FEEDBACK GIVING

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In collaboration with Catherine Yeung, NUS

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Giving and Receiving Feedback in Real Life

Examples of one-shot feedback giving and receiving interaction:

“It looks exactly like the picture in the recipe book except for the burnt bits.”
Feedback Giving Game

Answer 10 Math questions, each correct answer earns $1.

“You have answered [X] questions correctly.”

Paid based on the client’s happiness. Each point on the happiness scale earns 50 cents.

(The client knows it.)

Am I happy about it? [0 = not at all; 10 = very happy]
Economics versus Psychology

• Economics
  – Signaling game
    • The agent receives private information
    • The agent sends a message to the client
    • The client responds by sending an action that determines the agent’s payoff
  – Equilibrium analysis without common beliefs

• Psychology
  – Monetize emotions to give them economic significance
  – Document empirical regularities for formal economic theorizing
Literature Review in Psychology

• Mixed findings, focus mainly on the client’s side

• Flattery enhances judgment of the flatterer (Gordon 1996)

• Flattery triggers negative attributions
  – “the salesclerk was nice because she was working on commission” (e.g., Main et al. 2007)

• Flattery hurts explicit attitude but enhances implicit attitude (Chan and Sengupta 2010)
  – Hurts immediate judgment but improves delayed judgment
  – Helps when the target is under time pressure
Contribution of our Research

Past research's approach:
• No real agent
• Pre-set levels of ingratiation (Variables of theoretical interest are manipulated)

Our research
• Simultaneously examine the agent’s decision and the client’s response
• Does the agent inflate feedback, if yes, does it work, and why?

“...you are a fashionable and stylish person. Your dress sense is classy and chic....”

“I’m sure that she will take her responsibility very seriously and that she’ll do an excellent job...”
Study 1: Procedure

How is the Agent paid?
- Based on Client’s happiness; each scale point = 50¢ -- “Proportional” Condition
- $3 for truthful reporting, $0 for untruthful reporting -- “Truth-telling” Condition

Stage 1. Math Quiz
C answers 10 SAT questions in 15 minutes
Each correct answer earns C $1.

Stage 2. Feedback Communication
A receives C’s performance
(actual no. of correct answers)
A sends feedback to C
(“You have correctly answered [ ] questions.”)

Stage 3. Emotional Reaction
C indicates happiness (0 - 10)

Experiment Ends
C finds out her performance. Both get paid.
Study 1 - Findings

Does the agent inflate feedback? If yes, does it work?

Proportional condition (n=64):
60% inflated feedback,
40% truthfully reported

<table>
<thead>
<tr>
<th>Actual Quiz Score</th>
<th>Feedback Inflation</th>
<th>Feedback Value</th>
<th>Client’s Happiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportional condition ($0.5 per happiness point)</td>
<td>5.25</td>
<td>1.72</td>
<td>6.97</td>
</tr>
<tr>
<td>Truth-telling condition ($3 if feedback is truthful)</td>
<td>4.88</td>
<td>0</td>
<td>4.88</td>
</tr>
<tr>
<td>Difference</td>
<td>n.s.</td>
<td></td>
<td>2.09 ($p&lt;.01$)</td>
</tr>
</tbody>
</table>

- The agent inflates feedback.
- The client is happier and the agent earns 33% more money.
Study 2: Validating Happiness Measure

• Does tying the Agent’s payoff to the Client’s happiness rating change the way the client reports her happiness?

**Truth-telling Condition**
Agent is paid $3 for truthful reporting

**Proportional Condition**
Client indicates happiness [1-10], each point earns the agent 50¢

**Decoupled Condition**
Client indicates happiness [1-10]
Client determines agent’s payoff [1-10], each point earns the agent 50¢

Provides an unbiased measure of happiness
### Study 2: Validating Happiness Measure

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Actual Quiz Score</th>
<th>Agent’s Feedback</th>
<th>Client’s Happiness</th>
<th>Client’s decision of Agent’s payoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truth-telling ($3 if truthful)</td>
<td>5.23</td>
<td>5.27</td>
<td>4.63</td>
<td>--</td>
</tr>
<tr>
<td>Proportional (50¢ / happy point)</td>
<td>4.84</td>
<td>6.00</td>
<td>6.14</td>
<td>--</td>
</tr>
<tr>
<td>Decoupled</td>
<td>5.15</td>
<td>6.35</td>
<td>6.35</td>
<td>7.73</td>
</tr>
</tbody>
</table>
Explanations for the Basic Findings

The agent inflates feedback (and earns more).

