

Experimental Instructions

Fixed-Collective Condition

Condition name blanked out in actual sessions

Introduction

- Welcome to the experiment. **Please note that you are not being deceived and everything you are told in the experiment is true.**
- The experiment is about how teams use information to make decisions.
- In this experiment, you will read descriptions about three companies and evaluate their investment worthiness.
- The whole experiment will last for approximately an hour.
- You are part of a four-person team. You will remain in the same team through out the experiment.
- Each of you will receive a monetary compensation in cash at the end of the experiment.
- Please only talk to other team members during the designated time for discussion.
- Please do not engage in other activities during the experiment, such as texting on your cellphone or reading your textbook.
- If you have a question, please raise your hand. If you have completed your task early, please wait patiently for other participants to finish.
- The following sections provide details about the tasks, and how your payments are calculated.

Task Description

Stage 1 Pre-discussion

- You will spend the next 12 minutes reading the available information about three companies. One of these companies is the best long-term investment among the three. Your task is to evaluate which one of them will be the best **long term investment**.
- Please note that *you may or may not have the same information as your team members*.
- There are a number of key factors that you should consider carefully when making your decision:
 1. Focus on long term investments, i.e., for a period of five years.
 2. Consider the likelihood of you actually getting the estimated return, in the long run.
 3. The growth potential of each company's market.
 4. The quality of the company's management team and labor force.
 5. The company's general strategy and business policies.
- Please evaluate each company based on the information given, and avoid relying on your prior knowledge or perception of the companies' industries.

We have now completed instructions for Stage 1. The experimenter will now pass out files for the case. Please feel free to write on the case files.

Stage 2 — Discussion

- Next, your team has up to 15 minutes to discuss and come to a group decision. The experimenter will leave the room during the discussion. Please knock on the window if you are done discussing early.
- Your task is to report, *as a team*, your assessment of the probabilities that each of the three companies will be the best investment. Specifically, your team will report three numbers (a percentage for each company) that add up to 100%.
- Team member 1 will be the team's "record keeper" throughout the experiment. After the team reaches a decision, the record keeper should be ready to enter the team's decision onto the computer, and type in a rationale (in a few sentences) summarizing the reasons for the team's decision.
- Please assume that all information given in the company descriptions is true.

Stage 3 — Post-discussion

- Next, each team member will report their individual probability assessments for each of the three companies again. One does not have to report the same probabilities as the team's assessment. You will also enter your rationale for the probabilities you assigned to the three companies. (You will have 5 minutes to complete these two tasks.)
- Finally, you will be provided with a breakdown of all the information items in the companies' profiles you just read. Please rate each one of them on whether you regarded it as positive ("+"), negative ("-"), or neutral ("0") when you made your investment choice. (You will have 8 minutes to finish this task.)

Your Payment

Each team member will be paid a fixed amount of \$15 in cash, which includes a show-up fee of \$5 and a \$10 compensation for your participation.

Review Questions

To help you understand the experimental process, we will go over a number of review questions about the following made-up example.

1. There are three decision alternatives, company X, Y, and Z. If you believe that the probabilities of company X and Y being the best investment are 30% and 40% respectively. What is your belief of company Z's probability of being the best investment?

- (a) 15%
- (b) 10%(c) 30%
- (d) 70%

2. Which of the following statements is correct?

- (a) The payment I will receive today does NOT depend on my decision or my group's decision.
- (b) The payment I will receive today depends on my decision or my group's decision.
- (c) All I will receive today is a show-up fee of \$5.
- (d) The payment I will receive could be different from what other members of my team receive.

Experimental Instructions

Performance-Collective Condition

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 3. The growth potential of each company's market.
 4. The quality of the company's management team and labor force.
 5. The company's general strategy and business policies.
- Please evaluate each company based on the information given, and avoid relying on your prior knowledge or perception of the companies' industries.

We have now completed instructions for Stage 1. The experimenter will now pass out files for the case. Please feel free to write on the case files.

