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FACTORS OF BEHAVIORIAL ECONOMY IMPACTING ON THE COMPANY MANAGEMENT

ABSTRACT:

Management science came into being to meet the needs of modern, socialized mass production. Its purpose is to study how to improve the level of productivity through rational organization and allocation of human, financial, and material factors under the existing conditions. Management is a comprehensive, interdisciplinary subject. Economics is an independent subject in modern times, and it is a science about the law of economic development. Economics not only forms the theoretical foundation of management together with mathematics and psychology but also provides analytical methods for management. The relationship between economics and management is not unidirectional but bilateral, which can be said to be an interactive relationship that promotes each other. Finally, due to the close linkages and integration of economics and management, marginal disciplines such as economic management and management economics have emerged one after another, while most of the research in the field of economic management has both an amphibious nature of economics and management. Traditional economics focuses on rational decisions based on profit maximization, cost and delivery time reduction, and raising output volume and quality. On the contrary, behavioral economics doesn't assume that people are good at utility maximization or that it is people's only goal. The behavioral economics underpinning the interested actors psychological biases (e.g., loss aversion), limited cognitive resources, and care about other values such as fairness, all of which can impact their economic decisions, and analyzing the consequences of these decisions on market prices, returns, and resource allocations. The above is an understanding of the definition and content of management and economics, including psychological factors that determine the level of rational behavior of an individual in decision-making and the nature of his or her interpersonal and intergroup interactions. The ultimate goal of behavioral economics is to increase the explanatory power of economics with the help of a realistic psychological base, because human behavior is not only the subject of economics but also of psychology and the social sciences as a whole.

In this context, this review paper focuses on the "fine-tuned balance of the combination of management and economics and makes an analysis to reveal the possible linkages between them, concluding some feasible, exploitable remarks and recommendations as well in the field of everyday running business at the companies.

Keywords: behavioral economics, psychological factors, company management, human behavior.

INTRODUCTION

Traditional approaches to economics assume that people's economic decisions are based on the governing rule of maximizing profit. On the other hand, behavioral ethics neither assumes people are good at utility maximization nor that it is their exclusive overall objective. Applying empirical tools, behavioral ethics reveals people have a tendency to have psychological biases (such as loss aversion), limited cognitive resources, and care about other values (such as fairness), which can weaken their profit maximization efforts[1].

1 J.E. Miller, E. Amitt, A-Ch. Posten, Behavior Economics - Encyclopedia of Global Bioethics 2016, DOI: 10.1007/978-3-319-09483-0_37; URL: https://www.researchgate.net/publication/305377222_Behavioral_Economics
Alain Samson 2014: An Introduction to Behavioral Economics https://www.behavioraleconomics.com/resources/

Behavioral economics, including a psychological or sociological explanation of economic behavior, a new branch of economics developed mainly since the 1950s, appeared on the horizon of experts who wanted to understand the backgrounds beyond economic decisions and behaviors with applied instruments mainly from psychology but also from other social sciences (such as sociology, politics, anthropology, philosophy, biology, or neuroscience). The mainstream analysis offers the individual rational choice, objectivity, and efficiency theory from a predominantly quantitative point of view. In this vision, market behavior is influenced by economic variables that can be easily measured and analyzed with mathematical operations and equations, i.e., the price and quantity of the goods or services and the personal income. These things were made by the "perfect economic man". But what happens when the individual does not comply with these assumptions? Individual economic behavior (as part of the human one) can be impacted by other subjective elements and be categorized into two different groups: external and internal. The external factors related to the context or the physical environment in which the individual operates include the economic, demographic, socio-cultural, and religious aspects. The internal factors related to the human personality, motivation, and learning attitude[2].

Behavioral economics theory examines the behavior of enterprise managers in the case of complex management behavior conditions and an incomplete market model. At the same time, behavioral economics theory also provides theoretical guidance for enterprise managers to manage enterprises better. By introducing and analyzing the theory of behavioral economics, this paper studies the application of behavioral economics in enterprise management and puts forward solutions to enterprise management based on behavioral economics under the prejudice effect. Through the theory of behavioral economics, we can guide enterprise managers to manage enterprises more efficiently and perfectly. Enhance the level of the enterprise management team, improve the ability of the enterprise management team, make the enterprise management team grow up quickly, and improve the shortcomings of the enterprise management system in China. We should study enterprise managers from the perspective of understanding human nature, find out the advantages and disadvantages of enterprise managers, help and correct the disadvantages, promote the advantages, and improve the management team level of the whole enterprise, so as to create economic benefits for enterprises and promote the healthy and effective development of our enterprise management team.

METHODOLOGY

In this study, the authors focused on top-down approach deductive research strategy, which means studying the available relevant theoretical literatures as reference base, gathering and analyzing data and draw conclusions. The main research methodology was mainly quality method based on secondary research analyzing scientific publications, studies, online literature sources. This included data collected from the field literature regarding existing theories. It is worth remarking that classical theory is a theory of why a man choosing between alternative fixed and known, each being attached consequences also known. When, however, between the decision-maker and the environment goal,

introduction-behavioral-economics/; Adam Hayes: Guide to Economics https://www.investopedia.com/terms/e/economics.asp

2 P.-E. Diacon, From Economic Behaviour to Behavioural Economics, Oeconomica 2014, Vol. 10, no. 1, pp. 171-180 URL: https://www.researchgate.net/publication/304215489_From_Economic_Behaviour_to_Behavioural_Economicshe

there is perception and other cognitive processes, these models sometimes proved not to be adequate. From this reason, it has created model bounded rationality, a basic concept in behavioral economics, which is based on the fact that individuals are limited to the level of information to which they may have access in their minds of cognitive limitations and finite period of time that they are available to make a decision. The conclusions and recommendations based on this research findings reflects the authors' own professional views.

Structure of this paper: After the Introduction and the Methodological Sections, the remaining part of the paper is structured as follows. Section 3 reveal the true nature of the behavioral economy from different aspects. Section 4 presents a brief summary on impacts of behavioral economy in company management practices and finally, the last Section presents the conclusion of the paper making recommendation for the decision-makers.

