

Reconstructing Value Perception through Behavioral Economics

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This article explores a systemic dilemma facing Institut Sukan Negara (ISN) in its service relationship with Majlis Sukan Negara (MSN) and national athletes. ISN delivers high-value scientific and medical services that are billed to MSN at cost price; a practice that, while administratively sound, creates a cascade of unintended consequences in value perception.

Drawing from behavioral economics, particularly Tim Harford's *The Logic of Life*, this paper argues that when the **cost and value of services are invisible to both funders and recipients**, those services lose their perceived worth. Over time, institutional and individual actors begin to treat premium expertise as generic, leading to underappreciation, underutilisation, and weakened professional standing.

Using the analogy of *The Invisible Restaurant*, the article illustrates how this dynamic plays out and proposes a transparent signaling mechanism as a remedy. Rather than renegotiating financial terms—which is difficult within a circular funding ecosystem-ISN can project its true service value through subsidy disclosure and a mock-cheque mechanism to anchor appreciation in both funders and recipients.

This approach is not merely administrative, it is behavioral. It aims to restore institutional credibility, reshape user behavior, and reinforce the perceived premium status of ISN's contributions to national sports development.

The Dilemma: Cost-Based Billing, Value-Based Misconception

At present, ISN bills MSN at cost price for the full spectrum of services rendered to national athletes. These services include physiotherapy, nutrition support, sports psychology, medical care, and various scientific assessments and services designed to optimise athlete performance.

However, this cost-based billing leads to the following key issues:

1. **MSN's Undervaluation of Services:** MSN, treating the cost price as a baseline, fails to account for the actual market value of ISN's high-quality services. Consequently, future decisions related to funding and budget allocation are made on the premise of an unrealistic, artificially low benchmark.
2. **Athletes' Lack of Value Awareness:** Athletes, unaware of the true cost and value of the services provided to them, fail to appreciate the support they receive. Over time, this can lead to complacency, a sense of entitlement, and a lack of responsibility towards the services available to them.

This issue of perceived value is not just a minor administrative matter; it has profound implications on the motivation and engagement of athletes and the long-term sustainability of the system.



The Invisible Restaurant: An Analogy

To help clarify this systemic issue, let's turn to a simple analogy.

Imagine a fine-dining restaurant where patrons never see the menu, never receive a bill, and never know the cost of their meals. The restaurant receives funding from a third party (e.g., a sponsor or government), but the diner never feels the weight of the meal's price. Over time, diners lose appreciation for the quality of the food. They begin to skip courses, complain about side dishes, or demand changes without realising the resources involved. Meanwhile, the sponsor assumes the restaurant must be inexpensive because they never pay full price.

In this analogy:

- The **restaurant** represents ISN, which provides high value services.
- The **diners** are the athletes, who are unaware of the value of what they receive.
- The **sponsor** is MSN, which funds ISN's services but doesn't see their true worth.

Just like the restaurant, ISN's services are undervalued because the athletes and MSN cannot see the full value they are receiving.

The Behavioral Economics Behind It

According to Tim Harford in *The Logic of Life*, when individuals receive goods or services without perceivable costs, their appreciation and valuation of those services diminish. In the context of Institut Sukan Negara (ISN), the athletes-our "diners", are never shown the "bill." The services, though premium in quality, are consumed without awareness of their real value. Over time, this leads to complacency, entitlement, and ultimately the misperception of these services as generic rather than specialised.

Harford's logic aligns closely with the psychological economic principle: **"what we do not pay for, we do not value."** This "invisible pricing" erodes the perceived professionalism and credibility of ISN's high-end support services, both from the funder's and athlete's perspective.

This principle is fundamental in understanding why athletes may underappreciate ISN's services. When the costs and value of the services are invisible, the athletes' behavior shifts:

- They may become complacent in their engagement with ISN's services.
- They may feel entitled to the services, with no awareness of the resources expended on their behalf.
- This leads to diminished motivation and a lack of responsibility for their own progress.

The Solution: Reframing Value Without Changing Funding

Recognizing that ISN and MSN are part of the same ministry, and that a direct price negotiation is not feasible within the circular funding structure, ISN must shift its focus from price-based billing to **value-based communication**. Here is how this can be achieved:

1. ISN Value Projection Ledger

ISN will internally create a **Value Ledger** that calculates the **market value** of each service provided. This will include an estimation of what each service would cost in private healthcare or sports science sectors. This ledger won't impact the invoicing system but will act as an internal tool to maintain transparency and provide a reference point for value communication.

2. Subsidy Display in MSN Billing Statements

While the cost-based billing will continue, each invoice sent to MSN will include:

- **Market Value** of services (e.g., RM500,000 for the year)
- **Subsidy Undertaken** (e.g., RM400,000 as ISN's subsidy)
- **ISN Billed Cost** (e.g., RM100,000 at cost price)

This display communicates the **actual value** of services provided and clearly outlines the subsidy ISN is covering.

