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Does Choice Flavour Our Life?

Tan Boon Pin^{1*}, Noraani Mustapha², Nik Maheran Nik Muhammad³

¹ Faculty of Entrepreneurship and Business, Universiti Malaysia Kelantan, Locked Bag 36, 16100 Kota Bharu, Kelantan, Malaysia,

² Malaysian Graduate School of Entrepreneurship and Business, Universiti Malaysia Kelantan, Locked Bag 36, 16100 Kota Bharu, Kelantan, Malaysia,

³ Global Entrepreneurship Research and Innovation Centre, Universiti Malaysia Kelantan, Locked Bag 36, 16100 Kota Bharu, Kelantan, Malaysia.

***Corresponding Author**

Email: tan.boonpin@gmail.com

Abstract: *This paper introduces the topic of choice by looking at the aspect of decision making. It dissects on the role of choice played during decision making and found that choice add flavours to our life in either sweet or bitter. Life is about choices and choices wait for no men. If we did not make a decision, the choice would make it for us. In decision making, the choice will dictate the future and the direction. The more choice we face, the more time we need as the choice may be dictated by the features of the product.*

Keywords: *Choice, regret, maximizer, satisficer*

INTRODUCTION

A choice is an act of selecting or making a decision when faced with two or more alternatives (Schwartz, 2004). The study by Sheena (2011) has shown that the power of choice stems from its promise of almost infinite possibility, but what is possible is also, what is unknown. According to her, we use the choices that we have decided to shape our lives, despite those choices we have, uncertainty still exists. Choice has the power of possibility. To face the future and only be equipped with the complicated tools of choice can be scary and exciting at the same time. We are the sum of our choices. Perhaps all three, our destiny, chance and opportunity are attributable to where and how we end up being. However, choice alone gives us some measure of control and allows us to participate in our decision making actively. It also provides us with the opportunity to make the most of whatever destiny and choice that set the way. When things do not go as planned, the choice enables us to recover, survive and even thrive (Sheena, 2011).

Paradox of Choice

A survey carried out by MFS¹ Investing Sentiment in 2012 found that 40% of the investors were of the opinion that investment products were too complicated to understand and 34% felt that they were unable to make decisions on investment choices available for them. There have been quite some studies by psychologists and economists on the issue of having too many choices (e.g. Sheena (2011); Schwartz (2004); Sheena (2006)). Sheena (2011) concluded that having too many opportunities is likely to render people incapable of making

¹MFS is a premier global money management firm with investment offices in Boston, London, Mexico City, Singapore, Sydney, and Tokyo. The firm's history dates back to March 21, 1924, and the establishment of the first U.S. "open-end" mutual fund. MFS manages \$237.1 billion in assets on behalf of individual and institutional investors worldwide, as of July 31, 2011

decisions or lead them into making decisions that are against their best interest. In theory, the presence of many choices may seem appealing, but in reality, people may feel depressed when faced with more than one opportunity to make. It also shows that an excess of choice often leads us to be less, not more, satisfied once we have made a decision. Along the same line, Schwartz (2004) clarified that it is not clear if more choice gives you more freedom to select.

As posited by Sheena (2006), it is undeniable that choice will improve the quality of our life. With choice, we can manage our objectives and draw ourselves closer to our destination. It is also necessary for our independence and fundamental to our well-being. Furthermore, a rational human being will always want to have control of their life, many needs are universal, and many preferences are to be customised and highly individualised. It is further elaborated by Sheena (2006) that choice gives us the authority to precisely pursue what we want and gratify our preferences that are confined to our wealth. Regulating our choice in some manner, Sheena (2006) affirmed that along the way there are surely humans who feel rundown of the prospect to pursue something of personal value.

According to Sheena (2006), freedom has significant value. It is the choice that enables us to inform the world what we want, what we care and who are we. The choice we make reflects our independence, and since the time of Plato, philosophers of all fields have always appreciated such freedom. Andrew (2008) explained that with the new additional choice, it creates a new opening to state our independence and thus present our character. Nobody will be able to recognise us if we give up our collective social life.

Joachim (2002)'s research on dissonance theory² has found that dissonance can arise if a decision is voluntary, i.e. a free choice has been making from at least two alternatives. If your boss tells you to carry out a particular activity, then there is no question of commitment, and there is no emotional attachment to the decision. The boss will be responsible if the outcome is not as expected. Responsibility is minimal if your boss orders for everyone souvenirs in advance for a year-end dinner. In financial markets, accountability is very high as usually nobody is compelled to invest. Instead, the decision to invest is voluntary. The trader who merely executes an order for his clients will not experience dissonance.

