



**SPOTKANIA Z
EKONOMIĄ**

PROF. GREGORY KERSTEN

CAN FRICTION PRODUCE VALUE IN COMMERCE?

Gregory E. Kersten is a professor and the Senior Concordia Research Chair in Decision and Negotiation Systems in the J. Molson School of Business at the Concordia University.

His research and teaching interests include individual and group decision-making, negotiation analysis, exchange mechanisms, auctions, decision and negotiation support, web-based system development, experimental studies and behavioral economics.

**PONIEDZIAŁEK 12 CZERWCA 2017, GODZ. 15:00
UL. WARSZAWSKA 63, SALA 201**



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Can Friction Produce Value in Commerce?

The Economist, in its April 1, 2017 (prima Aprils) issue, made a call for friction noting that “excessive ease in transactions can generate costs, known in the jargon as a ‘facile externality’, such that less efficiency would actually be more efficient.” While the call was not serious, the pursue of friction-reduction has been well documented (e.g., Amazon 1 click purchase and Domino Pizza zero-click ordering). On the other hand, however, friction has been found both socially and economically useful. Making access difficult can save lives (e.g., repackaging of Tylenol and other medicine reduced suicides), reduce accidents (e.g., adding turns on a long road stretches), and crime (e.g., immobilizers in cars reduce their theft). Big data, artificial intelligence and deep learning have the capabilities of designing methods and tools to reduce frictions. Their ultimate success is to create an environment in which the basis for humans’ and their organizations’ decisions are obtained from artefacts. In this environment, there is no need for “natural learning” because artificial learning produces superior results. Although the world with dumb people and organizations that make optimal decisions may not become reality but this questionable ideal is at the basis of this discussion. Learning, as effortful and time consuming activity, is a friction because it is about both things that are useful as well as those that are not useful to make a decision. Economic institutions that do not require learning are thus preferable because they reduce friction and increase efficiency. This was the thesis behind the introduction of auctions and procurement auctions, in particular, in commerce. But the talk shows that: (1) friction reduction in market transactions through reverse auctions has its hidden costs; (2) the transactions are efficient only under the assumptions that are often not realistic in real-life; (3) efficiency loss can be regained when friction is introduced. Friction is associated with learning about the capabilities and interests of the reverse auction participants. This learning can result in win-win procurement transactions.



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Gregory E. Kersten is a professor and the Senior Concordia Research Chair in Decision and Negotiation Systems in the J. Molson School of Business at the Concordia University. He holds a PhD degree in Economic Sciences and MSc degree in Econometrics from the Warsaw School of Economics (Poland).

His research and teaching interests include individual and group decision-making, negotiation analysis, exchange mechanisms, auctions, decision and negotiation support, web-based system development, experimental studies and behavioral economics.

He was a founding member and the first Director of the Decision Analysis Lab (DAL), Carleton University, the first Director of the Information Systems and the CIT at the John Molson School of Business, Concordia University, a member of the Ottawa-Carleton Institute for Computer Science, and the Director of the E-negotiation, media and transaction research program (2002-07). In 1996 he set up the InterNeg Group involved in on-line training and development of e-negotiation systems. In 2005 this virtual organization became the the InterNeg Research Centre at Concordia University of which he was the first Director.

He is the president of the INFORMS Group Decision and Negotiation Section and the Editor-in-Chief of the Springer-Nature Group Decision and Negotiation Journal. In 2006 he received the GDN Award. He has received grants from Australian Research Council, NSERC, SSHRC, HDRC, Humboldt Foundation (Germany), Max Bell Foundation (Canada), and VQR, CINECA (Italy), among others. He has supervised research at post-doctoral level, graduate thesis work at doctoral and masters' levels, and undergraduate research projects in Canada, Germany, Italy and Poland.

He was a visiting professor at the Politecnico di Bari, Naval Postgraduate School, Hong Kong University of Science and Technology, the National Sun-yat Sen University, a senior research scholar at the International Institute for Applied Systems Analysis in Austria, and the Paul Desmarais/Power Corporation Professor at the University of Ottawa School of Management. He also was a visiting scientific advisor at the Institute of High Performance Computing, A*STAR and the chair of the Open Negotiation Environment Advisory Board.

He is a co-author and editor of eight books and numerous journal articles and book chapters. His research contributions have appeared, among others, in INFORMS Decision Analysis Journal, Decision Support Systems; EJOR; ECRA; Electronic Markets; IEEE Expert; IEEE SMC; Expert Systems with Applications, Group Decision and Negotiation; IISE Transactions; Information and Management; International Negotiations Journal; Journal of Multi-Criteria Decision Analysis; Management Science; Naval Logistic Research; Theory and Decision