

FEEDBACK GIVING



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Giving and Receiving Feedback in Real Life

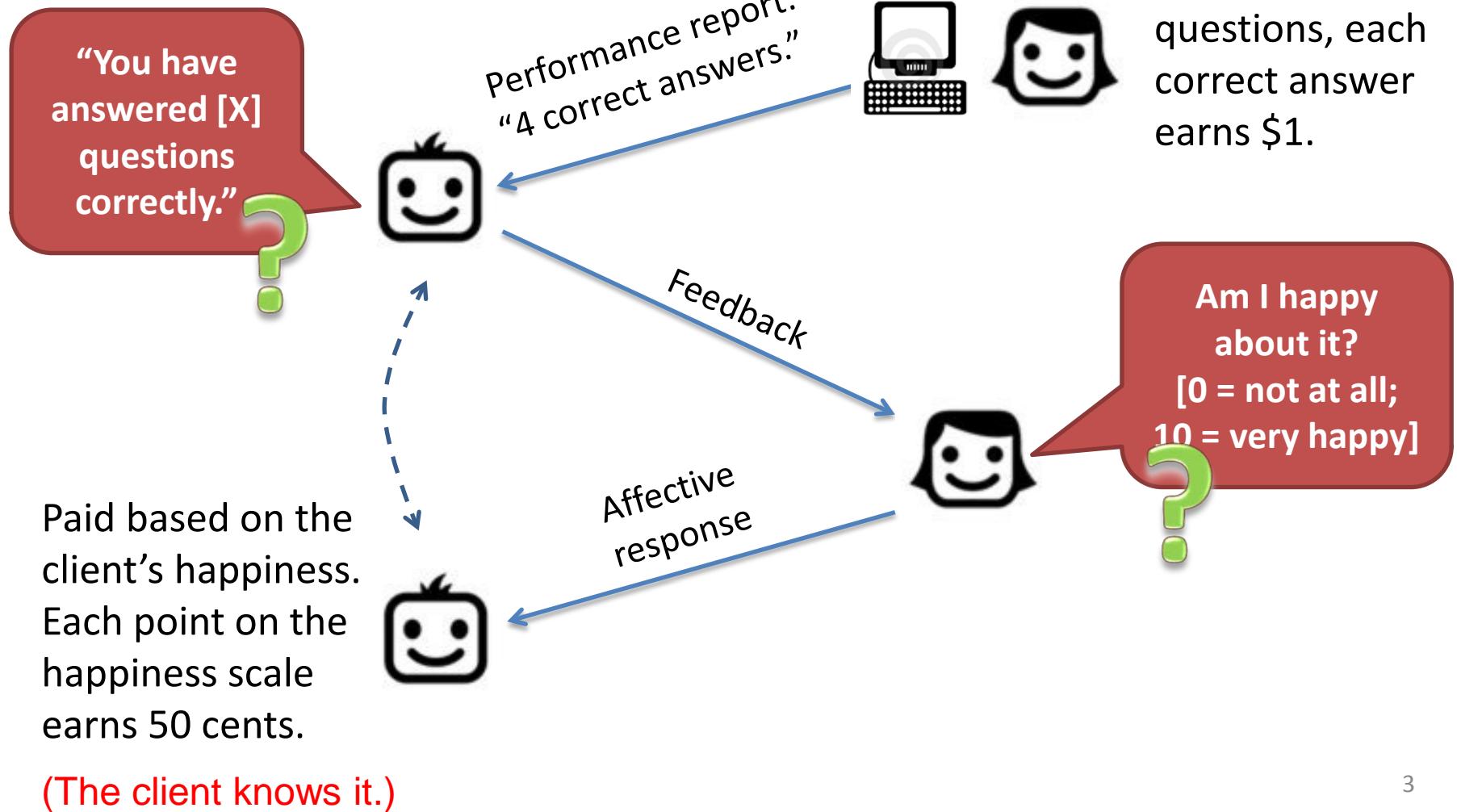
Examples of one-shot feedback giving and receiving interaction:



"It looks exactly like the picture in the recipe book except for the burnt bits."

