



Stop watching and start listening! The impact of coaching and peer observation in tournaments



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ABSTRACT

This paper uses experimental data to analyze how competitive behavior is influenced by coaching and peer observation. We study behavior in a sequential contest, considering information about the effort level of subjects in other contests (*observation of peers*) and information about the payoff-maximizing effort level (*coaching*) as treatment variables. Presentation of peer effort has a significant impact on the effort levels of first movers but not on second movers' effort levels. The decisions of second movers were positively influenced by coaching when this information was presented alone; however, when coaching was presented in combination with peer observation, this effect decreased.

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1. Introduction

1.1. Motivation and main results

The well-documented large variance in individual effort levels¹ in experimental tournaments suggests that participants have difficulty identifying optimal effort. Hence, competitors probably seek for additional information to assist their decision-making process. We present the results of an experiment that tested how additional information influences

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¹ See, for example, Bull, Schotter, and Weigelt (1987), Harbring and Irlenbusch (2003), and Orrison, Schotter, and Weigelt (2004).

decision-making behavior of subjects in a contest. More specifically, our paper analyses whether or not contestants utilize peer observation or expert advice, and whether or not peer observation interferes with expert advice.²

We study decision-making of contestants in a two-player sequential contest with observable first-mover effort, considering treatments in which the first mover obtains peer information and treatments in which the second mover receives peer information and/or coaching information.^{3,4} Our main focus is on the decisions of second movers, because they are not exposed to strategic uncertainty about the behavior of the opponent in our setup. Hence, our focus on sequential tournaments allows us to abstract from problems following from strategic uncertainty, which severely restrict advice-giving in other tournaments. Even though second mover decisions are somewhat simpler in this context, previous experiments on sequential tournaments nevertheless report a substantial variation in second mover decisions (Fonseca, 2009; Weimann, Yang, & Vogt, 2000). This suggests a demand by second movers for additional information which might shape their behavior. In this context, we consider two kinds of information sources that differ with respect to information quality. We examine seemingly reliable coaching information and relatively less reliable peer observation. In our coaching condition, we (as experimenters) provide accurate information about the payoff-maximizing best response of the second mover. In our peer observation condition, we provide information about the decision of a subject who had been confronted with the same decision of (another) first mover. Both kinds of information are sent from the experimenter to the second mover (i.e., the sender has no agenda and there is no communication among participants).⁵ Our design allows us to focus on the pure impact of information quality on the decisions of second movers, leaving aside issues of perceived competence, trust and trustworthiness, asymmetric information and other important aspects of the expert advice context. These factors are clearly important but they have been addressed in a large theoretical and empirical literature (see our discussion in the next subsection).

On the basis of the objective difference in information quality, one might hypothesize that second movers would rely more heavily on the advice of a coach and disregard peer observation when both coaching information and peer information are made available. However, some aspects might invalidate such a simple hypothesis. For example, Gächter and Thöni (2005, 2010) have shown that peers allow for social learning and influence effort choices. In our setting, it may be that second movers use peer information as an indicator of socially accepted behavior, such that perceived social norms alter the impact of monetary incentives on effort choices (see, for instance, Fehr, Kirchler, Weichbold, & Gächter, 1998; Huck, Kübler, & Weibull, 2012). Apart from such considerations, peer information may simply distract second movers from the information about the payoff-maximizing response. Performance often declines when individuals try to process multiple information sources. For instance, Hirshleifer, Lim, and Teoh (2009) observe the repercussions of informational overload in financial markets; DellaVigna (2009) discusses the limits of attention more generally.

Our second research question concerns whether or not first movers rely more on peer observation than second movers do. This is interesting because the related finding informs us about why subjects actually use peer information. For instance, social psychology provides extensive evidence for the importance of conformity; participants thus might seek to align their choices with those of others (an argument related to that presented above with regard to the influence of peer information on second-mover effort). Alternatively, participants might use peer information in an attempt to improve the quality of their own decision-making in expected-payoff terms. This latter motivation may arise because either the actions of others incorporate information not directly accessible to the decision maker (so-called observational learning) or because very complex decision problems induce the individual to resort to the heuristic of imitation (see Bikhchandani, Hirshleifer, & Welch, 1998; Apesteguia, Huck, & Oechssler, 2007, respectively). These informational aspects are for two reasons more important for the first mover. First, observational learning will play a role only for first movers (since second movers are not lacking payoff-relevant information with respect to material incentives) and, second, the decision problem of the first mover is more complex than that of second movers (as the second mover can decide without strategic uncertainty). With regard to identifying which motivation is at work, we distinguish the extent to which first movers and second movers rely on peer information, because the informational aspects are more important for the former.

Our analysis shows that the decision makers who faced a complex decision problem (i.e., the first movers) relied on information about peer effort, while this effect was insignificant for second movers. There was a significant coaching effect among second movers; however, the joint presentation of coaching information and peer observation impeded the impact of coaching. These findings do not support the importance of either conformity or imitation in the given setting; rather, they are consistent with observational learning by first movers.

² Following Kocher, Sutter, and Wakolbinger (2014), it may be argued that many people seek advice or observe what others have been doing in the past before arriving at a decision. For example, when considering which asset to buy, people tend to inquire about the past performance of the asset with an expert or ask their friends about their experience. In sport contests teams typically ask insiders for guidance or look how other teams played against a specific opponent.

³ Note that first movers obtain at most peer information in our experiment. This follows from the fact that coaching information for first movers could only be provided for some set of beliefs, due to the presence of strategic uncertainty when the first mover makes a decision.

⁴ Theoretical contributions on sequential contests include Leininger (1993) and Morgan (2003).

⁵ Aoyagi (2010) considers when a principal should use a no-feedback or a full-feedback policy. Ederer (2010) provides a related analysis.

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