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## The moderating effect of a no-choice option on risky framing effect

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### ABSTRACT

Risky framing effects refer to changes in risk preferences as a result of how choices are verbally presented, such as in terms of gains or losses. Prior research on framing has produced mixed results, with only some showing reliable framing effects. We argue that this is because different framing studies have created different levels of between-alternative conflict. Two studies were conducted to examine how different levels of between-alternative conflict and the inclusion of a no-choice option influence framing effects using both between- and within-individuals experimental designs. These studies found that high levels of between-alternative conflict were associated with framing effects, and that high levels of between-alternative conflict were moderated by including the no-choice option in the choice set. Taken together, these two studies demonstrated that the inclusion of a no-choice option provides an alternative way of resolving difficult choices regarding decision frames that are not available when individuals are forced to choose. It is concluded that between-alternative conflict makes people influenced by decision frames and determines the appearance of the framing effect.

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### 1. Introduction

Since the classical studies by Kahneman and Tversky (1979), framing effects, defined as the tendency for people to avoid (pursue) risk when a choice is framed in terms of gains (losses), have received much research attention in areas including psychology and decision making, and have been extended to a wide variety of tasks and procedures (Bloomfield, 2006; Gamliel, 2007; Hannah & Cafferty, 2006; Igou & Bless, 2007; Kim, Zhang, & Li, 2008; Kugler, Connolly, & Ordóñez, 2012; Kühberger, 1995, 1998; Levin, Schneider, & Gaeth, 1998; Schneider, 1992; Wang, 1996). Converging evidence demonstrates that the occurrence of framing effects depends on the nature of the task characteristics, as well as the content and context variables inherent in choice problems, which themselves may involve distinct psychological mechanisms (Cheng, Yen, Chuang, & Chang, 2013; Kim, Kim, & Marshall, 2014).

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Many researchers have noted the erratic nature of framing effects and explored different factors that may determine their occurrence. Empirical studies have shown that the psychological mechanisms of framing effects are sensitive to various cognitive variables, including the amount of information available to the decision maker (Igou & Bless, 2007; Levin, Johnson, Russo, & Deldin, 1985; Levin, Huneke, & Jasper, 2000; Levin et al., 1998; Weller, Levin, & Denburg, 2011). It is therefore important to know the antecedent conditions that determine the appearance and disappearance of framing effects (Wang, 1996).

Based on a data pool of 136 empirical papers, the factors that contribute to the framing effects have been classified by Kühberger (1998) into three feature categories: risk, task, and participant characteristics. Even recent studies on risky choice framing effects still focus solely on these three feature categories (Bloomfield, 2006; Igou & Bless, 2007; Kim et al., 2008; Levin, Gaeth, Schreiber, & Lauriola, 2002). In terms of the risk category, Kühberger (1998) mentioned that no previous study has investigated the effect on risky choice framing effects of a no-choice option. A no-choice option is one in which people need not make decisions right away and may collect more information or look for new alternatives. Dhar and Simonson (2003) state that people are not forced to make a choice from all sets presented to them in many real-world situations: they often exercise their option not choose at

all, or to defer making a choice. Thus, a forced choice does not reflect reality and overestimates the relative preference of such options because people sometimes defer making a choice, especially in high conflict situations and where people are trying to avoid a difficult trade-off (Tversky & Shafir, 1992). Taken together, it is necessary to investigate how a no-choice option affects decision frames.

However, one question arises: if a no-choice option affects framing, then what mechanism influences the relationship between the no-choice option and framing effect? Tversky and Kahneman (1981) mentioned that “it was easy to see that the two problems were effectively identical” (p. 453). Combined with Luce, Jia, and Fischer (2003) study, they defined that between-alternative conflict, which was operationalized by the presence of equally attractive or unattractive features across two options, may be induced if equal attractiveness exists in the riskless and risky options. That is, between-alternative conflict may be the possible mechanism underlying the impact of the no-choice option on risky framing effect. Thus, this study examines the theoretical link of between-alternative conflict in terms of the inclusion of the no-choice option and framing effects. Experimental results are presented and concluding remarks are provided together with implications and directions for future research.