INSIGHT INTO THE BEHAVIORAL ECONOMY

Behavioral economics, a mainstream economics developed in the past half century and recognized by the whole world, belongs to the modern economic system. In the last 20 years, the importance of a number of behavioral features has been widely accepted within economics. As a theoretical analysis framework for studying economic behaviors and phenomena, behavioral economics consists of three parts: perspective, frame of reference, and analysis tools. Behavioral economics mainly analyzes the psychological role of managers in enterprises and strengthens the role of psychology in economic research. By studying psychology in economics, we can make economic research more realistic, improve itself in all aspects, and stimulate theoretical insight in economics in an all-round way that can be used to predict and reasonably analyze actual phenomena and formulate corresponding improvement strategies. Behavioral economics theory is an economic research theory combined with psychological theory. This paper mainly analyzes the management behavior of enterprise managers under the condition of incomplete rational market competition through controllable experiments and observation studies. The content of the analysis includes the internal and external factors that influence management's decision-making and the explanation of economic phenomena. On the basis of the test and analysis of the manager's behavior combined with the existing economic theory, the economic theory is put forward again[3].

It is worth remarking that the cultural and social environment can largely determine economic behavior of the stakeholders. For example, whereas in Western cultures the stakeholders distribute joint gains according to the productivity of the contributing members, in some economically underdeveloped countries (in Africa or in South Asia), the interested stakeholders do not distribute profit according to effort at all, rather than according to egalitarian principles[4].

3 N. Geiger, Behavioural Economics and Economic Policy: A Comparative Study of Recent Trends Oeconomica; 2016, Vol. 6-1, 81-113 pages. DOI: https://doi.org/10.4000/oeconomia.2230; URL: https://journals.openedition.org/oeconomia/2230 ; Tansif ur Reman: Historical context of behavioral economics, Intellectual Economics 2016, Volume 10, issue 2, pages 128-132 DOI: https://doi.org/10.1016/j.intele.2017.03.006, URL: https://www.sciencedirect.com/science/article/pii/S1822801116300297

4 J.E. Miller, E. Amitt, A-Ch. Posten, Behavior Economics - Encyclopedia of Global Bioethics 2016, DOI: 10.1007/978-3-319-09483-0_37; URL: https://www.researchgate.net/publication/305377222_Behavioral_Economics

Similarly, one of the key variables in human economic decision-making, risk preference, varies not only between individuals but also between countries and cultures as well. In those countries that possess a higher gross domestic product (GDP), people are more risk-averse when it comes to gains but more risk-seeking when it comes to losses[5].

Social preferences can take several different forms: a) altruism (utility is increasing in the well-being of others); b) relative income and envy (utility is increasing in the income relative to others); c) minimizing inequity (because it can be favorable for everybody); d) intention-based reciprocity (to take into consideration of other stakeholders intentions); and from this aspect, they are ready either to cooperate (to find mutually beneficial win-win situations) or to take retaliatory measures if they experience unfair behavior, even if it will be costly themselves [6]. In addition, in the course studying behavioral economics, which means the practical application of psychology in the economics field, the key question (or distinctions) cannot be simplified into a choice between rational or irrational driving forces. Many efforts have focused on how to set up a model with which human irrationality can be measured, aiming for prediction and revealing exploitation opportunities for our benefit.

For example people tend to be irrational, and thus behave more like the model below:

E (U) = p1xv1α + p2xv2α + + pnxvnα (1)

where p represent the probabilities, v represent the value, α represents the individual's attitude towards risk: when α > 1, the individual is prone to risks, when α > 1, the individual is averse risk (and when α = 1, the equation becomes just like the one above)[7]

Another example for the irrational and subjective human behavior can be the long-term saving decisions. Based on the traditional economical ex-ante assumption, such kind of decision obviously should be optimal in economic terms. On the contrary, in behavior economy, this decision usually based on hyperbolic discounting (preference for the present moment ad. hoc. advantages due to impatience of the economic actors instead of the future interests). The formal representation is often in the quasi-hyperbolic model, where the utility function can be represented by

u (ct) + βS δiu(ct+i) (2)

where 0<δ<1 is the discount factor and the parameter β≤1 characterizes the consumer's bias for the present. A consumer who discount hyperbolically (β<1) rather than exponentially (β=1) may exhibit time-inconsistent behavior (self-control problems) in the sense that s/he systematically may prefer to reverse earlier decisions [8].

5 M. O. Rieger, M. Wang & T. Hens, Risk preferences around the world. Management Science, 2015, 61, 637–648.

6 J. C. Driscoll and S. Holden, Implications of insights from behavioral economics for macroeconomic models, SSRN Electronic Journal 2014, pp. 1-33, DOI: 10.2139/ssrn.2423096, URL: https://www.researchgate.net/publication/315429848_Behavioral_Economics_and_Macroeconomic_Models.

7 A. Patt and R. Zeckhauser, Action Bias and Environmental Decisions; Journal of Risk and Uncertainty, 2002, 21:1; 45-72, URL: https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.454.9418&rep=rep1&type=pdf, D. Kahneman & A. Tversky, Choices, values, and frames. American Psychologist, 1984, 39(4), 341– 350; W. Samuelson, R. Zeckhauser, Status quo bias in decision making. J Risk Uncertainty 1988, 1, 7–59 pp. https://doi.org/10.1007/BF00055564; A. Mello, Data Science and Behavioural Economics. Understanding our biases through data 2020, https://towardsdatascience.com/data-science-and-behavioural-economics-96641ab83d08 downloaded on September 22, 2023

8 J. C. Driscoll and S. Holden, Implications of insights from behavioral economics for macroeconomic models, SSRN Electronic Journal 2014, pp. 1-33, DOI: 10.2139/ssrn.2423096, URL: https://www.researchgate.net/publication/315429848_Behavioral_Economics_and_Macroeconomic_Models

Modern behavioral economics can be described by three features. First, rational choice is used as a starting point for developing theories of economic decision-making and market equilibria. Second, current individual behavior is analyzed using a variety of data-collection methods. Third, these observations of human behavior arising from different personality traits and attitudes used to explain and understand the ways in which the rational theories fail to describe the real world and business environment[9]. Behavioural economics has to take into consideration as a method of economic analysis aiming understanding psychological insights into human behaviour to explain and improve the process of economic decision-making. In this context, we can talk about „bounded rationality", which means that decision-makers (irrespective of their level of intelligence), have to work under three undesirable constraints. 1) Only limited and often variable information is available regarding possible alternatives and their consequences. 2) Human mind has always limited capacity to make assessment and process the available relevant information. 3) Only limited amount of time is available to make a decision[10].

