

ABSTRACT

**Testing for Attribution Error in Entrepreneurship**

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Generalized psychological tendency to over-attribute the success of an organization to the celebrity-entrepreneur and the correspondent propensity to disregard the impact of endogenous factors such as market conditions are examined and tested. Fundamental Attribution Error is one of the twenty or so prevalent “cognitive biases... unconscious errors of reasoning that distort our judgment of the world” as studied by Kahneman (2011) and well noted in the psychological literature. A survey instrument testing the strength of the fundamental attribution error in the field of entrepreneurial leadership was developed and applied.

A test for the hypothesis for the relative importance of entrepreneurial disposition-personality factors vis-a-vis situational-environmental factors to the success and failure of entrepreneurship was conducted. The hypotheses that business professionals under-attribute or disregard exogenous-situational factors while over-attributing the impact of the founding entrepreneurs when assessing organizational results.

The existence and strength of the fundamental attribution error may lead to over-weight emphasis of a leader’s input to organizational success or failure and consequently lead naturally to a underweight of environmental and managerial factors. Hence investors and managers may distort decisions based on the flawed attributions. Hence, overcompensation of the normally underweight factors may be required to reach optional investment and managerial decisions.

To examine one major cause of the FAE in entrepreneurship, the current work examines entrepreneur’s own words indicating an ex-post grandiosity indicating over-attribution of their own impact while providing evidence that there may not be ex-ante knowledge or belief in the origination or market. the hypotheses that entrepreneurs naturally issue communication and signaling that enhances these fundamental attribution errors, this paper explores a series of archive-based recollections of the entrepreneur’s ex-ante thoughts to demonstrate that many legendary-business entrepreneurs did not expect the organization’s extraordinary rates of growth and the ex-post-facto market successes. Hence, cause-effect attribution questions naturally arise.

One important research question addressed within is; if the entrepreneur did not know of, or expect growth before the growth, then the resulting growth may not be fully attributed to the person as valid intent. More generally, then to what extent can the resulting organizational success be attributed to the identified behavior of entrepreneurship? Are the successes normally attributed to individual-entrepreneurs really organizational successes or even random-walk phenomenon? Are fundamental attribution errors over-weighting the construct of entrepreneurship and obscuring other, organizational-based, effective causes of economic success?

The rise of the media-driven, celebrity-entrepreneur leads to a recent strengthening of attribution of organizational success to that leader. Conclusions within the current study lead to a more distinct focus on the “time-limited” tasks of entrepreneurship that is very limited in proportional impact to a firm’s total life-span and resulting economic value. We then can attribute much more of the resulting economic value to the impact of organizational dynamics and organizational development.

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