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RESEARCH ARTICLE

RATIONALITY OR IRRATIONALITY? DECISION TO QUIT A JOB TO START A BUSINESS

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Abstract

The paper discusses rationality and decision making with a critical reflection on decisions by employees to quit jobs and set up fragile, micro, and rival businesses. This is a common phenomenon in management consulting businesses in especially emerging economies, where the demand for consultancy services is ballooning. The concepts of decision making and factors that influence decision making were discussed. Rationality and irrationality within the context of economics were briefly defined and theories such as (1) The utility theory, (2) The utility maximization theory and (3) The classical decision theory were used to explain the phenomenon. It was found that reasons for quitting or staying in a management consulting job is not only motivated by preparedness or readiness, rather a complex array of factors, some of which are observable and explainable while others may be attributable to complex cognitive processes that cannot be easily observed and explained. Deciding to leave a job is a complex but intentional rational decision that is influenced by many factors, some of which are observable, environmental, and cognitive. It is in the nature of the economic man to always decide, consequences of which might be sometimes predictable or influenced by events outside of the decision-maker's control.

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Introduction:-

According to Simon(1959), economics can be defined as "the science that describes and predicts the behavior of several kinds of economic man - notably the consumer and the entrepreneur". Simon (1959) further acknowledged that this definition of economics "does not reflect the principal focus in the literature of economics". There are indeed diverse definitions of economics but according to a definition published on the American Economic Association website, the field of economics is defined as "the study of scarcity, the study of how people use resources and respond to incentives, or the study of decision-making "(American Economic Association, 2021). Therefore, economics is concerned with the behavior of the "economic man" and how economic decisions are made. Most importantly, Economics assumes that "the economic man" is rational and makes rational decisions. The rational decisions are considered optimum choices of the decision maker. In essence within the economics field, both contractarianism and utilitarianism, rationalization is identified with maximization (Gauthier,1975).

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Making decisions, considered mostly rational, can be influenced by external environment, external influences, and the internal cognitive processes within the individual (Dietrich, 2021). According to Herbert Simon, decision making, and implementation of actions are integrally tied up. Decision making involves several steps, this entails; (a) finding occasion to decide, (b) thinking over the best possible alternative and (c) choosing an option that becomes a decision (Herbert Simon on Decision Making, 2021). Several factors can influence decision making, these include, amongst others: (a) past experiences, (b) Socioeconomic status, (c) age, (d) commitments and so on (Dietrich, 2021).

What is rationality?

The term rationality and rational decision making to the economist simply means that when an individual makes a choice or decision, s/he will choose what s/he likes best. (What is 'rationality', 2021). To the economists, a rational behavior also implies consistent maximization (Becker, 1962). According to Gauthier (1975) "rationality is identified with the aim of individual utility-maximization", therefore rationality is individuals' point of view (Gauthier, 1975). It is widely accepted that rationality "makes human action intelligible and comprehensible" (Cosmin, 2013). In decision making, decision makers behaviors that maximize utility are the ones that are often considered rational (Becker, 1962). Nevertheless, in some instances, individual utility does not guaranty optimal outcome (Gauthier, 1975).

What is irrationality?

The concept of irrationality is not widely studied in economics. Even in psychology irrationality is viewed within the lens of rationality as a "state, condition or quality of lacking rational thought". Irrationality is also considered as a cognitive behavior that is illogical (Irrationality, 2021). In many instances when someone is irrational "they do not listen to reason, logic, or even common sense" (The Overwhelmed Brain, 2021). According to Cosmin (2013), "Irrationality emerges when, for the same person, there is a dysfunction in the coherence or consistency of the pattern of beliefs, attitudes, emotions, intentions, and actions". There are two types of behaviors that are considered irrational: impulsive and inertial (Becker, 1962), and (Cosmin, 2013).

Theoretical Frameworks Relating to Decision Making

Ontologically, it is quite challenging to determine "the criteria by which an action, decision or belief can be classified as rational or irrational" (Cosmin, 2013). Nevertheless, there is to "the economic man" an obvious distinction between a rational behavior and irrational behavior, the former being more logical and informed, and the latter being considered illogical, lacking intelligence or lacking education (Cosmin, 2013).

There are several theories that relate to the understanding of rationality, irrationality, problem solving, decision making, and choices. The common theories in literatures are as follows; (a) The utility theory - which premises that individual can consistently rank order their choices depending upon their preferences (Utility Theory, 2021). (b) The utility maximization theory - which suggests that the rational actor chooses the action, from among those given, which maximizes utility (Sciencedirect.com., 2021). (c) Expected utility theory - that "advises choosing action or event with maximum expected utility which at any time will be weighted average of all probable utility levels that an entity is expected to reach under specific circumstances (Expected Utility - Overview, How It Works, Applications, 2021), and (d) The classical decision theory - The classical decision theory assumes that decisions should be completely rational and optimal (Hoy, 2019).

As regards decision making theories, there has been changes overtime due largely to the inconsistencies with the realities of how people make judgements, which are influenced by short cuts in the way people process information which includes; (a) Availability - of the item being decided in the immediate memory, (b) Perception- of relevance of the item or activity, (c) Mood - of the decision maker, (d) Quantity of Material or Information - available on the item or activity (quantity principle), (e) Endowment Effect or Status Quo Bias - people wanting to stay where they are most familiar and (g) Anchoring - making judgment using a reference or starting point (h) Representativeness - judging an event using impression of the event not systematic analysis (Decision-Making Theory and Research, 2021).

