Thinking Fast and Slow

Chapters 8, 9, & 10

GraceAnn Carroll, Leiton LeBlanc, &
Ranel Sturgis
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Topics

Line-up Activity

How Judgements Happen

Basic Assessments

Key Takeaway: System 1's automatic judgements and basic assessments play roles in decision-making.

Book examples: survival instincts, voting behavior

Sets & Prototypes

Key Takeaway: Decisions often prioritize vivid prototypes over the actual numerical quantities involved.

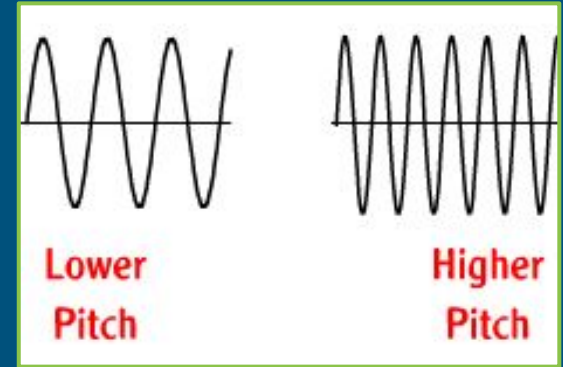Book examples: average line length vs. combined line length

Concepts – formed by developing prototypes

- Prototype → mental image or best example

Intensity Matching

Key Takeaway: The mind engages in intensity matching across various domains and explores the implications of this process in decision-making and prediction.

Lower Pitch   Higher Pitch

Book examples: crimes associated with colors, reading ability at age 4 to intensity scales related to height

Mental Shotgun

Key Takeaway: Mental shotgun impacts and slows performance by initiating irrelevant computations with the intention of only answering one.

Book examples: Vote-Note vs. Vote-Goat, verifying sentences as literally true or not

Chapter 9: Answering an Easier Question

Primary Topics:

- Substitution
- 3 - D Heuristic
- Mood Heuristic
- Affect Heuristic
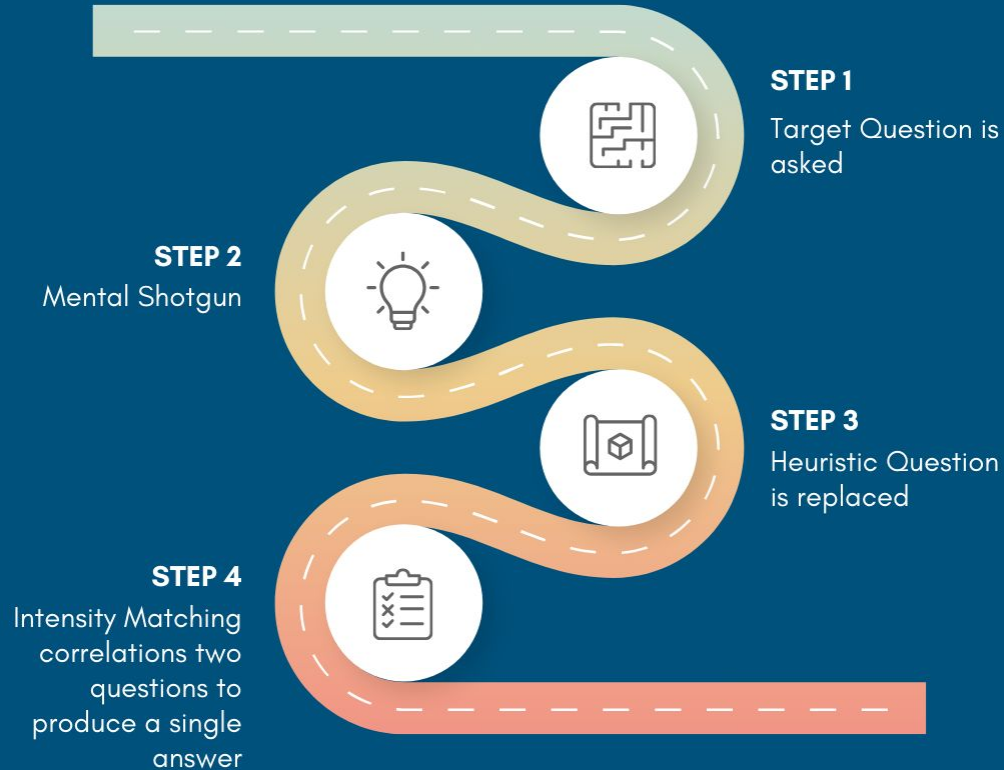
Substitution

What is it?

- Answering one question in place of another

I LOVE THE COLOR OF THIS CAR, SO I BOUGHT IT! ISN'T IT STUNNING?

ADAM, DO YOU KNOW ANYTHING ABOUT EMISSIONS AND MPG? YOU SHOULD HAVE READ ABOUT IT BEFORE YOU BOUGHT THIS CAR!

