

# "MAJU BERSAMA MEMBANGUN EKONOMI BANGSA"

ICEBUSS 2016

International Conference on Economics, Business  
and Social Sciences (ICEBUSS)

## ICEBUSS 2016



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## **RECTOR'S WELCOME**

I am delighted to welcome you to ICEBUSS 2016 in Malang, Indonesia. The Purpose of ICEBUSS is to bring together researchers and practitioners all over the world to share new ideas and present latest development in the theoretical and practical area of Economics, Business and Social Sciences. This year's conference brings together more than 177 presenters and practitioners to discuss the latest issues.

We are honored to have keynote speakers in the conference: Professor Raghavendra Rau from University of Cambridge and we are hoping that all participants of the conference to take time not only for paper and presentation, but also actively engage one another and to take this opportunity to further develop your professional link.

The conference will not be possible to be organized the dedicated effort of many individuals who have contributed to the various process that make up this event. For their dedication , I sincerely convey my appreciation. My sincere gratitude also goes to our institution' partner that provide their support a joint host Global Virtus Center for Corporate Governance Ukraine, cohosts and sponsors in this conference.

Rector  
University of Islam Malang

**Prof. Dr. H. Maskuri, M.Si**

## **SPEECH FROM DEAN**

**Nur Diana, SE, MSi**  
Dean of Faculty of Economics University of Islam Malang

In the Name of Allah, the Most Beneficent, the Most Merciful.

It is with great pleasure that I welcome the participants of the International Conference Economic, Business and Social Sciences 2016. The Prophet Muhammad (peace be upon him) said 'Acquire knowledge and impart it to the people.' (Al Tirmidhi). The quest for knowledge has been from the beginning of time but knowledge only becomes valuable when it is disseminated and applied to benefit human kind. It is hoped that ICEBUSS 2016 will be a platform to gather and disseminate the latest knowledge in economics, business and social sciences.

Academicians, Scientist, Researchers and practitioners of economics, business and social science will be able to share and discuss new findings and applications of economics, business and social sciences. It is envisaged that the intellectual discourse will result in future collaborations between universities, research institutions and industry both locally and internationally.

This is our first ICEBUSS and we shall continue to conduct it every year, wish that research fellow and academicians from universities in Indonesia and in foreign countries take part we would like to express our highest gratitude those who have participated as both presenters and participants.

We would like to express our highest gratitude those who have participated as both presenters and participants. We would also like to extend our sincerest appreciation to all the host University of Islam Malang and Global Virtus Center for Corporate Governance Ukraine and Co-host : Universitas Esa Unggul Jakarta, Universiti Malaya Kelantan , UPN Veteran Yogyakarta, Universitas Islam Madura Pamekasan, Sekolah Tinggi Ilmu Ekonomi ASIA, Universitas Ma Chung, Universitas Darma Persada Jakarta , Universitas Islam Lamongan, Sekolah Tinggi Manajemen Informatika & Komputer ASIA, Universitas Hangtuah Surabaya, Universitas Tama Jagakarsa Jakarta, Sekolah Tinggi Ilmu Ekonomi Widyagama Lumajang and Magister Manajemen UNISMA.

Please accept our deepest apologies for all the imperfection during the seminar. Till we meet again next year. God Willing , Insha Allah.

## KEYNOTE SPEECH

### "THE GLOBAL PATTERN OF ALTERNATIVE FINANCE"

**Professor Raghavendra Rau**

Judge Business School University of Cambridge

Although various forms of alternative finance have long existed, the combination of weaker financial institutions following the financial crisis, disruptive disintermediation-Enabling technology and underlying socio-economic as well as cultural shifts is challenging the paradigm of how finance will be provisioned in the future. The UK alternative finance industry alone has raised more than £1.6 billion for individuals, start-ups, small and medium firms, social enterprises and good causes between 2011 and 2015. Several economies, particularly the US, Europe and emerging markets, are already witnessing significant alternative capital formation and financing activities in venture capital, consumer credit, SME finance, high-tech and creative industries, social impact investing, development and renewable energy sectors.

