

“Cultural Identity and the Antecedents of Risk Taking: Am I Good or am I Lucky?”

Ana Valenzuela

(Barcelona School of Business, Universitat Pompeu Fabra, ana.valenzuela@upf.edu)

Peter Darke

(Schulich School of Business, York University, pdarke@schulich.yorku.ca)

Donnel Briley

(The University of Sydney, Business School, donnel.briley@sydney.edu.au)

Previous literature has found that lucky experiences have a paradoxical effect on expectations of future performance (Darke and Freedman 1997). Subjects who thought luck was a personal, stable factor reacted to a lucky event with higher expectations for performance, while those who perceived luck as completely random had lower expectations following initial luck. As a consequence, beliefs in good luck can buffer people from feelings of uncertainty and enhance risk taking. These results are quite similar to findings in the self-esteem literature concerning ego-threat (e.g. Baumeister et al. 1993). In fact, self-esteem has been shown to predict risk-taking particularly in the domain of gains (Josephs, Larrick, Steele and Nisbett 1992).

Respondents' cultural identity is expected to moderate these effects. People have implicit theories about whether behavior is driven merely by an individual's ability (internal locus of control) or by situational forces (external locus of control). Individual responses to success or failure are likely to differ depending on the theory to which they subscribe (Rotter 1966). Individuals that believe in external locus of control may be more likely to shift their expectations for future performance depending on whether they are lucky or not (Hong and Chiu 1988). Research by Weisz, Rothbaum and Blackburn (1984) indicates that East Asians tend to exhibit more external locus of control than North Americans. Additionally, Heine and Lehman (1997) identified cultural differences in self-esteem maintenance for Japanese vs. North Americans. They found that many self-esteem related effects such as post-decisional dissonance occur with North Americans but not with Japanese. As a consequence, we expect that individuals who subscribe to different implicit theories of behavior (North American vs. Chinese) will differ in their sensitivity to luck and self-esteem in risky decision-making. In other words, people seem to use important dimensions of their self-concept as a buffer against different kinds of threats—in this case the risk of getting no money when taking a chance on winning a larger sum of money. Self-affirmation on the dimension of ability should be more effective in buffering the risk of the gamble in western cultures while self-affirmation on personal luck should be more effective in buffering risk in the Eastern cultures. Two studies investigate this proposition.

In Study 1, we use a risky decision task (e.g. Tversky and Kahneman 1981) to analyze whether cultures differ in their sensitivity to luck and self-esteem. Subjects were asked to choose between an option with a certain outcome and another option (or prospect) with a

probabilistic outcome. Despite differences in the level of risk involved, the expected outcomes were the same for both options. In addition, decisions pertained to either gains or losses, depending on the decision frame. For example, a positively framed decision would give subjects a choice between a sure gain of \$30 and an 85 percent chance to gain \$45; whereas a negatively framed decision would give subjects a choice between a sure loss of \$30 and an 85 percent chance of losing \$45. We ran the study using undergraduate students from both Canada and Hong Kong. Subjects completed a set of 10 decisions (5 with a gain frame and 5 with a loss frame) presented on a computer screen. The order was randomized by subject. The alternatives in each decision differed only in terms of the amount of risk involved. When subjects chose a risky option, the final outcome was determined using a lottery procedure. There was also an initial luck manipulation: Half of the subjects got \$5 from the start while half had to participate in a lottery to earn them (although everyone won). We measured “belief in good luck” (Darke and Freedman 1997) and “self-esteem” (Rosenberg 1965).

Results show that neither self-esteem nor belief in luck affect behavior in loss domains for either culture. People seem to be so averse to losses that individual differences are just not that important. In other words, loss aversion seems to be universally felt, though gain pursuit was not. In the gain domain, Canadian (but not Hong Kong) respondents chose the risky option more often when they rated high on self-esteem. Also in the gain domain, Hong Kong (but not Canadian) respondents chose more risky options when they had stronger beliefs in good luck. Only in Canada did the initial luck manipulation interact with self-esteem: High self-esteem subjects took more risks after winning the initial lottery. In the case of Hong Kong, the initial luck manipulation did not interact with individual’s beliefs in good luck. Instead, those who believed in luck tended to take more risks regardless of context induced by initial luck.

Study 2 replicated Study 1’s design (without the initial luck manipulation) and added a between-subjects priming manipulation. U.S. Caucasian and Hong Kong undergraduate students were primed to think either about their good luck or their strong ability by describing a situation in which they were either lucky or skillful. Results showed that U.S. Caucasian respondents that were primed to think about their skill tended to choose more risky options than those that were primed about luck. Respondents that had to describe a skill-based situation felt that they were describing something more important about themselves than those that described a high luck situation. In the case of Hong Kong students, luck-belief priming did not enhance the effect of individual’s belief in good luck, which again support the idea that the belief in good luck is not as context-dependent as individual self-esteem.

In sum, our results support the idea that cultures differ in the way people deal with uncertainty in everyday life (Weisz, Rothbaum and Blackburn 1984). North Americans tend to believe in their own capability to control the situation. As a consequence, they are willing to make more risky decisions when a positive event enhances their self-esteem. In contrast, Asian cultures tend to assess the favorability of the situation and take more risk when they believe their personal good luck will put the situation in their favor. In addition, the effects of self-esteem on risk taking seem to be more context-dependent

than the belief in good luck. Further study in risky domains that are skill-based instead of luck-based would bring more light to this research question.

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