3. Athlete Mock Cheques: A Value Visibility Tool

At the beginning and end of each training year or cycle, each athlete will receive a **mock cheque** or/and **digital value statement** that outlines:

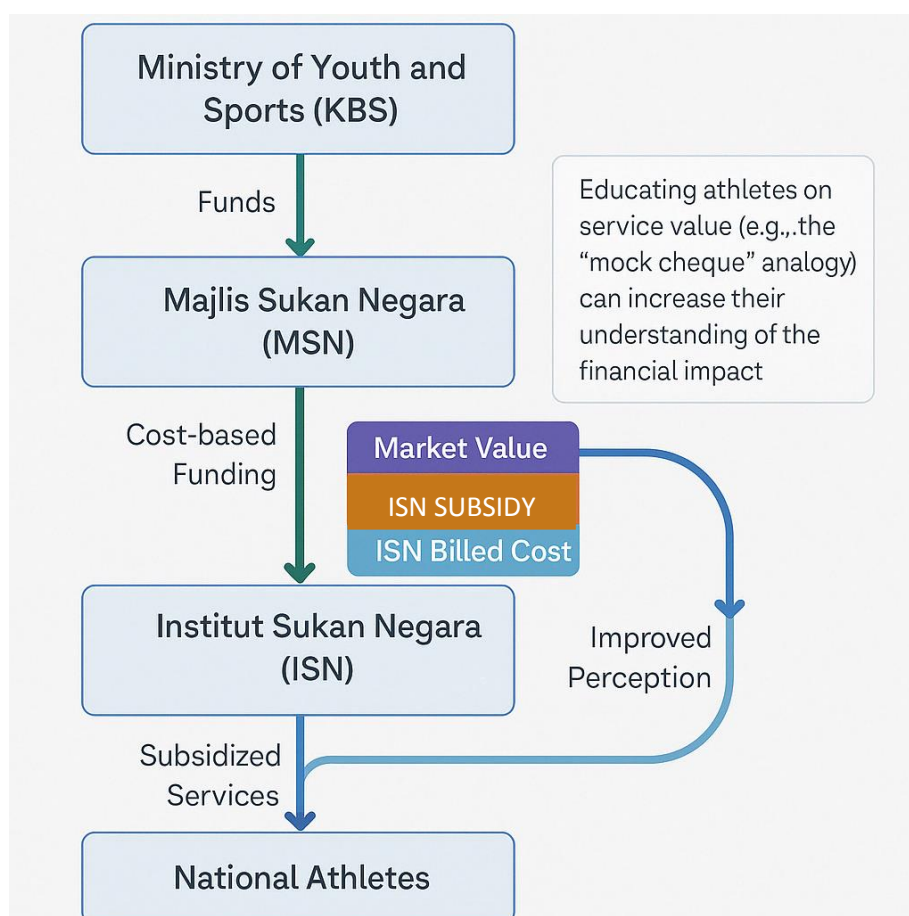
- **Market Value of Services** locked for the year (MSN commitment plus ISN implicit subsidy)
- **Total Services Rendered** to the athlete (e.g., medical, nutrition, sports science).
- **Amount Covered by MSN** as subsidy (e.g., RM80,000).
- **Actual Utilisation Value** (the actual amount exhausted from locked value annually).

This transparent breakdown will increase athletes' awareness of the high value of the services they receive, positioning them as recipients of a significant national investment, rather than as passive consumers of free services.

Visualising the System

To help understand how the value projection and subsidy work, the following diagram visualizes the funding and value communication flow between ISN, MSN, and the athletes.

This diagram illustrates the internal and external flow of services, costs, and value recognition, ensuring that all stakeholders, athletes and funding bodies alike, can appreciate the full extent of the services provided.



Conclusion: From Invisible to Invaluable

The challenge faced by ISN is not rooted in funding or service provision, but in the **visibility** of value. By projecting the true value of services, displaying subsidies, and educating athletes on the costs involved, ISN can shift its position from an invisible service provider to an invaluable strategic asset.

This approach does not require altering the funding mechanisms but instead focuses on **communication** and **perception management**. By reframing the value of services, ISN will enhance the recognition of its work, increase athlete engagement, and help MSN make more informed, value-conscious decisions.

Let us no longer dine at the invisible restaurant. Let us recognise, record, and respect the true value being served every day in Malaysia's quest for sporting excellence.

References:

1. Tim Harford (2009). The Logic of Life: The Undercover Economist. London: Abacus. ISBN 978-0-349-12041-6.
2. Laporan Tahunan ISN (2022). <https://isn.gov.my/download/laporan-tahunan-isn-2022/>