Thesis summary

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2020-12-06

Findings

- People struggle to consider independent investments as a portfolio that can be aggregated.
  - Only presenting an already-aggregated distribution changes this.
- Dissimilar project comparisons lead to an over-reliance on coarse financial metrics when making resource allocation decisions.
  - People to not use variability information to inform their decisions.
- Project case studies influence allocation decisions even when aggregated data is available.
  - Only when the cases are sufficiently similar.

Impact

- If executives consider projects one-at-a-time, they are missing out on the power of risk aggregation.
- Even if they consider projects together, if they are dissimilar they will be hard to rank.
- In diversified firms, this means that executives will either use financial metrics poorly, or rely on case studies.
- If they rely on case studies, they might discount relevant aggregated data.