Findings

The business of management consulting

According to Britannica (2021), working , in the economics and sociology, refers to activities and labor necessary for the survival of a society. Over the centuries humans have evolved from hunting and gathering to mechanization, industrialization, and specialization to enhance production, efficiency and effectiveness of goods and services. With the increasing focus on information and communication technology the services sector has become increasingly important and vital to the success of organizations and economies. (Trade in Services. (2021). This interest has led to unprecedented focus on demand for professional consultancy services which can be outsourced easily across borders. Consequently, there is proliferation of management consulting businesses in emerging markets such as Nigeria.

Management consultancy services started in 1900s and have ballooned since 1980s (Naden, 2016). Management consulting profession is quite broad, difficult to understand and explain. There are no clear entry points, few known standards (ISO 20700:2017,2017), and fluid competency requirements. Almost all professionals can, in one way or the other , provide services and be referred to as consultants (What is Management Consulting?, 2021). According to Naden (2016) management consulting is the most sought-after career choice of top graduates. The job of management consultants is quite challenging, demanding, dynamic and competitive (Five major challenges facing the global consulting industry, 2021). There is always a need to learn, sometimes unlearn, new strategies, concepts, and tools.

The jobs of the management consultants are mostly advisory to businesses and organization; to help prove, learn, and improve performance (What is Management Consulting, 2021). Management consultants perform better with experience and are also priced base on their hands-on engagements with multiple clients in their chosen sectors. Management consultants can operate as individuals or under a corporate organization. It is common for organizations to bring together consultants and use their resumes to bid for work and after winning the bids , work with the consultants to deliver the assignment. In delivering the assignments consultants are exposed to the documents, strategies, tactics, and tools their employer use to deliver the contracts. Setting up a micro or small management consulting firm could be profitable (Ojo, 2021) than starting most businesses. It is often tempting for management consultants to want to come together to set up ,micro consulting businesses. Decision of which requires quitting their existing full-time jobs to compete with their former employer, unfairly using the tools, networks, and contacts they gained from their former employer's networks.

Decision to quit a full-time management consulting job to start a micro or small business

According to Simon (1966), the complexity and instability of his environment becomes a central feature of the choices that “economic man” faces. Just like gambling, thinking through quitting a job is not as simple as saying “I quit”, it is complex. There are indeed many internal thoughts with conflicting logical outcomes before agreeing with oneself on such decisions. According to an article by Gallo (2021) motivation should be considered in readiness for quitting a job and consideration is that ; if one is not working for the right organization, or the right position or is not positioned for desired future career then it is a sign to look for another opportunity (Claman, 2021). While these motivations are important, in some instances none will matter. The reason for not considering the motivation for readiness afore mentioned is, an individual, in the first place, decided to change to a place with higher utility (in this case satisfaction). The organization, the position and the opportunities provided were not designed with the consultation of the worker, therefore the worker was asked to , contractually, fit into a system that was pre-designed with limited inputs (if any) from the worker. The salary paid, though an incentive, is just a substitute measure of utility because so long as the salary does meet the expectations of the worker then it can not be equated with higher utility. A person with low salary, higher sense of job security, higher standard of working environment and less bills to pay can have higher utility compared to a person with high salary , high bills to pay, stressful environment and uncertain physical and job security. The desire for job and career enhancement ends where personal health and real cost of standard of living and quality of life begins.

Decision is human nature. There is always an occasion to decide, especially changing or leaving a job. Past experiences leaving jobs, may often be a positive motivation especially if the new job will promise a perceived higher utility. Moving to new jobs could come with it, a higher economic benefit due to negotiating increased wages, perceived higher standards of work ethics, good operating environment and less taxation. Being an experienced worker, having worked and saved some money in form of cash or investments can increase negotiating power and motivation to take increased risk with the hope of getting higher benefits or utility.

The decision to move away from one's job or familiar environment may be influenced by the individuals cognitive process and experiences of success of previous movements from one job to the other and having considered that owning one's own small business will increase satisfaction, freedom, confidence, achieve dreams and take more direct individual responsibility.

The increasing risk of staying in another person's management consulting firm amidst uncertainties of erratic management decisions far outweighs the risks of starting one's own micro or small business. Owning a business, can encourage the worker, at this point an entrepreneur, to understand the business risks better, understand the market forces, be more independent, more innovative, operate in less bureaucratic environment, have enhanced perception of freedom of choice to provide only the type of services the entrepreneur desires.

The decision to stay in worker's familiar environment or comfort zone might be influenced by several emotions one of which may be fear of consequences on deciders situation, what the society rationally expects from the decider; to live up to certain norms and social expectations of rationality. The worker is rationally expected to keep up to societal responsibilities; be productive, live well, pay bills and taxes.

Conclusion:-

Decision making is multifaceted and over the years decision theories have changed due largely to the inconsistencies with the realities of how people make judgements. Deciding to leave a job is a complex but intentional rational decision that is influence by many factors, some of which are observable, environmental, while others are unobservable and cognitive. It is in the nature of the economic person to always decide, consequences of which might be sometimes predictable or influenced by events outside of the decision-maker's control.

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