



## Cross cultural differences in decisions from experience: Evidence from Denmark, Israel, and Taiwan



Sibilla Di Guida<sup>a,\*</sup>, Ido Erev<sup>b</sup>, Davide Marchiori<sup>c</sup>

<sup>a</sup> Department of Business and Economics, COHERE, University of Southern Denmark, Campusvej 55, 5230 Odense M, Denmark

<sup>b</sup> Faculty of Industrial Engineering and Management, Technion, Technion City, Haifa 32000, Israel

<sup>c</sup> Strategic Organization Design Unit, Department of Marketing and Management, University of Southern Denmark, Campusvej 55, 5230 Odense M, Denmark

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### ABSTRACT

Three studies are presented that compare decisions from experience in Denmark, Israel, and Taiwan. They focus on two change-related cultural differences suggested by previous research on dialectical vs. analytic approach to thinking. The first implies that East Asians are more likely to change their behavior over time (i.e., are less consistent), the second that they expect more changes in the environment. The results show that the “less consistency in the East” hypothesis has a high predictive value. This hypothesis accurately predicts a behavioral pattern that was documented in all three studies, as well as a non-trivial effect of limited feedback in Study 3: When feedback was limited to the obtained payoff, the participants from Taiwan exhibited less risk aversion than the Israeli. Analysis of the “expecting more changes in the East” hypothesis reveals mixed results. This hypothesis was supported in Study 2, which examined relatively complex multi-alternative multi-outcome tasks, but not in Studies 1 and 3, which examined simple two-alternative two-outcome choice tasks. A possible explanation for the different predictive value of the two examined hypotheses is discussed.

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## 1. Introduction

Previous studies of judgment and decision making in different cultures reveal two interesting change-related differences between individuals from East Asian and Western cultures. The first is that Easterners tend to change their opinions over time more often than Westerners. For example, Yates, Lee, Shinotsuka, Patalano, and Sieck (1998) and Wallsten and Gu (2003) show that this tendency can explain why Chinese people appear to be more overconfident than North Americans (see Yates et al., 1989). The second is that Easterners expect more changes in the environment than individuals from Western cultures (Ji, Nisbett, & Su, 2001, and Ji, Zhang, & Guo, 2008; Spencer-Rodgers, Williams, & Peng, 2010). For example, when presented with a graph summarizing the trend of the economic growth rate or of the worldwide death rate for cancer,

\* Corresponding author. Tel.: +45 6550 7295.

E-mail addresses: [sidg@sam.sdu.dk](mailto:sidg@sam.sdu.dk) (S. Di Guida), [erev@tx.technion.ac.il](mailto:erev@tx.technion.ac.il) (I. Erev), [davmar@sam.sdu.dk](mailto:davmar@sam.sdu.dk) (D. Marchiori).

participants from the Peoples' Republic of China (PRC) were about twice as likely as Americans to predict a reversal of the trend in the next period (Ji et al.'s Study 2, 2001).

Both change-related cultural differences can be explained by the higher propensity of East Asians to tolerate contradictions (Peng & Nisbett, 1999). This tendency is commonly referred to as *dialecticism* (see discussions in Wallsten & Gu, 2003, and in Ji et al., 2001). On the one hand, dialecticism reduces the effort to be consistent,<sup>1</sup> thus resulting in a higher rate of changes in opinion; on the other, it induces a vision of an environment in constant mutation, thus leading Easterners to expect more changes in the environment.

