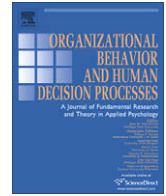




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Myopic regret avoidance: Feedback avoidance and learning in repeated decision making

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ABSTRACT

Decision makers can become trapped by *myopic regret avoidance* in which rejecting feedback to avoid short-term *outcome regret* (regret associated with counterfactual outcome comparisons) leads to reduced learning and greater long-term regret over continuing poor decisions. In a series of laboratory experiments involving repeated choices among uncertain monetary prospects, participants primed with outcome regret tended to decline feedback, learned the task slowly or not at all, and performed poorly. This pattern was reversed when decision makers were primed with *self-blame regret* (regret over an unjustified decision). Further, in a final experiment in which task learning was unnecessary, feedback was more often rejected in the self-blame regret condition than in the outcome regret condition. We discuss the findings in terms of a distinction between two regret components, one associated with outcome evaluation, the other with the justifiability of the decision process used in making the choice.

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Decision makers often face a dilemma as to whether or not to seek information about the outcomes of options they did not choose. They may seek, or deliberately avoid, information about the performance of a stock they decided not to purchase, of an employee they considered but did not hire, or of a product they examined but ultimately did not purchase. The dilemma is this: Receiving feedback on the outcome of unchosen options exposes the decision maker to the possibility of immediate painful regret if the unchosen option turns out to have done better than the chosen one. On the other hand the knowledge so gained may improve task knowledge and thus subsequent decisions, reducing regret in the longer term. Decision makers who shelter themselves from feedback on foregone options may thus minimize their experience of regret in the short term but at the cost of reduced task learning and decision quality in the longer term. We refer to this trap as *myopic regret avoidance*.

Regret can be defined as the emotion experienced “when realizing or imagining that our current situation would have been better, if only we had decided differently” (Zeelenberg & Pieters, 2007, p. 3). Phenomenologically, the regret experience involves feelings that one should have known better, thoughts about the mistake made, a feeling of kicking oneself, and a desire to undo to action

that caused regret (Zeelenberg, van Dijk, Manstead, & van der Pligt, 1998). As the definition suggests, regret is an emotion that is cognitively laden in that it requires us to think about what would have been had we acted differently. Further, the definition highlights the important role of counterfactual thought because the experience of regret tends to involve a comparison of what is with what could have been (had one chosen differently).

Because regret is aversive, people are motivated to regulate it. In a very useful integrative review of existing regret research, Zeelenberg and Pieters (2007) developed a framework for understanding regret regulation strategies. According to their regret regulation theory, regret regulation strategies are decision-, alternative-, or feeling-focused, and aim at either preventing (avoiding) future regret or managing current regret. Strategies used to manage current regret include such activities as justifying one's decision (decision-focused) and denying regret (feeling-focused). Strategies used to prevent future regret include such activities as increasing decision justifiability (decision-focused), anticipating regret (feeling-focused), and avoiding feedback about foregone alternatives (alternative-focused).

A large amount of research has shown that people try to avoid future regret. For example, in a field study Wroe, Turner, and Salkovskis (2004) compared different potential predictors of actual immunization decisions and found that “anticipated regret... was the strongest predictor of likelihood of immunizing the child”

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(p. 38), predicting 57% of the variance (demographic variables, in contrast, predicted only 1% of the variance). Reb (2008) found that regret aversion leads to more careful decision processing and thus higher decision justifiability. Evidence of regret avoidance has been found in a variety of domains including negotiations (Larrick & Boles, 1995), consumer decisions (Simonson, 1992), health-related decisions (Connolly & Reb, 2003; Richard, de Vries, & van der Pligt, 1998; Wroe et al., 2004), and laboratory gambles (Connolly & Butler, 2006; Zeelenberg, Beattie, van der Pligt, & de Vries, 1996). In a repeated decision-making context, experienced regret can lead to ill-advised switching behavior when a good decision leads to a poor outcome (Ratner & Herbst, 2005), presumably in an effort to avoid repeated regret.

There is also evidence that decision makers sometimes employ the alternative-focused regret regulation strategy of choosing options that protect them from potentially regret-inducing feedback on foregone options (e.g., Josephs, Larrick, Steele, & Nisbett, 1992; Larrick & Boles, 1995; Zeelenberg & Beattie, 1997; Zeelenberg et al., 1996; however, see also Shani & Zeelenberg, 2007). For example, one study found that negotiators were more likely to reach an agreement when doing so could shield them from learning the outcome of their “BATNA” (“best alternative to a negotiated agreement”) than when they expected to learn about that outcome (Larrick & Boles, 1995). Of course, feedback on the outcomes of foregone options not only poses the threat of regret, when the chosen option underperforms the competition, but also the opportunity for rejoicing, when the chosen option outperforms the competition (Bell, 1982; Loomes & Sugden, 1982). However there is considerable evidence (e.g. Kahneman & Tversky, 1979; Taylor, 1991) that decision makers are more concerned with avoiding negative experiences than they are with seeking positive ones. Our prediction, then, is that regret will loom larger than rejoicing, and that feedback will be associated with anticipation of overall negative emotions, consistent with some existing results (Larrick & Boles, 1995; Zeelenberg & Beattie, 1997; Zeelenberg et al., 1996).

