

ENTREPRENEURSHIP AND COGNITIVE BIASES: A REVIEW ON OVER CONFIDENCE AND ILLUSION OF CONTROL BIAS

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ABSTRACT

Studies on personality traits have shown certain characteristics of entrepreneurs as essential for being successful. Entrepreneurs like all individuals are also influenced by certain cognitive biases which have serious repercussions on entrepreneurial decision making. This paper is an attempt to review two such important cognitive biases, i.e. Overconfidence bias and Illusion of control bias both having an impact on entrepreneurial decisions. Studies show that entrepreneurs think differently and so is their risk perception. Overconfident individuals think that a venture is less risky and hence they enter into risky businesses unknowingly. The illusion of control bias decreases one's perception of the level of risk associated with a new venture formation. It becomes essential that entrepreneurs are aware of their biases so that they can evaluate business prospects more realistically.

KEYWORDS: *Impact on Entrepreneurial Decisions, Risk Perception, Running a Business is Complex*