The paradox of choice infuses the process of picking one's retirement choice. Sheena (2004) examined the 401 (k) participation rates among clients of an investment firm called Vanguard, across more than 600 plans covering more than 800,000 employees. She discovered that the more funds offered, the lower the rate of participation was. For every ten additional funds included in a plan, there was 1.5% to 2.00% decline in the participation rate. The low participation rate is due to difficult choices available and investors reacting to sideline the plan.

When Choice is Demotivating

When there is no choice, life will be miserable because it is our consumer culture to see the increasing number of opportunities as according to Sheena (2006), the independence, autonomy, control and liberty the choice brings, are highly commanding and seemly positive. Although having some choices is right, it does not necessarily mean that more choices are better (Sheena, 2006). Also, according to Sheena (2006) by having too many opportunities, there is undoubtedly a cost attached to it. As for choice increases in number, the depressing aspect of having too many choices creeps in. As this situation escalates, the adverse effects spiral until, ultimately, choice no longer liberates, but debilitates.

Charter (2010) conducted an online experiment involving 6000 subjects in eight European Union member states. The questions the researcher addressed were associated with cognitive and behavioural factors in retail investment with no advisors. The two critical findings discovered were that even in a straightforward investment task, investors found that it is difficult to make an optimal investment choice. 56% of the fund

²Dissonance Theory by Leon Festinger (1957) said that there is a tendency for individuals to seek consistency among the cognition (beliefs & opinions). If there is a conflict between behavior and attitude, something must change to eliminate the dissonance.

was invested optimally, and only 25% of the investment decision was entirely optimal, and only 1.4% of the investors made all three investment choices best possible. Framing effects and biases were the two irrational investment decisions which investors are prone to making (Charter, 2010). Investors made an awful decision when the optimal choice made was hard to understand³ and disproportionately averse to uncertainty, ambiguity and product complexity. This indicates that it is demotivating when investors fail to understand the choices available to them.

Sheena (2004) had proved that too many choices lead to a confusing state and people will regret the later part and will always question their choice. It is due to the abandonment of choice; heuristic takes over due to reasons are known to the decision maker himself or herself. Human factors influence our decision, and our choice can never be right.

Why is Choice Demotivating?

Sheena (2006) believed that several reasons that undermine the objectives and the advantages ought to come with an increased choice. Schwartz (2004) agreed that the problem of increased choice is the result of people who tend to maximise everything that they own and they are a maximiser.

Research done by Sheena (2006) on maximiser shows that regret is the mediator. Regret mediated the relationship between maximising and a variety of measures of life contentment. Humans with high regret scores are sad, less satisfied with life, less confident and more dejected.

When an investor decides to sell a losing stock, they always bundle together more than one stock on the same day. They will limit the feeling of regret by integrating the sales of losers' stocks to aggregate the losses (Nofsinger, 2005). Lim (2003) who examined the selling behaviour of 158,000 brokerage accounts from 1991 to 1996 supports this. She found that investors were expected to dispose of more than one losing stocks on the same day. On the other hand, selling another profitable stock on the same day is less likely to take place.

If people have more choices, likely to experience regret, the only way to overcome it is to make the best possible decision and Andrew (2008) who found out that human are maximisers has proved this.

Buyer's remorse brings about the buyer's second thoughts that the rejected choice is better or there are other alternatives in which he failed to explore which can bring better outcomes to the decision maker. Thus, the bitter taste of regret counters the satisfaction that we have gained. This situation is better known as post-decision regret as defined by Sheena (2006). What may be even worse than the above case is the anticipated regret, as it will cause not only disappointment but also an emotional disturbance. This sense of regret is similar to buying a car. Had one discover another right vehicle earlier, one would not have purchased the car one has just purchased. The emotional stake of the decision will be elevated with anticipated and post-decision. It will be harder to decide with expected regret while post-decision regret will make them harder to enjoy the purchased item (Sheena, 2006). Sheena (2006) also discovered that regret might be the enemy of decision making with choices of many attractive alternatives. When we faced a more significant number of appealing choices, we will have more chances for regret.

For maximisers, the dilemma of regret is higher than satisfaction. If a maximiser can find something better, he or she will regret having failed to have in the first place. The only way to counter regret is through perfection as posited by Sheena (2006). To achieve perfection, humans need to compare all alternatives, and it may be very tiring and requires endless effort. Feeling regret for satisficers is lower as they set a lower standard for themselves and perfection is not necessary.