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Feedback Giving Game



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



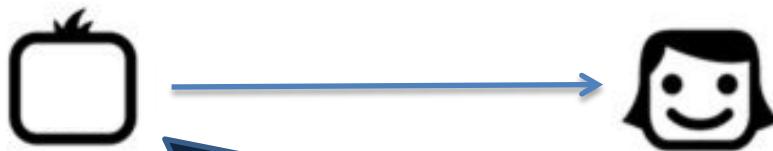
Literature Review in Psychology

- 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)

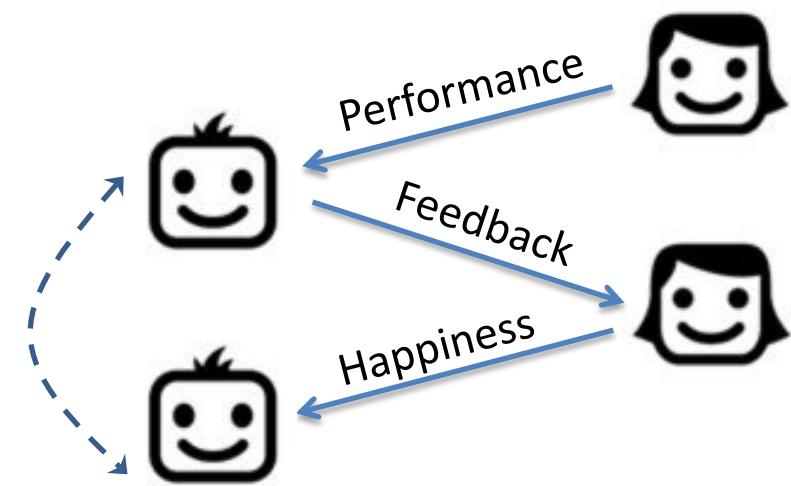


“...you are a fashionable and stylish person. Your dress sense is classy and chic....”

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

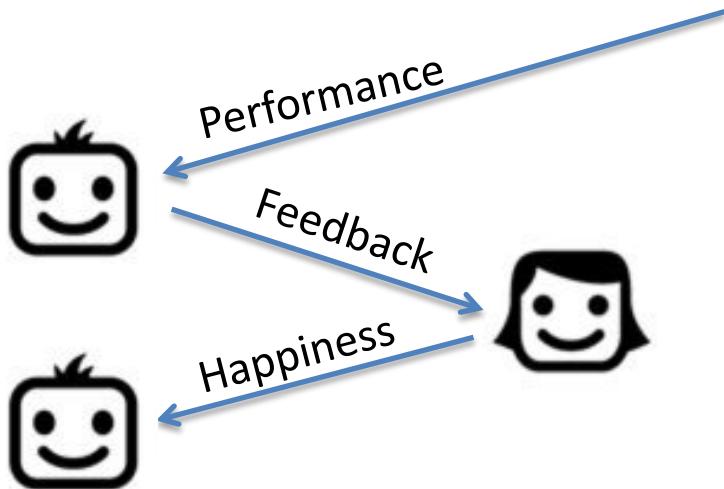
Our research

- Simultaneously examine the agent's decision and the client's response
- **Does the agent inflate feedback, if yes, does it work, and why?**



Study 1: Procedure

AGENT



CLIENT

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.

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

Study 1 - Findings

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

Proportional condition (n=64):

60% inflated feedback,
40% truthfully reported

Truth-telling condition (n=40):

100% truthfully reported

	Actual Quiz Score	Feedback Inflation	Feedback Value	Client's Happiness
Proportional condition (\$0.5 per happiness point)	5.25	1.72	6.97	6.25
Truth-telling condition (\$3 if feedback is truthful)	4.88	0	4.88	4.18
Difference	n.s.		2.09 (p<.01)	2.07 (p<.01)

- 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]

Provides an unbiased measure
of happiness

Client determines agent's payoff [1-10], each point earns the agent 50¢

Study 2: Validating Happiness Measure

Conditions	Actual Quiz Score	Agent's Feedback	Client's Happiness	Client's decision of Agent's payoff
Truth-telling (\$3 if truthful)	5.23	5.27	4.63	--
Proportional (50¢ / happy point)	4.84	6.00	6.14	--
Decoupled	5.15	6.35	6.35	7.73