However, little academic research is currently available to inform policy makers, regulators, industry players and other stakeholders about why various forms of alternative finance are emerging or how new financing instruments and intermediaries are functioning and evolving. There are a number of unanswered research questions of relevance to these stakeholders. How and why do funders invest, lend or donate through alternative finance channels? From fundraisers' perspective, how do they compare alternative finance instruments and channels with financing alternatives available via the traditional financial system? In a macro-economic context, is alternative finance expanding the existing pool of capital/credits or merely rechanneling it? What is the socio-economic impact of alternative finance in terms of job creation, revenue generation and community engagement at local, regional and national levels? Do some economies have a comparative advantage in enabling alternative finance, and if so, why? How will public policy and regulations affect the trajectories of alternative finance? Are developments in alternative finance a threat or an opportunity for incumbent financial institutions, and how is their response influencing broader change within the financial system?

## PATRONS

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Professor Raghavendra Rau (Judge Business School University of Cambridge)

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## PROGRAM

December 6 – 7, 2016, ATRIA Hotel, Malang

Tuesday, December 6, 2016

|             |   |
|-------------|---|
| 07.30-14.00 | Registration  |
| 08.30-10.30 | Concurrent sessions I                                       |
| 10.30-10.40 | Coffee breaks   |
| 10.40-10.50 | Welcome Speech by Dean, Paramount Ballroom                  |
| 10.50-11.00 | Opening Speech by Rector, Paramount Ballroom                |
| 11.00-12.00 | Keynote speech by Prof. Raghavendra Rau, Paramount Ballroom |
| 12.00-13.00 | Lunch   |
| 13.00-15.30 | Concurrent sessions II                                      |
| 15.30-15.40 | Coffee break  |
| 15.40-17.40 | Concurrent sessions III                                     |

Wednesday, December 7, 2016

|             |                        |
|-------------|------------------------|
| 07.30-10.00 | Registration           |
| 08.00-10.45 | Concurrent sessions IV |
| 10.45-11.15 | Coffee breaks          |
| 11.15-13.00 | Lunch                  |



