

Status Quo Bias: Is it Human Habit to Prefer the Current Situation and Abhor Changes?

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Abstract

Status quo bias is a cognitive bias found in many fields including business, economics, political science, sociology, and psychology just to mention a few. It is a situation where people choose to do nothing or maintain current or previous decisions without a change. However, in today's world, change is one among the things that are constant; thus, organizations and individuals need to develop the capability to change so as to capitalize on new opportunities that emerge from changes.

The study in this paper has used content analysis to arrive to its findings which were obtained from books, peer review journals, reports and Internet information sources.

The research question to be examined is whether the preference of status quo bias is a human nature or the laziness of human consciousness on making sound decisions. Findings show that status quo bias, though preferred most does not help rational decision making when individuals choose among alternatives. Thus, in order to make rational and informed decisions, individuals shouldn't have a bias towards sticking to the old but should show some characteristics that advance positive changes.

Keywords: Status quo bias, Changes, Rational decision making.

Introduction

People normally oppose changes. The reasons for resisting change and preferring a status quo has always been the same including desire to stick to the familiar due to fear of risks that emanate from decisions taken, not seeing the potential benefits of changes, lacking a model to follow to a change, fear of failing, fearing of hard work after the changes and seeing change as an unnecessary burden (Lee & Roberts, 2009). Thus, one can find that many people who prefer status quo have the same thing for breakfast, or walk to school or work in exactly the same pattern. The inability to be flexible can cause people to become upset when such situation forces them to make a different choice, and this always close people's eyes to potential alternatives (Baron, 2008).

People tend to stick to the old, even when they would choose the new if they were starting afresh. This effect is also called the "endowment effect" a situation where people are unwilling to give up what they have for what they would otherwise prefer (Samuelson & Zeckhauser, 1988 & Baron, 2008). One explanation for this is loss aversion (situation of disliking loss) (Samuelson & Zeckhauser, 1988 & Baron, 2008)

However, many real world decisions exert additional pressure for status quo choices mainly due to fear of the future as future is always considered uncertain (Samuelson & Zeckhauser, 1988). Thus, People may see the losses as greater than the gains, even if this is not always the case (Kiser, 2010). Resistance to change is very common in different places of work as people fear changes and therefore they would like to resort to status quo due to number of reasons including fear of loss of jobs, power and influence when there are introductions of new systems on how work is to be done (Stephen & Wall, 1995).

Fleming, Thomas and Dolan (2010) explain that it is common that when people face difficult problems which create difficult choices, they often accept the status quo. In other words, people do not do anything at all to solve the problem. People avoid both action and change. They are biased to keep things the way they are and to avoid risks associated with change. However, Stephen and Wall (1995) argued that in today's world, change is one among the things that are constant; thus, organization and individuals need to develop the capability to change and to react to changes in their industries more quickly so as to capitalize on new opportunities that emerge from changes.

In the organizations and at individual level, the status quo bias can be manifested by the signs of hidden resistance, where the person may pretend to comply but tries to sabotage the effort or delaying in acting (Stephen & Wall, 1995).

The purpose of this paper is to see how people make decision and a great question to be examined using action logics is whether the preference of status quo bias is a human nature or the laziness of human consciousness on making sound decisions.

LITERATURE REVIEW AND THEORETICAL MODEL

Status quo bias

The status quo bias is a cognitive bias which leads people to prefer that things stay the same, or that they change as little as possible (Sherfin, 2008). In addition to that, it is a situation where people choose to do nothing or maintaining one's current or previous decision without a change (Samuelson & Zeckhauser, 1988)

As stated earlier, Status quo bias occurs due to fear of risks, an attitude that makes people to desire to stick to the familiar, seeing not the potential benefits of changing, lacking a model to follow to a change, fear of failing, fearing of hard work after the change and seeing change as an unnecessary burden (Lee & Roberts, 2009).

General examples of manifestation of Status quo bias

Status quo bias which is a cognitive bias plays a role in a number of fields, including economics, business, political science, sociology, and psychology, and numerous studies have been conducted on the status quo bias to look at ways in which this bias influences human behaviour (Minniti et al., 2007). For example when faced with new options, decision makers often stick with the status quo alternative such as to follow customary company policy, to elect an incumbent to still another term in office, to purchase the same product brands or to stay in the same job (Samuelson & Zeckhauser, 1988). This could be due to seeing not the potential benefits of changing, lacking a model to follow to a change, fear of failing, fearing of hard work after the change and seeing change as an unnecessary burden (Lee & Roberts, 2009).

When changes are introduced at work place or in the business such as the use of online purchasing, online ordering and communications and necessary use of computer, people tend to fear especially those whom the practice appear new; so fear comes because of lack of abilities to cope with the changes and a doubt to be able to continue to do a good work. As a result fear grips on loss of jobs, and this leads to increased stress that can damage morale and work performance (Agarwal & Ferratt, 2001)

Moreover, Status quo bias examples can also be seen in many transaction-decisions where the manufacturers introduce a default option. Research shows that no matter what those default options are, many people tend to stick to them (Thaler & Sunstein, 2008). In most telephone companies it is called "campaign phones", and they get a lot of commercial-time.

