12-12-2021

Promoting Gains vs. Preventing Losses: Augmenting Investment Decisions through Regulatory Foci in Robo-Advisors

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Promoting Gains vs. Preventing Losses: Augmenting Investment Decisions through Regulatory Foci in Robo-Advisors

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The technological innovations in artificial intelligence (AI) and machine learning have led to the rapid growth in the development of financial Robo-advisory services—automated advisory services offered by financial institutions. Despite of their promising values and advantages, the user acceptance of financial robo-advisors has been lagging behind expectations. Because financial robo-advisors are characteristic of high levels of automation and delegation, their users have to relinquish control over their investment decisions (Rühr et al., 2019). As a result, they tend to be concerned about potential risks inherent in the use of the system and not be able to develop a sufficient level of trust towards the system. IS researchers have suggested a number of approaches to addressing the challenges and barriers to the adoption of robo-advisors, such as investigating how the acceptance varies among different user groups in terms of their ages and finance literacy and exploring the effects of the task-technology fit, digital nudging, and the anthropomorphic designs of robo-advisors on users' adoption and intention to use.

To extend past research efforts, the present study examines the role of regulatory fit in the design and use of robo-advisors. Drawing upon the literature on mental accounting and regulatory fit theory (Higgins, 2000), we propose that robo-advisors offering investment advice that fits (versus unfits) investors' regulatory orientations toward their investment goals are more likely to induce users' feeling of right and alleviate decision uncertainty and perceived risk. The study is intended to further test whether the extent to which users' perceptions of system neutrality moderates the effect of regulatory fit on the adoption and use of robo-advisors.

The proposed study echoes a recent call for research on IS delegation and agentic IS artifacts (Baird & Maruping, 2021). It can help to deepen the understanding of the adoption and use of AI and algorithm-based IS designs, as well as the impacts of such designs on users' decision making processes. The current research can also inform IS professionals of what IS design characteristics can help to motivate consumers to adopt robo-advisors and sustain their use of these systems.

References

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