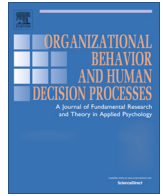




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To change or not to change: A matter of decision maker's role



Jingyi Lu, Xiaofei Xie*

Department of Psychology, Peking University, Beijing 100871, China

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ABSTRACT

The status quo effect derived from loss aversion is common in decision making. However, we propose that advisors (vs. personal decision makers) are less susceptible to such an effect because they are less loss-averse. The difference in loss aversion between personal decision makers and advisors is reflected in both the query order and content. Compared to advisors, personal decision makers produce more queries favoring the status quo, at an earlier time, than those favoring the new option. As hypothesized, the status quo effect was observed among personal decision makers, but not among advisors (Studies 1 and 2). Query order and content were found to mediate the impact of decision maker's role on the status quo effect (Study 2). When personal decision makers and advisors made queries in the same order (Study 3) or of the same content (Studies 4a and 4b), the difference between self–other decision making disappeared.

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Introduction

The tendency to maintain current states rather than accept new options is termed as status quo bias (Samuelson & Zeckhauser, 1988), and proved to be prevalent in decision making (Hesketh, 1996; Moshinsky & Bar-Hillel, 2010; Samuelson & Zeckhauser, 1988). Such a phenomenon is called a “bias” partially because it hinders people from making changes, which have apparent advantages such as bringing about opportunities that result in innovations. In this context, one question emerges: Is a certain group of people less trapped in the status quo bias? In this study, we focus on the *decision maker's role* in disclosing the divergent effects of the roles of personal decision makers and advisors on the willingness to change.

This paper adopts an “advantage–disadvantage analysis” to take a closer look at the status quo bias. Although the advantages of change are prominent, disadvantages are also salient: the uncertainty associated with the unknown, the efforts to adapt to unfamiliar situations, and the risks of failure. Therefore, the choice of whether to change or not depends on the tradeoff between advantages and disadvantages.

We assume that personal decision makers are caught in the status quo bias because they put more emphasis on the bad consequences of change than on the good ones. Nevertheless, advisors (vs. personal decision makers) weigh the advantages more than the disadvantages (Polman, 2012b), which results in the disappearance or even the reversal of the status quo bias.

Status quo effect: why are people reluctant to change?

Status quo effect

In 1988, Samuelson and Zeckhauser noted that options labeled as perpetuating the status quo are more preferred compared to options without such a label. Later, the default effect was raised to reveal a similar phenomenon, in which decision makers are reluctant to depart from default states (Johnson, Hershey, Meszaros, & Kunreuther, 1993). For instance, the policy that set organ donation as a default facilitates donation registry because people tend not to change current default states (Johnson & Goldstein, 2003).

Although status quos are often actively chosen by the self, whereas default options are, in most cases, passively decided by unknown others, such as policy makers and designers, both demonstrate the tendency of people to do nothing and maintain current states. Therefore, the term *status quo effect* is used in the present research to refer to the phenomenon in which decision makers tend to maintain their current status rather than make a change.

Such an effect has been proved to be common in decision making (e.g., Brown & Krishna, 2004; Dinner, Johnson, Goldstein, & Liu, 2011; Hartman, Doane, & Woo, 1991; Madrian & Shea, 2001). For instance, when policies of various kinds are set as the status quos, the attitude of people toward them is more favorable (Moshinsky & Bar-Hillel, 2010; Pichert & Katsikopoulos, 2008). Similarly, people are unwilling to exchange their randomly drawn lottery tickets (Bar-Hillel & Neter, 1996; Risen & Gilovich, 2007).

When does the status quo effect occur? If the advantages of either the new option or the status quo are dominant, people will undoubtedly go with the one that offers benefits. However, if the

* Corresponding author. Fax: +86 10 62761081.

E-mail address: xiaofei@pku.edu.cn (X. Xie).

advantages of both sides seem to be equivalent and people find themselves in a dilemma, the status quo will typically dominate. But how can the status quo stand out?

Loss aversion

The root of the status quo effect may lie in the tradeoff between the advantages and disadvantages of the current state and the new option. According to prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1981), the status quo functions as a reference point and is compared to the new option. As illustrated in Fig. 1, the advantages of the new option (either the negative aspects of the status quo or the positive aspects of the new option) are viewed as gains, and the disadvantages (either the positive aspects of the status quo or the negative aspects of the new option) are considered losses (Moshinsky & Bar-Hillel, 2010; Samuelson & Zeckhauser, 1988).

People put more weight on losses than gains due to loss aversion (Kahneman & Tversky, 1979), thus causing a preference for the status quo. In other words, the status quo effect is a result of loss aversion (Kahneman, Knetsch, & Thaler, 1991; Novemsky & Kahneman, 2005; Samuelson & Zeckhauser, 1988).