The effects of status quo bias in everyday life

Status quo bias becomes obvious when consumers display brand loyalty for a product when there are considerable brand choices. That is, initial purchase and use of a brand increase the likelihood of repurchase in a subsequent consumption decision. This behaviour is only present because of status quo bias (Jeuland, 1979)

The effects of status quo may bring about limitation of the use of human brain potential, where as current status makes human brain docile as opposed at the time of change which forces human brain capacity to be used at above 10% especially during crisis situation while at normal situation (at the status quo) human brain is used at about 4-5% of human brain potential (Braud, 2001).

Status quo bias can unconsciously place unnecessary limitation on people's inner development or outer achievement; this makes people to fear to violet the suitable family or collective ceiling that is deemed possible or acceptable. This feeling comes to people who feel that they have gone beyond their parents or kinship group members in worldly achievement. Status quo bias comes as unconscious fear of flying too high and loses connection to family and roots. For example having the title "Doctor" attached to some peoples' names may be felt as too foreign or too much to live to (Ruumet, 2006)

Additionally, Status quo effects diverse economic phenomena; for example the difficulty of changing public policies, preferred types of marketing techniques, and the nature of competition in markets. The combination of loss aversion with tedious choosing implies that if an option is designates as the default, it will attract a large market share (Thaler & Sunstein, 2008). This is why default options are such a powerful nudge. Defaults will have extra nudging power because consumers may feel that this option come with an implicit support from the default setter. By being aware of the role status quo bias plays in their own lives, people can take steps to reduce the influence of this bias on their decision making (Thaler & Sunstein, 2008)

Moreover, in some uncertain circumstances individuals may stick to the status quo bias such as the same low paying job; this may be due to the fact that the process of searching for a better one is slow, uncertain and costly (Samuelson & Zeckhauser, 1988). This has the effects of making people experience the same level of status in life.

What can be done to beat the status quo?

At the organizations level, only the top management has the power and organizational influence to beat the status quo; this can be done by taking measures that can make the internal customers (employees) put in place the measures that beat its peers in the industry and being futurists by focus on the organization future positioning. On top of that, leaders can lead by examples through doing what they say. This will plant the seeds of cultural change that makes implementation and executions of the goals of organization smoothly (Strickland, 1998)

Moreover, greater power is required in changing against status quo bias; one of the means is recognizing

and generously rewarding those who exhibit new cultural norms that beat the status quo bias. This helps to expand the coalition for beating the status quo in the organizations (Strickland, 1998). Communication is the key when one want to lead change that beats the status quo; at work place for example the employees need to be told on the need for making a change, allow employees to participate in the planning that brings about the changes in the organization and make the employees know that they are a part of change, this can help employees overcome the feeling of powerlessness that can lead to stress and reduced work performance (Agarwal & Ferratt, 2001)

Additionally, at individual levels, people shouldn't fear to make positive changes that will affect their life for better as long as the decisions to be taken are positive though they have some traces of uncertain consequences. Since it better to make positive decisions rather than not making decisions at all due to fear of seeing changes as an unnecessary burden (Lee & Roberts, 2009).

Change

Circumstances and the world changes, change is the only thing that is constant, however the bald fact about change is that it is a threat, threatening to kill career, businesses, friendship and life itself (Ross, 2003) In a business world for example, change is the normal occurrence and it happens so quick; if a manager doesn't change, success in business enterprising is becoming a dream; this is because many firms compete by changing continuously (Greenwald, 1996)

In addition to that, change in human habits involves taking the right decision while dealing with palpitating human life that is reverberating at the center of consciousness. That means changes in bad human habits has to start with dealing with human emotional feeling such as anger, alcoholism and hatred (Bricklin,2003).That means, if one want to change his life from bad to good habit ; he/she must involve the sciuosness, a feeling of dying out of self,then one can overcome the palpitating inward of self 'I', because out of self is where all these humanly habit comes from (James,1890). Additionally, moral integrity or the commandments can be a good way to change people's habit and personalities from being people with bad undesirable habit to be the people with acceptable good habits.Whereas people say, people's habit cant change, religion tells us that,habits can change.(Flier,1995)

METHODOLOGY

The study in this paper has used content analysis, that is secondary data research design to obtain the sources of information in order to reach to the presentation of all of its findings which were obtained from books, peer review journals, reports and internet data information sources (Zikmund etal, 2010)

THEORETICAL MODEL

The theory that is going to lead this study is the Decision-Making Model by Baron (2008). The model has an ideal seven rational decision-making models which are to be followed if a rational person would like to make a sound decision making. These are:

- 1) Define the problem
- 2) Identify the decision criteria
- 3) Allocate weights to the criteria
- 4) Develop the alternatives
- 5) Evaluate the alternatives
- 6) Select the best alternative
- 7) Evaluate the decision

The status quo bias can be found in steps 6. When evaluating alternatives for a problem a rational decision making model presupposes that there is one best outcome. However, the decision-model can be limited by the cognitive abilities of the people making the decision. For instance; how good is their memory and imagination. The criteria will be subjective and may be difficult to compare. This model requires a great deal of time and a great deal of information. A rational decision making model tend to negate the role of emotions in decision making. This is where the status quo bias comes in and interferes the decision making process. This is because when choosing among alternatives, individuals display a bias towards sticking to the old or prefer that things stay the same, or that they change as little as possible (Sherfin, 2008).