**International Conference on Economics, Business and Social Sciences (ICEBUSS 2016)**  
**December 6-7, 2016, Malang**

**December 6, Hours: 08.30 – 10.30**

| Room          | IVORY 1  | IVORY 2   | IVORY 3  | IVORY 4  | PARAMOUNT BALLROOM  |
|---------------|--|---|--|--|---|
| Session Chair | Nani Rohaeni   | Nedi Hendri   | Adrie Putra  | Muhamad Ahsan  | Oyong Lisa  |
|               | “Model System Management of Traditional Market”<br>Fiqi Fatmawati  | “Preventive Toward Earthquake’s Disaster in West Sumatera Based on Geophysics Analysis”<br>Reza Prima Yanti, Suharsono, Indriati Retno Palupi, Wahyu Hidayat (UPN “Veteran” Yogyakarta)   | “WASTA: The Good, The Bad and The Ugly”<br>Ameen Ali Talib (SIM University, Singapore)   | “Management Discussion and Analysis, Corporate Governance Perception Index and Market Reaction”<br>Lindrianasari (Univ. Lampung)<br>Sondang Berliana Gultom, Liza Alvia (Univ. Lampung)                                | “ISU DAN TANTANGAN PEMBELAJARAN BAHASA ARAB DI MALAYSIA”<br>Anuar bin Sopian (Universitas Teknologi MARA Melaka, Malaysia)  |
|               | “INDICATORS INVESTIGATION MODEL OF CORPORATE FAILURE IN INDONESIA”<br>R.A. Nurlinda, Eka Bertuah (Esa Unggul University)   | “Experimental Study: Negative Framing, Rigid Thinking and Commitment Escalation in Making Decisions”<br>Andi Irfan (UIN Sultan Syarif Kasim Riau)   | “FAITH-BASED CIVIL SOCIETY AND SELF-RELIANCE DEVELOPMENT: A CASE STUDY OF PESANTREN ULUMUL QURAN, AT BOJONGSARI, DEPOK, WEST JAVA, INDONESIA”<br>Hari Zamharir (Universitas Nasional), Suprihatin (Universitas Nasional) | “Social Entrepreneurship Attitudes and Activity in Indonesia”<br>Gandhi Pawitan, Maria Widayari, Fiona Ekaristi (Parahyangan Catholic University)  | “MANAJEMEN LABA, STRUKTUR KEPEMILIKAN DAN PERUBAHAN TARIF PPH UNDANG-UNDANG NO. 36 TAHUN 2008 (Studi Empiris pada Perusahaan Keluarga dan Non-Keluarga di BEI Tahun 2007-2010)”<br>Sri Suranta, Bandi dan Eko Arief Sudaryono (Universitas Sebelas Maret) |
|               | “THE ROLE OF HEALTHY SCHOOL ENVIRONMENT AND CANTEEN AS CHILDREN’S SOURCE OF CONSUMER LEARNING”<br>Anna Triwijayati, Etsa Astridya Setiyati, Yudi Setianingsih, Maria Lucia Luciana (Ma Chung University)       | “Influence Analysis of Price Fluctuations and Labor Costs, Against Revenues Potato Farmers in the village Pinangsungkulan Modioinding subdistrict, South Minahasa, North Sulawesi (2012-2014)”<br>Lenny Leorina Evinita (Universitas Negeri Manado) | “ANALYSIS OF PERFORMANCE EFFICIENCY MEASUREMENT FOR PRIVATE UNIVERSITIES’ PROGRAM”<br>Rina Anindita, Taufiqur Rahman (Esa Unggul University)   | “RECONSTRUCTION OF BUSINESS FAILURE CLASSIFICATION MODEL FOR SMALL MEDIUM ENTERPRISES (SMEs)”<br>Nekhasius Agus Sunarjanto, Herlina Yoka Roida, Agnes Utari Widyaningdyah (Widya Mandala Catholic University Surabaya) | “MODEL PRAKTIK AKUNTANSI DALAM RANGKA MENINGKATKAN AKSES PEMBIAYAAN KUR PADA UMKM DI KOTA PALU”<br>Jurana, Ni Made Suwitri Parwati (Tadulako University)  |
|               | “Legal Framework of Shari’ah Corporations in Malaysia: Special Reference to Waqf Corporation”<br>Hartinie binti Abd Aziz (Kolej Yayasan Pahang), Zuhairah Arif Abd Ghadas (University of Sultan Zainal Abidin) | “Behaviour of Risk Neutral Individual Investors In The Indonesian Stock Exchange”<br>MF. Arrozi Adhikara (Esa Unggul University)  | “EARLY DETECTION OF SYSTEMIC RISK THROUGH ENDOGENOUS RISK ON INDONESIAN ISLAMIC BANKING”<br>Alfiana, Muhammad Yusuf (Widyatama University)   | “Determine the Economic, socio-cultural relations as well as Songket craftsmen working system in South Sumatra”<br>Tien Yustini, Lasmiana (STIM AMKOP Palembang)   | “Peran Manajemen Hubungan Pelanggan dalam Bisnis Indonesia”<br>Erna Andajani, Nurul Badriyah (Universitas Islam Lamongan)   |