Stage 2 — Discussion

- Next, your team has up to 15 minutes to discuss and come to a group decision. Please knock on the window if you are done discussing early.
- Your task is to report, *as a team*, your assessment of the probabilities that each of the three companies will be the best investment. Specifically, your team will report three numbers (a percentage for each company) that add up to 100%.
- Team member 1 will be the team’s “record keeper” throughout the experiment. After the team reaches a decision, the record keeper should be ready to enter the team’s decision onto the computer, and type in a rationale (in a few sentences) summarizing the reasons for the team’s decision.
- Please assume that all information given in the company descriptions is true.
- Everyone on your team will receive the SAME payment. Your earnings will be calculated base on the probabilities that your team reports. Specifically, it is calculated as follows:
 - A few weeks ago, a group of 24 independent raters who had full information about all three companies had each voted for a company as the best investment. The distribution of their votes will not be revealed today but will be posted online after the experiment is over.
 - Based on the votes of these independent raters, the computer will randomly pick a company as the “**optimal choice**”. For example, if 90% of the independent raters thought company X was the best investment, there would be a 90% chance that company X will be the optimal choice.
 - You are paid based on the **accuracy** of your team’s probability assessment, judged against the optimal choice.
 - For example, suppose your team assigns a probability of 70% to company X, 20% to company Y, and 10% to company Z. If the optimal choice ends up being company X, each team member will be paid:

$$12\left(2 - \frac{(1 - 70\%)^2}{\frac{1}{24}} - \frac{(0 - 20\%)^2}{\frac{1}{24}} - \frac{(0 - 10\%)^2}{\frac{1}{24}}\right) = 22 \quad (1)$$

If the computer had chosen company Z to be the optimal choice, each team member will be paid:

$$12\left(2 - \frac{(0 - 70\%)^2}{6} - \frac{(0 - 20\%)^2}{6} - \frac{(1 - 10\%)^2}{6}\right) = 3. \quad (2)$$

- If you assigned 100% to the optimal choice, you will earn the highest possible payment, **\$24**. And if you assigned 0% to the optimal choice, you will earn the lowest possible payment, **\$0**. For any probability in between 0% and 100%, it is obvious that the higher the probability you assign to the optimal choice, the higher your earnings will be.
- To maximize your potential payment, **the best thing you can do is to simply state your true belief**. If you think there is a 90% chance that company A will be the best investment, assign 90% to company A. If you think there is a 67% chance that company A will be the best investment, assign 67% to company A. Each number you answer should be an integer between 0 and 100 and the three numbers for the three companies have to add up to 100.

Stage 3 — Post-discussion

- Next, each team member will report their individual probability assessments for each of the three companies again. One does not have to report the same probabilities as the team's assessment. You will also enter your rationale for the probabilities you assigned to the three companies. (You will have 5 minutes to complete these two tasks.)
- Finally, you will be provided with a breakdown of all the information items in the companies' profiles you just read. Please rate each one of them on whether you regarded it as positive ("+"), negative ("-"), or neutral ("0") when you made your investment choice. (You will have 8 minutes to finish this task.)

Your Payment

After completing the three stages, your payment will be announced. **All team members will receive the same payment**, which will be randomly picked from the following two amounts:

a show-up fee of \$5 + your payment based on your team's decision

or

a show-up fee of \$5 + an amount randomly generated between \$0 and \$24

Review Questions

To help you understand the experimental process, we will go over a number of review questions about the following made-up example.

1. There are three decision alternatives, company X, Y, and Z. If your team believe that the probabilities of company X and Y being the best investment are 30% and 40% respectively. What is your team's belief of company Z's probability of being the best investment?

- (a) 15%
 - (b) 10%(c) 30%
 - (d) 70%
2. Continuing question 1, given your team's beliefs from question 1 and how we calculate your payments based on your team's probability assessment, what should your team report for company Y's probability to be the best investment, so as to maximize each team member's potential payment?
- (a) 40%
 - (b) 10%(c) 30%
 - (d) 70%
3. Which of the following statements is correct?
- (a) The payment I will receive today will definitely NOT be affected by my group's decision.
 - (b) The payment I will receive today could be affected by my group's decision.
 - (c) All I will receive today is a show-up fee of \$5.
 - (d) The payment I will receive could be different from what other members of my team receive.

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Task Description

Stage 1 Pre-discussion

- You will spend the next 12 minutes reading the available information about three companies. One of these companies is the best long-term investment among the three. Your task is to evaluate which one of them will be the best **long term investment**.
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- There are a number of key factors that you should consider carefully when making your decision:
 1. Focus on long term investments, i.e., for a period of five years.
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 5. The company's general strategy and business policies.
- Please evaluate each company based on the information given, and avoid relying on your prior knowledge or perception of the companies' industries.