Target Vs. Heuristic Questions

- How is employee morale?
- What is the company attrition rate?
- Literal Vs. Relatable
- Used to Provoke Specific Feelings (Does your job make you happy?)

The Process of Substituting Questions

STEP 1
Target Question is asked

STEP 2
Mental Shotgun

STEP 3
Heuristic Question is replaced

STEP 4
Intensity Matching correlations two questions to produce a single answer

Substitution Conditions

1. The target attribute is relatively inaccessible. (Factual and Current Experiences)
2. An associated attribute is highly accessible. (Normal Thoughts and Primed)
3. The substitution is not detected and corrected by the reflective system. (Initial Question and Difficult)

Substitution and Strategic Management

1. Messaging Strategy - being precise, straightforward
2. Design Choice - color, font, boldness, familiarity, etc
3. Framing - purposeful substitution
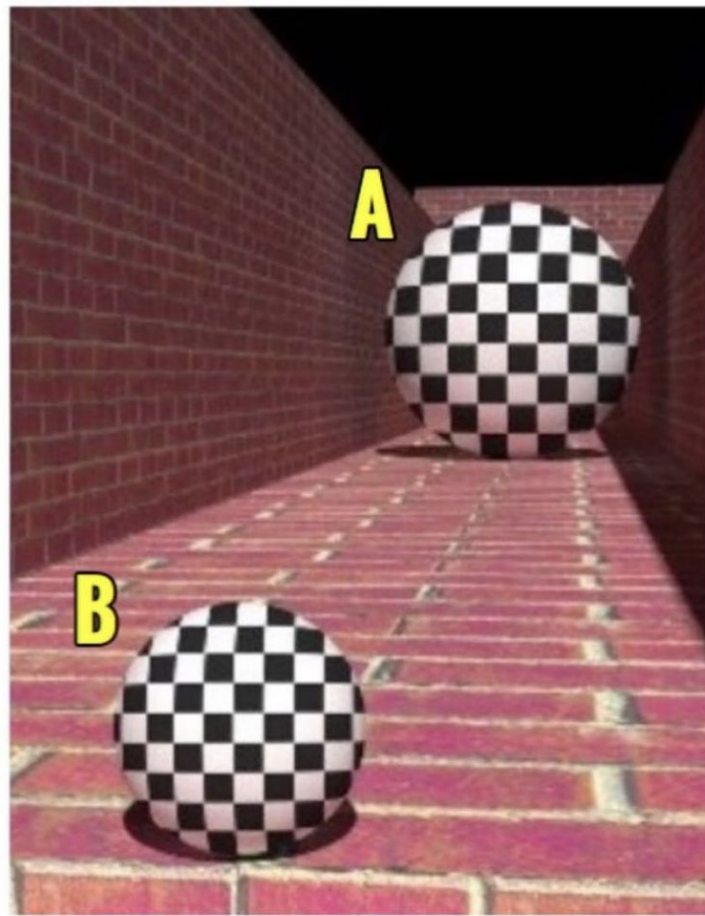
Question: Who are you when you're hungry?

3-D Heuristics

Activity - Ball Example

1. Which ball is larger- Ball "A" or Ball "B"?
2. How large is Ball A?
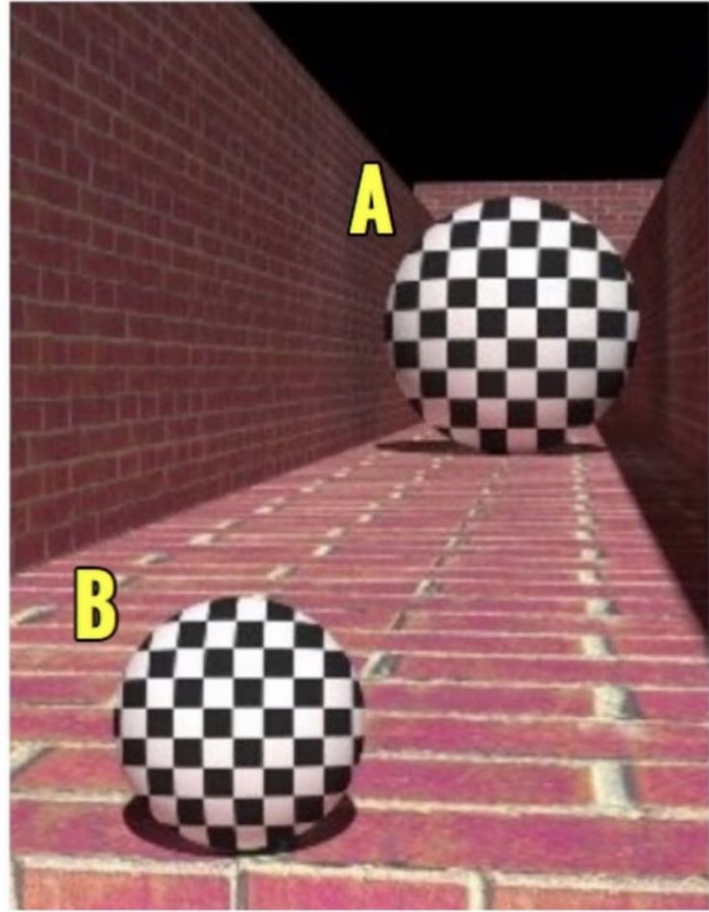
Which ball is bigger? 🤔

