Abstract

This paper examines how overconfidence affects the properties of management forecasts. Using both the “over-optimism” and “miscalibration” dimensions of overconfidence to generate our predictions, we examine three research questions. First, we examine whether overconfidence increases the likelihood of issuing a forecast. Second, we examine whether overconfidence increases the amount of optimism in management forecasts. Third, we examine whether overconfidence increases the precision of the forecast. Using both options- and press-based measures to proxy for individual overconfidence, we find support for all three research questions.