



Our Take:

OG's Point-of-View On Best-Seller Business Books

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In This Edition We Review

SWAY

The Irresistible Pull of Irrational Behavior

Ori Brafman and Rom Brafman

A Little Background

The New York Times Bestseller *SWAY* was written by two brothers, one a Stanford-educated MBA and Organization Expert, the other a Ph. D in Psychology. Both have been featured in the Wall Street Journal, Financial Times and other national media outlets. Fast Company named *SWAY* one of its Top Ten books for 2008 and it is currently one of the top selling marketing books on Amazon.

The book arose out of the brother's recognition of the prevalence of irrational behavior in their respective fields. They postulate that irrational behavior is a result of irrational thinking...thinking that is "swayed" by unrecognized psychological influences. The book attempts to define those influences and provides a brief section on strategies to countermand them as they arise.

The Basic Premise

Throughout the book, the Brafman brothers provide several anecdotes, case studies and research reviews to illustrate the reasons why we are so susceptible to sway.

One of the most powerful drivers of irrational behavior is loss aversion. According to the Brafmans, we tend to overreact to perceived losses. We're even willing to make certain sacrifices in order to avoid a potential loss. It's the reason we buy extra insurance when we rent a car...and the more there is on the line, the greater the aversion to loss. Oftentimes, when the stakes are high, another driver of irrational behavior kicks in...commitment.

Commitment refers to the pervasive pull of an investment of time or money into a particular project or relationship. It becomes difficult to let go even when it is clear that things aren't working out. The Brafmans argue that, individually, loss aversion and commitment can have a powerful effect on us. When they are combined, it becomes even harder to break free of their influence. As an example, the Brafmans recount a game that one Harvard professor plays with his MBA students. The professor holds up a \$20 bill and offers it up for auction. He imposes only two rules: bids must be made in \$1 increments and the runner up in the auction must honor his/her bid, even though the winner receives the \$20. When bids begin to reach the \$12-\$16 range, everyone but the two highest bidders drop out. As the bidding increases, neither bidder wants to be the runner up and pay for nothing. Over the years, the professor has seen the bidding go from \$18 to \$23 to \$50 and more. The record bid was \$204. This exercise illustrates how commitment and loss aversion drive irrational behavior to the point of being ridiculous.

Another factor that influences our irrational behavior is value attribution, namely, imbuing certain qualities on something based on its perceived value. The reason value attribution causes us to behave irrationally is that it changes our perception of any succeeding information, thus changing our reactions. The challenge, according to the Brafmans, is that once we attribute a value to something, it's very hard to view it in any other way.

Yet another way we are swayed into irrational behavior is by our sense of "procedural justice." Procedural justice is a problem when we act based on the perceived fairness of a process, rather than its outcome. The authors cite case studies where, oftentimes, satisfaction is based more on the perceived fairness of a deal rather than on the ultimate outcome.

Finally, the Brafmans suggest that group dynamics play a large part in irrational behavior. Reasonable thinking becomes skewed as a result of peer pressure. They cite one experiment where a group of people were shown three lines on a poster and asked to indicate which line was longer. In each group, there was really only one test subject. The rest were actors who were coached to pick the shortest line.

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Despite the fact that one line was obviously longer than the others, the test subjects picked the smaller line almost every time. When asked why, the test subjects indicated that they had started to doubt their own judgment or didn't want to appear contrary.

Where We Agree

We agree wholeheartedly with the Brafmans in suggesting that irrational responses are often the real, and more powerful, drivers that sway our behavior. Ironically, traditional market research methodologies utilize surveys and focus groups to gain insight into consumer attitudes and behaviors. The challenge with traditional surveys is that they ask people to provide a rational answer to a rational question (e.g., "Which of the following product features is most important to you in determining which product you choose?"). Focus groups provide a lot of qualitative information, but that information can be skewed depending on the personalities in the room.

In recognition of the impact of the irrational on consumer behavior, OG often recommends specific tools to measure irrational responses to marketing messages. Often we uncover surprising insights about purchase drivers that become the basis for successful marketing programs.

Our Top 10 Quotes from SWAY

"Here's where commitment merges with the sway of 'value attribution': our tendency to imbue someone or something with certain qualities based on perceived value, rather than on objective data." P. 48-49

"Once we attribute a certain value to a person or thing, it dramatically alters our perceptions of subsequent information. This power of value attribution is so potent that it affects us even when the value is assigned completely *arbitrarily*." P. 55

"Value attribution is such a strong force that it has power to derail our objective and professional judgment." P. 63

"When the undercurrent of value attribution takes hold, it completely distorts our decision making." P. 64

"Men who received a picture of one of four smiling women were much more likely to sign up for a loan than were the men who received a picture of a smiling man. According to the study, the magnitude of this effect is "about as much as dropping the interest rate 4.5 percentage points." P 85

"Imagine how many buying decisions we make for similarly irrelevant reasons – do you really think that we'll get a better deal or product from a company whose ad features a spokes-gecko or a "priceless" slogan?" P.85

"This intersection of economics, biology and psychology regularly plays out in our everyday lives." P. 143

"Managers, parents and, of course, economist have long operated under the assumption that monetary incentives increase motivation. But psychologists are beginning to discover that the connection between the two are trickier than it first appears." P. 135

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“Something strange happens when you put people in groups. They take on new roles, form “in group” alliances, get swept up by extreme stances, and succumb to peer pressure. In a group setting, the reasonableness of our thinking can be distorted and compromised.” P. 150

“Living in a time when we can predict hurricanes, treat diseases with complex medical interventions, map the universe, and reap the benefits of systemized business approaches, it’s easy to forget that under the surface we humans are still influenced by irrational psychological forces that can undermine a logical perspective of the world around us. The fact is, all of us are swayed at times by factors that have nothing to do with logic or reason.” P. 180

OG's 1-9 Rating

On a scale from 1-9, we give SWAY an 8.

While we agree with the premise of the book, we were disappointed that more attention wasn't given to managing “sway,” especially in business. The book is long on diagnosis and short on cure.

In short, SWAY is an enjoyable read. Its insights are applicable to both business and personal decisions alike. In fact, you may want to “sway” your friends and co-workers to pick it up.