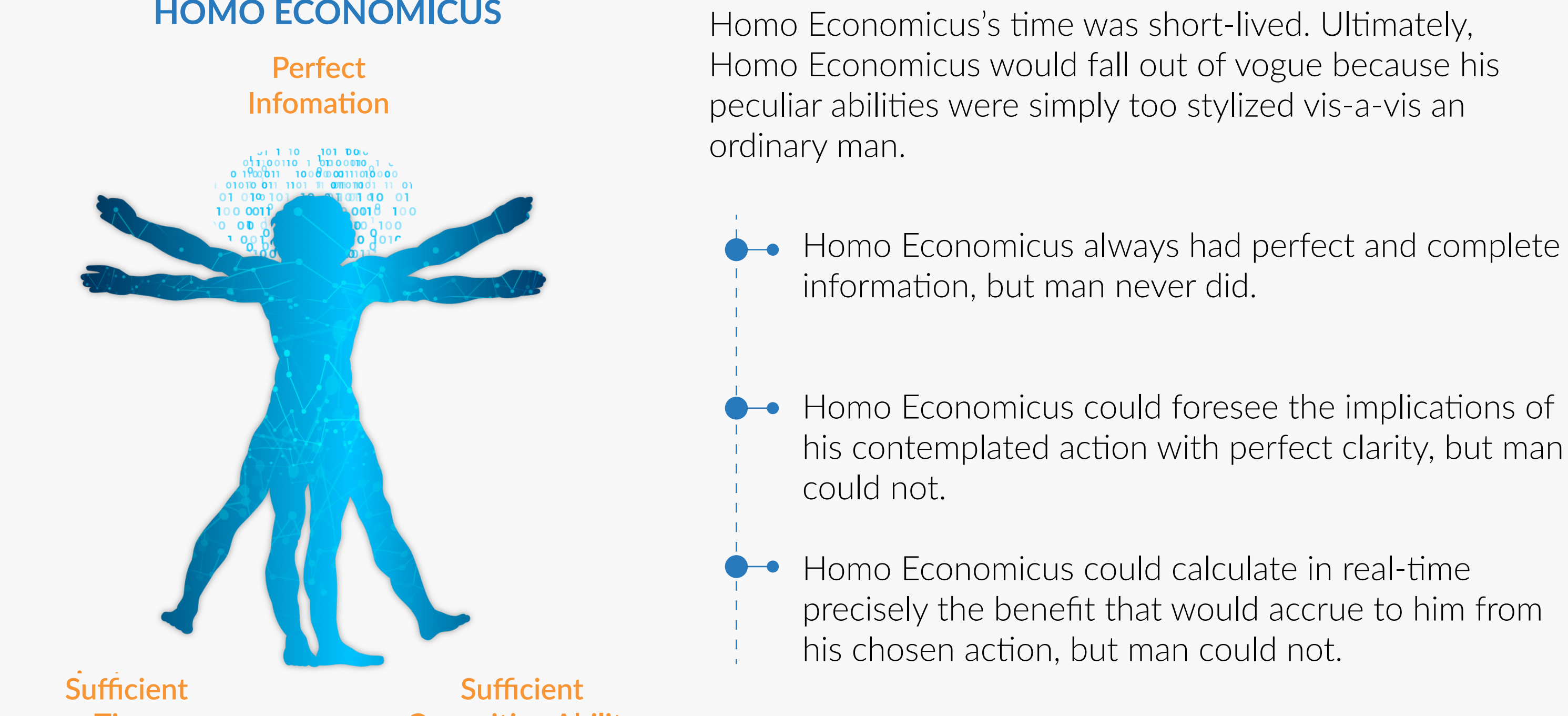
In the beginning, there was **Homo Economicus**.



Homo Economicus's peculiar abilities were foundational to the development of neoclassical economic theory before being eschewed in favor of Bounded Rationality. But perhaps modern technology has made Homo Economicus relevant again, this time in a more practical way.

Homo Economicus gives way to Bounded Rationality

Homo Economicus was an idealized conception of man constructed by economists to give logic and coherence to their subject.



Bounded Rationality became the new foundation.

