The Value of Niceness

Vincent Chiang, MD
Management Grand Rounds
January 16, 2013
National health care expenditures 2010 (total $2.6 trillion)

- Total Hospital Expenditures – 31%
- Total Physician and Clinical Expenditures – 20%

Other categories:
- Structures – 4%
- Research – 2%
- Public Health Activity – 3%
- Administration – 7%
- Other health and residential care – 5%
- Nursing care facilities – 5%
- DME – 1%
- Drug Expenditures – 10%
- Non-DME – 2%
- Home health care – 3%
- Other professional services – 3%
- Dental – 4%

Centers for Medicare and Medicaid Services, National Health Statistics Group
WAMMAYC Scoring

- Determined by your play and the plays of the others in your group

  4X’s   Each loses $1
  3X’s   Each X wins $1
  1Y     Y loses $3
  2X’s   Each X wins $2
  2Y’s   Each Y loses $2
  1X     X wins $3
  3Y’s   Each Y loses $1
  4Y’s   Each wins $1
WAMMAYC rules

Rules of Silence: **No pre-play communication.** Rules of silence go into effect after group formation except for two bonus rounds during which communication is permitted.

**Objective:** Maximize your individual absolute ten-round total, NOT your group total, your relative score, or anything else

**Preparation:** Each of you will get an index card marked clearly with X on one side and Y on the other. The game is played in groups of four.

**Each Round:** When I announce “One, Two, Three, PLAY,” show your card to the group with either the X or the Y facing up.

**Bonus Rounds:** Rounds Five (3x), Eight (5x) and Ten (10x). Gain (or loss) for that round is multiplied times the bonus factor.
## Playing X is a “dominant strategy”

<table>
<thead>
<tr>
<th>If they play…</th>
<th>And I play…</th>
<th>Then I score…</th>
<th>So I should play…</th>
</tr>
</thead>
<tbody>
<tr>
<td>3X, 0Y</td>
<td>X</td>
<td>-1</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>2X, 1Y</td>
<td>X</td>
<td>1</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>-2</td>
<td></td>
</tr>
<tr>
<td>1X, 2Y</td>
<td>X</td>
<td>2</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>0X, 3Y</td>
<td>X</td>
<td>3</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Y</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>
Prisoner’s Dilemma

• You are one of two prisoners who are arrested
• The two of you are immediately separated
• You have two choices – cooperate or defect
Prisoner’s Dilemma

- Repeated for 200 moves
Computer tournament

• Entries from 14 game theorists (plus random)
  – Computer programs

• Complete round robin
  – All strategies played themselves and every other strategy
Computer tournament

- Winner: Tit-for-Tat
  - Shortest program submitted
  - Cooperate on the first round
  - Do whatever the other player did on all subsequent rounds
Characteristics of Tit-for-Tat

• **Nice**: not the first to defect
  – Each of the top 8 top ranking strategies are nice
  – None of the lowest 7 are
  – And there is a substantial gap between the nice and the not nice

• **Provocable**
  – Can’t lose by too much

• ** Forgiving**
  – Can find its way back to cooperation

• **Non-envious**
  – Nice can never score more than an opponent
Computer tournament revisited

• Publicized tournament
• Many entries optimized against Tit-for-Tat
• Tit-for-Tat won again
• Again, niceness was the most important determinant of performance
Importance of Niceness

• There are no rules …
• However, if you are in anything like a repeated game…
• Don’t worry about winning
  – Or … Don’t be the first to defect
  – Worry about tying or losing with high average scores
  – This is the way to \textit{win} in the long run
The Exchange Game

• Player A is given $50
• You will keep the $50 minus whatever you decide to give to Player B, conditional on acceptance.
• How much, if any, would you like to give to player B?

• Player A - “I am giving $ _____ to Player B”
The Exchange Game

- Player B – you have Player A’s offer
- If you accept, you will divide the $50 according to A’s offer
- If you reject, you both will get $0

- Player B – Do you accept A’s offer?
  Yes or No
The Exchange Game

• Results
  – Most common offer is fifty percent (modal offer)
  – Mean is around 40%
  – Offers less than 25% are commonly rejected

• Fairness trumps common sense
  – Whenever Player B rejects a non-zero offer

• Fairness is not universally defined
What does this have to do with anything?

- Many (most) situations involve a choice about whether to try to do the best or to do the best for you
- Value claiming versus value creating
- There are times when achieving the second goal jeopardizes the first
- Is it better to get a bigger slice of a small pie or a smaller slice of a bigger pie?
Negotiation

- We are negotiating all the time
- Most negotiation is not overt
Imagine this scenario

A mother brings her child in for a clinic appointment, but on the wrong day...
The importance of being explicit
The effects of stress

These are stressful times

Stress causes people to look inward

Leadership is about looking outward
The No Asshole Rule
Building a Civilized Workplace and Surviving One That Isn’t

Robert I. Sutton, PhD
Professor of Management Science and Engineering
Stanford University
The Damage Done - TCA

- Decrease productivity
- Work and life satisfaction
- Risk of one’s voice
- Increase churn and shrinkage
- Lower team performance
- Cost of damage control and repair
- Asshole life cycle
Pixar’s Operating Principles

- Everyone must have the freedom to communicate with everyone
- It must be safe for everyone to offer ideas
- We must be aware of innovation
Create a psychologically safe environment (FAA)

**Fallibility**
- Acknowledge
- Demonstrate

**Availability**
- Physical
- Mental

**Advocacy**
- Confirmation
- Confrontation
The Power of the Institution
Institutional Assets

Financial and physical capital

Human capital “talent”

Social capital
vincent.chiang@childrens.harvard.edu