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)

- as a “White lie” (Erat and Gneezy 2012)
- evidence of costly altruistic behavior
from dictator games

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

Two New Conditions for the Next Study:

Agent is paid \$3 for any feedback

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

Study 3: Testing the Altruism Hypothesis

Testing Agent's Altruistic Motive

Proportional Condition

Agent paid based on Client's Happiness
\$0.5 / happiness scale point

Testing Client's Altruistic Motive

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

	Actual Quiz Score	Feedback Inflation	Feedback Value	Client's reported Happiness
Proportional (\$0.5 / point)	4.92	1.55	6.47	6.33
Flat-rate (\$3, <i>any</i> feedback)	4.75	0.08	4.83	4.37
Truth-proportional (\$0.5 / point <i>only if</i> feedback is truthful)	4.93	0	4.93	4.91

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

	Actual Quiz Score	Agent's Feedback	Client's Happiness
Proportional condition	4.53	6.02	7.08
Swap Payoff condition	5.05	6.27	6.43

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



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

- 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

Study 5: Findings

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

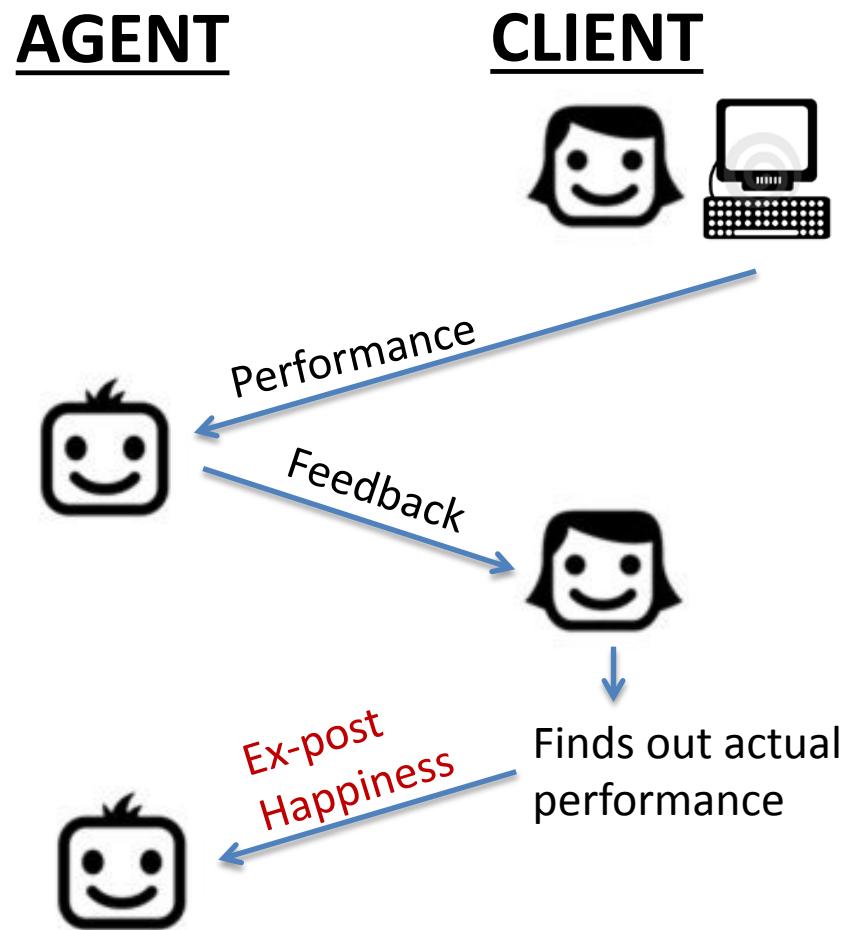
	Actual Quiz Score	Client's Own Prediction	Agent's Feedback	Client's reported Happiness	Agent's Payoff
Proportional	4.93	6.23*	6.08*	6.28	\$3.14
Truth-telling	5.07	--	5.07	4.25	\$3.00

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

Regression: Feedback = 0.919 * Performance Prediction, R² = .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



