

# Two wrongs trying to make a right: Makeup calls are common for MLB umpires, financial analysts and probably you

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Major League Baseball has been trying something new in recent seasons: <u>instant replay for umpire calls</u>. After replay review, some erroneous calls



on the field can be overturned. Baseball in its own fashion is acknowledging what sports fans have always known—officials make mistakes.

The most notable manifestation of this tendency is the all-too-common bad call and its companion, the makeup call. When an <u>umpire</u> makes a bad call, the only way they could presumably restore balance to the game is to make an additional bad call, but this time in favor of the wronged team. For example, an umpire may incorrectly call a "strike" on a pitch that was clearly outside the strike zone, only to make up for the error later by calling a "ball" on a pitch that clearly caught the edge of the strike zone.

Instant replay isn't perfect and isn't used in every situation, which leaves room for umpires to make bad calls and subsequent makeup calls. Beyond sports, there are lots of other ambiguous situations in <u>everyday</u> <u>life</u> where people try to make up for errors in judgment with makeup calls meant to restore the balance.

We are organizational scientists who are interested in how makeup calls operate. With our colleagues, we explored this question in research recently published in the *Journal of Applied Psychology*.

# Setting things right once mistakes are made

Examining MLB playoff data from 2008–2014, we found that bad calls increased the likelihood of makeup calls. That is, when an umpire made an objectively erroneous call, it increased the chances of subsequent calls in favor of the team that was harmed.

For instance, when bad calls were made against pitchers, umpires were then more likely to call strikes. We also found that umpires became less likely to call strikes on a batter if they'd made bad calls against the



batter's teammates.

But as the stakes increased—meaning the call had greater importance to the overall outcome of the game—makeup calls became less likely. Makeup calls seemed to be aimed at righting prior wrongs and correcting for some level of unfairness, but not so much that they would have an impact on which team actually won or lost.

# Makeup calls in the psychology lab

To investigate whether this tendency toward the makeup call extends beyond Major League Baseball, we invited undergraduate volunteers into our lab. We paired them off and gave them a set of jars each containing random objects like bolts, screws and so on.

One student was the decision-maker and guessed if the number of objects in the jar was greater or less than 300. The second student was the judge and evaluated the other student's decision based on their own estimation. The decision-maker received raffle tickets each time the judge sided with them, and judges received raffle tickets when they were correct in their evaluation of the decision-maker.

When judges received feedback that they had erred in their evaluation, they were more likely to make subsequent calls in favor of the decision-makers. Just as we saw in the big leagues, as the stakes increased—in this case, the odds of winning the raffle got better with each ticket awarded—makeup calls decreased. However, as the number of people affected by the bad call rose, so did the likelihood of makeup calls.

We also identified the critical role that guilt plays in makeup calls. Those who made a bad call reported feeling more guilty in a survey and then sought to rectify their mistake by issuing a makeup call. Hence those who experience more guilt were more likely to issue make-up calls.



# Bad calls with bigger stakes

As when we focused on MLB umpires, our lab study relied on a gameified context. To determine if what we saw translated to the real world, we <u>examined the judgments of financial analysts</u>. We looked at their recommendations about which companies' stocks, in their judgment, should be bought or sold. And we looked at their <u>earnings forecasts</u> that predict how they think individual stocks will perform.

When a firm performs worse than the analysts expected, or missed their earning expectation, the firm's stock declines. In this way, analysts who are overly optimistic about a firm and provide an inflated earnings forecast may unintentionally harm a firm.

In response to an extreme earnings miss—meaning the firm performance was 50% or more worse than the analyst's expectation—analysts can either devalue the company, resulting in a downgrade, or double down on their optimism and provide an upgrade. Given the firm's extreme underperformance, providing an upgrade is likely an illogical choice—but it may make up for the damage done to the stock. Thus analyst forecasts and recommendations provide an optimal way for our research to capture makeup calls.

We found that when an analyst's forecast significantly overestimated a company's earnings, analysts were 73% more likely to then upgrade their recommendation. In other words, when a firm performed much worse than the analyst expected, they were more likely to recommend buying the stock rather than selling it, even though a downgrade makes more sense in this scenario. Analysts were more likely to issue a makeup call by upgrading the stock, issuing a buy recommendation that was too optimistic for a stock that underperformed expectations by at least 50%.



# Not something people want to talk about

Finally, we wanted to <u>assess people's everyday experiences of makeup calls</u> on the job. How aware are people of making bad calls and makeup calls, and how do they feel about these decisions when they happen at work?

We asked managers to recall a time when they made a decision or a bad call. Far fewer people were willing to admit they'd ever made a bad call, even when explicitly asked, compared to those who were willing to say they'd made a decision. We weren't surprised, since people generally prefer to avoid admitting or discussing their mistakes.

This aversion seems to have extended to makeup calls as well. Those who did admit to making a bad call were not more or less likely to admit that they'd ever made a makeup call, even if they acknowledged feeling guilty for their mistake.

Most of our studies suggest that people do often fall back on makeup calls after an error in judgment. However, people get a little squirrelly when asked about those experiences and tend not to own up to this kind of make-it-right action.

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