A typical example for understanding the essence of the behavioral economy in our everyday lives is analyzing the current trends of the luxury goods market in China as shown in Figure 1. This special Chinese market can be one of the largest on global scale.

The luxury goods in China include fragrances, cosmetics, handbags (e.g. Luis Vuitton), jewelry, automobiles (e.g. BMW, Aston Martin, Jaguar, Lamborghini, Land Rover), electronics, and fashion. The top ten luxury brands operating outlets are located in economically developed Chinese regions and cities. "According to True-Luxury Global Consumer Insight, the fifth edition of an annual report by The Boston Consulting Group (BCG) and Altagamma, Chinese consumers already make up 32 percent of the global luxury market- a number predicted to rise to 40 percent by 2024"[11].

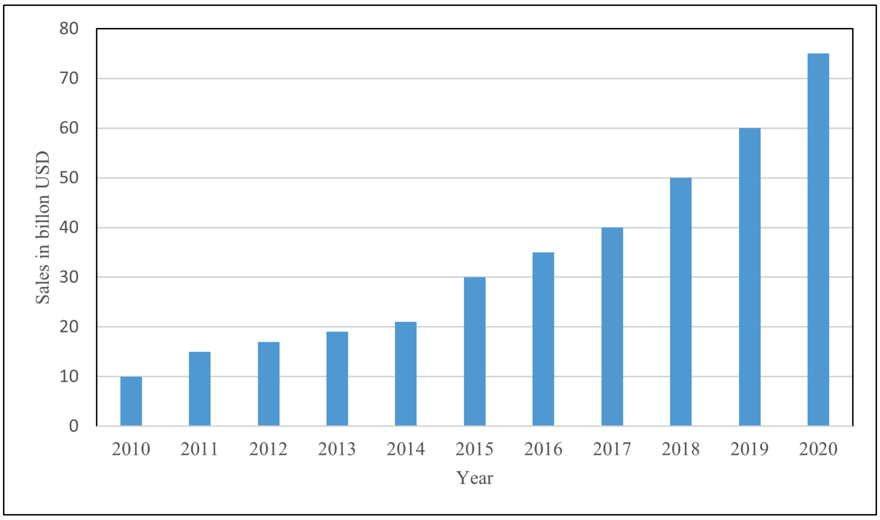

Figure 1. Sales volume trend of the Chinese luxury goods market (2010-2020)

Source: Own edition based on I. Panda, Behavioral Economics in China Research Paper 2020, https://ivypanda.com/essays/behavioral-economics-in-china/; National Bureau of Statistics of China 2020: http://www.stats.gov.cn

9 Mahmoud Yousef Askari and Ghaleb A. El Refae: The Rationality of Irrational Decisions, A New Perspective of Behavioral Economics; Int. J. Economics and Business Research, 2019, Vol. 17, No. 4:388-401; doi: 10.1504/IJEBR.2019.10020190

10 Aditi Abhyankar, Behavioural Economics Towards Better Decision Making; Journal of Global Economy, 2019, Volume 16, No 2 (Special Issue, SNDT Womens' University Conference Proceedings), Nationa Conference, ISSN (online): 2278-1277

11 Smith, Tamsin. BCG, China to Drive 70 Percent of Global Luxury Growth by 2024. Jing Daily. Web. 2018, https://jingdaily.com/bcg-china-luxury-2024/

China strives to maintain its cultural values and traditions. Purchasing decisions are impacted by many elements, such as reciprocity, face-saving, and relationships. In China, gifting is a crucial cultural component. People give gifts to friends, family members, and business partners. The cultural value that is ascribed to gifts in China plays a significant role in influencing the purchase of luxury goods. The majority of Chinese shoppers perceive luxury as an indulgence or reward. They purchase goods to show off and fit into specific social groups. Conformity among consumers is common as people make efforts to reinforce their social status as an indicator of their success. This can be the true reason beyond the phenomena why the luxury market is rapidly growing in China[12].

You can calculate expected value and expected utility. Expected value includes all of the potential benefits -calculated, often, the money-which the decision-maker has in mind in terms of the selection of an alternative. On the other hand, the expected utility is based on those assumption that, in calculating the optimum alternative, the subject considers the usefulness, not the value of each alternatives. In this context, there can be some crucial governing principles beyond the behavioural economics. Since, while people make attempt to select the finest possible choice, they can not be always successful. Furthermore, people used to be concerned more about losses than about gains and they have tendencies to plan doing different things, but change their minds in the last minute. In addition, the "herd behaviour" phenomena can be observed quite often. It means that people used to care about others behaviour as well allowing themselves to be influenced by others. Psychological factors make a difference in market transactions including e.g. moods, temper, emotions, feelings, intuitions[13].

Comparison of basic assumptions of human beings. In traditional economics, experts assume that human beings have independent thoughts and, in essence, all human behaviors are self-interested. All actions take the pursuit of maximizing personal interests as the demand. At the same time, it has strong self-binding, and once personal preferences form, it is not easy to be changed by the outside world. Its character is complete and consistent, and it always pursues the maximization and persistence of benefits. In behavioral economics, people's basic hypothesis is that people are a mixture of rationality and irrationality, and people's personalities are multifaceted, which is beneficial to self-interest and selfless dedication. People's self-restraint will vary from person to person, and personal preferences will be different at different times and in different environments. Moreover, Smith and other economists have also studied the behaviors of rational self-interest, which suggest that most people will act in an economically rational way when faced with behavioral decisions affecting their own personal income and well-being, which can also contribute to the positive effects of the invisible hand[14].

Comparison between traditional economics and behavioral economics The methods used in traditional economics mainly include logical abstraction, deduction, and field observation, among which deduction is recognized as one of the few reliable real economic activity paradigms. On-the-spot observation law is the most convincing of all methods, while traditional economics holds that

12 I. Panda, Behavioral Economics in China Research Paper 2020, https://ivypanda.com/essays/behavioral-economics-in-china/

13 A. Gradinaru, The Contribution of Behavioral Economics in Explaining the Decisional Process; Procedia Economics and Finance, 2014, 16; 417 – 426; doi: 10.1016/S2212-5671(14)00821-1; License: CC BY-NC-ND 3.0; Aditi Abhyankar, Behavioural Economics Towards Better Decision Making, Journal of Global Economy, 2019, Volume 16 No 2,, National Conference, ISSN (online): 2278-1277

14 W. Kenton 2021, Self-Interest https://www.investopedia.com/terms/s/self-interest.asp

experimental methods cannot be used to verify theory. The methods used in behavioral economics include cognitive psychology and experimentation. Through cognitive psychology and experimental methods, more analysis and research are being done on individual preferences[15].