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

	Quiz Score	Agent's Feedback	Client's Happiness (intermediate)	Client's Happiness (Ex-post)
Proportional	5.66	5.39	5.09	5.73
Truth-telling	5.03	5.03	4.34	4.22

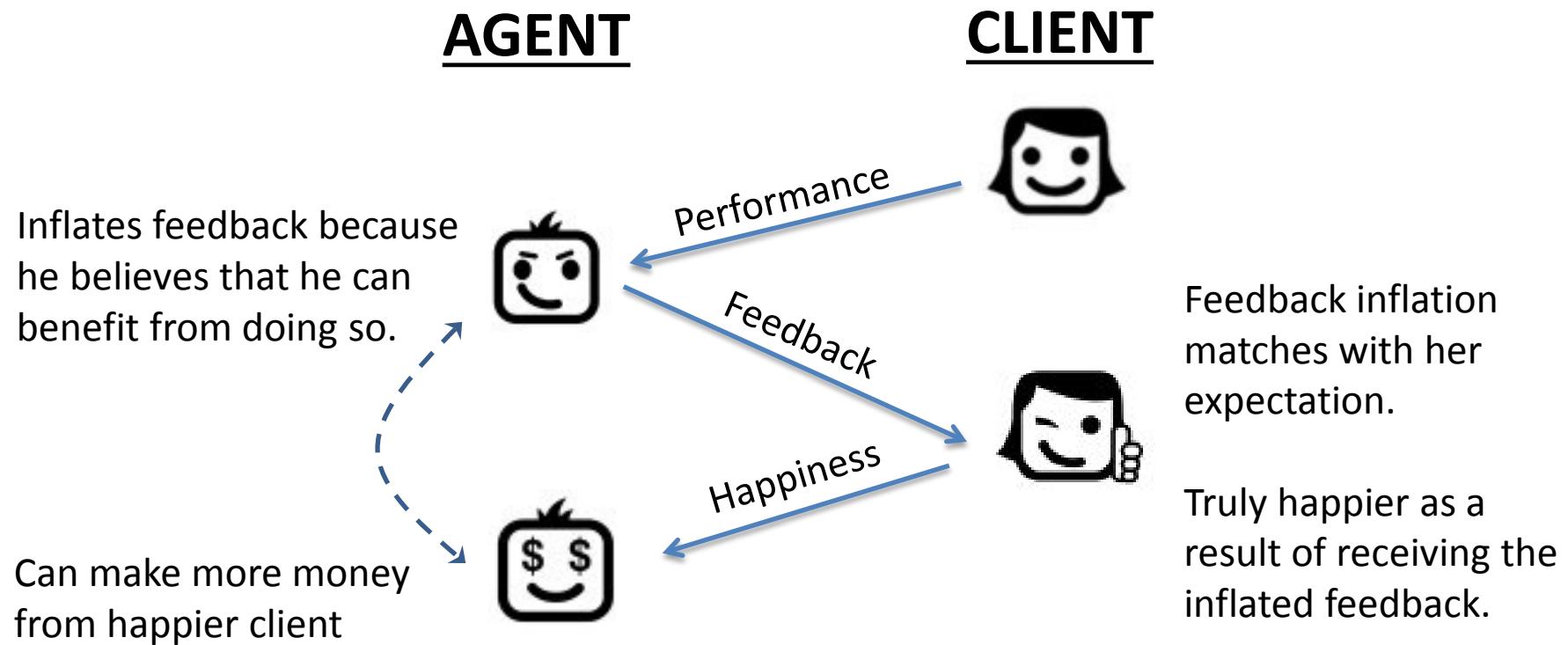
More on feedback deflation:

- ❖ 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



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”

