
If and how does hubris influence the innovation capacities of company founders? Submission to the 36th Babson College Entrepreneurship Research Conference (BCERC)

Scientific research examining effects of hubris dates back to 1986 (Roll, 1986) and has generated about 30 publications in various disciplines that almost exclusively determined dysfunctional outcomes. These are for example value destroying mergers (e.g. (Bruner, 1999; Roll, 1986), project failures (Brady & Davies, 2010), increased risk takings (Li & Tang, 2010), irrational behaviors and a neglect of actual market conditions (Brady & Davies, 2010; Kroll, Toombs, & Wright, 2000). However, more recent findings contradict the overall negative academic perception of this cognitive bias that is characterized by excessive pride, exaggerated self-confidence, and inflated positive self-evaluations (Judge, Piccolo, & Kosalka, 2009). Tang, Li, and Yang (2012) conducted two empirical studies in the context of established organizations and determined positive impact of hubris for the first time. More precisely, it was found that executive hubris has functional effects on firm innovation. We argue that similar findings can also be expected in entrepreneurial settings of newly founded ventures, a context that lacks any empirical evidence on the effects of hubris so far. Especially, since patterns of hubristic behavior were identified for successful founders such as Steve Jobs and Mark Zuckerberg. Contrary to the current academic perception, their hubris contributed, at least partly, to the successful realization of their innovative business models (Hayward, 2007). Therefore, the objective of this study is to determine the role of hubris on innovation capacities of founders.

For the empirical analysis, a two-step process is undertaken. Firstly, a quantitative questionnaire was developed in order to determine whether the findings of Tang, Li, and Yang (2012), i.e. the effects of hubris on innovation capacities, can also be replicated in the context of newly founded ventures. For this purpose, the questionnaire captured the core-self-evaluations (CSE) (high levels of CSE equal hubris) (Hiller & Hambrick, 2005; Judge, Erez, Bono, & Thoreson, 2003) and the degree of business model (Zott & Amit, 2007) and product innovation (Kock, Gemünden, Salomo, & Schultz, 2011) of 310 founders operating in Germany, Austria, and Switzerland. The empirical analysis of the data was conducted using SPSS. It included a one-sided t-test to compare the degree of business model and product innovation between hubristic
and rational founders, among others. Secondly, the results of this quantitative analysis lead to the design of a qualitative study to gain deeper understandings and to elaborate on the found results. Therefore, the qualitative study involved 26 in-depth and half-structured interviews that were conducted with startup coaches, consultants, and investors, all of which interact with newly founded ventures on a regular basis. The experts were asked to report case studies of founders who showed hubristic patterns such as a grandiose sense of themselves, an inflated consideration of themselves above the community of humans, and no feelings of constraint by social rules and laws (Judge et al., 2009). In sum, the interviewees described approximately 40 case studies of hubristic founders and portrayed the influence of their hubristic on the process of venture creation. The interview transcripts were analyzed following an inductive-interpretative approach according to Gioia, Corley, and Hamilton (2013).

The results of the quantitative study were surprising and indicate no significant differences regarding the degree of business model or product innovation between hubristic and rational founders. The only significant differences found show that hubristic founders operating in less digitalized industries tend to have significantly higher levels of product innovation compared to hubristic founders in highly digitalized industries. These findings do not replicate the findings of Tang, Li, and Yang (2012) in the context of newly founded ventures and it cannot be confirmed that hubris also affects the innovation capacities of founders. Based on the analysis of the qualitative interviews it can be concluded that the results are only partly in line with the findings of the quantitative study. In numerous of the reported case studies, the hubristic founders indeed had highly innovative business ideas that affected their business models and products likewise. However, their business ideas actually were too novel and the market was not ready to embrace them yet. Therefore, various hubristic founders with highly innovative ideas did not manage to launch and operate their ventures successfully.

We are aware that our study is subject to some limitations that need to be addressed in future research. Firstly, in our two studies we used two distinct measures to determine hubris, which might influence the outcomes of our analysis. For the quantitative study, founders had to evaluate themselves on the CSE-scale (cf. (Hiller & Hambrick, 2005; Judge et al., 2003) and therefore, they got the possibility to draw a more favorable picture of their behavior that might not reflect reality. The approach of the qualitative study is much more common in existing research (cf. Brady & Davies, 2010; Chowdhury, 2014; Hayward, 2007) and involves the determination of hubris through third party (the interviewed experts). Secondly, there seem to
be differences in the effects of hubris between different industries that need to be considered in future research.

References


Hayward, M. (2007). *Ego check: why executive hubris is wrecking companies and careers and how to avoid the trap*. Chicago, IL USA: Kaplan Publishing.


