Managerial Decision Making: Session 8

Social Heuristics: Influence

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Objectives—Why Read This?

1. Other people will often try to persuade or "manipulate" you to agree with them or say "Yes!" Awareness of our tendencies is our first best defense.
2. Managers will only be effective if they can persuade others to follow them and their recommended courses of action.

Cognitive vs. Social Heuristics

- The “classic” heuristics are “cognitive” heuristics
  - Usually shortening the information search process in some way
- The Cialdini heuristics are “social” heuristics. Societal norms have taught us that acting “this way” is usually optimal
  - They are unwritten rules for dealing with other people . . .
  - Two-edged swords . . .

"Persuasion" is everywhere

- "I once tried to count the number of direct attempts to control my thoughts and behavior I encountered in a single day."
  - This included people requesting me to do things, forcing me to do things, asking me to buy things, telling me to pay for things, showing me where to stop and when to go, suggesting how I should think about things, offering me slogans to repeat, songs to remember, attitudes to change, and ideologies to believe."
- "By the time I reached my office at mid-morning, I lost count somewhere around 500."

Systematic Processing vs. Heuristics

- Systematic Processing is . . .
  - Thinking deeply about a message
  - Persuaded by the strength of the arguments
  - Unbounded Rationality
- "Civilization advances by extending the number of operations we can perform without thinking about them."
  - Alfred North Whitehead
- Heuristics: Through evolutionary learning, we use patterns of behavior that have worked for us and our species in the past
  - Fixed action patterns and trigger features
  - Click-whirr!!!

*Oh, not bad. The light comes on. I press the bar, they serve me a drink. How about you?*
Langer, Blank, & Chanowitz (1978)

- “Excuse me, I have five pages. May I use the Xerox machine because I’m in a rush?” 94%
- “Excuse me, I have five pages. May I use the Xerox machine?” 60%

Sometimes we do not perceive that we are being duped because the mechanism is so engrained.

Exploitation happens

- "to manipulate without the appearance of manipulation"
- Our Plan: to discuss the six tactics identified by Cialdini.
  - Where do they get us in trouble?
  - When are they ethical and when not?
- There must be more . . .
  - Open paper topic: announce a new heuristic, give examples, and analyze.

1. Reciprocation

- The Rule: Repay, in kind, what another person has provided us.
  - "There is no human society that does not subscribe to the rule."
  - "We are human because our ancestors earned to share their food and their skills in an honored network of obligation."
- Effective . . .
- Rational . . .
Mental Accounting & Reciprocity

- Tit-for-tat accounting is undesirable in long-term relationships
  - Families . . .
    - My cousin from Florida
  - Generational reciprocity
- Rather, are parties living up to the general rule . . .?
  - not “keeping score”, where the exchanges are precisely equal

Dinner Invitations with Colleagues

- What is the modal number of times that I have had dinner with my Tuck colleagues?

1. Reciprocation

- Rational, at one level, but it can go too far
  - “The rule is too strong”
    - I don’t even have to like the person!
  - Ethiopia to Mexico
  - uninvited debts
    - free Coke vs. raffle tickets

“Free” Address Labels

1. Reciprocation: How to say No

- To my sister: gift giving as a habit
- Refusing a “gift”: From my colleague Jay Ritter: “I’ll pay my own, thanks”
- Redefining, a.k.a. Re-Framing, the “gift” as a “sales device”
- How else?

Reciprocal Concessions

- Rule: An obligation to make a concession to someone who has made a concession to us.
- Example: Dennis
Reciprocal Concessions

- Rule: An obligation to make a concession to someone who has made a concession to us.
- Mismatch: even when a concession is illegitimate, we still feel obligated to oblige
  - The Contrast Principle, again?
  - Rejection then Retreat . . .
- Conflict avoidance . . .
  - Watergate and G. Gordon Liddy
  - $1 million plan reduced to $250,000

Reciprocation

- Cultural differences?
- Legitimate uses?
- Illegitimate uses?
  - What is the distinction/difference?

2. Commitment, then Consistency

- Rationally, we usually think that actions follow from our beliefs.
  - But, research shows beliefs follow from our actions!
- There is "our nearly obsessive desire to be (and to appear) consistent with what we have already done."
  - The Magic Act
  - Cognitive Dissonance

Concept: Cognitive Dissonance

- What exactly is Cognitive Dissonance?
  - Belief \Rightarrow Behavior vs. Behavior \Rightarrow Belief
- Example: Festinger and Carlsmith (1959)
- Situations that give rise to Cognitive Dissonance?
  1. Logical inconsistency
  2. Inappropriate cultural mores
  3. Past experience
  4. Preservation of self-competency, consistency
When is C&C problematic?
- When small leads to large...

