

15.301/310, Managerial Psychology
Prof. Dan Ariely
Lecture 12: Final Lecture (Review)

Earn wild card for exam – are people to any ? on exam, as if answered correctly

Bid for wild card.

Don't want money from you, so going to bid with minutes of sitting against the wall at a 90 degree angle. (wall sit)

auctions

Either 2nd price auction longest time bid, but using 2nd time
or 10th price, 9 highest, set by 10th
or nth price, all but 1 person, set by lowest

one will be picked, have to do it. Can't do it, no wild card.

Fill out forms

Pass 2 more things

Experimental session for those that need it

Evaluations – we care about your opinions, write about things to change, like, dislike, etc

Quickly go through semester w/ slides, main points

First, any specific questions you have, want to go over?

-Final multiple choice?

Yes, and a few short response

15.301

Topic managerial psychology

Tell you something about how to think about data

Wherever employed, have data, have to analyze it.

The question is, how do we think critically about data?

Wed, TA session for questions

One more comment

Playing with idea of 7-10pm next year

Terrible?

Good?

So-so?

Books and course packs – if not going to use, give them to us and we will pass them on in your name to the next generation of students.

Ok, review

Why research in psych?

Not only don't know it all, some things we know wrongly

Critical thinking, examples we think are right but are really wrong

Cholesterol
correlation, causation

By the way, if there is anything you want to talk about at any time, or ask questions, please do

Discrimination, Berkeley, self selection by departments
Matrix

A lot of mutual funds, start 100, keep successful, dump rest, etc
End, they say, look, these are successful!
Could be random effect
Some be heads 4x

Bible code
Evidence every day, could make wrong inferences

Famous conductor example
Cause long life? No, Self selection

Runners select themselves

Experiments help, but not solve everything

Particular problems with:

Placebo effect – real reaction based on expectation

Hawthorne effect – pay attention to people, makes them happier. (The change itself)

Self fulfilling prophecies – expect you to be good students, look at you more, encourage, and you actually do better

Desire to cooperate – people participating trying to help us out

Think more critically about data, inferences from data

We are very bad measurement tools ourselves. We make lots of mistakes. Use statistics to help ourselves.

Perception – not natural to connect to managerial psych

Basic human function

Link in 2 ways

Relativism in perception

Perception analogy for processes that happen all the time

Visual illusions

Perception relative,

Perception not a one way street

We expect things and we see them

Research about perception in brands

Expect Coke and get Coke, don't expect Coke and get Coke, etc

Effect on pleasure centers in brain

an example

Separate small amounts easily, bigger need bigger amounts

Automaticity, no effort needed, example: vision

How things become automatic

Not spend too many resources, not have many resources

Kept lights off, get used to it

When graduate, how want to change lifestyle?

Do things not permanent.

Example for expectation

Story about duck, rabbit

People see what they expect

50% of Republicans believe bush signed Kyoto agreement, and it was pro-environment

80% - found WMD in Iraq

Perception in brands

Container, big effect on perception

No good reasons

FMRI

Brain areas relate to reward

Percept rapid, efficient, sometimes wrong

All kinds of biases

Basketball clip on perception, counting passes

Memory

Short term, long term, categorization, etc

Framework for memory

Charts of all these systems

Constructive memory – make it up all the time

Easy to create false memories

Proven in case of child abuse

Source monitoring

Remember joke, but not where heard it from in same place

Constanza effect, like more as see more

Even short exposure, people transfer into liking

Organizational memory

The only one who knows how to...

Companies trying to eliminate this, centralize info

Urban legends

10% of brain

Great wall only manmade construction visible from space
If not true, why do we all know this?

Memory aids

Memory important

About making sense out of our lives

More complex, less accurate than we would have wanted

Emotions and decision making

Emotions diff than making logical decision

Emotions fast, automatic, triggered by the environment

Disappear

People believe emotions will last a long time

Anger good example

Hard to realize, I'm upset right now, but it will pass.