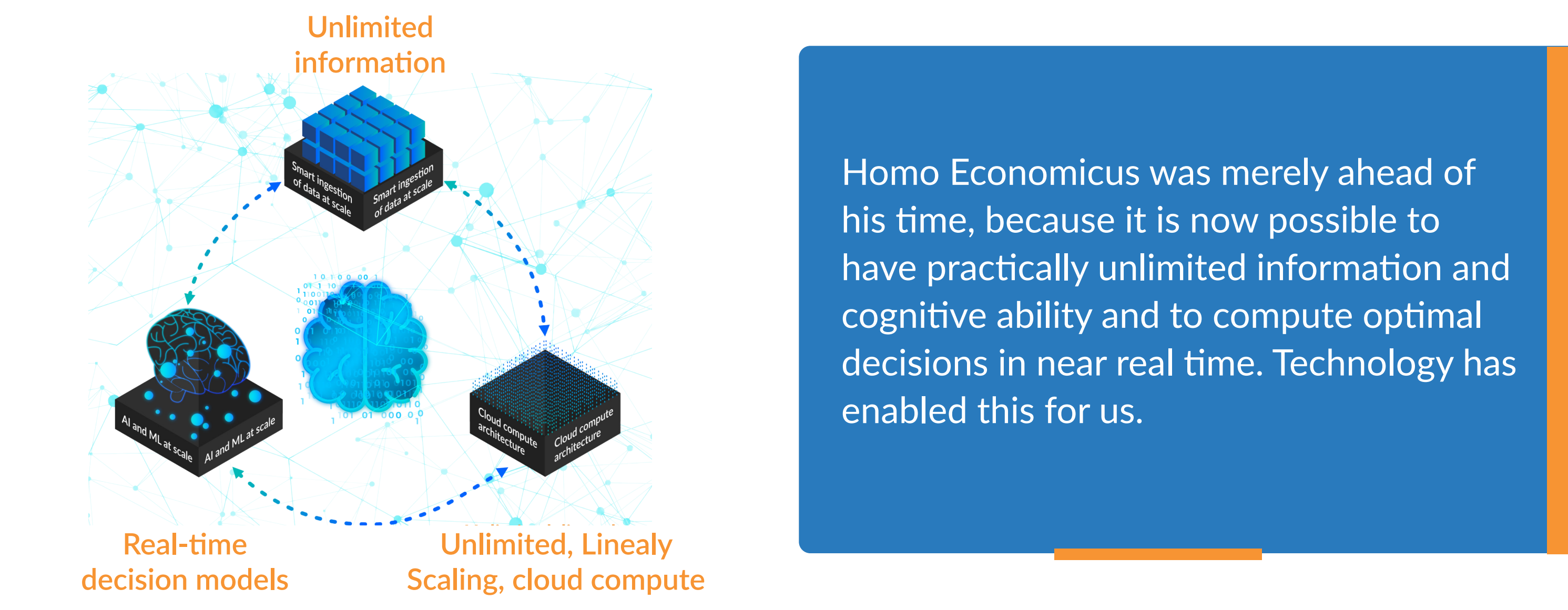
Bounded Rationality recognizes the limited information that man has available to him as he makes decisions.

Man's decision-making is never optimal. Not because he cannot access the information he requires (though this may also be true), but because he cannot access all the information that he requires and compute an optimal decision in a reasonable amount of time.

