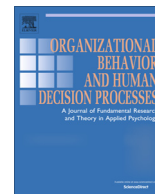




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Two-stage decisions increase preference for hedonic options

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ABSTRACT

When choosing from multiple options, decision-makers may directly choose an option (single-stage decision), or initially shortlist a subset of options, and then choose an option from this shortlist (two-stage decision). Past work suggests that these two decision formats should lead to the same final choice when information about the choice alternatives is held constant. In contrast, this research demonstrates a novel effect: two-stage decisions increase preference for hedonic (vs. utilitarian) options. A regulatory focus account explains this effect. In a two-stage process, after shortlisting, decision-makers feel that they have sufficiently advanced their prevention goals, and this reduces their prevention focus during the final choice stage. Reduced prevention focus, in turn, enhances hedonic preference. Four studies across different decision contexts illustrate this effect and support the underlying process mechanism. The findings suggest that the formal structure of a decision (single-stage vs. two-stage) leads to systematic differences in decision-makers' choices.

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1. Introduction

Decision-makers make choices using either a single-stage or a two-stage decision process. In single-stage decisions, an option is chosen directly from all the available options. In two-stage decisions, however, decision-makers first (i) shortlist (or screen) a subset of options from all the available options, and then (ii) make the final choice from this shortlist (Beach, 1993; Potter & Beach, 1994). For example, a manager deciding on a candidate to hire could evaluate all applicants' resumes and choose one candidate (single-stage decision), or she could first shortlist some candidates, and then choose one from this shortlist (two-stage decision). These decision procedures are formally equivalent; they expose decision-makers to the same options and the same information, and so should lead to similar choice outcomes. However, in direct contrast to this assumption of procedure invariance (Slovic, 1995), we find that two-stage (vs. single-stage) decisions systematically increase preference for choice options that are relatively superior on hedonic decision criteria. Further, we illustrate a novel process

mechanism for this phenomenon that relates to decision-makers' goals.

Past work on single-stage decisions vs. two-stage decisions has focused on how decision-makers utilize information presented at different stages. According to this past work, in the final stage of two-stage decisions, decision-makers de-emphasize information that they used in the first stage and place greater importance on information that they encountered in the second stage (Chakravarti, Janiszewski, & Ülkümen, 2006; Ge, Häubl, & Elrod, 2012). The research presented in this manuscript differs from this previous research in two ways. First, distinct from past work, we primarily investigate decisions in which all relevant information is provided up front in *both* single-stage and two-stage decisions. In our work, these formats differ mainly in whether the decision is formally demarcated into two stages (i.e., shortlist, then choose-from-shortlist), or not. No additional information is provided in the second stage. Therefore, we focus on how decisions are influenced by the demarcation itself, holding constant the decision inputs.

Second, we study an important choice outcome that has not yet been examined in the literature on two-stage decisions: preference for hedonic vs. utilitarian choice options. When choosing an option, decision-makers often tradeoff hedonic and utilitarian decision criteria. Utilitarian criteria relate to functional aspects, whereas hedonic criteria relate to experiential and discretionary aspects (Khan, Dhar, & Wertenbroch, 2005). For example, in the case of job

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applicants, work experience is more of a utilitarian characteristic, whereas humor in business-related social situations is more of a hedonic characteristic.

We find that two-stage decisions increase preference for hedonically superior choice options. Unlike past results in the two-stage decision literature that were based on information processing factors, the mechanism that drives our effect is related to decision-makers' goals—specifically, differences in their regulatory focus (Higgins, 1997). We find that shortlisting influences the extent to which the final choice is pursued with a prevention goal (i.e., goal of avoiding disfavored choice outcomes). In a two-stage process, after the shortlisting stage, decision-makers feel that they have sufficiently advanced their prevention goals, which in turn dampens the continued activation of prevention focus; however, promotion focus (i.e., goal of approaching favored outcomes) does not dissipate. Consequently, this relatively lower prevention focus increases preference for hedonic options during the final choice.

Our work has important theoretical and practical implications. With regard to theory, we contribute to the literature on two-stage decision-making, by identifying non-intuitive consequences of structuring the choice process as either single-stage or two-stage. Both, our key effect about hedonic–utilitarian choices and the underlying goal-related process mechanism, are new to the two-stage decision-making literature. The main insight of our work is the finding that a relatively minor procedural difference in the decision process (i.e., whether decisions are formally demarcated into two stages or not) leads to systematic effects on decision-makers' choices, despite holding key decision-inputs constant. This finding builds upon prior work on how differences in elicitation procedures influence preferences and valuations (Joyce & Shapiro, 1995; Selart, 1996; Slovic, 1995), by showing how the structure of a decision-process influences hedonic preferences.