Emotions causes or outcome?

durability

think have big effect for longer

anger

hard to realize upset, but week later will mean nothing

count to 10 good, 1000 better

muscular activity positive

not clear emotions or thinking are better

jams, posters, emotional consumption

hot and cold state

how think about future,

Self control

do all kinds of foolish things when excited, aroused, later regret them

my research on sexual arousal

men have very diff preferences when aroused

even if do every day, still have hard time understand how feel when aroused

not able to predict own behavior

supermarkets pump air with smell of fresh baked goods

people hungrier, buy more food

food now or in a week, 50 or 51 weeks

now is very important

another way to think about it

self control
things to help ourselves have self control
study groups, etc

challenge I gave you
what are market mechanisms?

Free lunches – people don't do well, market mech to solve it
Able to retire – people don't start saving
Now seems much more important than later

Most people in US will never be able to retire

How can you create market mechanisms to help them?
If can help them, they will be better off

Animals have self control
Cold, cognitive, hot

Decision making
Similar to visual illusions
All kinds of reasons people make mistakes
People irrational

Expect if rational
Others if not

Regret-idea that people care about not only own state, but what could have been, how
easy to imagine something else

2 gambles, know about what happened to other, more upset

Asymmetric dominance

Relative evaluation without A', hard to evaluate A vs B
If A is clearly better than A', people think better overall

Context effect
People use context to evaluate a product

Product by self, hard to evaluate

6 vs 24 jams
Defaults, too many options
Give people more options

Not clearly good

Default – like not buying, etc particularly difficult – too many options, back to default

Organ donor, opt in or opt out makes a difference

Barry Manilow shirt

Think he's crazy, but they don't notice

Magical thinking

Drinking from bedpan

Sample of things in decision-making

Context effects, too much choice

How little too much can be

Social effects of decision making, too much thinking

Psychology of money

coherent arbitrariness

many things, people don't know how we value it in terms of money

Money a very fuzzy attribute

Make decision, follow up w/ later on

Tom sawyer painting fence

Friends don't know good or bad, tom convinced good, then willing to pay good money.

Hard to figure out up front how much things are worth

Question of learning

A question of habit

Is sushi so much better?

What we got used to

Now if 1.50 instead of 2.50, think it's a great deal

Psychology of labor

Pay people for their time?

Why people work?

How treat them to get more of their effort?

There is a perspective, if you pay them more they will work harder

4 profit

Absolute vs relative payment

Friends, colleagues

Relative to wife's sister's husband

What happens when pay people very little?

More pay, harder work. Don't pay them, Sometimes willing to work harder for nothing
Pay in gifts, more like no money

Example – change tire on car, if ask might say yes, if \$1 then less happy, if candy, no effect

Proposition – co think how they treat employees
How to get people to work more like friends

Not work 9-5
Not clear what work, not work
Golf, out to drink

Contract not as simple

More cushioned
If ask favor, strict tradeoff, you are not going to do it.
If more like family, much more likely to do it

Yerkes-Dodson effect
Rat in cage, some areas safe, some dangerous
Shock
At some point, shocks so high, not able to focus or learn fast

India to test
Paid to do tasks,
More paid them, worse off they did

Pay 10, 100x as much
Performance decreased
Almost all games showed some decrease

Turns out people did not predict this result
Predicted more money would get people to work harder.

2 more topics

Meaning of labor
Meaningful work = work harder

Destroyed Lego in front of eyes, stop much faster

Secretary not understanding what doing
peons
Program part of a routine that do something

Explain why takes time
They will feel much better for it

Sabotage- people when unhappy, upset, take revenge in way that not help them at all

2 more topics – groups, negotiation

Use each others' knowledge to get much better, didn't work
Worked 2nd time

Mob behavior

Individuation
When hidden, people don't take responsibility for actions
Sitting, nobody asking ?s

Conformity

Agreeing with people seems to be a good strategy
Mimicry
Herding behavior

Asch's experiment
Conform to obviously wrong

Groups can be very good, can also be very bad

behavioral economics, emphasized free lunches, prospect theory

Gains not as positive as losses are negative

Origin always status quo, where we are

Diminishing sensitivity

Invest a lot in past, more likely to invest in future

Losses steeper than gains

Toblerone chocolate, have and so value more – endowment effect

Invest more in bonds than stocks

Evidence for mistakes in stock market

Didn't go over recitations today

If ?s, TA will answer on wed.