## 2. Literature review

### 2.1. Risky framing effects and between-alternative conflict

Risky framing effects, which are more widely studied by different domains, such as economics, sociology, and consumer behavior (Kühberger, 1998; Levin et al., 1998), refer to how peoples' preferences among options are dependent on how those options are described. A *preference reversal* phenomenon was first observed by Tversky and Kahneman (1981), where the majority of individuals given a positively framed version of a task selected the option with a certain outcome, whereas the majority of individuals who were given a negatively framed version selected the more risky option. Tversky and Kahneman (1981) explained framing effects as follows: “Because of imperfections of human perception and decision, changes of perspective often reverse the relative apparent size of objects and the relative desirability of options” (p. 453). In other words, framing effects are like perceptual illusions more than computational errors (Kahneman & Tversky, 1984; Okder, 2012). It was also implied that individuals would easily confuse choices between the riskless and risky options even if they were aware of the equal expected value of these two options, as Tversky and Kahneman (1981) said, “it was easy to see that the two problems were effectively identical” (p. 453).

To investigate what prompted the individuals to choose the reverse answers across frames, Frisch's (1993) study based on perceptual illusions asked individuals to write down possible reasons for their choices that might provide a natural way to understand risky framing effect (Shafir, Simonson, & Tversky, 1993). First, individuals were asked to determine whether the two versions of the framing effect should be treated the same, and if not, why. The individuals who treated the two versions differently were further classified into four groups as follows: SAME (individuals treated the problems differently but judged them to be the same); OBJDIF (individuals treated the problems differently and stated that there was an objective difference); SUBJDIFF (individuals treated the problems differently and stated that there was a subjective difference); and NONE (individuals did not provide any justification for their responses). Based on the classifications made by those individuals, an obvious high between-alternative conflict, which is induced by the equal attractiveness,

exists in the riskless and risky options, and could easily be discerned for the SAME group. Furthermore, in Frisch's (1993) Experiment 1 (Asian disease problems), 69% of the individuals who experienced high decision conflict were classified into the SAME group. Among those who were classified into the SAME group in Experiment 2, 47% of them showed evidence of a framing effect, but <20% in other groups showed evidence of framing effect. Therefore, prior studies indirectly showed that high between-alternative conflict might lead people to choose more riskless (risky) options in positive (negative) frames than low between-alternative conflict might.

In order to strengthen the assumption that conflict produces framing effect, this article investigates one possible theoretical explanation for the influence of between-alternative conflict on risky framing effect. Kühberger (1998) mentioned that all studies on framing effects employed a *forced choice*. If the individuals are not sure how to trade off one feature relative to another or, for that matter, which features matter the most, a possible between-alternative conflict arises when they are forced to make a decision. Based on the heuristic-systematic model (Chiaren, 1980), between-alternative conflict may increase individuals' cognitive loading and lead to more heuristic information processing. Slovic, Finucane, Perers, and MacGrego (2002) and Gabaix and Laibson (2003) both consider that the framing effect is driven by heuristic information processing. Combined with Mahoney, Buboltz, Levin, Doverspike, and Svyantek (2011) study, which is hypothesized on the basis of cognitive experiential self-theory and demonstrates that people with heuristic thinking are more likely to show a framing effect (choose riskless outcome in gain frames and risky outcome in loss frames), it is reasonable to assume that between-alternative conflict determines the appearance or disappearance of the risky framing effect.

### 2.2. Between-alternative conflict and the no-choice option

Since Miller's (1944, 1959) studies on drive theory of conflict, between-alternative conflict induced by relative attractiveness of the available options plays an important role in psychological analyses of decision making. Recent empirical studies have emphasized the influence of a no-choice option on between-alternative conflict (Anderson, 2003; Dhar, 1996, 1997; Dhar & Nowlis, 1999; Dhar & Simonson, 2003; Luce, 1998; Luce, Bettman, & Payne, 1997; Novemsky, Dhar, Schwarz, & Simonson, 2007; Tversky & Shafir, 1992). For example, Dhar and Simonson (2003) demonstrated that people were more likely to select the no-choice option when both alternatives were viewed as identical or only slightly different in terms of degree of attractiveness or unattractiveness as opposed to when there was a single superior alternative. Shafir et al. (1993) also mentioned that when the conflict between available alternatives is difficult to resolve, people may seek additional options, or opt for the status quo. According to these abovementioned studies, it is reasonable to assume that when there is a no-choice option available, people with higher conflict are more likely to select the no-choice option in both positive and negative decision frames, whereas the remaining people with lower conflict may choose other options (riskless or risky options) based on their risk preference. Further, no framing effect is expected when a no-choice option is offered, and a strong moderating effect of a no-choice option on the framing effect can be expected.

Hypothesis: the no-choice option moderates the framing effect. That is, instead of choosing the riskless options, those who have between-alternative conflict in the positive decision frame tend to choose the no-choice options. Conversely, those who have between-alternative conflict in the negative decision frame tend to choose the no-choice options instead of the risky options.

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