With regard to practice, this phenomenon is important for a wide variety of decisions that may be demarcated into two stages. Many organizations have a policy of making important decisions (e.g., choice of employees, vendors, clients, projects, etc.) in a way that draws attention to the demarcated structure of the decision (e.g., shortlist, then choose). Also, many academic departments hire new faculty using a two-stage process. Hiring and selection committees might find our results relevant and accordingly, take steps to ensure that these two-stage decisions are not overly hedonic-slanted. Further, the issue of two-stage (vs. single stage) decisions may be particularly relevant to online websites where managers and consumers are prompted to create shortlists (e.g., Google Shopping's "My Shortlist" tool, all-paris-apartments.com's "shortlist" tool, or Human Resources websites with "candidate shortlist" tools). Finally, in personal selling contexts, salespeople can suitably structure the sales process as a two-stage process, contingent on whether they wish to push hedonic options.

2. Literature review

2.1. The decision scenario

We examine decision scenarios in which each choice-option comprises a bundle of characteristics that are utilitarian or hedonic in nature. To test for differences in hedonic preferences, we examine choice sets that have an inherent hedonic–utilitarian tradeoff. More specifically, decision-makers choose between options that are relatively superior on hedonic criteria, but inferior on utilitarian criteria (e.g., affable candidate with modest expertise) vs. options that are relatively superior on utilitarian criteria, but inferior on hedonic criteria (e.g., boring candidate with excellent work credentials). In the context of such tradeoffs, higher hedonic preference is reflected by greater choice share of options that are relatively superior on hedonic criteria, compared to other alternatives in the same choice set.

This operationalization of hedonic preference is consistent with past work on hedonic–utilitarian tradeoffs (Chernev, 2004; Kivetz & Simonson, 2006; Vohs et al., 2008). As noted earlier, we predict that two-stage (vs. single-stage) decisions lead to an increase in choice share of the relatively more hedonic options.

In this paper, we examine two types of decision-scenarios. In most studies, in both single-stage and two-stage decisions, we present all information upfront; the only difference is in the structure of the decision-process. In two studies, in the single-stage decision we present all information upfront, whereas in the two-stage condition we present the critical information upfront, and only some minor information after the shortlisting stage. We predict that increased hedonic preference after shortlisting generalizes to both these cases. Further, we do not presume that shortlisting must occur in a particular manner (e.g., selection vs. rejection; Chakravarti et al., 2006; Levin, Jasper, & Forbes, 1998), or that shortlisting must be based on particular attributes (e.g., based on price; Larson & Hamilton, 2012).

In our examinations, we acknowledge that it is possible that decision-makers in a single-stage condition might disregard our experimental instructions and informally compose a shortlist, even in a single-stage decision. However, the key point is that two-stage decisions formally mandate a shortlist. We highlight this difference in the explicitness and prominence of shortlisting as a key feature that distinguishes single-stage and two-stage decisions. In the decisions that we examine, only a two-stage format includes an explicit and formal shortlisting stage, whereas in a single-stage format the shortlisting stage may (at best) be implicit and hence less salient during the decision. Therefore, the difference in decision format is relatively subtle, based on the clarity with which the shortlisting stage is demarcated. We focus on this subtle difference, and we examine its effect on differences in decision makers' goals—particularly their regulatory focus—and their subsequent effect on hedonic preference.

Next, we review some key findings from past research on regulatory focus, first highlighting how differences in regulatory focus lead to differences in hedonic vs. utilitarian preferences, and then describing how differences in the decision structure (i.e., two-stage vs. one-stage decisions) might lead to differences in regulatory focus.

2.2. Regulatory focus

People pursue goals with two regulatory orientations (Higgins, 1997). *Prevention-focus* emphasizes losses (vs. non-losses) and the minimal goal of avoiding disfavored outcomes. *Promotion-focus* emphasizes gains (vs. non-gains) and the maximal goal of approaching most favored outcomes. Decision-makers' operant regulatory focus determines how they value hedonic characteristics, relating to pleasure and indulgence, vs. utilitarian characteristics, relating to functional concerns. Specifically, decision-makers have higher hedonic preference under lesser prevention (greater promotion) focus. This follows from research on goal-attribute compatibility, which has shown that when decision-makers' minimal goals are reduced, this increases the importance they place on pleasurable characteristics (Chernev, 2004; Higgins, 2002; Safer, 1998). We elaborate on this point later.

Research has shown that prevention focus can influence decisions independent of promotion focus (Higgins, 2002). Therefore, much work on regulatory focus has operationalized promotion and prevention as orthogonal constructs (Haws, Dholakia, & Bearden, 2010; Lockwood, Jordan, & Kunda, 2002). These researchers used separate scales to measure prevention and promotion focus, and we follow the lead of such research. Next, we discuss changes in regulatory focus during single-stage vs. two-stage decisions.

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