Loss aversion is reflected in queries

According to query theory, the tendency of loss aversion can be reflected in the queries made during the decision-making process (Johnson, Häubl, & Keinan, 2007; Weber et al., 2007). The first assumption of query theory is that people deconstruct a decision problem into several queries. For instance, the question of “Should I make a change or maintain the status quo?” would be divided into “Why should I maintain the current state” and “Why should I choose the new option”.

The second is that decision makers generate queries in a sequence. Because losses loom larger than gains, people generally tend to consider losses prior to gains. Therefore, when comparing the status quo to the new option, they initially consider the disadvantages of the new option (part A in Fig. 1) and then the advantages of the new option (part B in Fig. 1).

The third and the most crucial assumption is that an earlier query results in more retrieval than a later one due to memory interference, referring to that the earlier retrieval in memory would interfere with the later retrieval. For example, people who first consider the disadvantages of the new option (part A in Fig. 1) followed by its advantages (part B in Fig. 1) obtain more reasons that favor the status quo (part A in Fig. 1) than those that favor

changes (part B in Fig. 1). Consequently, they decide to maintain the status quo. To put it simply, the main idea of query theory is that both *query order* and *query content* affect decision making.

The roles of query order and content in the status quo effect were supported by a recent study (Dinner et al., 2011), in which half of the participants were told that they had been using incandescent bulbs and were given an opportunity to switch to compact fluorescent bulbs, whereas the others were told that using compact fluorescent bulbs was the status quo. They were asked to record their thoughts in the decision-making process and then make the choice. As a result, the status quo effect was replicated. More importantly, participants considered the disadvantages of the new option *before* they considered its advantages. Moreover, they considered the disadvantages of the new option *more* than its advantages.

Decision maker's role: is everyone reluctant to change?

Although the status quo effect is commonly observed, do all people tend to resist changes? We propose a moderator in the role of decision makers. In daily life, people act as either a *personal decision maker* to decide for themselves or an *advisor* to advise others. For instance, we sometimes make investment decisions by ourselves, but in some situations, consultants provide us with suggestions. Similarly, students may decide as an individual which school to attend, or their parents may give them advice. Interestingly, even when confronted with the same problem, decision makers with different roles make divergent choices due to different cognitive processes (Liviatan, Trope, & Liberman, 2008; Polman & Emich, 2011), such as in weighing desirability and feasibility (Danziger, Montal, & Barkan, 2012; Lu, Xie, & Xu, 2013), primary and secondary aspects (Liviatan et al., 2008), and important and less important attributes (Kray & Gonzalez, 1999).

As for loss aversion, Polman (2012b) evidenced that advisors focus more on gains than losses relative to personal decision makers. In his research, participants were asked to make decisions either for themselves or for others in multiple domains, with or without risks. Results consistently showed that advisors (vs. personal decision makers) are less loss-averse.

The difference of self–other decision making in loss aversion would be reflected in the means of conducting queries. Because personal decision makers focus more on losses than gains, more queries about the disadvantages of the new options (part A in Fig. 1) would be generated at an earlier time. Advisors, however, weigh gains more than losses compared to personal decision makers, thus they would generate more queries about the advantages of the new options (part B in Fig. 1) at an earlier time. As a result, the status quo effect is hypothesized to be found among personal decision makers but a diminished or reverse effect is predicted to be observed among advisors.

The present research

We aimed to illustrate self–other decision-making difference in the status quo effect and investigate why such difference emerged. The status quo effect was expected to be found among personal decision makers but a diminished or even reverse effect among advisors. In addition, both query order and content were hypothesized to mediate the impact of the decision maker's role on the status quo effect. Our research framework is illustrated in Fig. 2. Study 1 aimed to illustrate the predicted self–other decision-making difference. Study 2 was designed to examine the mediation roles of both the query order and content using the thought-listing paradigm, in which participants were asked to record their real-time thoughts during the decision-making process. Finally, we

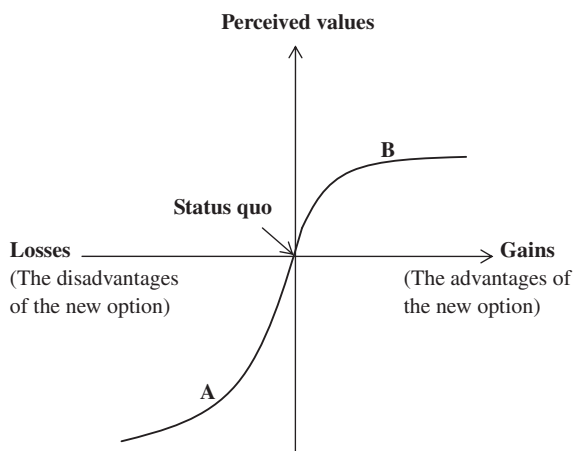


Fig. 1. Loss aversion as an account of the status quo effect.

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