INTERNATIONAL JOURNAL OF INNOVATIVE RESEARCH & DEVELOPMENT

ISSN 2278 – 0211 (Online)

Demystifying Overconfidence at Work

Wobodo, Chinonye Chris
PG Student, Department of Management, Rivers State University, Port Harcourt, Nigeria
Gabriel, Justin Mgbechi Odinioha
Senior Lecturer, Department of Management, Rivers State University, Port Harcourt, Nigeria

Abstract:
Modern organizations are characterized by diversified workforce, resulting in the multiplicity of attitudes and behaviors among members. There are those who have penchant for arrogating unrealistic competences to themselves either ignorantly or as personal impression management strategy. Given this understanding, this study conceptually reviewed the concept of overconfidence at work and the dangers and gains associated with it. After a critical literature exploration, it was discovered that overconfidence is an invasive behavior driven by three different forces in the individual which must be subdued in order to have a realistic understanding of self-competence. Based on this, we conclude that overconfidence is not a healthy cognitive phenomenon and should be avoided at the workplace because it brings nothing but half way gains, irreparable damage and embarrassments in the long term.

Keywords: *Overconfidence, over-estimation, over-placement, over-precision, Demystifying, danger, gains*

1. Introduction

With the current wave of new business order emphasizing knowledge capital as the bedrock of organizational competitiveness, organizations desiring to remain operationally viable and favorably surmount the challenges that come with competitions are now beginning to leverage on the competency of individuals possessing not only the requisite know-how to the job, but also possessing self-confidence trait in their personality makeups. This is because as a personality trait, self-confidence is perceived as an indispensable competence for quality leadership and enhanced performance outcomes especially in the face of adversity. According to Sapru (2013) the foundation of self-confidence as a concept can be traced back to the trait leadership theorists' prior to 1949. From the standpoint of the trait theorists, Stogdill (1974); Kirkpatrick and Locke (1991) identified self-confidence as one of the most important qualities in the determination of how successful an individual can be as a leader. In alignment with this view, Oney and Uludag (2013) maintain that self-confidence has long been used as an essential influencing factor in the field of business and marketing, while Bénabou and Tirole (2002) contend that possession of self-confidence posture stimulates and helps the individual undertake more ambitious goals while persisting in the face of adversity.

Given this observation, Eccles and Harold (1991) assert that self-confidence is associated with an individual's self-concept of abilities. Accordingly, Clement(1980) posits that the concept of self- confidence is usually stimulated by the individual's level of perceived competence and lack of anxiety in any circumstance. This therefore implies that people tend to display self-confidence when they understand they possess or carry the prerequisites competencies and abilities to successfully execute a given task without anxiety. Bearing these views in mind, we make bold to say that amid the unpredictable environment in which businesses operate, the desirability of organizations to acquire and retain a pool of workforce with self-confidence attribute is discernibly a necessary and valuable pursuit; knowing that self-confidence traithas the capacity to infuse independency among teams and groups which in turn stimulates functional conflict that promotes creativity, innovation, and team building. This is as autonomous mindset is associated with independent action by an individual or team with a view to bringing forth new business concept or vision, and pursuing such to completion (Boohene *et al.,* 2012). However, such functional conflict is usually achieved through diversity of opinions that help teams to identify new ways of approaching problems and alternative methods of handling it (Lepsinger, 2018).

In view of the forgoing observations, the question before us now is, if self-confidence is not invasive and contributes in the reduction of one's anxiety in the face of turbulence, does overconfidence contribute same level of performance at the workplace or a mere cognitive bias capable of jeopardizing the business effort? In a bid to providing answer to this question, Lambert, Bessière and N'Goala (2012) argue that increased experience can overly increase the confidence level of an individual while accuracy may not necessarily improve with increased confidence in theabsence of systematic feedback. On the other hand, Estes and Hosseini (1988) contend that people who are over-confident have the tendency to indulge in reckless behavior, and as such incur avoidable losses. Chiu and Klassen (2010) associated overconfidence with lower performance and under-confidence with higher performance. In the same manner, Moore and Swift (2010) stated that overconfidence has been acknowledged as one prevalent intrinsic cognitive bias expressed by entrepreneurs and has been proven to have negative effects on decision outcomes. Furthermore, Lichtenstein, Fischhoff and Phillips (1982) pointed out that decisions that arise from high levels of confidence often lead decision-makers to persevere with plans, even in the face of objective evidence that their initial decision may have been a poor one.