Comparison of the completeness of theoretical systems Traditional economics has carried out standardized equilibrium analysis on the basis of the theory of personal preference, forming a large-scale and complete theoretical system that can accurately describe economic phenomena and cover micro- and macro-aspects such as financial measurement. The existing theoretical blocks of behavioral economics have not been formed yet, and now they are constantly being verified and studied by experiments, so it is just around the corner to form a complete theoretical system[16].

Compared with the theoretical model of traditional economics, the model is normative; the theoretical model of behavioral economics is descriptive. From the above comparison, we can see that behavioral economics is more about studying individual behaviors and differences between individuals. It is considered that personal behavior is influenced by many factors in the surrounding environment under the stimulus of the economic environment, which shows that behavioral economics has great similarity with objective reality and that it is feasible to apply behavioral economics to enterprise management. Behavioral economics is the study of psychology as it relates to the economic decision-making processes of individuals and institutions [17] as you can see in the below summary Table 1.

Table 1. MAIN PSYCHOLOGICAL ELEMENTS OF THE BEHAVIORAL ECONOMY

ELEMENT	DESCRIPTION
Availability bias	The change in the likelihood of a choice option is related to the apparent availability of options and not to the respondent's own expectation of utility.
Cognitive Bias	Assessment of the selection of a decision option not conforming to norms, formal logic or external "rules".
Cognitive Dissonance	Refers to the uncomfortable tension that can exist between two simultaneous and conflicting ideas or feelings—often as a person realizes that s/he has engaged in a behavior inconsistent with the type of person s/he would like to be, or be seen publicly to be. According to the theory, people are motivated to reduce this tension by changing their attitudes, beliefs, or actions.

15 I. Ajzen, The theory of planned behavior. Organizational Behavior and Human Decision Processes, 1991, 50, 179-211. DOI: https://doi.org/10.1016/0749-5978(91)90020-T; URL: https://www.sciencedirect.com/science/article/abs/pii/074959789190020T

16 Jonathan Levin and Paul Milgrom 2004: Introduction to Choice Theory. https://web.stanford.edu/~jdlevin/Econ%20202/Choice%20Theory.pdf

17 W. Kenton 2021, Self-Interest https://www.investopedia.com/terms/s/self-interest.asp

Confirmation Bias	The tendency to search for, interpret, focus on and remember information in a way that confirms one's preconceptions.
Gambler's Fallacy	The tendency to think that future probabilities are altered by past events when they are actually unchanged. The fallacy arises from an erroneous conceptualization of the law of large numbers. For example, "I've flipped heads with this coin five times consecutively, so the chance of tails coming out on the sixth flip is much greater than heads".
Loss Aversion	Higher likelihood of selecting a choice option that avoids a loss of the same magnitude as an alternative that promises a gain.
Optimism Bias	Finding that choice options with positive, higher utility outcomes will be perceived as more likely to occur than those with negative consequences.
Overconfidence Bias	Finding that an individual's subjective assessment of their performance exceeds their objective performance.
Preferences	Desired choice alternatives, ordered on the basis of utility.
Projection Bias	The degree to which one's preferences, attitudes, beliefs and interests are believed to remain the same in the future.
Status Quo Bias	Increased likelihood of making the same (or similar) decisions in the future as were made in the past
Stereotyping	Expecting a member of a group to have certain characteristics without having actual information about that individual.
Sunk Cost Fallacy/Bias	Increased likelihood of deciding to continue a course of action due to the level of previously invested resources regardless of expected outcome.
Utility	Benefits (satisfaction, happiness and/or well-being) derived from a good or service. Utility Expectation Model describes the template against which decision options are evaluated.

Source: Own edition based on I. Ajzen, The theory of planned behavior. Organizational Behavior and Human Decision Processes, 1991, 50, 179-211. DOI: https://doi.org/10.1016/0749-5978(91)90020-T; URL: https://www.sciencedirect.com/science/article/abs/pii/074959789190020T; Dan Lovallo, Olivier Sibony: Applying behavioral strategies to eliminate decision-making biases, 2010, Issue 6; Samson 2014; Jenifer E. Miller, Elinor Amitt, Ann-Christin Posten:

Behavior Economics - Encyclopedia of Global Bioethics 2016, DOI: 10.1007/978-3-319-09483-0_37; URL: https://www.researchgate.net/publication/305377222_Behavioral_Economics; Cheng Yongjia, Yang Liping: School, of, Psychology, Nanjing. Fighting Prejudice: Social Behavior as a Prejudice Reduction Strategy 2017, Issue 4.

BEHAVIORAL ECONOMICS IN COMPANY MANAGEMENT

Possible application opportunities

It is crucial to study the behavior of enterprises and employees when managing different business organizations. Since the management process of enterprise managers is not only the process of managing things but also the management of employees, In the 1930s, related theories of enterprise management mainly studied management from the perspective of behavior. This behavior includes two aspects: one is a natural person's behavior, and the other is a non-natural person's behavior. A non-natural person's behavior includes the behavior of institutions, organizations, and enterprise groups. Management theories are concepts surrounding recommended management strategies, which may include tools such as frameworks and guidelines that can be implemented in modern organizations. Generally, professionals will not rely solely on one management theory alone but instead introduce several concepts from different management theories that best suit their workforce and company culture[18].

Two commonly used sources of Chinese official statistics are the CEIC China Premium Database (http://www.ceicdata.com/China.html) and the National Bureau of Statistics' website (http://www.stats.gov.cn), which provides the China Statistical Yearbook or Annual Statistical Survey on various fields or trend reports on National Economic and Social Development [19]. According to the „2010 China Information Supervisor Development Report", the power-responsibility relationship of positions in the enterprise management team is the eternal theme that enterprise managers pay attention to. In the enterprise management team, if the manager does not have the corresponding leading power and decision-making power, it is unfavorable for the enterprise to carry out the overall work. In this case, it is easy to appear that some managers belong to departments with dynamic operating conditions, while others belong to enterprises with unpopular operating conditions. When enterprises implement relevant policies, there will be situations where leaders understand the policies while grass-roots employees don't, which virtually increases the difficulty and complexity of enterprise work implementation and increases the risk of enterprise management failure. The relevant achievements of enterprise managers' management also need to be manifested through the daily management behaviors of the corresponding departments they manage.

