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Making sense of business failure: a social psychological perspective on financial and legal judgments in the context of insolvency

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Propositions relating to the dissertation

MAKING SENSE OF BUSINESS FAILURE

A social psychological perspective on financial and legal judgments in the context of insolvency

by Niek Strohmaier

1. Banks can use similarity bias to their advantage by matching bankers with similar entrepreneurs to foster interpersonal communication and trust.
2. In the absence of 'hard data' on a company's performance, similarity bias in financing decisions can be more pronounced.
3. When relying on experts' opinions, legal professionals can be affected by irrelevant factors such as their perceived similarity with the expert.
4. Assessing the causes of a company's decline in an accurate and objective manner is almost impossible.
5. Judging in hindsight is invariably obfuscated by cognitive biases.
6. Feelings of moral outrage and the need to punish might be important drivers of hindsight bias.
7. The role that moral character inferences and subsequent moral judgments unwantedly play in legal judgments and decision making has thus far been underestimated.
8. The typical working conditions of financiers and legal professionals dealing with distressed businesses, such as a high degree of complexity, time pressure, and negative emotions, makes them particularly prone to biases.
9. The free will debate is of such a fundamental nature that it deserves more attention among (legal) scholars and policy makers.
10. The field of legal psychology will advance quicker when scholars master both disciplines (i.e., both law and psychology) rather than relying on interdisciplinary collaborations.
11. Interdisciplinary research is a risk for the career of early career researchers.
12. A crash course in psychology should be mandatory in any law school's curriculum.

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