

PSYCHOLOGICAL VARIABLES DETERMINANT IN THE DECISION MAKING PROCESS

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Abstract: In current theories, individuals are more or less rational when making decisions depending on an economic theory. This study illustrates the complex decision making process from the point of view of determinant psychological variables, such as: rationality, personal motivation and self confidence, conformity and self control.

Keywords: decision, rationality, motivation, time preference, self control

The first research undergone in the field of decision making determined researchers to identify a way to optimise or facilitate this process. For instance, normative theories (expected value theory, expected utility theory or game theory) are examples of attempts based on rigorous measuring instruments (Delcea, C., Stanciu, C., 2016, p. 425).

T. Morikawa & col. (1990, p. 3) describe the characteristics of the decision making process applicable for consumers (figure 1).

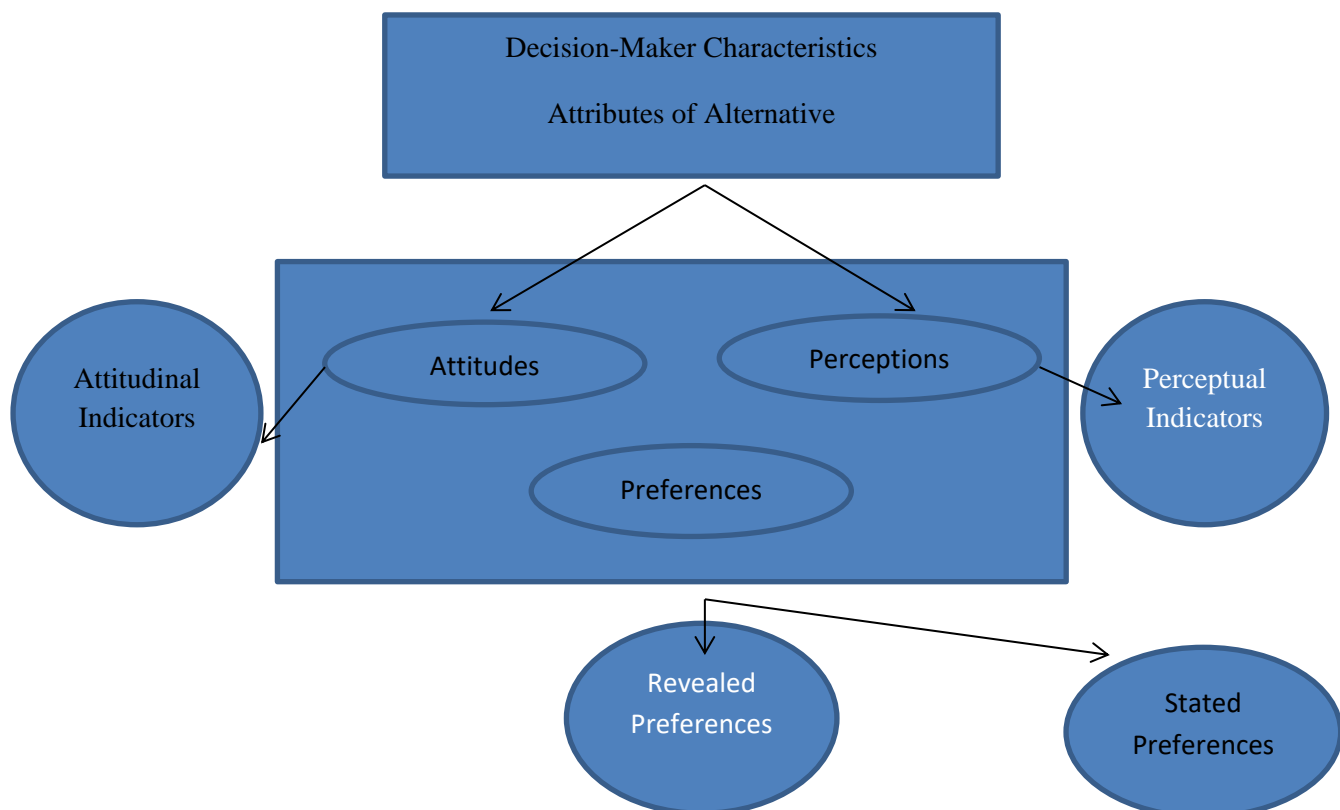


Fig. 1. The characteristics of the decision making process (Morikawa & col. (1990)
A. Vercelli's research (2005, p. 60) shows that an individual can be characterised by:

- ❖ a set of preferences;
- ❖ personal resources;
- ❖ a set of options.

In the author's opinion, a subject can only be defined in relation to an object. The interactional model between an object and a subject is illustrated by figure 2.