The behavior of enterprise managers is divided into two main aspects: firstly, enterprise-related information resources should be effectively managed, and the development direction and related technical needs of enterprises in the market economy environment should be accurately grasped. It is necessary to have a vision for judging the situation and making accurate decisions about the direction of enterprises. The highest level of enterprise management should be able to stand on the position

18 CFI 2012, Management Theories. Concepts surrounding recommended management strategies https://corporatefinanceinstitute.com/resources/careers/soft-skills/management-theories/

19 A.C. Holz, Working Paper 2013, No. 471, Chinese Statistics: Classification Systems and Data Sources 2013 https://kingcenter.stanford.edu/sites/default/files/publications/471wp.pdf

of enterprise management and make suggestions for the efficient and sustainable development of enterprises through the keen insight and decisive decision-making ability of managers. Secondly, when making enterprise projects, enterprise managers need to communicate with relevant employees and then let the middle and high-level leaders of enterprises accept the planning of enterprise projects after receiving the support of enterprise employees[20].

When planning a project, enterprise managers need to be down-to-earth and target-locked and should not aim too high. While doing our best to increase the development benefit of enterprises, we should also consider the risks and difficulties that may be encountered in the project implementation process and avoid the uncontrollable risks encountered in the project implementation process as much as possible. At the same time, the enterprise management team should focus on people, establish a scientific and efficient management team, and formulate the corresponding management system. For the implementation of the project, the roles and responsibilities have to be clearly defined and accepted by the whole management team. At any time, the leadership needs to monitor the progress and status of the project throughout its whole lifecycle. Enterprise managers should play a full role in the strategic decision-making of enterprises. With the development of economic globalization, China's economy has developed rapidly in recent years, and great changes have taken place in the development of many important aspects, such as enterprise systems and technology. Especially, great changes have taken place in the business philosophy of enterprises, and enterprise managers have gradually discovered the substantial changes in their work brought about by the corresponding changes in their professional connotations. Since the economic crisis in 2008, the economic development situation of global enterprises has not recovered from the cold winter of the economic crisis. This also makes enterprise managers feel uneasy about the economic situation of enterprises. Therefore, enterprise managers should constantly improve their management level, make full use of the convenience and experience of their positions, and devote all their wisdom and strength to the development of enterprises. Keep in mind the complexity of human nature to be unbiased, impartial, fair, trustworthy, just, and objective[21]. While effectively managing the enterprise team, we can understand the operation mode of the enterprise, put forward creative suggestions according to the operation situation of the enterprise, and become the most effective assistant and strategic staff of the top leaders of the team.

Measuring to solve prejudice effect in enterprise management based on bahavioral economics

For enterprise managers, they will admit that there will be prejudice in the process of management, and the reason for prejudice is that managers tend to be opinionated in management, turn a blind eye to other people's feedback, and be headstrong, which is the most fundamental reason for prejudice. If there is prejudice in the process of enterprise management, it will not be conducive to the construction of an enterprise management team or the implementation of related projects and policies, and it will also cause a brain drain with practical talents. You should eliminate the existence of prejudice in the process of enterprise management.

20 Y. Yue, Human Resource Management under Enterprise Strategic Perspective, International Conference on Education, Management and Computing Technology (ICEMCT 2014) pp. 185-189 published by Atlantic Press URL: .: https://download.atlantis-press.com/article/13061.pdf

21 W. Samuelson, R. Zeckhauser, Status quo bias in decision making. J Risk Uncertainty 1988, 1, 7–59 pp. https://doi.org/10.1007/BF00055564

When you observe any person, we should make a comprehensive and in-depth observation and understanding, since this can help us make a reasonable division of this person's image in our hearts and minds. However, our business managers often make a hypothesis about the people they face, which leads to the prejudice that they don't take into consideration the wrong hypothesis. This prejudice is common in business management with certain qualifications. Such managers are often well-informed and experienced. They will judge and choose treatment methods according to their own previous experience and stereotypes when they meet people and things and sometimes make empirical mistakes, finally deciding to have biased views on the people and things they see, which makes the decision-making results inaccurate. However, this kind of empiricism is very helpful to business managers. When they debate, they will use empirical examples to prove that their methods and theories have stronger credibility. Convincing power can be important to the other party; this is one of the most meaningful recognitions of managers.

Everyone has prejudices. You make judgments about people, opportunities, government policies, and, of course, the market. When you analyze our world with your own prejudices, we pass our observations through many "stop or go" filters created by our experience. You are not just talking about stock screening. You should keep in mind what our decisions go through. Filters can easily lead to biased decisions. Individuals may, or may not, justify their decisions based on the prejudices they have formed. In general, various daily activities are mainly driven by behavioral patterns. These behavioral patterns will also impact future potential investment decisions. For most people, investment decisions cannot be treated equally. However, investors can alleviate deviations by understanding and identifying them and then formulating trading and investment rules that reduce deviations when necessary. Nevertheless, investment bias is divided into two categories: cognitive bias and emotional bias. Both of these prejudices are usually the result of the prejudice of choosing one thing over the other.

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Cognitive bias means assessment of the selection of a decision option not conforming to norms, formal logic, or external "rules." It usually involves decisions based on established concepts, which may or may not be accurate. Think of cognitive bias as a rule of thumb; this may or may not be a fact. An example of cognitive bias is if you have seen a movie and a thief passes through a security checkpoint in a police uniform. The real police officer thinks that because this person is wearing a uniform like them, they must be a real police officer.

Confirmation bias is a cognitive bias that involves information that supports the confirmation of pre-existing beliefs or prejudices. For example, suppose a person thinks that left-handed people are more creative than right-handed people. As long as this person meets someone who is both left-handed and creative, they value this „evidence" that supports what they already believe. The person may even seek „evidence" to further support this view while discounting examples that do not support it. Confirmation bias affects the way people collect information, but it also affects the way we interpret and recall information. For example, people who support or oppose a particular issue will not only seek information to support the issue; they will also interpret news stories in a way that safeguards their existing ideas. In Table 2, you can find a brief summary of those things that can contribute to strengthening these attitudes.

