

Think Like a Freak

SUMMARY – TEAMSTRENGTH – NOVEMBER 2014



Overview

- Book by authors of Freakonomics – Steven D. Levitt & Stephen J. Dubner
- Conclusions
 - Incentives are the cornerstone of modern life.
 - Knowing what to measure and how to measure it can make a complicated world less so.
 - The conventional wisdom is often wrong

Correlation does not equal causality



- Married people are happier – but what does that mean?
- Does it mean marriage causes you to be happier? Or does it mean you're more likely to get married if you're happy?
- Who wants to marry a grump?

Where do you aim?

World cup tied out of time – you have the game-deciding penalty kick to make

Goals jump left 57% of the time

Right 41% of the time

Center – 2%

75% chance you'll make it left or right

82% chance you'll make it center

The player never chooses center because if the goalie catches it, he looks like an idiot of kicking it right to him. He chooses personal gain over the greater good.



Private Benefit > Greater Good



Top 10 Ways to Think Like A Freak



#1

- Learn the three hardest words in the English language



**I don't
know**

Predictions fail – a review of 6000 stock market predictions made by experts – 47.4% accurate... less than 50/50

#1 (cont'd)

Don't be **dogmatic**

Or engage in

Ultracrepidarianism



#2



- Retailer – 250 markets – Sunday ads in the newspaper – effective? Test it!
- The CEO would kill us... remember Pittsburgh... forgot to place the ads all summer – guy got fired.
- What happened? We never looked... no impact on sales
- Test in more markets? No, the CEO would kill us!

Experiment

#3

Change the **Question**

Takeru Kobayashi – Kobi

- Wanted to challenge the record – 25 1/8 – HDBs
- How do I eat more hot dogs? NOPE – How do I make hot dogs easier to eat?
- His winning number... 50



#3 (con't)

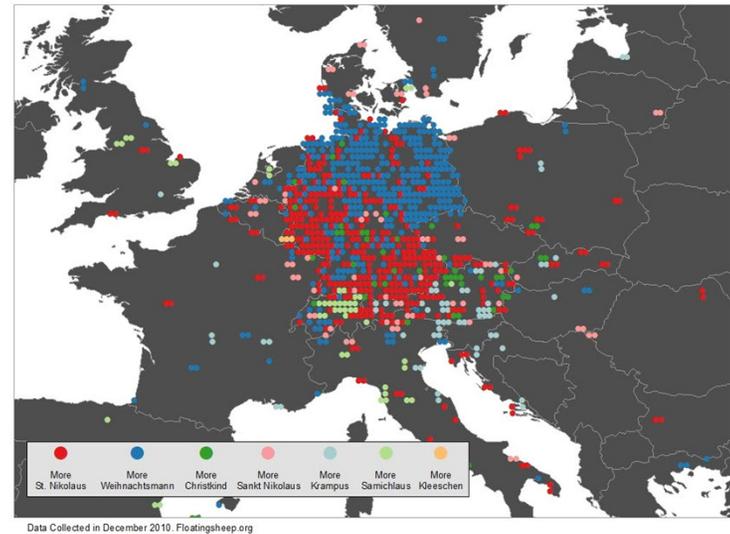
Or reset mental **Limitations**



- Cyclists asked to bike 4000 meters as fast as they could – then asked to keep up with their pace again while watching an avatar of their earlier performance.
- They were able to keep up – even though the avatar was speeded up. They believed they could go faster because they already did that speed (they thought)

#4

Figure out the **Root Cause**



Hypertension in US and Caribbean blacks – populations started with slavery – Africans with natural salt retention better able to survive the arduous journey by ship

Germany – Higher earnings in protestant areas versus catholic areas – rooting back to the reformation in 1500s

#5

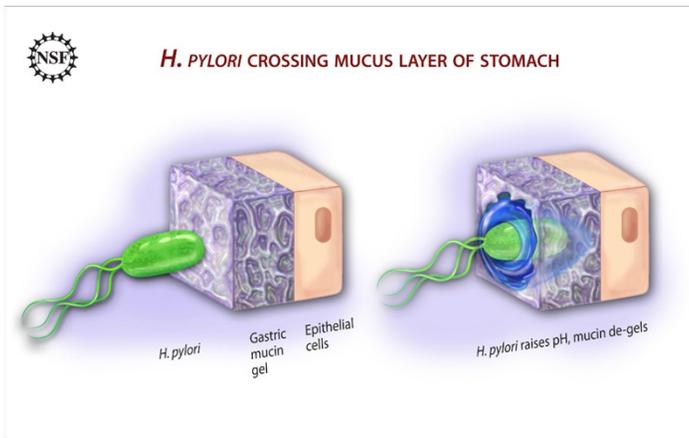
Think **Small**

- Less asked
- Solve one piece of the problem
- It's easier to change small things
- You have better certainty with small changes



#6

Don't be afraid of the **Obvious**



- The old thinking on ulcers – stress and stomach acid causes them...
- Then one scientist did research and said.... ‘what is all this acid in the stomach for?’ finally ingested it himself to see if he could prove it was involved in causing ulcers

#7

Make it **Fun**

- Prize-linked savings – basically lottery for those who save – lower income people spend on the lottery rather than save – think it's their best chance (it's not)
- PLS makes it a game – takes a small percentage of interest and pools it to do big awards... \$100k to someone with \$75 bucks in their savings account.

More than
**Fun &
Games**
Models to Scale
Prize Linked Savings

#7 (cont'd)

Think like a **Kid**

- Be easily distracted – you notice more
- Don't buy into dogma
- Be genuinely curious
- React more quickly
- Don't overthink it



#8

Master **Incentives**

Carefully



- Petrified forests – people taking wood. So they put up a sign and test it on some trails seeded with bits of wood.
- “Your forest is disappearing - 14 tons a year have been taken a small piece at a time... protect the forests” the trails with signs had 3 times the theft
- Incentives for cobra skins in India to control the population – led to breeding of the snakes!

#9

Teach your garden to **Weed Itself**

- David Lee Roth – NO BROWN M&Ms – check this first – if there were brown ones, he knew they didn't pay attention in the rest of the set-up and his team could be in danger.
- Solomon – cut the baby in half – the real mother protected the child
- Zappos – pay you to quit
- Nigerian scam – screens for gullible
- Suicide bombers won't buy life insurance from their bank (authors of Freakonomics) – helped identify them



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#10

Quit

Get over

- Dislike of failure
- Loss of sunk costs
- Take advantage of opportunity cost

Do a **PreMortem**

Sometimes we are happier when we quit and make a change...