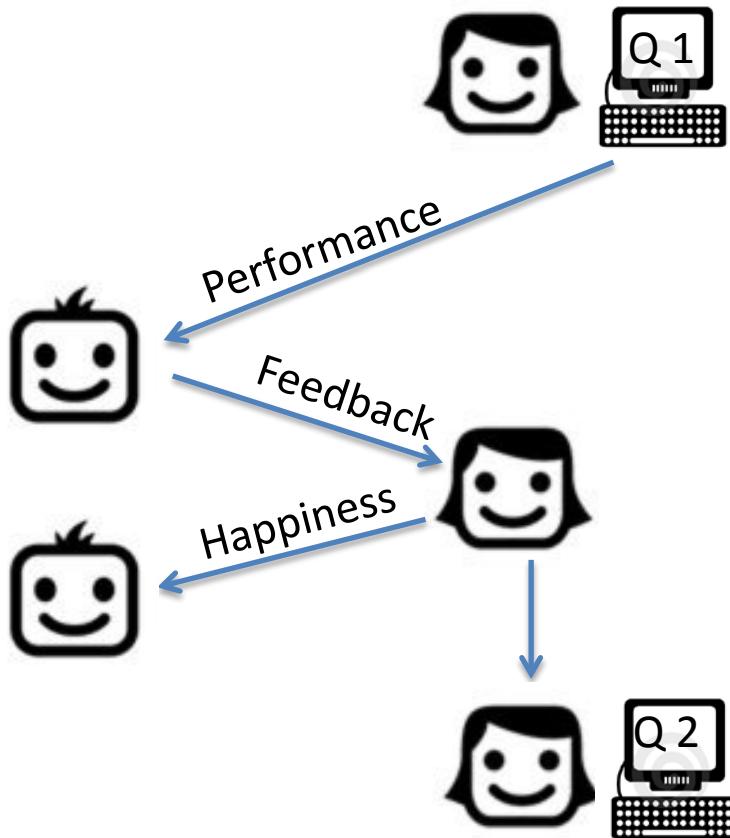
- Agent learns about Client’s performance as “bad” (0-5 correct) or “good” (6-10 correct)
- Agent gives feedback as “Good” or “Bad”

Truth-Telling Condition		Feedback: Bad	Feedback: Good
	Actual: Bad	23	0
	Actual: Good	0	33
Proportional Condition		Feedback: Bad	Feedback: Good
	Actual: Bad	17	18
	Actual: Good	2	23

Study 8: Giving Consequential Feedback

AGENT

CLIENT



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)

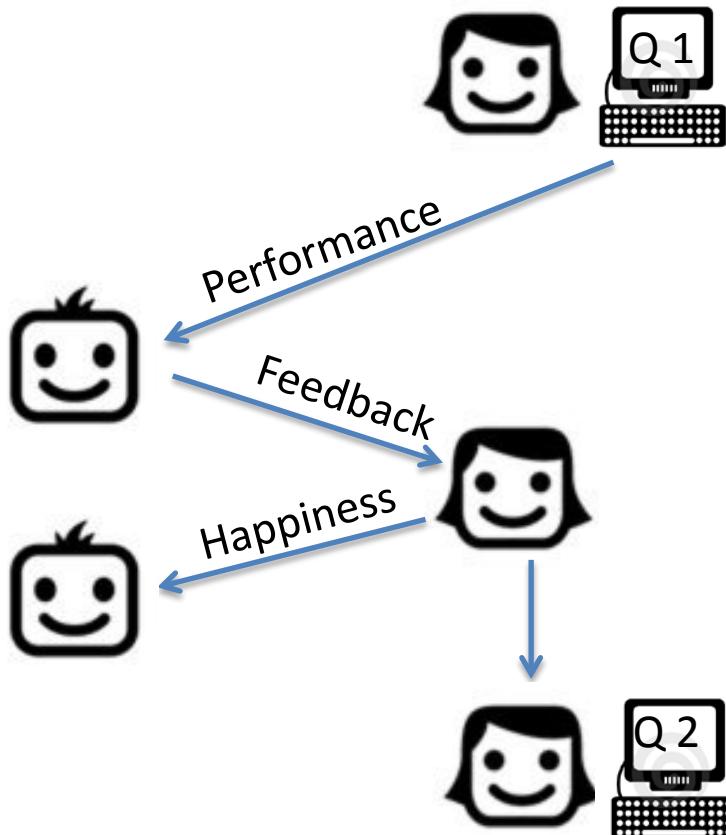
C answers 10 SAT questions in 15 minutes
C chooses two payment schemes:

- Performance-based \$1 for each correct answer
- \$5 fixed fee

Study 8: Findings

AGENT

CLIENT



n = 80

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, $p < .01$

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