3-D Heuristics

Activity - Ball Example

1. Which ball is larger- Ball "A" or Ball "B"?
2. How large is Ball A in the image?

Bias:

Objects that appear to be more distant also appear larger on the page.

Mood Heuristics

Let's take a poll!

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How stressed are you today on a scale of 1-5?

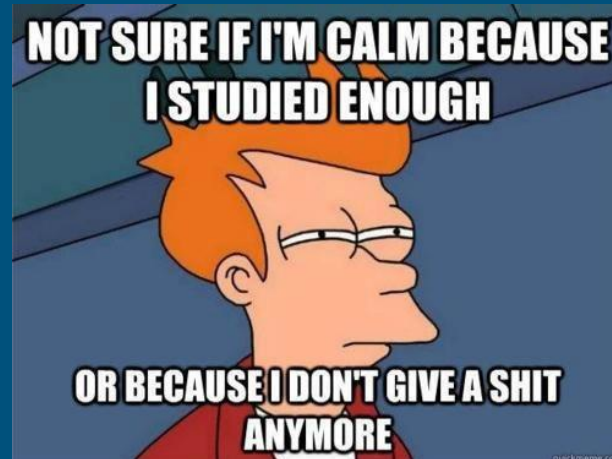ⓘ Click **Present with Slido** or install our <u>Chrome extension</u> to activate this poll while presenting.

How many hours a week should you really be studying?

Note: This will require you to spend at least 2 hours of preparation time for every hour you spend in class. You should be prepared to spend not less than six (6) hours per week reviewing the course material. "A" students report spending 10-15 hours per week.

NOT SURE IF I'M CALM BECAUSE I STUDIED ENOUGH

OR BECAUSE I DON'T GIVE A SHIT ANYMORE

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How stressed are you today on a scale of 1-5?

How many hours of studying do you think you should complete this week?
a. 1- 5 Hours
b. 5-10 Hours
c. 10-15 Hours
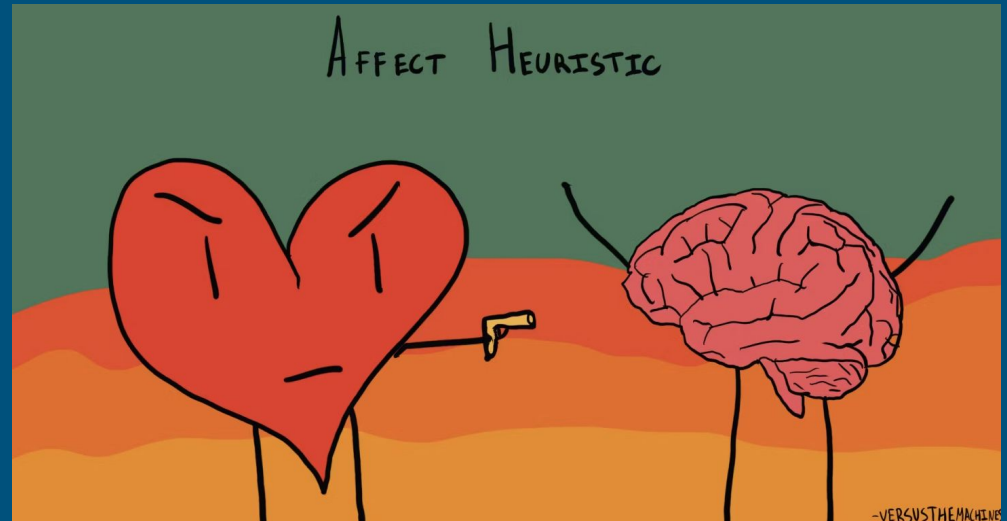d. 15-20 Hours
e. 20+ Hours

Mood Heuristics in Strategic Management

Affect Heuristics

What is it?