However, amid the controversies surrounding the true implications of one's overconfidence disposition, there is still evidence of paucity of research attention directed towards understanding how its dynamics in relation to the gains and dangers it brings into the workplace. This is as extant literature exploration thus far shows that empirical and theoretical studies in this area have dominantly concentrated more on the effect of individual's self-confidence using different criterion variables rather than over-confidence as a concept. For instance, Vealey (1986) carried out a study on sport-confidence and competitive orientation; Benabou and Tirole (2002) focused on self-confidence and personal motivation, while Banerjee, Gupta and Villeval (2018) assessed the relation between self- confidence spillovers and motivated beliefs. Therefore, given this observable literature gap, the focus of this paper is to conceptually assess over-confidence behavior at the workplace through the lens of its attendant gains or dangers.

2. Meaning and Nature of Over-confidence

Overconfidence falls within the domain of cognitive psychology where entrepreneurial cognition is used to explain the manner in which entrepreneurs think. Overconfidence behavior can have a substantial influence in a person's performance outcome. This is as it often compels people to view themselves as more competent than others within their circle of influence. Accordingly, Alicke and Govorlin (2005) described it as the above average effect. On this grounds, Ucbasaran, Westhead, Wright and Flores (2010) and Tipu and Arain (2011) refers overconfidence as a cognitive bias that overrates the possibility of a positive outcome to an event compared to the probability of experiencing a negative result from the same event. It is also viewed as the tendency of an individual to express an extreme belief in his or her own abilities (Jemaiel, Mamoghli & Seddiki, 2013).

Consolidating on these existing definitions, we posit that overconfidence is an embodiment of self-deception worthy of blinding one's sense of objective reality about a phenomenon. The act of overconfidence disposition can be motivated by both intrapersonal and interpersonal reasons. This observation however reinforces the position of Dunning, Leuenberger and Sherman (1995) that the explanations for overconfidence have largely focused on intrapersonal hedonicbenefits such as higher self-esteem. Which means that overconfidence behavior is mainly geared towards strengthening and protecting one's own self-esteem and also plays a role in shaping decisions regarding whether or not to persevere with a chosen course of action, even after receiving objective feedback that it is proving less successful than anticipated.

On the interpersonal strand, von Hippel and Trivers (2011) affirmed that overconfidence might be interpersonally motivated. Recent work supports this notion by demonstrating that overconfident people emerge as leaders within small groups (Anderson, Brion, Moore, & Kennedy, 2012) and leadership selection contexts (Ronay, Oostrom, & Lehmann-Willenbrock, 2016) while also being more successful in driving away romantic competitors (Murphy et al., 2015). Furthermore, Von Hippel and Trivers (2011) argued that overconfidence is a form of self-deception that serves the goal of interpersonal deception by convincing others that one's enhanced self-views are not overstated. Thus, overconfidence might be associated withheightened sensitivity to reputational concerns, which may also play a role in escalation of commitment. Indeed, Staw and Ross (1980) demonstrated that leaders who have successfully followed a consistent course of action are most positively evaluated. They labeled the strong interaction effect of success and consistency as "hero effect". We expect that if overconfidence is motivated in part by interpersonal motives, then higher levels of confidence may make the prospect of basking in this hero effect loom especially large, and so drive decisions toward escalation.

In furtherance to the forgoing discussions, previous studies have also established that different forces drive people into over blotting their confidence while others compel them to put their overconfidence tendencies in checks. For instance, Lambert, Bessière and N'Goala (2012) argued that one's level of expertise can trigger overconfidence behavior. Conversely, Koellinger et al (2007) prove that more educated entrepreneurs show lower levels of overconfidence. In support of this view, Meikle, Tenney and Moore (2016) assert that level of education can make people more aware of judgmental heuristics and biases. They further stressed that experts do this because they are more fully aware of the limits of their knowledge and abilities, and are thus more accurately calibrated. Yet, they added that accurate feedback gives people the opportunity to realize and correct the bias in their confidence estimates. In contrary to this view, Simons (2013) argued that there are several reasons why feedback cannot always reduce overconfidence. First, is that, people do not always want to be accurate, and so when they receive feedback that could improve calibration, they might willfully ignore it. In some circumstances, people explicitly endorse being overconfident (Armor, Massey, & Sackett, 2008).