Table 2. FACTORS CONFIRMING BIAS

FACTOR	DESCRIPTION
Confirm the deviation is in action	For example, one person supports gun control. He looked for news reports and opinion articles reiterating restrictions on gun ownership. When he heard stories about media shootings, he interpreted them in a way that supported his existing preliminary beliefs. On the other hand, another person is firmly opposed to gun control. He seeks news sources that fit his position. When he encountered news about the shooting, he explained it in a way that supported his current views. The two people have different opinions and perceptions on the same subject, and their explanation is based on these previous opinions. Even if they read the same story, their prejudice often shapes the way they perceive it because it confirms their beliefs.
Confirm the impact of bias	In the 1960s, cognitive psychologist Peter Cascart Watson conducted many experiments called Watson's rule discovery task. He showed that people tend to look for information that confirms their existing beliefs. Unfortunately, this prejudice may prevent us from looking at the situation objectively. It also affects the decisions we make and may lead to improper or wrong choices. For example, during the election season, people tend to look for positive information and portray their favorite candidates with a good eye. They will also look for information and confront candidates with a negative attitude. By not looking for objective facts, interpreting information in a way that only supports their existing beliefs, and only remembering the details of maintaining these beliefs, they often miss important information. These details and facts may influence their decision on which candidate to support.
Psychologist's observation	People have a tendency to ignore information that contradicts their expectations or assumptions. They are more likely to remember (and repeat) information that is consistent with the stereotype, forget or ignore information that is inconsistent with the stereotype, even in the face of uncertain evidence. Even if you believe that you are very open-minded and can only observe facts before reaching a conclusion, it is likely that some prejudice will eventually affect your opinion. It is difficult to combat this natural tendency.

Status quo deviation	It refers to the phenomenon that one's preference for one's environment and situation remains the same. This phenomenon has the greatest impact in the field of decision-making: when we make decisions, you tend to choose more familiar choices rather than less familiar but potentially more beneficial choices. Many psychological principles can be used to explain status quo deviations, including loss aversion, sunk costs, cognitive dissonance, and mere exposure. These principles are considered to be irrational reasons for preference for the status quo. One manifested example can be in the company management practice retaining the current investment strategy of the portfolio (thus occupying the status quo).
Loss aversion	When individuals make a decision, they weigh the likelihood of potential losses more than the likelihood of gains. When looking at a set of choices, they pay more attention to the possible losses of abandoning the status quo, rather than the possible gains of trying new things.
Sunk costs	The sunk cost fallacy refers to a person who often continues to devote resources (time, money, or energy) to a particular job simply because they have already invested resources for it even if it has not proven to be beneficial. Sunk costs cause individuals to continue to take certain actions, even if they fail. Sunk costs exacerbate the prejudice against the status quo, because the more an individual invests in the status quo, the more likely he or she will continue to invest in the status quo.
Exposure only	The pure exposure effect shows that people tend to like things they have been exposed to before. By definition, exposure to the status quo is more likely than exposure to anything other than the status quo. Based on the exposure effect alone, the exposure itself has a preference for the status quo.
Trend effect	The latest research in economics, psychology and political science describes the „trend effect" (or alternatively called the „contagion effect") as a universal cultural phenomenon or prejudice. The spread of ideas, behaviors and trends usually follows Others rise at the speed of the trend.

Source: Own edition based on Gray PO, Psychology. The Sixth Edition 2011. New York: Value Press; ISBN-13: 978-1429258661Kahneman, D., & Tversky, A.: Choices, values, and frames. American Psychologist, 1984, 39(4), 341–350; Klayman, J. & Ha, Y.-W.: Confirmation, disconfirmation and information in hypothesis testing. Psychological Review, 1987, 94, 211-228; Samuelson, W., Zeckhauser, R.: Status quo bias in decision making. J Risk Uncertainty 1988, 1, 7–59 pp. https://doi.org/10.1007/BF00055564; Sanderson CA.: Social Psychology. First Edition. New Jersey 2010: John Wiley and son Frédéric Vallée-Tourangeau, Neville G. Austin & Sandra Rankin: Inducing a Rule in Wason's 2–4–6 Task: A Test of the Information-Quantity and Goal-Complementarity Hypotheses, The Quarterly Journal of Experimental Psychology Section A, 1995, 48:4, 895-914, DOI: 10.1080/14640749508401422; J. David Johnson 2008: A Review of: "Groopman, J. (2007). How Doctors Think", Journal of Health Communication, 13:7, 715-717, DOI: 10.1080/10810730802415324; Bornstein 1989; Goodwin CJ, Goodwin KA: Psychological Research: Methods and Design. 7th edition 2013. New Jersey: John Wiley and son; ISBN-13: 978-1118360026; Karla Hoff: Behavioral Economics and Social Exclusion: Can Interventions Overcome Prejudice?; Policy Research Working Papers; World Bank Group 2015; doi: https://doi.org/10.1596/1813-9450-7198; Tansif ur Reman: Historical context of behavioral economics, Intellectual Economics 2016, Volume 10, issue 2, pages 128-132 DOI: https://doi.org/10.1016/j.intele.2017.03.006, URL: https://www.sciencedirect.com/science/article/pii/S1822801116300297

However, if you know the confirmation bias and accept the fact that it does exist, you can try to identify it. This may help you look at things from another angle, although this is by no means a guarantee.

Emotional bias is usually spontaneously generated based on the individual's personal feelings when making a decision. They may also be deeply rooted in personal experience, which can also influence decision-making. Emotional biases are usually deeply ingrained in the minds of investors and are usually more difficult to overcome than cognitive biases. Emotional bias is not always wrong. In some cases, investors' emotional bias may help them make more protective and better-suited decisions.

