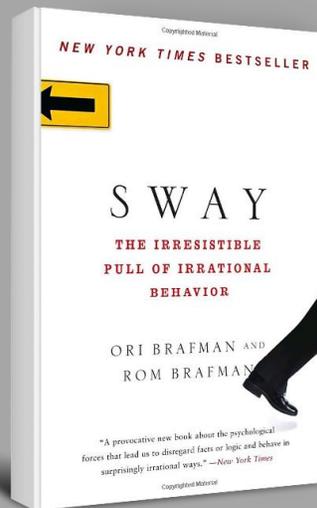


Matthew R Mottola



SWAY

The Science of Irrationality





Let's Connect!

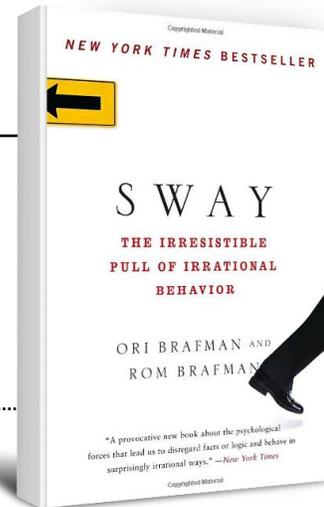


Sway, Ori Brafman and Rom Brafman

My Rating (From 0-5)



Complexity (From 0-10)



Summary

Consider this your cheat sheet to heuristics.

What are heuristics?

“A growing body of research reveals that our behavior and decision making are influenced by an array of such psychological undercurrents and that they are much more powerful and pervasive than most of us realize”

Heuristics are these undercurrents.

In *Sway*, the authors give us an in-depth discussion of these heuristics and the implications. However, I think you can create your own inferences and be heuristic masters without the whole 200 pages.

My Takeaway

Heuristics are something you should always carry in your back pocket. They are the invisible forces framing every decision we make, and whether making a decision for yourself or attempting to solicit a specific decision, heuristics are generally the root drivers of every situation.

The Heuristics

1: Anchoring: Basing a decision off of what's given.

For example, I tell you it's generally \$500 but I'll give it to you for \$300. You say "what a deal" when in reality it's worth \$200, I just anchored you to think it was around \$500.

2: Loss Aversion: Going to great lengths to avoid loss

The authors give us an example of a horrible plane crash from one of the most experienced pilots. This pilot was an industry hero, known for never being off more than 15 minutes.

However, this specific time weather mixed with the inadequacy of an airport told him this flight would be his outlier.

Unbeknownst to common sense, the pilot kept the plane on the runway for upwards of 4 hours, and instead of just calling it a night and flying when the weather cooperated, he took off and immediately the plane crashed.

This is no different than a gambler...or even worse...the first time investor!

"Most people play not to lose instead of maximizing gains"

3: Commitment Bias (Sunk-Cost Trap): Not knowing when to quit. Think of relationships. You know it's toxic, yet you've been so committed that the commitment bias blinds rationality.

***The combination of loss aversion and commitment bias breeds a war of attrition strategy due to a compounding effect.

4: Value Attribution: Our inclination to look up to a person or product based on initial perceived value.

The problem is generally we see something based off how WE want it instead of what's there.

Think relationships...I know another relationship example. But how many times have you seen one partner try to "change" the other. Instead of seeing that partner for who they are, they see them for who they want them to be and a year into it end up trying to "change" the person.

This heuristic is as relevant with relationships as with a business decision.

The trap is due to perceived value vs. real value. We so often give into the noise instead of understanding the truth. A better example, falling for a cause rather than the truth. We fall to who has the best story instead of who is the best.

Why does this exist?

The authors talk of thinking horizontally versus in depth. In horizontal, we see a discount and say YAY. In depth, we see a discount and ask what the real meaning is.

5: Halo Effect: Glorifying all of a person based off one characteristic. For example, she's very attractive, thus she must be really smart and put together.

The Halo Effect can permeate the value attribution effect if what WE see in someone then makes them glorified based off our personal perception.

For example, he is well dressed, thus he must be smart. Since he's smart, he's very trustworthy and I should hire him and put lots of trust and responsibility in him.

Two years into his tenure you realize he's been laundering money through your company. If you hadn't been blinded by value attribution because of his slick outfit, you wouldn't have applied the halo effect in thinking he was the most loyal person. You also might have realized he wasn't nice to your assistant and noticed he parked in a handicapped spot.

6: Diagnosis Bias: Blindness to all evidence that contradicts our initial assessment.

7: Confirmation Bias: The fuel to diagnosis bias, our bias to confirming what's known instead of accepting what's unknown.

7: Chameleon Effect: I call it our internal confirmation bias.

With the chameleon effect, **we start believing what people label us as**. For example, if I spoke of how bright you were before you took a test, research shows you'd have a higher score than if I told you nothing or that you were unintelligent.

Two effects take place:

- **Pygmalion Effect:** Taking on positive traits
- **Golem Effect:** Taking on negative traits

What's dangerous is that this molding process becomes self-perpetuating.

8: Procedural Justice: We value fairness generally over the actual result, so if something happens we look at the process over the outcome.

Disclaimer: In international business it is widely accepted within some cultures to put result over outcome.

9: Intrinsic Motivation: Altruism (helping) and pleasure don't co-exist. The authors refer to them as two engines that can't run simultaneously.

Once you mix pleasure incentives, for example a monetary bonus, altruism functions are shut off. This supports the science behind Daniel Pink and his work on intrinsic motivation.

What's more? Pleasure eats altruism since if given the choice, pleasure would be chosen every time.

MATTHEW  R

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