## **EXPERIMENTAL STUDY: NEGATIVE FRAMING, RIGID THINKING AND COMMITMENT ESCALATION IN MAKING DECISIONS**

**Andi Irfan**

UIN Sultan Syarif Kasim Riau, Pekanbaru, Indonesia

### **Abstract**

The aim of this research was to investigate the influence of rigid thinking on the level of commitment escalation in making decisions when experiencing negative framing. This study was an experimental research. The subject of this study was lecturers of the Faculty of Economics UIN Suska Riau with 2x2 Between Subject research design. Before performing real experiment, pilot tests were carried out on the instrument to test the validity and reliability. Hypothesis was tested by using analysis of variance. The results showed that the manager who did not have unrigid thinking will tend to make commitment escalation in making decision. However, this study was not able to prove that the manager would be likely to make a commitment escalation when the manager was in unrigid thinking conditions and experienced negative framing compared with the manager who was in rigid thinking conditions, but did not experience negative framing.

**Keywords:** Negative Framing, Rigid Thinking and Commitment Escalation, Making Decisions.

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# Experimental Study: Negative Framing, Rigid Thinking and Commitment Escalation in Making Decisions\*\*

Andi Irfan<sup>1\*</sup>

<sup>1</sup>UIN Sultan Syarif Kasim Riau, 28293, Pekanbaru, Indonesia

## ABSTRACT

The aim of this research was to investigate the influence of rigid thinking on the level of commitment escalation in making decisions when experiencing negative framing. This study was an experimental research. The subject of this study was lecturers of the Faculty of Economics UIN Suska Riau with 2x2 Between Subject research design. Before performing real experiment, pilot tests were carried out on the instrument to test the validity and reliability. Hypothesis was tested by using analysis of variance. The results showed that the manager who did not have unrigid thinking will tend to make commitment escalation in making decision. However, this study was not able to prove that the manager would be likely to make a commitment escalation when the manager was in unrigid thinking conditions and experienced negative framing compared with the manager who was in rigid thinking conditions, but did not experience negative framing.

**Type of Paper:** ~~Conceptual~~ / Empirical/~~other~~

**Keywords:** Negative Framing, Rigid Thinking and Commitment Escalation, Making Decisions.

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## 1. Introduction

A person is more likely to use additional resources for poor investment if he is a person who originally support it. In fact, experimental evidence shows that to ask people to imagine that they are responsible to choose a failed effort make them more possible to increase commitment rather than to ask them to imagine that other people are responsible for investment. Dwita (2007) states that the commitment escalation can lead to greater losses for the company compared to the decision to stop the project immediately after the project shows a bad prospect. Commitment escalation could lead to bankruptcy of the organization or company. Research conducted by Irfan et. Al (2013) were able to find evidence that a manager who has unrigid thinking, would likely not proceed with the unprofitable project

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compared to the manager who does not have rigid thinking, will tend to avoid risk so that he will not proceed with the unprofitable project and managers who has rigid thinking would seek risk so he will proceed with the unprofitable project. Agency theory offers an explanation of the escalation phenomenon. In making decisions, a manager will be affected by his own character, one of which is rigid thinking. Rigid thinking can lead bias on the assessment. When an experienced manager is not able to map or solve a problem, the decisions taken by the managers tend to bias (Schwenk, 1984). In the literature on decision-making, rigid thinking is rigidity in thinking in decision-making process. The more difficult the decisions should be taken, the more rigid or narrower the way of thinking the manager has. The perception of the problem is becoming increasingly dichotomous, as if the only way out of the problem is the decision that he offers (Ylvisaker. Mark et al, 2013). Sharp and Salter (1997) found that negative framing does not affect the tendency of commitment escalation. Similar results were also found by Dwita (2007). She found that negative framing did not significantly indicate its influence on project evaluation decision by the manager. Furthermore, Gudono and Hartadi (1998) also found that the Indonesian people tend to be "more consistent" in looking at the value of money, in facing negative or positive framing and in different behavior between Indonesian and Western people. Based on the explanation above, the issues that will be investigated can be formulated as follows: [1] Will a manager who experienced negative framing give a positive influence on the level of commitment escalation in making decision. [2]. Will a manager that has rigid thinking will give a positive influence on the level of commitment escalation in making decision. [3]. Will a manager that has rigid thinking when experiencing negative framing give a positive influence on the level of commitment escalation in making decision.