3. Constituents of Overconfidence Behavior

Drawing from the work of Moore and Healy (2008), there are three different taxonomies under which the dynamism of overconfidence belief can be determined, namely overestimation, over- placement and over-precision. These constituents have been adopted in avalanche of theoretical and empirical studies bordering on overconfidence. The manifestation of each one and their implications varies a great deal. Given this trend, this study adopts these components as the dimensions of overconfidence.

3.1. Overestimation

The concept of overestimation explains overconfidence in the capability of an individual to do something (Moore & Swift, 2010). Accordingly, Moore and Schatz (2017) viewed it as a belief associated with thinking that you are better than you are. No wonder, some scholars argued that wishful thinking is the brain behind overestimation, especially when it comes to optimistic forecasts for the future (Sharot, 2011). Standing on the observations above, it is seen that overestimation of one's ability is associated with intrapersonal cognitive dissonance. It shows a complete absence of self-awareness competence which is an emotional intelligence element that enables people to have an objective knowledge of their strengths and weaknesses at their fingertips at any given time. Consequently, such erroneous perception of self will always give rise to a negative variance when measured in relation to actual result (performance). This is because some scholars like Invernizzi, Menozzi, Passarani, Patton and Viglia (2017) have been able to assess the difference between what was estimated and the actual results. Furthermore, Miller and Geraci (2011) succinctly argued that overestimation may not require self-deception, as the individual's knowledge deficiency in a task can show even greater overestimation than their peers, maybe due to a lack of understanding pertaining to what they do and do not know.

3.2. Over-placement

Study on over-placement often refers to it as the "better-than-average" effect (Alicke & Govorun, 2005). The implication of this self-appraisal is that people over-place themselves and at the same time view themselves as more intelligent. This mindset reechoes the position of Moore and Schatz (2017)that over-placement is the tendency of people to overrate themselves as being better than others. It is on this premise that we perceive it as a false presentation of one's true self-efficacy in order to gain undue influence among their peers. It is usually triggered by the individual's quest to gain public accolade. This is because over-placement behavior to us is an erroneous psychological belief characterized by self-deception as such individual may do thisjust to gain undue superiority over others while subduing their ego. Thus, we may refer to such people as egocentric conscious individuals who do not want to see that other are better than they are in any way. It is usually triggered by the individual's quest to gain undue accolade at the detriment of the real champions.

3.3. Over- precision

According to Herz, Schunk and Zehnder (2014) over-precision is an aspect of overconfidence which some scholars perceive as judgmental overconfidence. It is the expression of unwarranted possibility in the accuracy of one's beliefs (Moore, Don, Healy &Paul, 2008). Hence, we describe the phenomenon as the tendency of an individual to arrogate undue certainty to their subjective beliefs. This is as such belief is driven by the person's personal conviction that the subject matter under review lacks potentials for failure, which is impossible in all strands of argument. When people display over-precision in their subjective reasoning, they tend toward seeing things from the perspective of normative decision makers who always believe that decisions should be completely rational; hence employs an optimizing technique by way of searching for the best possible alternative to pursue and achieve the organization's goals. This is why Turpin and Marais (2004) view managers who operate within this decision- making framework as an economic man who views decision maker as one who has in his possession all the necessary decision- making ingredients such as information, time, resources, knowledge and that all possible alternatives are examined.

But in real life context, it is impossible for the decision maker to have all these in his possession at all times considering the current state of business arena, thereby making it an unrealistic ideal, if not naive. In the same manner, over-precision can be deceiving in its entirety as such individual does not have the complete information about whatever yardstick that informed their judgments as to the correctness and manifestation of their beliefs. Even the credibility of scientific discoveries and precisions has been proven to be falsifiable and refutable through the passage of time and emergence of new theories; how much more an individual's subjective opinion. This goes to show that over-precision is a deceptive and invasive behavior which should be avoided to achieve objective accuracy of personal vulnerabilities.