- When people let their likes and dislikes determine their beliefs about the world.
- Time - Sensitive
- High Pressure
- Sub-optimal results
- Risk Factor

Affect Heuristics in Strategic Management

- Hiring Managers
- Charitable Companies
- The Good then the Bad while pitching (Superiors and Stakeholders)
- Increasing Employee Production

Chapter 10: The Law of Small Numbers

Primary Topics:

- Sequences, Sample size, Statistics
- The Law of Small Numbers
- A Bias of Confidence Over Doubt
- Cause and Chance
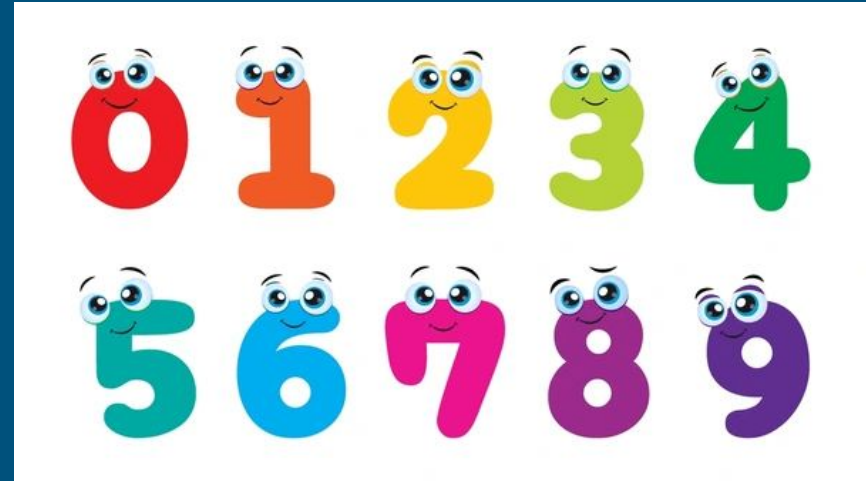
Sequences, Sample size, Statistics

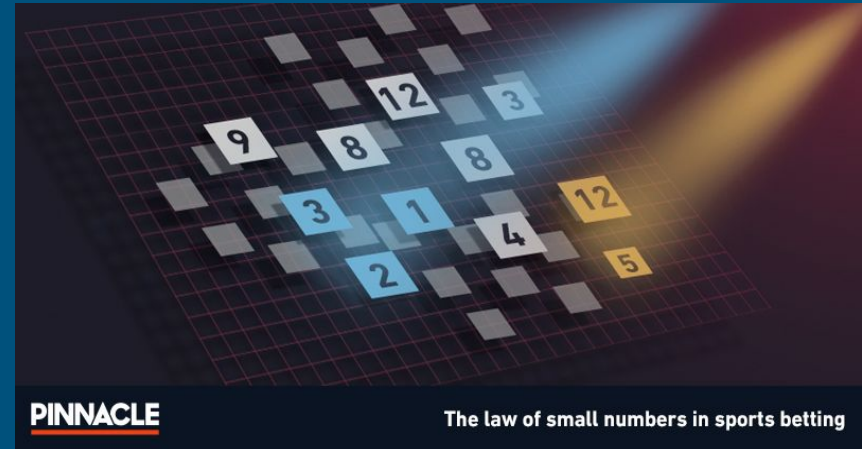Some of the key term that was constantly used in "Thinking fast and slow CH 10" and what do they mean

- Sequences, Sample size, Statistics, Hot Streak, Frequency etc.

Statistics & Probability

The Law of Small Numbers

- The Meaning of it and what it use for ?

A Bias of Confidence Over Doubt

- Mind over Matter
- Thinking positive
- Halo effect
- Draw from past history, hot streak, or what we was told to brought to believe from our peers and family

THE HALO EFFECT

The "Halo Effect" refers to the tendency to allow one specific trait of a person, company or product to positively influence our judgment of their other related traits.

System 1 vs System 2

A Higher Caseload Translates to Greater Reliance on System 1

| SYSTEM 1	SYSTEM 2
• Fast/automatic/easy	• Slow/effortful/hard
• Performs familiar or practiced routines	• Necessary for novel decisions or routines
• Fine for small talk	• Useful for harder questions
• Undemanding	• Tiring/draining
• Can perform while tired, sick or stressed	• Impaired by fatigue, illness or stress
• Impressions/intuitions/feelings	• Logic/analysis/reflection
• Susceptible to errors	• Can override errors through careful thought

Cause and Chance

A Judgement based on patterns that has respect it self over time that many people consider/data might consider what might happen again or future outcome

The book uses the example of birth of sex rate, basketball hot streak wins, and small schools vs big number of schools.

Chance Causes

- **CONTROLLED VARIATION:** A stable consistent pattern of variation over time. One is able to predict what will happen in the future based on past data.
- This type of variation accepts the fact that even when two items are "created equal" there will be differences between the items.

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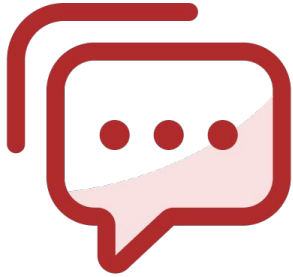
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