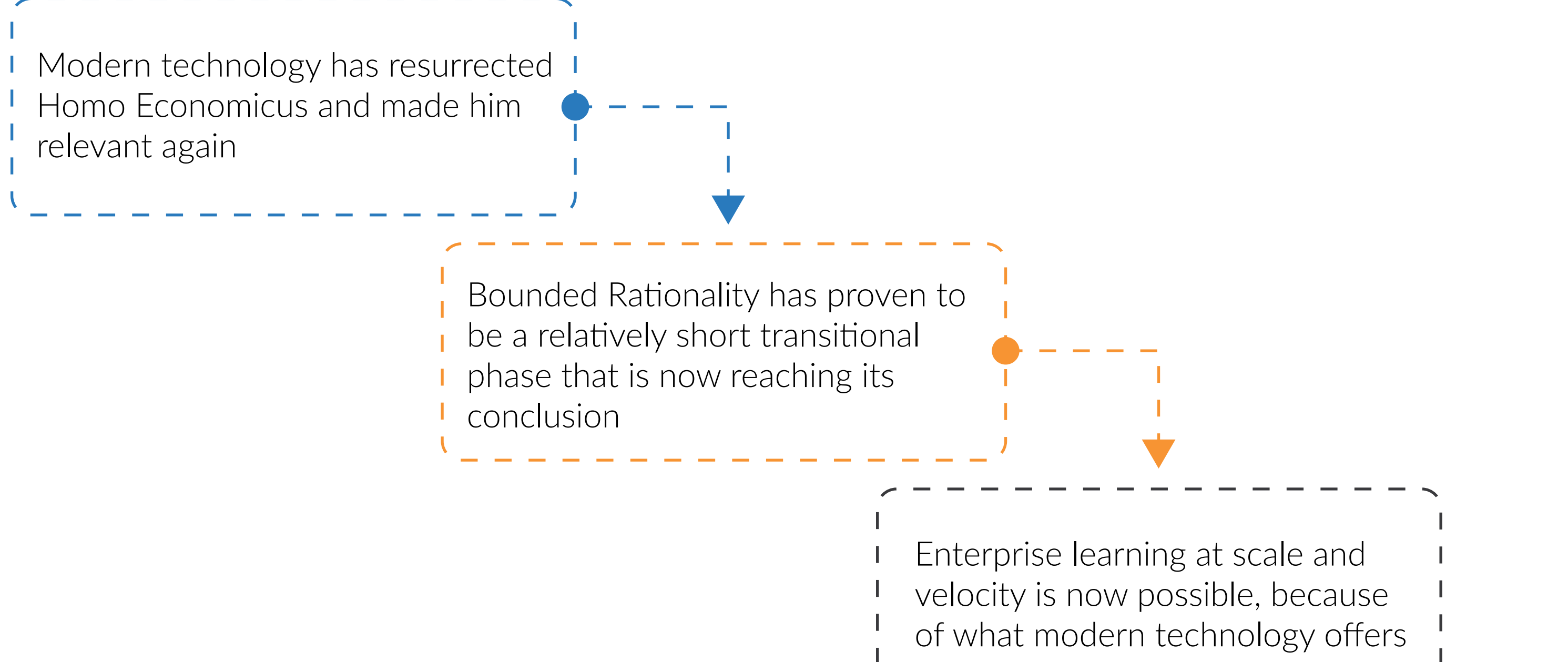
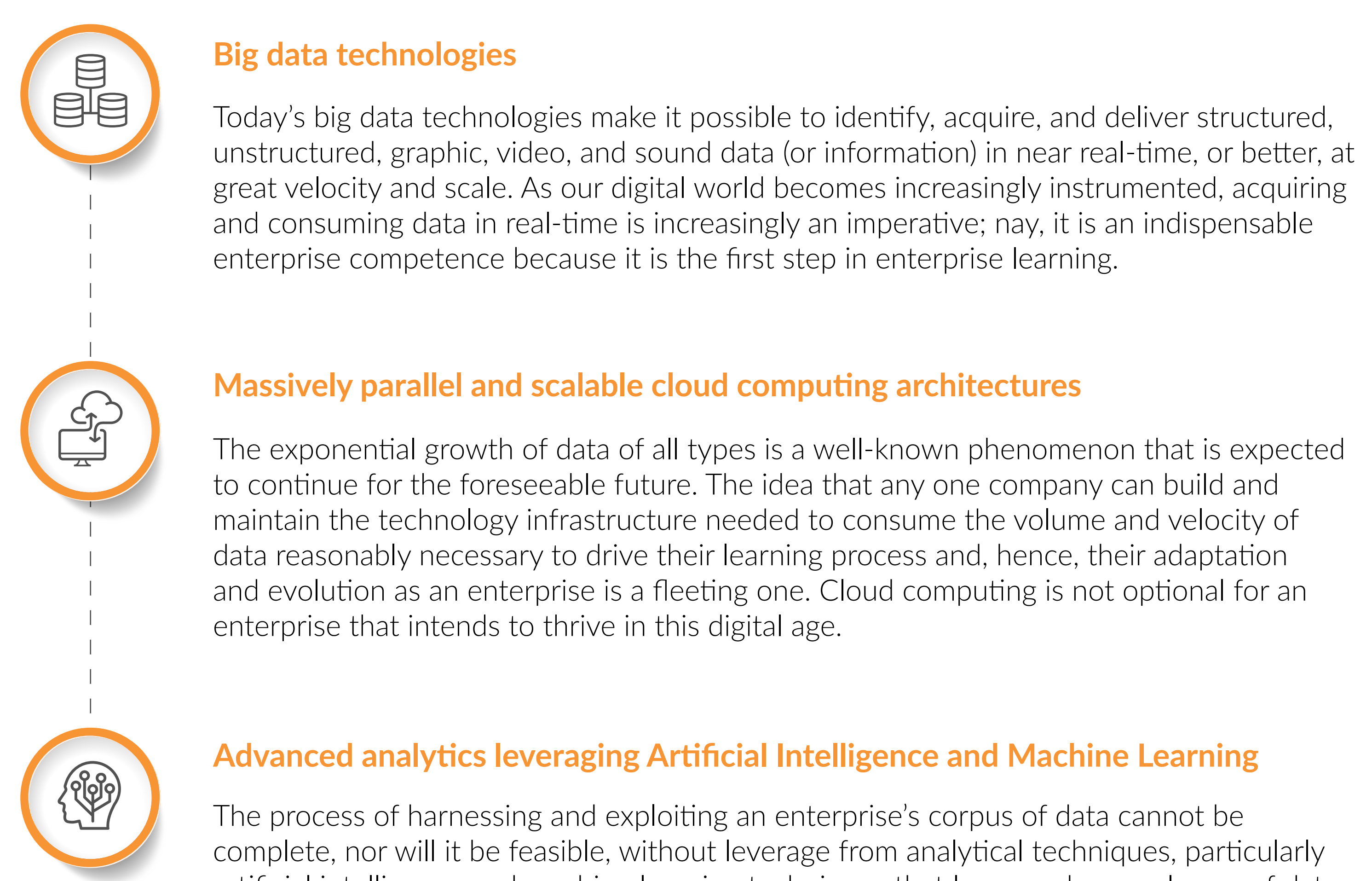
Constraints on man's ability to consume information have the deleterious effect of limiting his ability to learn and, therefore, to adapt and coevolve with his environment – quickly and at scale.



