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## **Are entrepreneurs more action oriented than others? An experimental study of the (c)omission bias of entrepreneurs relative to managers and employees**

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### **Abstract**

State-of-the-art: When facing difficult decisions, many individuals are omission biased (Spranca et. al., 1991). They show a preference for not taking action when it is optimal to do so. Such a bias has important ramifications for various aspects of life, one being in the domain of business venturing. Indeed, starting up new ventures often means facing many uncertainties, in which case the notions of hesitation and inaction do not seem to be consistent with that of exploring the unknown. Research gap and research question: As appealing as the idea of associating entrepreneurship with action orientation can be, it has little empirical support. The purpose of this paper is to fill this gap by testing whether entrepreneurs are less omission biased than managers and employees when they are facing difficult decisions. Theoretical arguments: Because the omission bias is rooted in regret aversion as well as the willingness to evade blame and responsibility, we hypothesize that subjects who are entrepreneurs will exhibit less of it than those who are managers and employees. Method: We will rely on Tenorio and Cason (2002)'s study of the omission bias based on "The Price is Right" TV show as a natural experiment. In our experiment, two contestants compete over getting the highest score out of up to two spins of a wheel without going over a limit (where the first player is an individual in our sample and the role of the second player is assumed by a computer). The wheel is divided into nine sections numbered from 1 to 9. Each

spin will result in an equal chance of getting one of the nine numbers. Contestants play sequentially and can opt out of spinning a second time: it is the second contestant's turn after the first one has taken his spin decision (in which case he takes his second spin). The total score for a contestant who chooses to spin twice will be equal to the sum of the scores on his two spins, whereas the total score of a contestant who chooses to spin once will be equal to the score of his first (and only) spin. In case of a draw, the first contestant wins by default. A contestant who gets more than nine is eliminated. There is an optimal way to play this game as a first contestant: for every score obtained on the first spin, there is a decision that will increase the probabilities of winning. This interesting feature of the game implies that risk preferences should not influence the spin decision. The optimal strategy will be used as a benchmark to evaluate whether subjects are omission (inaction) or commission (action) biased: a subject who chooses not to spin when it is optimal to do so will be omission biased whereas one who chooses to spin when it is not optimal to do so will be commission biased. An interesting feature of the game is to allow for a treatment that will test whether feelings of regret and curiosity are linked to the omission bias. Indeed, the decision not to spin allows one to avoid some regret because one who does not take a second spin cannot have full knowledge of how things might have turned out. This absence of counterfactual leads to less anticipated regret and renders the decision of not spinning more attractive. The arousal of curiosity, on the other hand, can lead one to seek information and to over-spin. The treatment consists in intervening at these levels by providing randomly assigned subjects with the score of their second spin had they spun a second time. This will reverse the regret avoiding feature of not spinning and the curiosity arousing feature of spinning. The experiment is part of a fifth wave of experiments that involve non-student subjects and that have very good response rates.

Invitations will be sent early December 2015 to a large sample of Dutch entrepreneurs, managers and employees who are reached by email through the intermediation of different professional agencies. All invitees will be allocated 14 days to respond, and non-respondents at that stage will receive a reminder after seven days. The experiment will be conducted entirely online. Participants will be asked to answer survey questions regarding their demographic background, to play the game, as well as to answer questionnaires measuring their levels of loss aversion, locus of control, grit and curiosity. They are informed of the incentives of the game. To not overburden the participants, each session is designed to last between 15 to 20 minutes. Results: results will be available early January. Spranca, M., Minsk, E., & Baron, J. (1991). Omission and commission in judgment and choice. *Journal of experimental social psychology*, 27(1), 76-105. Tenorio, R., & Cason, T. N. (2002). To spin or not to spin? Natural and laboratory experiments from *The Price is Right*. *The Economic Journal*, 112(476):170-195.

# Are entrepreneurs more action oriented than others? An experimental study of the (c)ommission bias of entrepreneurs relative to managers and employees

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## Abstract

The purpose of this paper is to test whether entrepreneurs are less biased towards inaction than managers and employees, and whether this difference can be linked to certain personality traits. A large sample of participants from these different occupations play a simplified version of the “Showcase Showdown” for which their decisions are compared to the benchmark optimal play. We hypothesize that entrepreneurs are less likely to be biased towards inaction because they are driven by an internal locus of control, lower levels of loss and regret aversion, as well as higher levels of curiosity and grit. To rule out the possibility of unobserved heterogeneity driving differences between entrepreneurs and others, we randomly assign participants to a treatment that intervenes on regret aversion and curiosity but which does not change the optimal play.

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The paper is available from the authors upon request.