## **2. Theoretical Study and Hypothesis Development**

### *2.1. Decision Making Theory*

Decision making as the process of choosing among the various alternative actions that affect the future. According to Stoner *et al.* (1995), he stated that the decision making is the process of identifying and selecting a series of measures to deal with specific problems or take advantage of an opportunity. Then, according to Kahneman and Tversky (1979), the decision is an act or options which have to be chosen, the consequences of actions and the conditional probability or contingencies related to the results of the action.

### *2.2. Rigid Thinking*

Rigid thinking is a rigor in the process of thinking in making decision so that the more difficult the decisions that have to made, the more rigid or narrow the way of thinking that the manager has. The perception toward the problem is becoming increasingly dichotomous, as if the only way out of it is the decision that he offered (Ylvisaker. Mark et al, 2013). Rigid thinking occurs when an individual is not able to consider all of the alternatives in the current situation, outlook or alternative solutions to a problem. A person who has rigid thinking tends to assume, generalize, and often react with fear or hostility in facing unexpected changes or challenges. There have been a large number of evidence that rigid people undergo unhealthy mind compared with the unrigid ones. According to Cognitive Behavioral Theory, rigid people have irrational or dysfunctional assumption which may not be commensurate with the fact that they face. Cognitive rigidity has two types: (1). How to face the of poor / negativesituation,such as when confronting a situation that cannot be predicted or structured, and (2). the desire to have a systematic life (Said, 2002).

## 2.2 Framing

In *prospect theory*, Kahneman and Tversky (1979) mentions that the framing presentation of various alternatives can affect the risk of the outcome of decisions made. From the perspective of managerial accounting, managers consider accounting information and make decisions that affect the future of the company. Initial interpretation of the information can specify additional information that will be considered when making decisions for the future. From the auditing perspective, initial belief can determine the amount and type of information that needs to be collected to meet the evidence sufficiency in forming opinions regarding the good financial statements presentation. In the context of the decision for the project that indicates failure, the cost that have been incurred (*sunk cost*) acts as a reference point for managers in making decisions. The fact that the project is starting to show negative outlook brought some possibilities such as the possibility of loss / profit which is expected (losses / profits is still a possibility because of the assumption that the manager has not taken the decision yet to suspend / resume the project) and the possible future losses / profits which is still uncertain.

## 2.3 Negative Framing

Prospect theory (Kahneman and Tversky; 1979) describes the cognitive biases that affect decision making under uncertain and risky conditions. That the individuals will avoid or take depends on the problems. The theory states that individuals will give more excessive weight to a definitive result than a uncertain result. These trends pose a risk avoidance behavior in certain profitable conditions (positive framing). In a positive framing, individuals showed a decrease in risk preferences, in which individuals are more cautious in making decisions. Conversely, individuals prefer the risk in the definite loss condition (negative framing). Negative framing is proxied by presenting information on a definite loss. The influence of a sunk cost turned out to be big enough in the decision making process to continue an investment that is considered less profitable. Bateman and Zeithaml in Koroy (2008) states that when the information is presented in the negative framing decision, the decision makers tend to seek risk by continuing the project. In Rita's study (2012) she mentions that the negative framing is not capable of influencing the commitment escalation unless when it interacts with adverse selection.