3.4. Dangers in Overconfidence

Overconfidence, being an invasive behavior that instills greater confidence than reality justifies in people; leaves the organizations where it prevails with immeasurable detrimental consequences. This is as overconfidence behavior can out rightly blind an individual's sense of objectivity even when there are discernable signs of imminent failure. This view corroborates Wohleber and Matthews' (2014) opinion that dangerous overconfidence has the capacity to make leaders lose touch with reality. The implication of this is that when this happens, disaster is bound to engulf the organization as a result of unrealistic standards used as decision criteria; which is gravely enough to slide the organization into its early entropy if nothing is done urgently to remedy the situation. Similarly, Dawson and Henley (2012) affirmed that overoptimistic people have the tendency to compromise objective resource allocation decision, leading to a negative effect upon business performance and its subsequent failure. Thus, Ronay, Lehmann-Willenbrock and Vugt(2016) argued that while normal levels of confidence can direct action and goal perseverance in a functional way, overconfidence might misdirect action and goal perseverance toward suboptimal outcomes. These therefore show that when people are engrossed in overconfidence, they act irrationally andas a consequence drag the organization into avoidable mess and disrepute.

Again, building on the outcome of Herz *et al*., (2014) study, overconfidence has been proven to inhibit innovation at the workplace. In fact, Koellinger *et al* (2007) succinctly argued that the linkage between entrepreneurial decisions and overconfidence may explain, in part, the high rate of new business failures. Hence, we can say that overconfident people often do not accept objective advice or appreciate constructive criticisms; they think themselves as always right and infallible. Furthermore, Ronay and Lehmann-Willenbrock (2016)used Macbeth's bloody pursuit of the Scottish crown to demonstrate a typical manifestation of the hazards associated with being subjectively overconfident. In this scenario, Macbeth's murderous action was fueled by the false confidence instilled in him by three witches who recognized and preyed upon his ambition; which consequently made him to embark on a murderous course from which he was unable to disentangle himself, even after his conscience and better judgment lead him to recognize the error of his plight. In the same vein, Flyvbjerg, Skamris, Holm and Buhl (2002) maintained that it is due to the overestimation of the speed at which work can be done that nine of ten major infrastructure projects go past deadline. Therefore, the danger of overconfidence is incalculable and can heat the organization from different perspectives.

3.5. Gains of Overconfidence

Although many studies have agreed that overconfidence is an invasive behavior with array of detrimental implications on the organization. But in the midst of all these argument, some scholarshave also advocated that overconfidence can also play valuable roles in people's personal effectiveness. For instance, it is believed that individuals exhibiting high self-confidence are more likely to become involved in starting a business. According to Hayward, Shepherd and Griffin (2006) and Robinson and Marino (2015), while overconfidence can potentially add value during the often-difficult start-up stages, it may also motivates entrepreneurs to establish businesses without sufficient capital. It is considered advantageous because it serves to increase ambition, morale, resolve, persistence or the credibility of pretending, generating a self-fulfilling prophecy in which over blotted confidence actually increases the probability of success (Trivers, 2000; Peterson, 2006).

Similarly, Larkin and Leider (2012) observed that there are several means through which an organization can reap from an individual worker's overconfident mindset. In their views, the organizations can structure performance incentives for employees to exploit overconfidence in their own future performance. For instance, sales people who overestimate their own future sales performance will be too willing to embrace inducement contracts that offer generous rewards for levels of performance they are unlikely to attain. Dwelling on this position, Humphrey-Jenner, Lisic, Nanda and Silveri (2016) revealed that organizations benefits from overconfidence behavior by offering overconfident employees irresistible incentive compensation contract. However, despite all these observed benefits, Meikle, Tenney and Moore (2016) sternly warned that capitalizing on employee's biases for short-term financial gain could cause long-term harm for the organization. Hence we say that overconfidence benefits are less of the damage associated with it and as such needs to discourage.

4. Conclusion

Overconfidence is not a unitary construct. Its display by people at the workplace is triggered by overestimation, over-placement and over-precision of their abilities which manifest in varied conditions and affect the organization differently. Discernibly, overconfidence brings in both gains and danger to the individual workman and the organization at large. These aftermaths occur in different degrees. In terms of gains, being over confident offers the individual an opportunity to ride on temporary, fake and somewhat favorable personality; and to the organization, short term benefits of good reputation as a competent entity. In the long run however, overconfidence affects the long-term viability of organizations and empties the hitherto powerful workman.

Based on this, we conclude that overconfidence is not a healthy cognitive phenomenon, as such should be discouraged as it brings nothing but half way gains and irreparable damage and embarrassments in the long term.It is therefore important for people to evaluate themselves appropriately and desist from overrating their ability and competences. This will lead to near accurate identification of gaps and efforts subsequently made to acquire further knowledge to fill such gaps rather than living in a fool's paradise.

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