We have now completed instructions for Stage 1. The experimenter will now pass out files for the case. Please feel free to write on the case files.

Stage 2 — Discussion

- Next, your team has up to 15 minutes to discuss. Please knock on the window if you are done discussing early.
- The goal of the discussion is for you to exchange information and opinions with your team members, to help you make an informed **individual** decision about which company is the best investment.
- Please assume that all information given in the company descriptions is true, although each of you could have different pieces of information about the three companies.
- During the discussion, please keep in mind that after the discussion, each of you will be asked to report your assessment of the probabilities that each of the three companies will be the best investment.

Stage 3 — Post-discussion

- In the post-discussion stage, you will be required to assign a probability to each company to indicate how likely that it will be the best investment among the three. Specifically, you will report three numbers (a percentage for each company) that add up to 100%. You will also enter your rationale for the probabilities you assigned to the three companies. (You will have 5 minutes to complete these two tasks.)
- Finally, you will be provided with a breakdown of all the information items in the companies' profiles you just read. Please rate each one of them on whether you regarded it as positive ("+"), negative ("-"), or neutral ("0") when you made your investment choice. (You will have 8 minutes to finish this task.)

Your Payment

Each team member will be paid a fixed amount of \$15 in cash, which includes a show-up fee of \$5 and a \$10 compensation for your participation.

Review Questions

To help you understand the experimental process, we will go over a number of review questions about the following made-up example.

1. There are three decision alternatives, company X, Y, and Z. If you believe that the probabilities of company X and Y being the best investment are 30% and 40% respectively. What is your belief of company Z's probability of being the best investment?

- (a) 15%
- (b) 10%(c) 30%
- (d) 70%

2. Which of the following statements is correct?

- (a) The payment I will receive today does NOT depend on my decision.
- (b) The payment I will receive today depends on my decision.
- (c) All I will receive today is a show-up fee of \$5.
- (d) The payment I will receive could be different from what other members of my team receive.

Experimental Instructions

Performance-Individual Condition

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Introduction

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- The whole experiment will last for approximately an hour.
- You are part of a four-person team. You will remain in the same team through out the experiment.
- Each of you will receive a monetary compensation in cash at the end of the experiment.
- Please only talk to other team members during the designated time for discussion.
- Please do not engage in other activities during the experiment, such as texting on your cellphone or reading your textbook.
- If you have a question, please raise your hand. If you have completed your task early, please wait patiently for other participants to finish.
- The following sections provide details about the tasks, and how your payments are calculated.

Task Description

Stage 1 Pre-discussion

- You will spend the next 12 minutes reading the available information about three companies. One of these companies is the best long-term investment among the three. Your task is to evaluate which one of them will be the best **long term investment**.
- Please note that *you may or may not have the same information as your team members*.
- There are a number of key factors that you should consider carefully when making your decision:
 1. Focus on long term investments, i.e., for a period of five years.
 2. Consider the likelihood of you actually getting the estimated return, in the long run.
 3. The growth potential of each company's market.
 4. The quality of the company's management team and labor force.
 5. The company's general strategy and business policies.
- Please evaluate each company based on the information given, and avoid relying on your prior knowledge or perception of the companies' industries.

We have now completed instructions for Stage 1. The experimenter will now pass out files for the case. Please feel free to write on the case files.

Stage 2 — Discussion

- Next, your team has up to 15 minutes to discuss. Please knock on the window if you are done discussing early.
- The goal of the discussion is for you to exchange information and opinions with your team members, to help you make an informed **individual** decision about which company is the best investment.
- Please assume that all information given in the company descriptions is true, although each of you could have different pieces of information about the three companies.
- During the discussion, please keep in mind that after the discussion, each of you will be asked to report your assessment of the probabilities that each of the three companies will be the best investment.
- **The probabilities you report will affect your payment.** How your payment is calculated is explained below.