## 2.4 The Effect of Negative Framing to Commitment Escalation Level

In prospect theory (Kahneman and Tversky; 1979) mentions that the presentation (framing) of various alternatives can affect the outcome risk of the decisions made. Whyte (1986) mentions that the sunk costs influence managers to adopt negative framing. Sunk costs encourage risk seeking behavior which is manifested as a commitment escalation to a series of failed actions. When the outcome is described as a definite loss (negative framing), managers tend to take risks to avoid losses compared to the condition when the definite outcome is described as a definite profit (positive framing). Yusnaini's Research (2005) mentions that the existence of bias influences the strategic decision makers due to the information framing. Bateman and Zeithaml in Koroy (2008) states that when the information is presented in the negative decision frame, decision makers tend to seek risk by continuing the project. Rita's research (2012) mentions that the negative framing is not capable of influencing the commitment escalation unless when it interacts with adverse selection. Yahya and Surya (2012) also found that the framing is able to escalate commitment. While Sharp and Salter (1997) found that negative framing does not affect the tendency of

commitment escalation. From the description above, it shows that when a manager gets negative framing conditions, the manager will tend to take the risk.

H1: Managers will tend to escalate commitment when the manager has negative framing.

### *2.5 The Effect of Rigid Thinking to Commitment Escalation Level*

A manager in decision making will be influenced by the character it has, one of which is rigid thinking. Rigid thinking can lead bias on an assessment. When a manager who already has experience is not able to map or solve a problem, the decisions taken by the managers tend to bias (Schwenk, 1984). In Kahneman and Tversky (1979) they state that the risk-seeking behavior towards the project is likely to suffer losses. Irfan et al (2013) found that he proves that a manager who has unrigid thinking, would likely not proceed with the unprofitable project compared to the manager who does not have rigid thinking. Unrigid thinking manager will tend to avoid risk so he will not proceed with the unprofitable project, and rigid thinking manager will seek risk so he will proceed with the unprofitable project. From the description above it shows that when a manager who has unrigid thinking, he will tend to take the risk compared to a manager who has rigid thinking.

H2: Manager will tend to escalate commitment when the manager is in unrigid thinking condition if compared with the manager who is in the rigid thinking condition.

### *2.6 Effect of Rigid Thinking to Commitment Escalation Level in Decision Making When Experiencing Negative Framing*

In the research of rigidity and mental health (Said, 2002) says that people who have high rigid tendency in his experience will increase faster in low mental conditions in response to the stressful life problems. In the literature on decision-making, rigid thinking is a rigidity in thinking for the decision-making process so that the more difficult the decisions taken, the more rigid or narrow the way of thinking a manager has. The perception toward the problem is becoming increasingly dichotomous, as if the only way out of it is the decision that he offered (Ylvisaker, Mark et al, 2013). In Kahneman and Tversky (1979) states that the risk-seeking behavior towards the project is likely to suffer losses, and risk aversion on projects are likely to gain profit. A rigid thinking manager tends to think rigidly and bias in decision-making. The mindset of a rigid thinking manager will increasingly dichotomous, so that the decision he has in mind is the best and risk-averse decision. Whyte (1986) mentions that the sunk costs influence managers to adopt negative framing. Sunk costs encourage risk seeking behavior which is manifested as a commitment escalation to a series of failed actions. From the description above, it shows that when a manager who is in unrigid thinking that experienced negative framing, he will tend to take the risk compared with a manager who is in rigid thinking, but did not experience any negative framing.

H3: A manager will tend to escalate commitment when he is in unrigid thinking conditions and experienced negative framing compared with the manager who is in rigid thinking but did not experience any negative framing.

## **3. Research Methods**

### *3.1 Research Design*

This study is an experimental research design with 2 x 2 between subject. Experiments are designed using two treatments in two different conditions, they are: the condition of

experiencing negative framing and not experiencing any negative framing, and the condition of rigid thinking and unrigid thinking. In this case, each participant will only experience one treatment conditions. It means that the treatment will vary among the participants, and the level of commitment escalation will be measured in each. The subject of this study is lecturers in the Faculty of Economics of UIN Suska Riau.

