The IKEA Effect

Idea In Short

The IKEA Effect describes a cognitive bias where people assign greater value to things they have partially built or assembled themselves. First studied by Ariely, Norton, and Mochon, it has practical implications for consulting, product design, and client engagement.

A few years ago, Dan Ariely, Michael Norton and Daniel Mochon wrote about The Ikea Effect which they describe this way:

> When people construct products themselves, they come to overvalue their (often poorly made) creations

To empirically confirm this phenomenon, and its limits, they conducted experiments that involved assembling IKEA boxes, folding origami and building with Lego. The results showed participants valued items they assembled themselves more than items assembled by someone else. The authors point out that traditional rational economic thinking would predict that the value attributed to an item that required the consumer to assemble should be lessened, since a rational being would simply subtract the value of their own labour from the final cost of the item. However, they observed that self-assembly often had the opposite effect! The IKEA effect & Build-a-bear experiences are two self-assembly effects where consumers pay a premium. On a similar theme, IT market watchers such as Gartner refer to this phenomenon as ownership bias.

Betty Crocker Mix

Similar to the IKEA effect is the case of Betty Crocker cake mix, which the US food company General Mills launched in 1952. At the time, the company marketed the mix on speed & ease in the kitchen. Both these attributes are still vital to modern kitchen innovations. However, the cake mix did not turn out to be successful as the company expected. This original mix

included powdered eggs. However, with this mix, cake makers failed to have a sense of real contribution to the final product. So, the company adjusted the mix that required adding a few eggs at home. As a result, the cake mix began to fly off the shelves. Perhaps, a 1950s version of the IKEA effect. These cases share some important findings relevant for consultants.

Managing client expectations

As consultants, our contributions should outshine any competing, internal activities. It's not enough to simply produce outstanding work and deliver a successful engagement. the client eventually owns our work. Hence, when the IKEA effect takes over, it can undermine the perceived value of consultants' work. Hence, you also need to deliver a high-value, transforming, client experiences1. You should think about what your clients:

- Get within minutes of engaging you
- Receive every day / week / month
- Get to know throughout the project
- Feel about your efforts on the scope that is outside the project scope
- Views on the course of your project
- Perceptions are on the quality of the overall engagement
- Think about their involvement in solution development
- Contributions in the creation of deliverables

Hence, consultants should consider how to include some DIY scope in their clients' experience. They should also ensure that clients can successfully complete the scope without your involvement. This would, presumably, increase their perceived value of the engagement. Similarly, this would also help overcome the Not-Invented-Here Syndrome regarding your solutions / recommendations. So, involve clients in the construction of their experience. Here are some tactics that you can employ to catalyze client ownership:

Encourage customization

When you buy a new car you can choose the accessories, seat materials, color, entertainment options, etc. When you buy a new computer, you can select the processor, hard disk, memory, etc. We also see this in video games where players can customize their characters, cars, weapons, etc. When you think about your client engagement, reflect how

you can provide clear, customizable recommendations. These recommendations should be simple, map clearly to outcomes and achievable. Encouraging customization will catalyze adoption of your recommendations & client ownership2.

Have clear collaboration & quality guidelines

Many clients are collaborative in nature. After all, client & consultant teams need to work together to produce something of shared value. One of the risks of the IKEA Effect is that when consultants make recommendations, the client teams don't see the value of those recommendations. Worse, they are critical or skeptical of it. In the short-term, it can affect consultants' motivation. The solution here is to have clear collaboration & quality guidelines. Many open source projects require 2 people to review & approve each new code contribution before the community integrates the code. TEDx events have very clear requirements on how the events should be organized & run. Similarly, clearly agreed-upon collaboration standards & quality gates will help to reduce ambiguity & potential conflict among client & consultant teams. Similarly, it is important to clearly agree upon what quality means. For example, quantify what a good process improvement or top-line growth might look like? Agreeing upon a common quality baseline is harder done than said. Nevertheless, it is important that the definition of quality is established & repeatedly reinforced throughout the engagement.

Be collaborative in decision-making

As a consultant, your goal is to not just provide high quality recommendation to your clients. You should also wire your recommendations up, so your clients can used & apply them in their daily business. This is trickier than it sounds. As Consultants, we have influence, but no actual power. As such, for your guidance to be used, your clients & their teams need to buy into your recommendations. So, incorporate your recommendations into the overall corporate strategy & the decision-making process. Play an active role in helping your clients form decisions during the transition when clients actually implement your recommendations. Most consultants simply produce a report following an engagement & go away. But, great consultants work with the clients, especially during the transition, to help them execute on their recommendations. This taps into the IKEA Effect because the clients then feel a sense of ownership as opposed to feeling that someone just handed down a strategy to execute upon. Try to integrate as many people from the client team as possible throughout the engagement. It will wire them up for the IKEA Effect & you will make them value your

contributions. In turn, this also has a dramatic effect when people feel they are doing meaningful work.

Related, but different, concepts

The IKEA effect is connected to, but not quite the same as, a number of other important economic behaviors. First, there is the endowment effect, in which simply owning a product increases its perceived value. Though this effect has long been recognized, it was formally named by economist Richard Thaler in a 1980 paper3. Since then, many studies have demonstrated that individuals usually want more money to give up something they own than they are willing to pay to acquire a similar item from someone else. The Choiceology podcast from Charles Schwab, titled Love the Mug You're With: With Guests Joel Platt, Sally Sadoff & Richard Thaler provides an interesting look at the peculiar ways people tend to value the things they own.

> For most things are differently valued by those who have them and by those who wish to get them; what belongs to us, and what we give away, always seems very precious to us [Aristotle]

Second is the psychological idea of effort justification. This goes back to studies in the 1950s. The idea is that an individual who makes a sacrifice to achieve a goal rationalizes the effort by attributing greater value to the achievement. In one celebrated study, for example, women made to undergo an embarrassing initiative to join a social group subsequently rated membership of that group higher than those who did not. Third is personal preference. This is expressed in customer attachments to particular brands. Most customer regard their involvement in the creative process as an extension of this attachment. As a result, companies seek to leverage customization to cater to individual tastes & preferences.

Summary

Consultants who involve clients in solution development tend to see stronger adoption of recommendations. Tactics include encouraging customization, setting clear collaboration standards, and integrating client teams throughout the engagement to build genuine

ownership.