

Does thinking in a foreign language reduce escalation of commitment? – Preliminary results of an experimental study

Abstract

Escalation of commitment due to sunk costs and the Foreign Language Effect are well-documented but separately investigated in prior research. Our research objective is to analyze the impact of a foreign language on the tendency to remain committed to a failing course of action and to allocate further resources to the course of action despite negative feedback. We conducted an online experiment to investigate whether decision-makers who use a foreign language when making investment decisions are less susceptible to this specific case of cognitive biases as compared to decision-makers who face a decision situation in their native language. For our experimental study, we use a case study based on the seminal research on escalation of commitment by Staw (1976) and a thereto-connected online survey. The case study is presented either in English or German.

In this paper, we present the preliminary results of our study. Our study provides strong support for the escalation effect due to sunk costs and the self-justification approach by Staw (1976) and partially supports prior findings on the Foreign Language Effect. Escalation of commitment is particularly high when decision-makers make the investment decision in their native language and are held responsible for prior decisions, i.e., when they have made the initial choice in the course of subsequent investment decisions themselves. A foreign language reduces escalation of commitment only when decision-makers experience such a high level of responsibility.

With our study, we contribute to research in several aspects. First, our study contributes to a more profound understanding of the foreign language effect and its determinants. Second, we transfer prior findings and assumptions to a new context and, thus, connect linguistic and psychological research to research in management. Third, (experimental) studies that simultaneously explore the Foreign Language Effect and special cases of cognitive biases as well as activities and concepts to enforce de-escalation in (managerial) decision-making are quite rare and have shown mixed results. Since we find an interaction between the foreign language effect and the sunk cost effect, we can offer an alternative means (i.e., using a foreign language) to push back escalation of commitment due to sunk costs. Based on the results of our study, we can give policy advice on which language should be used in certain decision situations to limit potential damage from bad decisions to an organization.

Keywords: (de-)escalation of commitment, cognitive bias, investment decision, language