One typical example of emotional bias is the overconfidence phenomenon. It means that everyone feels very optimistic about their strengths, personalities, and abilities, which easily leads to unrealistic expectations. Overoptimism is a form of overconfidence. Many factors can trigger overconfidence and make it inflated. Personal emotions, cognition, and social factors will all affect it. As you can see, emotional pain is mostly caused by believing in the bad things in life. Regardless of the form of success, emotional distortions and cognitive disorders are dangerous and unavoidable accompanying factors. What factors will cause CEOs to pay higher prices for mergers and acquisitions? 1) Overconfidence brought by recent success; 2) Self-esteem is very high; think that compared with other senior executives, a high salary means skills; 3) The CEO's belief in news reports about himself The media often praises the CEO and over-attributes business success to the role of the CEO rather than other factors and other people. This makes it easy for CEOs to be overconfident in their abilities and focus more on doing things that make them media celebrities. This effect occurs not only between the CEO and large transactions but also between employees and managers, between students and professors, or between husband and wife. Perhaps the most surprising, common, and dangerous factor that leads to overconfidence is „social incentives." How can the overconfidence be kept under control or suppressed? The answer can be to establish a security boundary for decision-making. You need to know how much you can control the situation if you make a mistake. Accidents can occur in many improbable ways. Ask: How can I make mistakes? If you make a mistake, who can tell me?

Prejudice is usually the result of prejudice when choosing one thing over another. Prejudice will be affected by factors such as experience, judgment, social norms, assumptions, and academics. Cognitive bias usually involves decisions based on established concepts, which may or may not be accurate. Emotional bias is usually spontaneously generated based on the individual's personal feelings when making a decision. Emotional bias is usually not based on broad conceptual reasoning. In influencing decision-making, cognitive and emotional bias may or may not prove to be successful.

4.3 Resist action-oriented prejudice by acknowledging uncertainty

In order to pursue the stable development of enterprises, many enterprises are unwilling to undertake risky planned projects when making decisions. For example, when an enterprise project comes out, there will be some managers who hold opposite views on the project, while there will be another kind of person who is very optimistic about the project and supports the implementation of the plan. For the manager, he also hopes that the project can be implemented, but he will not treat the self-confidence of his subordinates as a bad thing, and the reason for this decision is action-oriented prejudice. In the process of enterprise management, a reliable and efficient management team needs to fully analyze and understand the influencing factors in the process of enterprise management to deal with the behavior-oriented bias in the process of management.

Action-oriented prejudice makes us take actions without considering all the potential consequences of those actions. We tend to overestimate the probability of positive results and the ability to produce expected results. We underestimated the possibility of negative results and gave too much praise to past successes. This prejudice arises when you feel that you have to take action. Action-oriented prejudice leads to irrational decision-making "contrary to the traditional economic-based normative policy analysis that relies on techniques such as cost-benefit analysis". Outside the field of economics, this prejudice leads to irrational decisions and actions. This desire is usually beneficial but sometimes obscures decision-making. Recognizing the charge of adrenaline Reacting to fighting or avoiding, and even the fact that humans are easily bored and therefore seek stimuli through new activities, also indicate this possibility. The second underlying reason is that individuals develop a general tendency to take action as a decision-making heuristic, but it also pushes this prejudice into inappropriate situations[22].

When investing, taking action when circumstances change can be a high-risk approach, as studies that compare the returns of active investments with passive investments have shown. The studies revealed that the performance of active managers is not better than opportunity, including fees, and that the expected performance of the low-cost index fund portfolio is the same as the first three percentage points of past active winners and better than the rest of the active fund areas [23].

Resist stability bias by changing the status quo

When the stability bias appears in the enterprise management team, the enterprise needs to constantly take measures at home and abroad. Externally, enterprises can break the conventional management mode, make continuous investment and business expansion, expand the business scope of enterprises, and expand the scale of the enterprise management team at the same time. Domestic enterprises can reduce the amount of company property allocated to departments, carefully study the operation status and functions of various departments within the enterprise, and then selectively focus on the allocation of funds to enterprises, expand the production scale of advantageous departments of enterprises, and develop enterprises into distinctive industrial brands.

Resist stability bias by changing the status quo. As opposed to action-oriented bias, stability bias makes it harder for us to get out of the status quo. Such prejudice includes „anchor"—the original ideas or digital influence on subsequent strategic dialogue is strong (in any budget review, for example, last year's data is an unquestionable and very powerful basis); the stability of prejudice is a real loss aversion; the tendency to be more sensitive to losses than equal benefits; and the sunk costs error, which may lead to holding businesses that should have been abandoned.

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22 A. Patt and R. Zeckhauser, Action Bias and Environmental Decisions; Journal of Risk and Uncertainty, 2002, 21:1; 45-72, URL: https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.454.9418&rep=rep1&type=pdf

23 E. F. Fama and K. R. French, "Luck and Skills in the Crossover of Mutual Fund Income", Journal of Finance, 2010, Issue 1. LXV, №5, http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.479.3099&rep=rep1&type=pdf; Jim Cahn 2015: "Active vs. Passive Investing: Are These Really the Only Two Options?" Forbes; https://www.forbes.com/sites/jamescahn/2015/04/22/active-versus-passive these are the only two options/#3c982dd92be8

One way to diagnose whether your business is susceptible to stability bias is to compare corporate decisions over time. For example, try charting the percentage of total new investment received by each division of the business over the years. If the percentage is stable but the sector's growth opportunities are constantly changing, the results need to be noted, which is quite common. For example, our research shows that for those with multiple businesses, there is a near-perfect correlation between the share of a business unit's capex budget in the current year and its share in the previous year's budget over a 15-year time horizon. Similar inertia often takes its toll on advertising budgets and the R&D pipeline.

Furthermore, it has to help managers change the status quo by setting goals that require all-out effort but are impossible to achieve through a „business as usual" approach. The zero-debt (or low-debt) budgeting approach sounds great, but in our experience, companies only use it when they are in deep trouble. An alternative approach is to first cut a fixed percentage (say 10%) of each budget reported to the financial statements department and then, through hard choices, reallocate resources to more valuable business opportunities. Finally, challenging and more nuanced budget allocations can help companies reprioritize their investments [24].

By clarifying interests, the resistance to misalignment of interest-biased motivation is a major source of bias." Island thinking, in which each part of an organization strives to protect its own interests, is the most recognizable form of it. In addition, executives sometimes have legitimate differences of opinion about the goals of a business because of their roles or functions. Participants seem to see things from completely different perspectives in heated debates that often reflect different (and often unspoken) interest biases.

