

Making Sense of Overconfidence in Market Entry

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Appendix 2: Stated Reasons

We coded participants' free responses for why they chose to compete where they did using eight categories. Five were those we thought reflected the behavioral DVs we analyzed: (1) performance of self, (2) performance of others, (3) how the prize affected the self, (4) how the prize affected others, and (5) which test would have fewer competitors. Three other considerations were intended to capture other considerations: (6) which test would have weaker competitors, (7) random choice, and (8) other considerations. We had three research assistants (RAs) code the responses; all were blind to the hypothesis and method of the experiment but were privy to the prize size and which test was chosen for each participant. RAs entered 0 if the category was not mentioned in the participant's free-response text; otherwise 1. The first two RAs coded the data independently. The third RA resolved disagreements. They coded five additional meta-categories that reported combinations of reasons mentioned: (A) 'prize-only-minded' participants mentioned the prize (for self or for other) and nothing else, (B) 'self-only performance' participants mentioned self-performance but not others' performance, (C) 'thought of self' participants mentioned self-performance and/or the prize for self, (D) 'thought of others' participants mentioned performance and/or prize of others, and (E) 'thought of prize' participants mentioned the prize for self and/or for others. If anyone mentioned relative performance, he or she were coded as mentioning the self (but not self-only) and as mentioning others.

Granted, some of these entries might be ambiguous (e.g., 'I did well'), but we let the hypothesis-blind RAs coordinate on discrepancies. And, it is possible that stated-reasons are merely imagined post-hoc or may be influenced by what is a 'good' explanation. That said, the data suggest that tournament choice depends largely on the degree to which one focuses on others:

Prize Focus. Only 33.75% of participants (54 out of 160) mentioned the size of the prize in their reasons; 68% of these prize-mentioning participants correctly entered the market that bore a higher expected value for them, compared with only 40% of those who did not mention the prize. Furthermore, 17 participants stated the prize as the sole reason for their entry choice, and 76% of them entered the market with the higher expected value, compared with 43% of the rest of our participant sample. Perhaps a prize-only strategy, although rare, luckily avoided the deleterious factors that most other participants considered. Note: Since prize is known (whereas several of the other variables are error-prone estimates), this boosts the validity of prize size and favors those who rely on it.

Self vs. Other Focus. Of 110 participants, 68.75% mentioned self-performance; interestingly, 90.91% of them did not mention others' performance. Of these 'only-self' participants, 67% chose to compete in the easy market, compared to 50% among other (non-'only-self') participants. These only-self participants were also 45% likely to choose the market with the higher expected value, compared to the 50% likelihood of other participants. In fact, 61% of those who mentioned other competitors chose the market with higher expected value for them, while 43% of other participants did so. Those who explicitly mentioned the expected amount of

competition chose the market with the higher expected value 72% of the time, while others did so 44% of the time. The summary of these results and other results of the coding can be found in Tables 4 and 5.

Table 4. Summary of (nonexclusive) factors participants mentioned as reasons for their market entry choices in Experiment 1.

Chose market with higher EV?		Self performance	Others' performance	Prize for self	Prize for other	Fewer competitors	Weak competitors	Randomized	Additional consideration
No (85)	Sum	51	1	6	6	5	1	6	15
	P of 85	.60	.01	.07	.07	.06	.01	.07	.18
Yes (75)	Sum	37	6	21	4	13	0	9	10
	P of 75	.49	.08	.28	.05	.17	.00	.12	.13
Total (160)	Sum	88	7	27	10	18	1	15	25
	P of 160	.55	.04	.17	.06	.11	.01	.09	.16

Table 5. Division of participants into meta-categories based on their reported reasons for entry choice in Experiment 1.

Chose market with higher EV?		Prize-only-minded	Thought of prize	Only self	Thought of self	Thought of others
No (85)	Sum	4	12	55	56	13
	P of 85	.05	.14	.65	.66	.15
Yes (75)	Sum	13	25	45	54	20
	P of 75	.17	.33	.60	.72	.27
Total (160)	Sum	17	37	100	110	33
	P of 160	.11	.23	.63	.69	.21