Foot in the Door
- Tactic: Start with small request, then move on to larger request
- Small commitments manipulate a person's self image
- Avoiding cognitive dissonance will help people comply with the larger request that is consistent with the new self-image
- Commitments should be: Active, Public, Effortful, Freely-chosen

"be very careful about agreeing to trivial requests..."
- Don't "write it down" or "fill it out"... unless it is for your benefit
  - Initialing the sales agreement before he takes it to his manager...

Walking away from "get you to commit, then switch"
- The Hong Kong camcorder salesman...
- Admit inconsistency: "I've changed my mind"
  - different context, different answer => no problem...Ebay...
- But, a tricky balance between stubbornness and regret

"Free" gifts
- Boot-camp initiations
  - Hazing
  - Hell Week
- Public commitments

"Inner choices" are needed ➔ not bribes
- Short Term compliance vs. Long Term attitude change
- Children: bribes don’t work...
  - Think HARD about what will create "inner choices"
- "We accept inner responsibility for a behavior when we think we have chosen to perform it in the absence of strong outside pressures."
- Strategies?
3. Social Proof

- What is the idea of “social proof”?
- When do we rely on it?
- When we are uncertain, we look to see what (a lot of) others are doing
  – “Especially in times of uncertainty, the natural tendency is to look around at the actions of others for clues.”

Social Proof

- Pluralistic ignorance
  – “All these guys up ahead must know something.”
- Why would people in groups offer no assistance when individuals would regularly do so?
  – More likely in cities? Why?

Who convinces us?

- When are we most easily persuaded?
- Especially when the persuader is or looks or acts like us.
  – “Well, I’m three years old, and Tommy is three years old. Tommy can swim without a ring, so that means I can too.”

Helpful or Harmful?

Social Proof?

- Were you ever tricked into compliance by someone counterfeiting the principle of social proof?
Using Social Proof

How would we use social proof effectively in a business context?

4. Liking

- "I like you."
  - Flattery will get you everywhere . . .

- "The main work of a trial attorney is to make a jury like his client."

4. Liking

- What makes people likable?
  - Better looking is easier to like . . .
    - They’re smarter, more talented, more honest, etc.
  - More similar to us is easier to like . . .
    - Dressing for success
  - What else?

4. Liking

- What is the problem with “liking”?
  - People prefer or feel compelled to say “yes” to people they like

- Is this really a problem? Where are the costs? When are the effects of liking not rational?

Association/Assimilation

- "There is a natural human tendency to dislike a person who brings us unpleasant information, even when that person did not cause the bad news."
  - CAN YOU BREAK THIS TENDENCY?
    - Leaders of organizations can change the culture, . . .
    - Warren Buffett’s letter to his CEOs

- Association with good or bad news
  - Don’t shoot the weatherman !!!!!

- How can you get disparate groups to get along?
  - Remember the Titans . . .
5. Authority

- We are conditioned to accept authority from a very young age
  - Basically, a good, rational heuristic
    - Keeps us out of trouble when we are naive or uninformed
    - My son, Jackson, at 2 in the parking lot
- Advertisers have known this a long time...
  - picture

Problems with the Authority Heuristic—1

- When the authority figure makes a mistake or is misinterpreted
  - Doctor writes to nurse: "place in R ear"...
- When the authority figure has a conflict of interest...
  - Half-truths on the stand
    - Judges may understand it, juries don't

Think for yourself

- Odds are there will be several important choices in your life where you know (ethically or factually) that the boss is wrong...
  - Enron & Andersen
- How do you prepare for such choices?

Problems with the Authority Heuristic—2

- The appearance of authority is enough
  - Crooks/Swindlers in Cop clothing
  - Titles....
  - Clothing
- When the authority figure is malicious/perverted
  - Jonestown...

Conflicts of Interest
6. Scarcity

- Limited or decreasing availability = more valuable: why?
  - Wanting what I don’t have and can’t get
  - Censoring makes things even more valuable
    - Salman Rushdie . . .
    - Why is this horrible writer famous?
    - Juries: "Don’t use that information!"
  - Example:
    - NYT Magazine article on wine . . .

6. Scarcity

- Tactics to "increase" scarcity
  - "Closing Business" sale
  - Deadlines
  - Seller of used car: invite buyers at same time

Persuasion Tactics

1. Reciprocation
2. Commitment and Consistency
3. Social Proof
4. Liking
5. Authority
6. Scarcity

- Which of these tactics . . .?
  - Is easiest to spot?
  - Is most annoying?
  - Creates most serious problems?
  - Has the most long-term reputational risks?

Free to choose?

- "It's necessary to define ethical parameters whenever a person's ability to choose freely is curtailed."
- Ethical issues become increasingly complicated when it becomes apparent that psychological determinants and restrictions to freedom lie, to a large extent, in the minds of those who are being influenced—rather than being imposed from the outside in a coercive nature.

It ain’t getting’ easier

- Cialdini concludes with a sobering point, and he’s probably right
  - Given the speed and increased data availability of our current times, relying on shortcuts (cognitive and social) will only increase.