The client reports being happier.

Opportunism-Overconfidence Hypothesis

Agent inflates feedback because he wants to make more money

Client is truly happier because she truly believes in the feedback

Alternative Explanation: Altruism Hypothesis

Agent sugarcoats to make the client happier (but not to make more money)

Agent is paid $3 for any feedback

Client is not truly happier, but reports being happier to make the agent more money

Client is paid based on client’s happiness, but only if the feedback is truthful

Two New Conditions for the Next Study:

- as a “White lie” (Erat and Gneezy 2012)
- evidence of costly altruistic behavior from dictator games
Study 3: Testing the Altruism Hypothesis

**Proportional Condition**
Agent paid based on Client’s Happiness
$0.5 / happiness scale point

**Flat-rate Condition**
Agent paid $3 for ANY feedback
{ accurate, inflated, deflated }

**Truth-proportional Condition**
Agent is paid based on Client’s happiness, but only if the feedback is truthful
Study 3: Findings

Proportional (n=64): 48% inflated, 52% truthfully reported
Flat-rate (n=24): 83.3 truthfully reported; 8.3% inflated; 8.3% deflated,
Truth-proportional (n=56): 100% truthfully reported

<table>
<thead>
<tr>
<th></th>
<th>Actual Quiz Score</th>
<th>Feedback Inflation</th>
<th>Feedback Value</th>
<th>Client’s reported Happiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportional ($0.5 / point)</td>
<td>4.92</td>
<td>1.55</td>
<td>6.47</td>
<td>6.33</td>
</tr>
<tr>
<td>Flat-rate ($3, any feedback)</td>
<td>4.75</td>
<td>0.08</td>
<td>4.83</td>
<td>4.37</td>
</tr>
<tr>
<td>Truth-proportional ($0.5 / point only if feedback is truthful)</td>
<td>4.93</td>
<td>0</td>
<td>4.93</td>
<td>4.91</td>
</tr>
</tbody>
</table>
**Study 4: Conditional Altruism**

- Client wants to benefit the agent only when she is ahead of the agent in cash earnings
  - Client’s altruism is conditional on the premise that she makes more money than the agent

**Study 4:**
- Manipulate relative positions in earnings

<table>
<thead>
<tr>
<th>Actual Quiz Score</th>
<th>Agent’s Feedback</th>
<th>Client’s Happiness</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.33</td>
<td>6.02</td>
<td>7.08</td>
</tr>
</tbody>
</table>

**Proportional condition**
- Agent earns 50¢ per happiness point
- Client earns $1 per correct answer

**Swap Payoff condition**
- Agent earns $1 per happiness point
- Client earns 50¢ per correct answer
The Opportunism-Overconfidence Hypothesis

Agent inflates feedback because he wants to make more money
- Opportunistic agent inflates feedback only if he can benefit by doing so – Study 6

Client is truly happier
- Why does she believe in the feedback?
- Client is over-confident. Feedback inflation matches with client’s own forecast – Study 5

The agent inflates feedback (and earns more).