Previous attempts to examine the effect of cultural differences on decision making have mainly focused on risk preferences and risk perception in *decisions from description* (à la Kahneman & Tversky, 1979), i.e., in situations in which decision makers are provided with full and accurate description of the incentive structure. These studies have shown, for example, that the Chinese from the PRC are remarkably more risk seeking than North Americans in decisions from description with hypothetical stakes, although this difference is significant only in the financial/economic domain (Weber & Hsee, 1998; Hsee & Weber, 1999).<sup>2</sup>

The current paper explores the implications of the two mentioned change-related cultural differences in the context of repeated decisions with feedback. Specifically, we focus on pure *decisions from experience*, i.e., situations in which decision makers are *not* provided with prior information about the incentive structure, but can only rely on the outcomes of their past decisions. Our interest in exploring cultural differences in the context of decisions from experience has two main motivations. First, recent research has shown that choice behavior can greatly differ depending on whether decision makers can rely on the full description of the problem at hand, or only on the observed outcomes from each of the possible alternatives (cf. Section 1.2; Barron & Erev, 2003; Erev & Haruvy, in press). This result is commonly referred to as the *experience-description gap* (Hertwig & Erev, 2009). Second, most of the previous studies on experiential decision-making were run with “WEIRD” participants (i.e., from Western, Educated, Industrialized, Rich, and Democratic Countries; see Henrich, Heine, & Norenzayan, 2010).

Therefore, the present investigation has two main goals. The first is to understand the effects of the highlighted change-related cultural differences on choice behavior in decisions from experience, the second to evaluate the generality across cultures of the main behavioral regularities observed in decisions from experience.

### 1.1. Baseline experimental design and hypotheses

To pursue our two goals, we designed and ran three experimental studies, which are variants to the basic “clicking paradigm” described in Fig. 1. In this basic design, participants are just told that the experiment will include many trials, and that their task at each trial is to select (click on) one of the two unmarked keys that are presented on the screen. Each selection is followed by the presentation of the outcomes from both keys. Importantly, participants are not given any information about the payoff rule that generates the (stochastic) outcomes from each option (key). Therefore, participants can assess the value of each option only based on the observation of past outcomes. Although extremely simple, this paradigm reliably replicates the main properties of operant conditioning and experiential learning (Erev & Haruvy, in press, provide a comprehensive review of the empirical studies adopting this methodology).

The two change-related cultural differences mentioned in the introduction lead to two hypotheses about behavior in the decisions from experience setting.

The first hypothesis is that of “less consistency in the East.” This hypothesis predicts more changes in the preferred option (key) by Easterners, as a consequence of the more frequent changes in opinion typical of people from dialectical cultures. Therefore, under this hypothesis, the probability of repeating the previous choice (tendency referred to as *inertia*) is predicted to be lower for East Asians.

The second hypothesis is that of “expecting more changes in the East.” As another possible effect of dialecticism, Easterners are predicted to be less likely to choose the option (key) that has yielded the best payoff in the previous trial. This is because East Asians expect more changes in the environment, and, for this reason, are less likely to believe that the option that has yielded the best outcome in the previous trial will do so also in the future.

### 1.2. Behavioral regularities in decisions from experience

The current analysis examines the impact of cultural differences on five of the most important regularities documented in previous studies of decisions from experience. In order to clarify these regularities and their measurement, we focused on the six problems described in Table 1. The right hand columns and the lower rows of Table 1 summarize the results of two experimental studies of these problems (Di Guida, Marchiori, & Erev, 2012, and Erev & Haruvy, in press) that were conducted at the Technion (Haifa, Israel) using the clicking paradigm.

<sup>1</sup> Typically, when facing seeming contradictions, people of Chinese culture “retain basic elements of opposing perspectives by seeking a ‘middle way,’” adopting a compromise approach (Peng & Nisbett, 1999: 741). In contrast, Westerners are more likely to emphasize contradictions in the attempt to logically evaluate alternative perspectives, as heritage of the Aristotelian logic and, in particular, of its principle of *tertium non datur*.

<sup>2</sup> Weber, Hsee, and Sokolowska (1998) hypothesize that the higher rate of risk seeking in the PRC can be explained by the collectivist nature of that society: Compared to an individualistic society such as that of the USA, people in mainland China are more likely to receive financial help if they are in need, and, consequently, are less risk averse. Weber et al. call this the *cushion hypothesis*.

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