Choices and Reasons

We need to justify when we make choices, and we feel that there is a need to articulate to ourselves why we make such a decision. It is beneficial to know why such judgment has been established as it enables us to improve the quality of our picks in the future. Every choice we make needs to be justified as a study by Weiner (1985) suggests that the decision-making model that is simple and straightforward is not always

³Fees framed as percentage, annual return not compounded over the duration of the investment

accurate. Two groups of participant involved in the research asked to taste and rank five different kinds of jam. The participants did not need to give reasons for their choice for the first group, but intentions are necessary for the second group. Comparing took place after their tasting session, with rankings to those of experts published in Consumer Reports. The group, which had freedom, produced a ranking closer to that expert. This indicates that thinking about reason can change our decision and this implies that people do not always think first and decide later (Weiner, 1985).

Choice and Opportunity Cost

The quality of any choice cannot be determined in isolation. It is necessary to compare with other choices available due to the cost involved. According to the economist, this is the opportunity cost. If we forgo a choice and choose the other, an opportunity cost is involved. In decision making, for every choice, we make there is an opportunity cost attached to it. The opportunity cost considered is the one associated with the next best alternative.

This advice is not easy to follow as according to Sheena (2006), today's products have different features. Some features may rank higher than the other in various products. Even though there may be a single, second best choice overall, each of the choices may have highly recommended features compared to the others. The higher our experience on the opportunity cost, the less satisfaction we will obtain from our chosen alternative. Both Brenner (1999) and Andrew (2008) agree with this form of dissatisfaction.

Choice and Social Comparison

Sheena (2006) mentioned that to evaluate experiences, one needs to compare them with other people's experiences. Social comparison and counterfactual thinking process are equal in many ways, but there are distinct differences that set these two apart. As observed by Sheena (2006), humans can have control over what and the when but less control over social comparison as information is available anytime and anywhere. The social comparison does not affect everyone, as most people do not care much about it (Yong-Joo Chua & S. Iyengar, 2008).

Lyubomirsky (1997) and Lyubomirsky, Ticker, Kasri F. (2001) carried out some studies to find differences among individuals in their reaction to social comparison information. The findings showed that social comparison information has little impact on dispositional happy people. Whether their colleagues were hard working or lazy, happy people had a small effect on an anagram task than they took. The respondents were delighted and showed positive feelings after working beside a slower peer, and this was equal with sad people. When they work with a better and faster worker, their ability and positive sense would decrease (Lyubomirsky, 1997).

This result is consistent with what Sheena (2006) has discovered in that he found that maximisers are more sensitive than satisficer when evaluating their progress to be the best. Maximizers become their slave of judgment to the experience of other people while satisficers have their internal standards to judge it.

Hence, the choice is good if we know how to utilise it. Likewise, it is terrible if we fail to benefit from it. The rule of thumb is not to take choice lightly as choice can be a double edge knife that will affect our lives. If we procrastinate in choosing, we will inevitably have our choice made for us by circumstances.

Choice and Decision Making

It has been reported by Lepper (2000) that the decision-making process with extensive choice is more difficult than participants with limited choice as it can be very frustrating. Nevertheless, for some people selecting many choices can be enjoyable and overwhelming. Lepper (2000) found out that having more choices might appear to be pleasing and desirable; however, sometimes it can be detrimental due to human motivation. Satisficing heuristic tends to be useful in this circumstance. He also found that people with extensive choices enjoy the process of choice making; only because of the ease they can afford. They will feel accountable for their actions. It may result in dissatisfaction with the choice making process and later cause discontent with their selection. Gilovich (1995) found that frustration and unhappiness are the results of the initial failure to

disengage from the choice-making process. This results in the choosers' inability to use the psychological operations for the enrichment of the attractiveness of their own choice (Gilovich, 1995).

Lepper (2000) viewed that people are unsure about which one to choose when faced with many choices but happy with the decisions they make. They carry a heavy responsibility to distinguish the good and bad decisions. What Lepper (2000) discovered is that the offer of too many choices is relatively trivial in choice making context, but it can have significantly demotivating effects because of the cost associated with creating "wrong" decision, or even beliefs. Besides, it requires substantial time and effort to create a genuinely informed comparison among the alternatives available. One crucial paradox confronting the modern world according to Schwartz (1994) is that the freedom of individuals expands, and does our reliance on other institution and people.

Conclusion

The choice is never ending, and it is growing. It is a consumer's behaviour to discover more choice in order to fit their lifestyle and discerning taste. Along the fragile process of decision making, choice never fails to excite us and provides the reality of life. It gives colour and flavours influenced by differences in biology, cultural impact and life experiences and differences, thus offer a distinctive medley of views.

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