The client reports being happier.
### Study 5: Findings

Proportional condition (n=64): 40% inflated  
Truth-telling condition (n=32): 0% inflated  

<table>
<thead>
<tr>
<th></th>
<th>Actual Quiz Score</th>
<th>Client’s Own Prediction</th>
<th>Agent’s Feedback</th>
<th>Client’s reported Happiness</th>
<th>Agent’s Payoff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportional</td>
<td>4.93</td>
<td>6.23*</td>
<td>6.08*</td>
<td>6.28</td>
<td>$3.14</td>
</tr>
<tr>
<td>Truth-telling</td>
<td>5.07</td>
<td>--</td>
<td>5.07</td>
<td>4.25</td>
<td>$3.00</td>
</tr>
</tbody>
</table>

*Not statistically different, both at the individual level and group level

Regression: Feedback = 0.919 * Performance Prediction, R^2 = .89
Study 6: Validation Study

- Opportunistic agent inflates feedback only if he can benefit by doing so

- Design:
  - Proportional condition:
    - agent paid based on ex-post happiness
  - Truth-telling condition

AGENT

CLIENT

- Performance
- Feedback
- Ex-post Happiness
- Finds out actual performance
## Study 6: Findings

**Proportional condition (n=64):**
- 67.2% truthfully reported
- 9.4% inflated
- 23.4% deflated

**Truth-telling condition (n=32):**
- 100% honestly reported

<table>
<thead>
<tr>
<th>Quiz Score</th>
<th>Agent’s Feedback</th>
<th>Client’s Happiness (intermediate)</th>
<th>Client’s Happiness (Ex-post)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportional</td>
<td>5.66</td>
<td>5.39</td>
<td>5.09</td>
</tr>
<tr>
<td>Truth-telling</td>
<td>5.03</td>
<td>5.03</td>
<td>4.34</td>
</tr>
</tbody>
</table>

More on feedback deflation:

- **Deflation does not change ex-post happiness**
  - Deflation: beta =0.31, p = .30
  - Actual Math quiz performance: beta = .56, p < .01
Findings: Study 1 – Study 6

Inflates feedback because he believes that he can benefit from doing so.

Can make more money from happier client

Would the agent inflate feedback when:
1. the feedback is consequential?
2. the truth is not “stretchable”? (“Honest” people lie by stretching the truth; Mazar et al. 2008; Schweitzer and Hsee 2002)
Study 7: Feedback Giving when the Truth is not “Stretchable”

- Agent learns about Client’s performance as “bad” (0-5 correct) or “good” (6-10 correct)
- Agent gives feedback as “Good” or “Bad”

<table>
<thead>
<tr>
<th>Truth-Telling Condition</th>
<th>Feedback: Bad</th>
<th>Feedback: Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual: Bad</td>
<td>23</td>
<td>0</td>
</tr>
<tr>
<td>Actual: Good</td>
<td>0</td>
<td>33</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proportional Condition</th>
<th>Feedback: Bad</th>
<th>Feedback: Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual: Bad</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Actual: Good</td>
<td>2</td>
<td>23</td>
</tr>
</tbody>
</table>
Study 8: Giving Consequential Feedback

Stage 1. Math Quiz 1 (UNPAID)
C answers 10 SAT questions in 15 minutes
No monetary consequence

Stage 2. Feedback Communication
A gives C feedback about her Quiz 1 performance

Stage 3. Emotional Reaction
C indicates happiness (0 - 10)

Stage 4. Math Quiz 2 (PAID)
C answers 10 SAT questions in 15 minutes
C chooses two payment schemes:
- Performance-based $1 for each correct answer
- $5 fixed fee
Study 8: Findings

Stage 1. Math Quiz 1 (UNPAID)
Average no. of correct ans. = 5.51*

Stage 2. Feedback Communication
Average feedback value = 6.69*  
*p < .01

Stage 3. Emotional Reaction
Happiness = 6.64

Stage 4. Math Quiz 2 (PAID)
Choice of performance-based scheme increases with feedback favourability  
\beta = .31, p < .01

n = 80
Extensions

• When there are more than one agent
  – Degree of overlap of information
  – Sequential versus simultaneous
• Feedback strategy space
  – Continuous versus categorical
• Degree of information
  – Complete versus incomplete
  – Granularity of information
• Equilibrium analysis of feedback giving game without common belief
• Effect of physical appearance
  – Client’s physical appearance
  – Agent’s physical appearance