

Businesses have known about the psychology of decision making for a long time. For example, a TV priced at 499 dollars seems like a better deal than one priced at 500 dollars. This is called **psychological pricing**.

Behavioral economists also like to talk about **nudge theory**. Nudges encourage people to act a certain way, without actually changing the choices that are available to them. Healthy eating and fighting childhood obesity is a priority not only in Belarus, but also in many other countries and policy makers have offered a whole range of solutions, e.g. from banning soda and ketchup in schools to running media campaigns promoting healthy eating. Behavioral economists approached the problem a little differently. They wanted to see if they could get children to eat healthier by rearranging school cafeterias. They put healthier food like fruit and vegetables on eye-level shelves and less healthy food, like desserts, in less convenient places. **Classical economic theory** suggests that this idea won't work, but students, for example, turn out to choose the healthier food. It proves the fact that nudge theory works and, moreover, it changes together with the implementation of the public policy.

There's something else behavioral economists look at: **risk**. Behavioral economists have studied that people strongly want to avoid losing. In general, they are more affected by losses than by pleasure they receive from purchases.

So, behavioral economics has a lot to tell us. It gives us a realistic view of how consumers actually behave and helps us better understand the way we make our buying decisions.

References:

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EMPATHY AS A TOOL FOR EFFECTIVE LEADERSHIP

In the modern world, one of the main priorities for many companies is to go beyond traditional strategies in the development of management and recruitment to create leaders who can move the company forward. And this is not surprising, because an ineffective leader can lead a company to great losses. Human resources specialists and company

executives constantly develop strategies to improve the efficiency of managers, figuring out which skills are now the most necessary. One of the key skills, surprisingly, is empathy [1].

What is empathy?

Is it really necessary in management, or is it another trend?

Empathy is considered as one of the aspects of interpersonal emotional intelligence. If we look at the definition of empathy, we can find the following. Empathy (from the Greek *empathia*) is a comprehension of the emotional state, penetration, empathy into the experiences of another person [2].

What does developed empathy give to the leader?

First of all, it gives understanding the emotional state of another person. People are more emotionally controlled than they can imagine. Just remember how much in some moments of life the mood of a person affects its working efficiency. Understanding the feelings of their employees, the manager can objectively assess their emotional state, choose the right tone and time for discussing problem situations, monitor and regulate the emotional intensity of their communications [2].

A leader with low empathy can stay apart, retaining only formal relations with his subordinates. He is afraid to trust people, delegating complex work tasks to them. He may not be interested in the moods, the potential of his subordinates and not educate professionals who may eventually become his replacement.

A leader with highly developed empathy understands people and perceives the atmosphere in the team. He can “get into position”, showing compassion at the right time. Timely such leader resolves conflicts, predicting emotional compatibility and the reactions of different people to certain events. He feels the potential of their people, their emotional involvement and readiness for a different level of tasks. Empathic leaders are emotionally sensitive and therefore easy to communicate with. It is the empathy of the leader that can be the basis of that favorable atmosphere in the team or what is usually called the “charisma of the leader” [2].

The leader's ability to understand other people's feelings plays a key role in preserving talented employees for the company. Sensitivity was always needed by leaders to educate and retain good employees, but today talent in price and rates are growing. When gifted people leave the company, together with them there is a leak of valuable knowledge and experience.

This is time when training and mentoring come to the forefront. It has been repeatedly proven that a training-based approach not only leads to better productivity, but also to an increase in job satisfaction and a decrease in employee turnover. What makes it possible to maximize the effectiveness of training is the specific nature of the relationship. Outstanding coach consultants penetrate the thoughts of their subordinates. They feel when and how to give useful advice. They know when to insist on increasing of productivity, and when it is better to abstain from it. Their ability to motivate their subordinates is a demonstration of empathy in action [3].

Globalization is another reason why empathy is becoming increasingly important for business leaders. Intercultural dialogue can easily lead to false signals and misunderstandings. Empathy in this situation acts as an antidote that allows people to master the intricacies of non-verbal communication and to decipher the emotional message. In addition, leaders who are able to empathize well understand the features and significance of cultural and ethnic differences. As an example, consider the case from the practice of an American consultant whose team represented its project to a potential client from Japan. Usually when this group dealt with Americans in similar circumstances it was literally filled with questions. But that time a long silence reigned after the announcement of the commercial offer. The team members accepted this pause for disapproval and were already ready to leave the hall. But the main consultant gestured to stop them. Although he was not too well acquainted with Japanese culture, he looked at the expression of the client's face and his pose. He realized that this is not a rejection, but an interest and deep reflection. He was right. When the client finally spoke, he agreed to work with this consulting firm [3].

In the business world, empathy is not particularly respected. People do not understand how leaders can make tough decisions if they “feel”, how this will affect the employees. In fact leaders who are able to imbue the feelings of others not just empathize with others. They use the information they received to improve the performance of their companies. This work may not be evident, but it is extremely important.

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