

## Outline of frequencies versus most-likely experiment Method and results from Green and Armstrong (2004)<sup>1</sup>

We asked 52 university students to make predictions about conflict situations. We gave each student four conflicts from a set of eight. We asked half our participants to assume there were 100 situations similar to a target conflict. We then asked them "...in how many of these situations would..." each one of a list of possible outcomes occur? The full question for one of the conflicts, Telco Takeover, is shown in Exhibit 1. We told the other participants to choose the most likely outcome from a list (Exhibit 2).

### Exhibit 1

Assume there are 100 situations similar to the one described, in how many of these situations would...

- a. The takeover bid fail completely?  out of 100
- b. The mobile operation alone be purchased?  out of 100
- c. The takeover succeed at, or close to, the offer price?  out of 100
- d. The takeover succeed at a substantial premium over the offer price?  out of 100

### Exhibit 2

How was the stand-off between Localville and Expander resolved? (check one ✓ or %)

- a. Expander's takeover bid failed completely
- b. Expander purchased Localville's mobile operation only
- c. Expander's takeover succeeded at, or close to, their August 14 offer price of \$43-per-share
- d. Expander's takeover succeeded at a substantial premium over the August 14 offer price

We looked at the accuracy of the option chosen, or allocated the highest frequency or percentage, by the participants. On that basis, as the following table shows, there was no difference in the average accuracy of forecasts from the two approaches.

**Accuracy of novices forecasts**  
Percent correct forecasts (number of forecasts)

	Chance	Frequencies	Most-likely	Total
55% Pay Plan	25	0 (12)	9 (11)	4 (23)
Artists Protest	17	10 (10)	0 (11)	5 (21)
Distribution Channel	33	23 (13)	38 (13)	31 (26)
Personal Grievance	25	11 (9)	46 (13)	32 (22)
Telco Takeover	25	50 (12)	25 (12)	38 (24)
Zenith Investment	33	40 (10)	42 (12)	41 (22)
Water Dispute	33	67 (12)	42 (12)	54 (24)
Nurses Dispute	<u>33</u>	<u>64</u> ( <u>11</u> )	<u>58</u> ( <u>12</u> )	<u>61</u> ( <u>23</u> )
<b>Averages (unweighted)</b>	28	33 (89)	33 (96)	33 (185)

<sup>1</sup> Green, K. C., J. S. Armstrong. 2004. On the value of expertise for forecasting decisions in conflicts. Working paper: Monash University