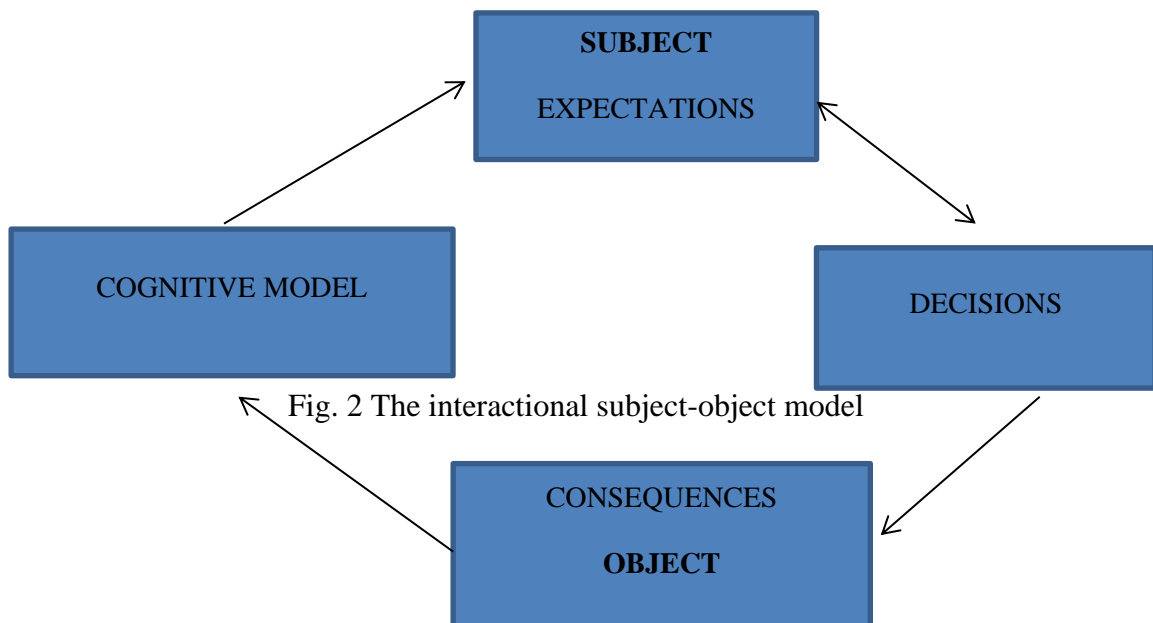


Fig. 2 The interactional subject-object model

Robert Leahy, in his portfolio theory, (2012) claims that the size of the decision, reflecting one's perception of current and future resources, predictability, control, regret, result definition threshold and need for certainty are associated with dimensions of the personality.

The portfolio model suggests that individuals use different criteria in making decisions. There are 25 dimensions of the pessimistic portfolio, with factors associated with self efficacy, discouragement, unpredictability and risk aversion (R. Leahy, 2012, p. 97). The portfolio model allows one to examine the way in which various individuals define positive or negative change, whether they enjoy or suffer as a result of an experience of change and the value they attribute to information, predictability and control.

Time preference

Fisher introduced the concept of time preference, explained as a reflection of a person's degree of hurry to consume. In 1930, Fisher defined the time preference quotient (also named subjective dismissal factor or impatience quotient) as the excess – in percents – current marginal desire for a current unit of goods in relation to the current marginal desire for a future unit of goods.

The time preference quotient is a derivative of marginal attraction, i.e. the preference for current goods against future goods. With this definition, Fisher underlined the importance of dismissal, since it represents current desire for future goods, which supposedly forms the

basis of decision making. Future costs or benefits must be reckoned up in current equivalents, in order to allow comparisons and choices which would make sense.

Fisher's time preference theory includes factors which explain both inter- and intra-individual differences. Individuals can have different dismissal quotients in different situations or in different moments in time. The author suggested that individuals differ from the point of view of their time preferences, and he claimed that individual time preferences could change once one of their determining factors changes. For instance, Fisher suggested time preference level may alter with age.

Loewenstein (1996) claimed that the economic theory of inter-temporal choice is not well enough specified, as it does not include "visceral" factors (or "passions"). He emphasised the weak points in the dismissal quotient modification theory, which cannot explain why inconsistent behaviour is only induced in certain situations and not in others. The author blamed "inconsistent behaviour" on visceral factors, describing them as important dimensions of human reality, such as thirst, hunger, momentary emotional state, motivation, desire, physical pain etc.

The traditional economic man has no passions such as cravings or desires, which is why each deviation from deliberate and stable preferences remains unexplained by economic models. These are interpreted as changes in taste and irrational temporal anomalies.

Loewenstein's idea (1996) was that, if the role of visceral factors is included in choice models, in time, impulsive behaviour will no longer be seen as an irrational alteration of preferences. Preferences remain stable, but, when behaviour is forecast, one must take into account other factors which interact with these preferences in order to determine behaviour.

