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# Closing Remarks on Overconfidence in Business and Beyond

**Abstract** This chapter summarizes the main contributions on the overconfidence phenomenon discussed in this monograph. It also provides the key literature to offer the reader an in-depth analysis of the phenomenon in business and beyond. The starting point, after discussing what is overconfidence and how it can be measured, revolves around the implications of an overconfident attitude in small business management. This chapter goes further in discussing ways to reduce overconfidence when hubris and the excessive use of heuristics kick in. In this sense, it presents the advantages of using integrate software systems to reduce overconfidence. To further assess the impact of overconfidence in day-by-day decisions, the chapters present the findings on overconfidence in another different domain, sport, where women show the opposite bias, underconfidence, because of the uncertainty related to the performance and because of defensive pessimism, a strategy used to cope with the chance of failure in a male-dominated task. Across the brief chapter, there is a holistic discussion on how to improve accuracy in judgment and some key methodological routes to actually be able to measure overconfidence. Specifically, the book as a whole discusses how to conduct experiments, use large secondary datasets or psychological



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scales to assess the phenomenon from a different angle. The approach of this chapter and the citations used are at the interception between psychology and entrepreneurship, This chapter closes with a manifesto in 11 points.

**Keywords** Accuracy · Overconfidence · Entrepreneurs · SMEs Budget · Forecasting · Contextual characteristics

## 4.1 The Epilogue

The monograph discusses the overconfidence bias and its effects in the managerial realm. Stemming from an analysis of personality traits, in Chap. 1 the reader can understand the implications of an overconfidence attitude in finance and small business management. The second chapter goes on discussing how overconfidence can be measured through the difference between budgeted performance and actual performance. A systematic difference between predictions and final results (i.e., across companies and time) can be attributed to overconfidence. Chapter 2 interestingly shows that an effective way to reduce managerial overconfidence is to adopt integrated software systems, which outperform the role of human heuristics in accuracy. Chapter 3 concludes by extending the overconfidence study in another domain, football. Here, it can be seen the reverse effect of overconfidence, underconfidence. Across the chapters, it is possible to understand the key role of individual expectations in the level of subsequent overconfidence. The book concludes by showing that, while overconfidence is detrimental for business performance, also the opposite phenomenon, underconfidence, leads to low-performance levels as it activates a coping mechanism, which is often referred as defensive pessimism. In sum, the book presents an overview of the overconfident phenomenon highlighting how accuracy in judgments would lead to better business performance. Personal differences that might determine an overconfident attitude are discussed in detail.

Management has changed through time, and has taken a new form from generation to generation, gender, and education level, however, one thing still remains; the lasting affects it has on a business. We have seen throughout this book, just what factors should be accounted for when deciding who should manage a team, or a business.

This book covered the background of management and the theory behind it through psychology, as well as expert's analysis on the subject, however, it takes a step further providing statistics in conjunction to this as well as a real-life example to further prove our point of just how independent variables play crucial role in a person's ability to manage.

It is important to look as a person's nature when deciding a manager, such as their personality, and how it can affect the business. If the person is too much of a risk taker, with a positive outlook, they are more likely to do worse than how the rest of the market is doing regardless of the markets status. It is important to have someone who is ambitious, but also rational when deciding management as mentioned throughout the chapters. The manuscript discusses how some variables, such as age gaps and generation difference play a role as well. It was supported that those with a larger age gap will have more opposing ideas as to how to manage a business while those who are within the same age range will share similar ideas. The important take away from that is deciding how to mix and match teams based on the ages with a manager who is similar in age range to produce the highest level of productivity.

Finally, gender can play a substantial role in all of this both in the management and in the sport domain. Chapter 3 supports that the big take away from that was the confidence level a woman has, as well as how her peers reacted around her affected the female's performance. In a much positive atmosphere, the females had no trouble preforming well in their tasks, however, in a more negative environment.

The purpose of this monograph is to provide a platform for important new insights on overconfidence. Overconfidence is conceptualised as the overestimation of an event having a positive outcome (Busenitz and Barney 1994; Tipu and Arain 2011) and has been researched with reference to entrepreneurs (Forbes 2005; Robinson and Marino 2015; Ucbasaran et al. 2010) and managers (Sautner and Weber 2009). Overconfidence in business undertakings represents the most severe bias in entrepreneurial decision-making processes (Zhang and Cueto 2017).

The research on overconfidence is conducted at the intersection of psychology and entrepreneurship, focusing both on a personal and a contextual dimension. A hubris theory of entrepreneurship models how more overconfident individuals are more likely to start and develop new ventures and how such ventures are also more likely to fail (Hayward et al. 2006).

The analysis of an entrepreneur's psychological behavior suggests that overconfidence leads to idealistic and unfeasible forecasts (Cassar and Gibson 2007). The correlation between confidence and competence is usually weak or nonexistent when comparing the claims with the facts. If entrepreneurs are overoptimistic, resource allocation decisions is compromised, leading to a negative impact on business performance (Dawson and Henley 2012). Failure to address pre-established goals may frustrate and constrain subsequent phases of development leading in the worstcases to business failure (De Meza and Southey 1996; Koellinger et al. 2007; Invernizzi et al. 2016).

Many methodological approaches are used to investigate the phenomenon, experiments, interviews, or large secondary dataset. A relevant aspect is to study the effects of overconfidence on performance as a moderate level of overconfidence might even be positive in terms of venture's success, given that a certain degree of risk propensity is useful to foster the ambition to grow.

This book centers on the understand-ing of the various dimensions of overconfidence in venture creation and devel-opment. It also seeks to present new research approaches and methodologies contributing to the understanding of this field. It adopts a holistic view in the chapters, including conceptual and theory, state-of-the-art situation, empirical research, and case studies, addressing:

- Research approaches to elicit overconfidence
- The implications of overconfidence
- The use of digital technology in reducing biases
- The role family Vs nonfamily firms in overconfident attitudes
- Entrepreneurial learning
- Acquisition skills and skills development
- Organizational, culture, and human resource issues
- Measuring overconfidence new venture creation

- Comparisons between different types of entrepreneurial venture
- The role of different institutional contexts
- Application of overconfidence in not business contexts

All in all, the purpose of this book is to provide a basic understanding of management from multiple aspects, and to decide which one best correlates to the businesses tone and model from a psychological stand point, and a scientific standpoint.

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