

Reality of Human Decision-Making: An Analysis

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ABSTRACT

Decision-making is an inevitable aspect of life whether done consciously or subconsciously. Several scholars have espoused the notion of rationality in decision-making. In other words, the process of decision-making should be logical irrespective of the desired outcome. In reality, however, the rational process does not factor in people's decision. For some reasons, people make irrational decisions despite the notion of rationality. In this paper, we examined why people make irrational choices.

Keywords: decision-making, rationality, paradox

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1. INTRODUCTION

Making-decisions, whether at the individual or group level is part of life. Camus (as cited Buchanan & O'Connell, 2006) pointed out that "life is the sum of all your choices" (p. 33). Buchanan and O'Connell (2006) further asserted that "history by extrapolation, equals the accumulated choices of all mankind" (p. 33). Therefore, decision-making is at the center of life and drives what humans do whether consciously or unconsciously. Certain thought processes drive decision-making. These thought processes can be automatic (i.e., the absence of cognitive actions) or controlled (i.e., the active cognitive deliberations) thinking (Hastie & Dawes, 2010). Choices made could result in anticipated or unexpected outcomes. According to Buchanan and O'Connell (2006), the pragmatism behind every decision is what matters in the face of a good decision not turning out as planned.

In being pragmatic or rational as it were, the quality of the decision is not about the outcome but the consideration of the four rationality criteria vis-à-vis the consideration of all possible assets of the decision maker, possible consequences of all the alternatives, and their probabilities (Hastie & Dawes, 2010). In other words, adherence to the rationality criteria is crucial in making realistic decisions. Thus, there is the assumption that humans are always rational in their choices while adhering to these criteria.

The reality of human decision-making, however, is that people are not always rational (Abell, 1991; Plous, 1993). Frequently, to settle on a choice that does not bode well, could be on the grounds of incomplete information or that, available information is not accessible. Individuals might not have the data since they did not have any acquaintance as to its accessibility. Also, keeping in mind the end goal of decisions is to make the decider happy (Hastie & Dawes, 2010), just to fill in any gaps in the process, it implies that each choice to some degree depends on something beyond being rational. It is a conclusion that human decision-making takes human emotions as an input.

2. WHY PEOPLE ARE NOT ALWAYS RATIONAL

Rationality can be dependent on the specific circumstances people find themselves. Simon (as cited in Pomeroy, & Adam, 2004) argued that decisions are made satisficing since it is impossible to account for all possibilities as the rational principle suggests. Moreover, the information might fully be available and accessible, but the deciders could misinterpret the information as not important to be a factor in the decision process. It could be a conventional explanation for differences that appear to come from somebody settling on irrational choices. For instance, if an associate has data, though, does not believe it is as imperative as others do, the decision outcome might have hidden disparity that could lead to an absurd result.

In the same vein, Hastie and Dawes (2010) pointed out that people make choices based on experience or anticipated satisfaction. In other words, the preferences are hinged on the perceptions that create bias in decision-making. Apparently, what is illogical could be a matter of subjectivity. For instance, those who are spectators of an event could see things differently from those who are acting. As human cerebrums are not robots, the individuals who are acting or saying things that appear to be nonsensical are typically amazed to hear that their choices are irrational. In other words, the decisions each make are in practice, an outcome of how qualified individual is in the understanding of the complex structure of ethics and culture, combined with personal experiences.

In addition, emotions also play a role in why people are not always rational. These emotions, which are often unconscious to the decision-maker (Hastie & Dawes, 2010), can lead to irrational decision-making (Stephens, 2013). As Plous (1993) pointed out, people apply their emotions on anything that does not have an evident and exact result. Thus, some human choices are made with feelings, in any event to some extent.

The violation of cancellation principle (CP) could result in irrational decisions for different reasons. With the Allais paradox (AP), the accentuation centers on given two different decision situations, decision makers could make different choices (Allais, 1953). Thus, the paradox violates the cancellation principle (CP). Scholars argued that making different choices with two alternatives available is a violation of CP (e.g., Hastie & Dawes, 2010; Plous, 1993). Another high peak violation of the CP centers on the contradiction that might exist between alternatives. Contrary to expected utility theory, in any case, individuals regularly pick in an unexpected way in two given options of related two decision problems (Ellsberg, 1961).

The Ellsberg's paradox (EP) now referred, violates the CP, though decision-makers expectedly should choose the same alternative in both decision problems. In other words, as rational as the principles of expected utility theory sound, there are scenarios where deciders violate them. The violation explained through AP and EP contributes extensively to the notion of biases, and why people could be irrational in decision-making (Abell, 1991; Hastie & Dawes, 2010; Plous, 1993).

It also noteworthy that people are not rational because they think they understand their preferences and are in control of external variables. There is the tendency for irrational choices when people follow perceived reference levels or defaults options created by external dynamics (Hastie & Dawes, 2010; Ariely, 2008). That is, when people's choices change when options are expanded or minimized with new variables introduced, it shows their preferences were never clear. Ariely (2008), however, noted that the key to making better choices is based on people's acceptance and understanding of the human cognitive limits.

3. CONCLUSIONS

People do not always make rational decisions. Common traps like confirmation bias, false analogy, possible prejudices, tunnel vision, vividness, sunk cost fallacy, loss aversion, and much more, affect choices we make. In avoiding these traps and biases, managers must be aware of them and allow intuition and rationality to interplay in the decision process. Thus, they would learn to own, control their decisions for the purpose of a strategic thinking approach (Ariely, 2008; Calabretta, Gemser, & Wijnberg, 2017; Grünig & Kühn, 2013; Sloan, 2017). Overall, leaders and managers need to avail themselves to the decision-making tools of minimize the influence of biases in making decisions.

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