Hoch and Loewenstein (1991, 1996) postulated that visceral factors can explain why certain types of behaviours are associated with impulsive behaviour, while others are not. The authors emphasise that movements of the reference points are important for impulsive behaviour. Reference points can change due to physical and temporal proximity, which make abstention from consumption painful; or they can change following an unfavourable social comparison with peers.

The authors defined consumer self control as the struggle between the psychological forces of desire and will. In their model, self control strategies are divided into two classes:

- attempts to directly reduce desire, and
- willpower tactics seeking to overcome desire.

Loewenstein (1996) claims that impulsive behaviour is caused by the intensity and immediate nature of visceral factors, rather than by the immediate availability of events, goods and results. At high intensity levels, passions gain absolute control, and perception of personal interest becomes unable to influence behaviour any longer. As intensity increases, the individual will focus one's attention and effort on the present and on one's self, not on other moments in time or other people. Loewenstein also claims that passions are more systematic in their effects than previously thought, so that it is possible to build models of the interaction between interests and passions.

Gifford affirms that temporal inconsistencies in behaviour are only specific examples of the type of inconsistencies which occur when people operate choices between alternatives which are at different levels of abstraction. Gifford's opinion is that, since the future is always abstract, choices between present and future consumption will often be such choices. Gifford's approach is grounded on the idea that individuals practically have two choice making systems:

- one is based on emotional and motivational systems which evolved in such a way as to maximise eligibility for inclusion, and it incorporates a high level of dismissal, also present in the infra-human system;
- the other is based on cognitive skills and the fact that we can think symbolically. This system incorporates a lower level of dismissal, culturally acquired.

Which of these two systems will prevail depends on the situation and the individual's ability to suppress certain responses.

Self control

Concepts such as self control and thrift have been put into connection with saving ever since Adam Smith included a chapter on self control in his theory of moral sentiments. Theories incorporating the role of self control implicitly acknowledge that abstaining from pleasure can be difficult. From this perspective, behaviour is a result not only of temptation intensity, but also of the ability to exercise self control in situations where there is a conflict between short term and long term goals.

Self control can be defined as the effort made by the individual in order to avoid or resist inconsistent behaviour, or it could be defined as the deliberate choice to accept suffering with the purpose of gaining something (Schelling, 1984).

Baumeister and Vohs (2003) showed that, while willpower is a popular concept, it incorporates several of the important traits of self control. Their studies suggest that people have a limited resource fund they can utilise, so that successfully resisting a temptation makes it less likely to manage to resist a subsequent temptation.

Strotz (1956) suggested that future actions can be controlled by previous commitment and by consistent planning strategies. Using consistent planning strategies means that the individual would have to choose the best plan possible to follow.

Research in the field of social psychology describes the way in which emotion and self control influence individuals' decisions. Examining various effects of emotions, authors such as Lerner and Keltner (2001) have shown that two emotions included in the same category (e.g. negative emotions), such as fear and fury, can produce differing effects: fury determines risk-seeking, while fear triggers a risk seeking attitude.

Conformity

Social psychologists identify various forms of social influence, such as conformity, obedience, compliance, imitation, conversion (minority influence) and persuasion. There are important differences between these types of social influence. Some are explicit, and others implicit; they vary depending on the nature of the source of influence (present or diffuse) and depending on the way they are addressed (command, request etc.). Some of these social influence processes affect public behaviour, while others influence private behaviours and beliefs.

Decision-making style

- ★ The rational style – individuals characterised by this decisional style make decisions using a logical and organised approach; they make detailed plans in order to put their decision into practice.
- ★ The dependent style – such individuals base their decisions more on advice and support coming from peers than on their own opinion.
- ★ The avoidant style – the individual avoids making a decision as long as possible.
- ★ The intuitive style – individuals focus on impressions, intuitions, feelings, not seeking logical proof in order to support their decision.

- ★ The spontaneous/impulsive style – makes decisions fast, based on present impulses, without thinking too much.

Motivation and self confidence

The first premise of motivation theory is that people have insufficient knowledge of their own abilities, or, generally speaking, of the costs one's own actions incur.

The second premise is that effort and ability are two variables determining performance. A high level of self confidence will determine an increase in the individual's motivation to perform a certain action.

In the specialised literature, the relationship between self confidence and motivation has been studied ever since 1890 by W. James, and later by Bandura (1977) or Seligman (1990). R. Benabou and J. Tirole (2005) have shown that most individuals see themselves as more capable than most, even if this is not true.

In conclusion, an analysis of the theories presented in the specialised literature indicates a plurality of factors underlying the decision making process, each having its own role and weight.

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