In fact, using a broad enough (and realistic) definition of „interest" (including name, career choice, and personal preference), there will always be an inevitable conclusion: between a manager and the other managers, as well as between managers and individuals and companies as a whole, there will always be a conflict of interest. A strong decision-making process clearly defines different interests. If, for example, strategic experts precisely formulate the criteria that will be used to evaluate decisions before they are made (and may not be), it makes it harder for individual managers to change the terms of debate to make their preferred course of action more attractive. Similarly, involving people with conflicting interests in decision-making meetings or teams reduces the likelihood that local interests will undermine well-considered decision-making meetings or teams reduces the likelihood that local interests will undermine well-considered decisions.

Social prejudice is sometimes interpreted as corporate politics, but it is deeply rooted in human nature. Even in the absence of any threat, we tend to align ourselves with the dominant view of the group we belong to (and its leader). Many organizations are reinforcing these tendencies because they are consistent with strong corporate cultures and incentives. The lack of dissent is a strong warning sign. In decision discussions, social biases can also prevail if everyone in the room knows the view of the ultimate decision-maker and assumes that the leader is unlikely to change his mind.

24 J. Cahn 2015, "Active vs. Passive Investing: Are These Really the Only Two Options?" Forbes. https://www.forbes.com/sites/jamescahn/2015/04/22/active-versus-passive these are the only two options/#3c982dd92be82015

Above all, this debate requires senior leaders to truly trust the collective wisdom of a highly qualified management team. These executives see themselves not just as the ultimate decision-maker but as the organizers of a disciplined decision-making process. They influence management teams with humility, encourage dissent, maintain confidence and trust, and keep debate alive without ruining relationships. We are not suggesting that chief executives should be humble listeners, relying solely on the opinions of the majority of their management team to make decisions; that would be replacing one oversimplified stereotype with another. However, we do believe that behavioral strategies cannot succeed without leadership and role models from senior leaders[25].

CONCLUSIONS AND RECOMMENDATIONS

Behavioral economics, as a theoretical analysis framework for studying economic behavior and phenomena, consists of three parts: perspective, reference frame and analysis tools. Behavioral economics mainly analyses the psychological role of business managers in the enterprise, and strengthens the role of psychology in economic research. By studying economics and psychology, economic research can be made more realistic, perfect from all aspects, comprehensively stimulating economic theoretical insights, forecasting and reasonable analysis of actual phenomena, and formulating corresponding improvement strategies.

In traditional economics, economists assume that people have independent thoughts. In essence, people's behavior is selfish. All actions are based on the pursuit of maximizing personal benefits. At the same time, it has strong self-discipline; once personal preferences are formed, it is not easy to be changed by the outside world. Its nature is complete and consistent, and it always pursues the maximization and persistence of benefits. The methods used in traditional economics mainly include logical abstraction, deduction, and field observation, and it is believed that experimental methods cannot be used to verify theories. The methods used in behavioral economics include cognitive psychology and experimental science. Through cognitive psychology and experimental methods, more analysis and research work on individual preferences Comparison of theoretical system integrity. Traditional economics has carried out a standardized equilibrium analysis on the basis of personal preference theory, forming a large-scale and complete theoretical system that can accurately describe economic phenomena, covering micro and macro aspects such as financial measurement. The theoretical model of traditional economics is normative, and the theoretical model of behavioral economics is descriptive.

Since the management process of enterprise managers is not only the process of managing things but also the process of managing employees and personnel. This behavior includes two aspects: one is the behavior of a natural private person, and the other is the behavior of a legal entity. The behavior of a legal business entity includes the behavior of institutions, organizations, and corporate groups.

25 D. Lovallo, O. Sibony, Applying behavioral strategies to eliminate decision-making biases, 2010, Issue 6; Yu Xiaoyu, Cai Li: Failure learning behavior, strategic decision-making and entrepreneurial enterprise innovation performance, 2010, Issue 12; Wang Caiyu: The Trait Theory, Situational Theory and Application of Consumer Decision-Making 2013; Cheng Yongjia, Yang Liping: School, of, Psychology, Nanjing. Fighting Prejudice: Social Behavior as a Prejudice Reduction Strategy 2017, Issue 4

The power-responsibility relationship of corporate management team positions is a highlighted issue that corporate managers have to keep in mind.

The behavior of corporate management can be categorized into several main aspects. Effectively manage corporate-related information resources and accurately grasp the development direction and related technical requirements of the company in the market economy environment. When corporate managers are formulating corporate projects, they need to communicate with relevant employees and then allow middle- and high-level leaders of the enterprise to accept the corporate project planning after receiving the support of corporate employees.

Finally, business managers should play a full role in the company's strategic decision-making. Since the 2008 economic crisis, the economic development of global enterprises has not recovered from the severe winter of the crisis. This also makes business managers feel uneasy about the economic situation of the business. Business managers should continuously improve their management level, make full use of the convenience and experience of their positions, and do their best to invest in business development. While effectively managing the corporate team, you can understand the business model of the company, make creative suggestions based on the business situation, and become the most effective assistant and strategist among the senior leaders of the team.

Let everyone know that 'bias' accounts for a large part of daily company operations. These prejudices influence many of our management decisions. For business managers, they will admit that there are prejudices in the management process. The reason for the prejudice is that managers are stubborn in their management and ignore the feedback of others. This is the most fundamental reason for prejudice. If there are prejudices in the enterprise management process, it will not be conducive to the construction of the enterprise management team or the implementation of related projects and policies, and it will also lead to the actual loss of talent. It is necessary to eliminate the existence of prejudice in the process of business management.

However, business managers often make an assumption about the people they face, which leads to false assumptions. This kind of prejudice is very common in enterprise management. What you definitely need to do is understand these deviations and avoid them. If you want to manage a company well, you should have an economic mind, know flexibility, and dare to point out and change prejudices. This is the key to the fine-tuned decisions that can make the company more stable and profitable.

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CZYNNIKI GOSPODARKI BEHAWIORALNEJ WPŁYWAJĄCE NA ZARZĄDZANIE SPÓŁKĄ

Streszczenie:

Celem artykułu jest zbadanie sposobów poprawy poziomu produktywności poprzez racjonalną organizację i alokację czynników ludzkich, finansowych i materialnych w istniejących warunkach. Artykuł jest próbą ukazania wpływu nurtu ekonomii behawioralnej na zarządzanie. Autorzy bazują głównie na dyskusji literaturowej, teoretycznej. Zalecenia w artykule zalecenia są zestawem teoretycznych postulatów.

Słowa kluczowe: ekonomia behawioralna, czynniki psychologiczne, zarządzanie firmą, zachowania ludzkie.