The return of Homo Economicus and Unbounded Rationality



Indispensable technologies for enterprise learning:



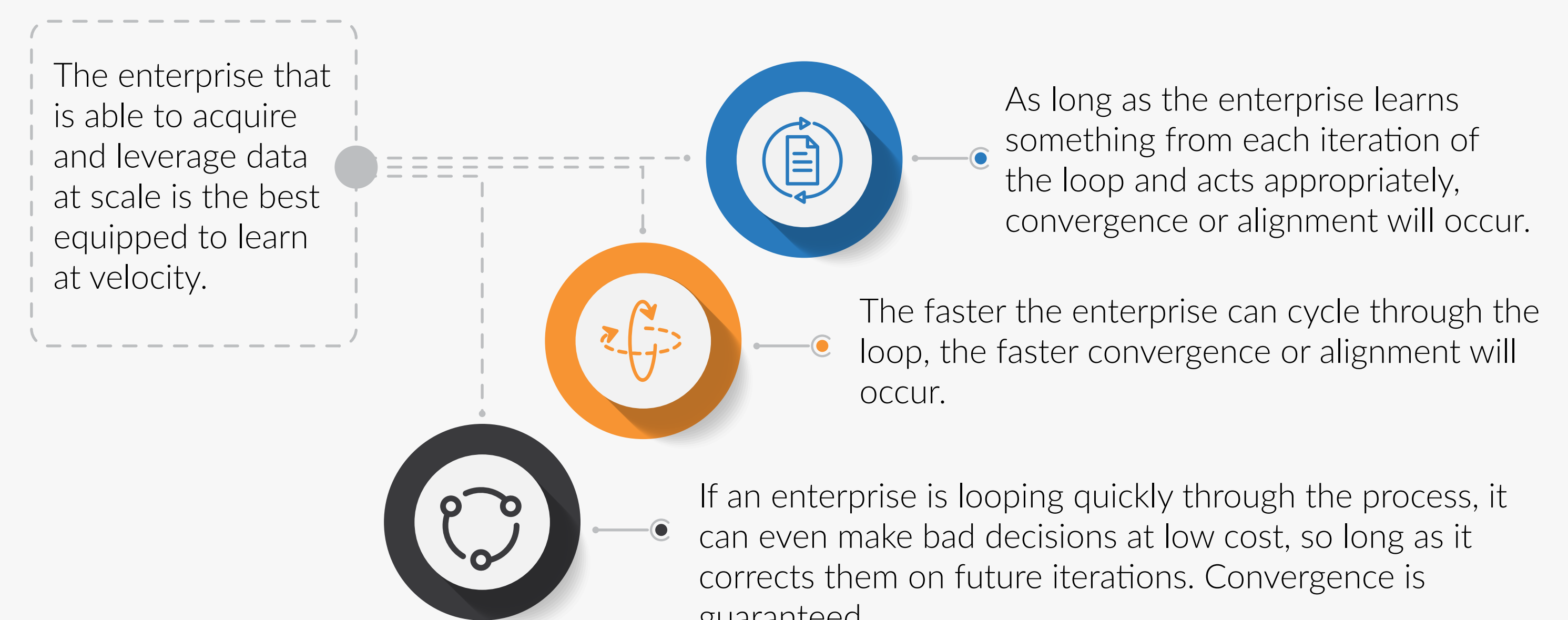
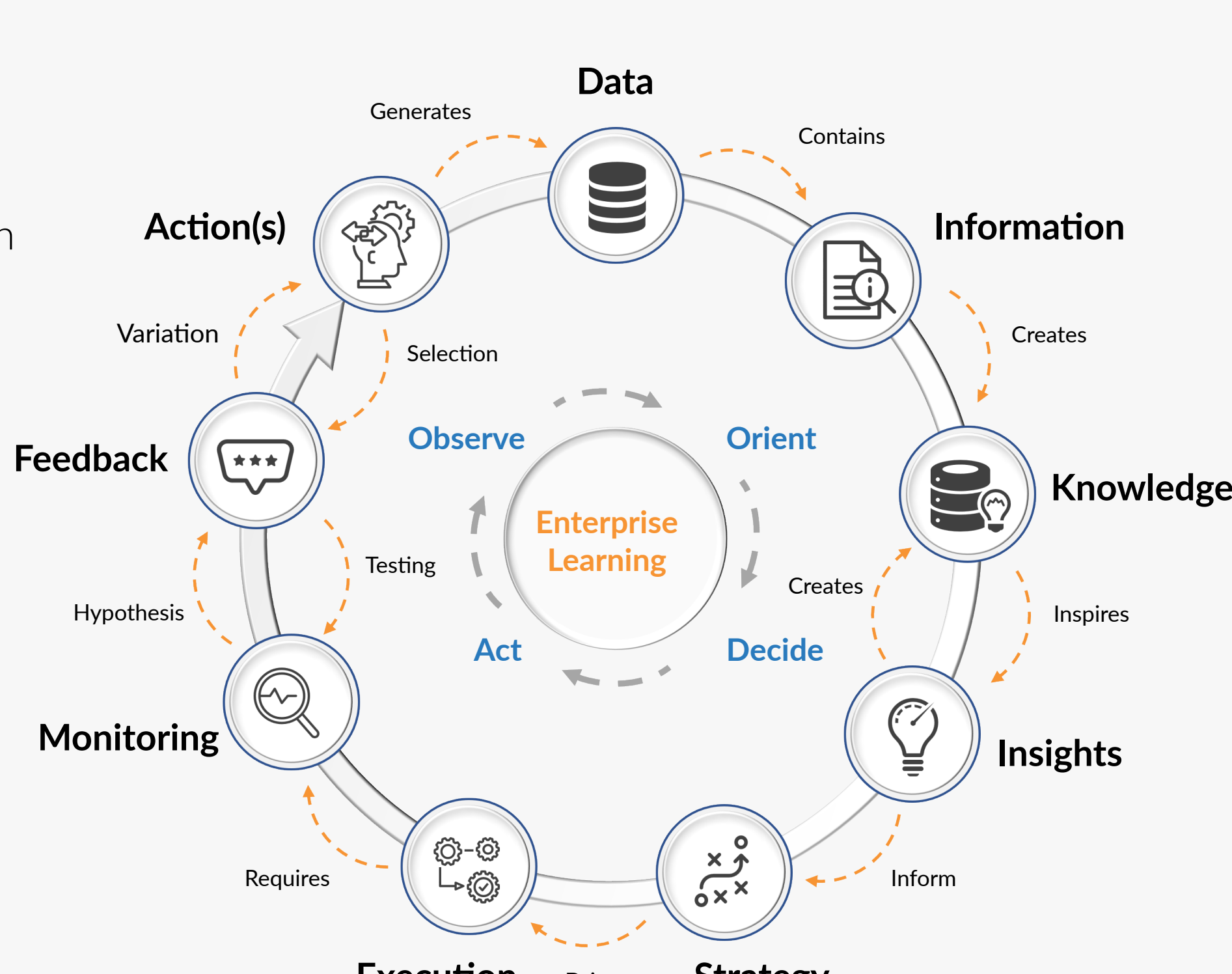
Information Architecture is Foundational for Enterprise Learning

Inner Loop

A very simple model of learning. After some number of iterations through the loop, the actor and the environment converge or align on the actor's expectation. **Learning is manifest in this outcome. The speed at which this outcome is achieved is the speed at which the actor has learned.**

Outer Loop

The role that data plays in the learning process. As more data is consumed, more information is acquired, and more knowledge is created. **The greater the amount of knowledge informing the strategy process, the more efficacious the actions will be that are selected to pursue specific business objectives. Data is everything!**



So be bold!

Making “just noticeable differences” each iteration through the learning loop is a recipe for mediocrity at best, and failure at worst. CEOs need to go all in with their Chief Information Officers to enable enterprise learning, because if they do not, there is a large risk that they will face a real competitive crisis in relation to their competitors that do.