Other research found decision makers to be less likely to choose safe options over risky options when they expected to receive full outcome feedback (i.e., on both options regardless of their choice). When outcome feedback was expected only for the chosen option, however, preference for the safe option increased. Choosing the safe option protects one from potentially regret-inducing feedback since the outcome of the risky option is unknown; choosing the risky option exposes one to regret, since the outcome of the safe option is known without feedback (Zeelenberg & Beattie, 1997; Zeelenberg et al., 1996). Similarly, Mellers, Schwartz, Ho, and Ritov (1997) found that, in choices between binary gambles, regret was more intense when both gambles were resolved by the outcome of a single spinner (making the outcome of the foregone alternative unavoidable) than when two spinners were used (so that only the outcome of the chosen gamble was revealed).

While these studies did not examine whether decision makers show myopic regret avoidance, they are at least consistent with the possibility. They are also consistent with recent theoretical work on a distinction between two components of decision-related regret (Connolly & Zeelenberg, 2002, who draw on a discussion by Baron & Hershey, 1988, of the common confusion between good decision outcomes and good decision processes). A first component, outcome regret, is associated with the evaluation of the outcome resulting from one's choice, and is typically dependent on one or more reference points, such as the outcomes of alternatives not chosen, the outcome one expected, the status quo, or the outcomes received by others (see also Boles & Messick, 1995). Outcome regret of this sort is closely related to disappointment. A second component, self-blame regret, is associated with a judgment that one made an unjustified decision – for example, that

one decided hastily or used poor information. Such an unjustified decision induces feelings of regret closely related to self-blame.

The purpose of the present research is to examine whether regret aversion affects feedback seeking behavior in a situation of repeated choice among a set of uncertain options. Past research found that regret aversion led people in single-period decisions to make risk-averse choices in order to avoid feedback on foregone outcomes, resulting in a “regret premium” of about 10% relative to risk-neutral choices when feedback was inevitable (Larrick & Boles, 1995). It is likely that the costs associated with regret-induced feedback avoidance are even higher in repeated decision making. In addition to the premium caused by increased risk aversion, when a decision is faced repeatedly there is a potential informational cost to avoiding feedback on foregone options: the rejected information could have improved decisions in the future. Similar issues are discussed in the organizational context by Denrell and March (2001), and in economic choice contexts by Camerer and Ho (1999). Spencer, Josephs, and Steele (1993), also point to a balance between pain and learning in the seeking of feedback.

If decision makers were entirely motivated to maximize information gain, they would always seek feedback (if it were free). However, to the extent that decision makers are myopically regret avoidant (i.e., try to avoid short-term outcome regret), we would expect them to avoid feedback on the outcomes of foregone options. Decision makers primed to be sensitive to outcome regret would be especially prone to such avoidance. Conversely those primed for self-blame regret would be more likely to seek feedback, as long as it promises to enhance task learning and improve decisions. We test these predictions in the following experiments. While our main interest lies in how regret aversion affects feedback seeking behavior, we also examine on a more exploratory basis effects of regret aversion on learning and performance in the decision tasks.

Study 1

We examined feedback seeking behavior in a laboratory study in which decision makers knew that they would repeatedly face a decision among the same three options, each offering uncertain real monetary outcomes. On each trial, after learning the outcome of their chosen option, they could choose to receive feedback on the outcomes of the two options they had declined. In the Control condition no special mention was made of possible outcome-related regret. In the Outcome Regret condition the possibility of experiencing regret as a result of unfavorable outcome comparisons was made especially salient. Past research has shown that decision makers' choices are more strongly aimed at avoiding regret when regret is made salient (Richard et al., 1998; Simonson, 1992). We expected that feedback avoidance would be more prevalent in the Outcome Regret condition than in the Control condition.

Method

Procedure and manipulations

Participants engaged in a computer-based decision making task. Written instructions described the task, which consisted of 20 trials. In each trial participants had to choose one of three options, each of which carried uncertain monetary consequences. The same three options were presented on each trial. The outcome from each option was an amount of money drawn randomly from an underlying uniform probability distribution. No information on the means or ranges of these distributions was provided. Participants were given an initial endowment of \$3, and received in addition their winnings from two randomly-selected trials in the game.

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