Taking forecasting advice: source framing and forecast adjustment

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Abstract: This research focuses on how forecasting advice is received under conditions of source framing. In particular, it examines the potential differences in judgmental adjustments when the external forecasts are labeled as originating from statistical techniques versus experts. Point forecasts, 70% prediction intervals, and 95% prediction intervals are used as the three predictive formats. Employing real stock-price data, the experimental task involved eliciting initial forecasts, presenting external forecasts using source-framing, and requesting adjusted forecasts. In the first experiment, groups are presented with one external forecast (framed as either coming from a statistical forecasting technique or a financial expert). In the second experiment, groups are presented with two external forecasts (which are framed as coming from two statistical forecasting techniques, two financial experts, or one statistical forecasting technique and one expert). Observed differences in adjustments suggest important guidelines for designing forecast support systems.