Stage 3 — Post-discussion

- In the post-discussion stage, you will be required to assign a probability to each company to indicate how likely that it will be the best investment among the three. Specifically, you will report three numbers (a percentage for each company) that add up to 100%. You will also enter your rationale for the probabilities you assigned to the three companies. (You will have 5 minutes to complete these two tasks.)
- Your earnings will be calculated base on the probabilities that you report. Thus most likely each of you will receive different amount of payment. Specifically, your payment is calculated as follows:
 - A few weeks ago, a group of 24 independent raters who had full information about all three companies had each voted for a company as the best investment. The distribution of their votes will not be revealed today but will be posted online after the experiment is over.
 - Based on the votes of these independent raters, the computer will randomly pick a company as the “**optimal choice**”. For example, if 90% of the independent raters thought company X was the best investment, there would be a 90% chance that company X will be the optimal choice.

- You are paid based on the **accuracy** of your probability assessment, judged against the optimal choice.
- For example, suppose you assign a probability of 70% to company X, 20% to company Y, and 10% to company Z. If the optimal choice ends up being company X, you will be paid:

$$12(2 - \underbrace{(1 - 70\%)^2}_X - \underbrace{(0 - 20\%)^2}_Y - \underbrace{(0 - 10\%)^2}_Z) = 22. \quad 32 \quad (3)$$

If the computer had chosen company Z to be the optimal choice, you will be paid:

$$12(2 - \underbrace{(0 - 70\%)^2}_X - \underbrace{(0 - 20\%)^2}_Y - \underbrace{(1 - 10\%)^2}_Z) = 3. \quad 6 \quad (4)$$

- If you assigned 100% to the optimal choice, you will earn the highest possible payment, **\$24**. And if you assigned 0% to the optimal choice, you will earn the lowest possible payment, **\$0**. For any probability in between 0% and 100%, it is obvious that the higher the probability you assign to the optimal choice, the higher your earnings will be.
 - To maximize your potential payment, **the best thing you can do is to simply state your true belief**. If you think there is a 90% chance that company A will be the best investment, assign 90% to company A. If you think there is a 67% chance that company A will be the best investment, assign 67% to company A. Each number you answer should be an integer between 0 and 100 and the three numbers for the three companies have to add up to 100.
- Finally, you will be provided with a breakdown of all the information items in the companies' profiles you just read. Please rate each one of them on whether you regarded it as positive ("+"), negative ("-"), or neutral ("0") when you made your investment choice. (You will have 8 minutes to finish this task.)

Your Payment

After completing the three stages, your payment will be announced. **Each team member may receive different amount of payment**, which will be randomly picked from the following two amounts:

a show-up fee of \$5 + your payment based on your decision

or

a show-up fee of \$5 + an amount randomly generated between \$0 and \$24 for each team member

Review Questions

To help you understand the experimental process, we will go over a number of review questions about the following made-up example.

1. There are three decision alternatives, company X, Y, and Z. If you believe that the probabilities of company X and Y being the best investment are 30% and 40% respectively. What is your belief of company Z's probability of being the best investment?
 - (a) 15%
 - (b) 10%(c) 30%
 - (d) 70%
2. Continuing question 1, given your beliefs in question 1 and how we calculate your payments based on your probability assessment, what should you report for company Y's probability to be the best investment, so as to maximize your potential payment?
 - (a) 15%
 - (b) 10%(c) 30%
 - (d) 40%
3. Which of the following statements is correct?
 - (a) The payment I will receive today will definitely NOT be affected by my decision.
 - (b) The payment I will receive today could be affected by my decision.
 - (c) All I will receive today is a show-up fee of \$5.
 - (d) All members of my team will definitely receive the same amount of payment.

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- Each of you will receive course credits according to your syllabus at the end of the experiment.
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Stage 2 — Discussion

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Stage 3 — Post-discussion

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 - (d) 70%

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- During the discussion, please keep in mind that after the discussion, each of you will be asked to report your assessment of the probabilities that each of the three companies will be the best investment.

Stage 3 — Post-discussion

- In the post-discussion stage, you will be required to assign a probability to each company to indicate how likely that it will be the best investment among the three. Specifically, you will report three numbers (a percentage for each company) that add up to 100%. You will also enter your rationale for the probabilities you assigned to the three companies. (You will have 5 minutes to complete these two tasks.)
- Finally, you will be provided with a breakdown of all the information items in the companies' profiles you just read. Please rate each one of them on whether you regarded it as positive ("+"), negative ("-"), or neutral ("0") when you made your investment choice. (You will have 8 minutes to finish this task.)

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 - (b) 10%(c) 30%
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