When approaching the studies on decision making of which status quo bias is its part, there are three approaches to consider as they were put forward by Baron (2008), which are Normative, descriptive and Prescriptive models.

Descriptive model means how actually people make decisions. The people's decision making normally comes from the way they think. Mostly the way people think and choose to think is normally affected by their culture and the way they have been brought up.

Prescriptive Model is the model that prescribe or stating how people ought to think. Prescriptive model may consist of lists of useful heuristics (rule of thumb) which takes the form of words to the wise, for example

alcohol can be dangerous to your life and health, drink responsibly if you can't then quit drinking or do unto others as you would like other to do to you.

Normative model is the standard that defines thinking at its best in achieving the thinkers goals. By using the normative model, 7 steps model of making decisions can be put forward in the rational decision making process.

Baron(2008) said that prescriptive model requires open minded thinking. To be able to make good decisions, it is required that people are open minded and look at all matters of a case before deciding which choice is the best for the decision maker and his or her surroundings.

By using open minded thinking while evaluating alternative and looking at the evidence concerning a case, one can get a broader and better perspective on available options. Alternatives which may from the start seem like the best choice are not necessarily always the best choice after having done a careful evaluation. Thirdly is normative model, which is the standard that defines thinking which is best in achieving the thinkers goals. By using the normative model, 7 steps can be put forward in the rational decision making model.

The model is going to be placed in a status quo bias and see how an alcoholic person can actually make a decision when he/she wants to quit his/ her ill behavior.

Status quo bias is not a rational thinking, this is proved by the way 7 steps decision model seem not to be followed when need for weight allocation of the criteria and selection of best alternative comes into focus.

Descriptive model, means how actually people make decisions. The people's decision making normally comes from the way they think. Example is the person who is alcoholic, who may tend to think drinking much alcohol is actually not bad after all it is a way of socializing with friends and peers.

In Normative model, the status quo bias is described as an independence of value and belief that is people who are making decisions basing on status quo tend to adjust their beliefs according to what their mind desires. The example of relevance of applying status quo bias into normative model is an Alcoholic Person.

STEP ONE-Definition of Problem

The person is alcoholic.

STEP TWO-Identifying decision criteria

The person with status quo bias who is Alcoholic would want to leave and stop the habit since he knows it is a bad habit, however he want to become the occasional drinker after a stressful day or a part.

STEP THREE-Allocate the weight.

The alcoholic plan to and try to reform this habit of alcoholism, by saying that he/she wont drink completely.

STEP FOUR-Develop the alternative.

The alternatives developed mostly have to match with desired result of stopping alcoholism, he or she comes with the justification for stopping drinking, stop going to the pub and save money used for alcohol for the meaningful purposes in life such as travelling and buying the house.

STEP FIVE-Evaluation of alternatives.

Here the Alcoholic looks at different views on pros and cons of alcoholism, and tend to focus on against excessive alcohol drinking.

STEP SIX-Select the best alternative.

For a person with status quo bias to stop taking alcohol is the rational choice and will seem to maximize the utility. However this resolution can last for a short while but due to peer pressure of old buddies whom he/she might contact and whom he has not met for years might make him to rationalize violations by making exceptions by starting being alcoholic again or by attending his half birthday or attending cousins wedding anniversary.

STEP SEVEN- Evaluate the decision

After evaluating the decision, he/she finds that the alcoholism habit has come back, however he/she decides that he/she will not stop drinking alcohol completely, but he will be an occasional drinker after all drinking helps him to meet the old friend and that it is a way of socialising with the peers.

Prescriptive model which is how people ought to think, on the case of alcoholic person suggest that he/she shun from drinking as it is addictive and can rob one of his finances, family, health and personal development such as travelling and building houses and other investments.

The heuristic (rule of thumb) here could be alcohol can be dangerous to your life and health, drink responsibly if you can't then quit drinking.

In order to change an alcoholic habit, an alcoholic person is supposed to change friends and company and choose another useful activity in a society rather than going to the pub.

Conclusion

It is clear that status quo bias does not help rational decision making when choosing among alternative decisions. Status quo bias makes individuals display a bias towards sticking to the old as opposed to show some characteristics that advance changes (Samuelson & Zeckhauser, 1988). The rational decisions allow changes that

bring developmental transformation(s). Thus, in order to make good and positive decisions which is free from status quo bias, one needs to be open minded and look at each case thoroughly before deciding which choice is the best for his or her context so as to advance positive changes not only to the individual person but to all sentient creation.

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