### 3.2 Research and Measurement Variable

The dependent variables that were observed in each treatment condition is the rate of commitment escalation. The effect is the manager who experienced negative framing and did not experience any negative framing and two treatments: rigid thinking and unrigid thinking. Instruments used in this research was adoption, adaptation and combined instruments of Rutledge and Karim (1999), Chong and Suryawati (2010) and Irfan et al. (2013) with some adjustments so that it would be more suitable with the actual conditions and the conditions in Indonesia. Rigid thinking used instruments developed by Irfan et al. (2013), adapted from Thompson (1989) in Said (2002). PNS Scale (personal need for structure) instrument is an instrument that was designed to capture the motives of each individual who has a desire a more structured life. Then for negative framing variables, it used instruments adapted from Hodgkinson (1999) and negative framing was described in terms of a potential profit decline from the non-profitable project selection.

## 4. Results and Discussion

### 4.1. Subject

The study was conducted with 71 subjects who are the lecturers in the Faculty of Economics of UIN Suska Riau. From 71 subjects, there were 12 subjects who did not pass the manipulation check so that there were 59 subjects that was included in data processing. From 59 subjects which consisted of 21 men (35.6%) and 38 women (64.4%). Subjects with the majority age between 30 and 40 years were 44 subjects (74.6%), less than 30 years were 2 subjects (3.4%), and over 40 years were 13 subjects (22%).

Table 1. Group Statistics

| Rigid Thinking | N  | Mean | Std. Deviation | Std. Error Mean |
|----------------|----|------|----------------|-----------------|
| Group I        | 30 | 4.82 | 0.672          | 0.138           |
| Group II       | 29 | 4.24 | 0.643          | 0.129           |

Based on descriptive statistics table above, it is known in rigid thinking subject is known that the mean rigid thinking subject between the rigid thinking and not rigid thinking in this study did not differ significantly far. The mean of the rigid thinking subject is 4.82 and the mean of not-rigid thinking is 4.24.

Table 2. Independent Samples Test

| Rigid Thinking          | Levene's Test for Equality of Variances |              |
|-------------------------|---|--------------|
|                         | F count                                 | Significance |
| Equal variances assumed | 1.782                                   | 0.165        |

From the table above, it is also noted that the Levene's test result of subjects in this study were not significant and greater than p-value 0.05, it means that the population of the subject had the same variance.

#### 4.2 Hypothesis Testing Results.

The study was divided into four cells of the 2x2 between subject design. The subjects were divided into four cells, and each subject got one treatment.

Table 3. Tests of Between-Subjects Effects

| Dependent Variable: Commitment Escalation |                   |         |              |
|---|-------------------|---------|--------------|
| Source                                    | Degree of Freedom | F Count | Significance |
| Corrected Model                           | 24                | 6.774   | 0.000        |
| Intercept                                 | 1                 | 545.768 | 0.000        |
| Negative Framing                          | 23                | 2.023   | 0.016        |

This study has first hypothesis: Managers will tend to escalate commitment when the manager has negative framing. The result of ANOVA test shows that the  $p$ -value  $< 0.05$  indicates that the first hypothesis is supported: Managers will tend to escalate commitment when the manager has negative framing. This result indicates that the manager would likely to continue the unprofitable project despite the negative framing. This result is consistent with research conducted by Whyte (1986), Yusnaini (2005), Bateman and Zeithaml and Koroy (2008) and Rita (2012). In Whyte's study (1986) it mentions that the sunk costs influence managers to adopt negative framing. Sunk costs encourage risk seeking behavior which is manifested as a commitment escalation to a series of failed actions. When the outcome is described as a definite loss (negative framing), managers tend to take risks to avoid losses compared with when the definite outcome is described as a definite profit (positive framing). This study also predicts that the manager will tend to escalate commitment when the manager is in unrigid thinking condition compared with the manager who is in rigid thinking.

Table 4. Tests of Between-Subjects Effects

| Dependent Variable: Commitment Escalation |                   |         |              |
|---|-------------------|---------|--------------|
| Source                                    | Degree of Freedom | F Count | Significance |
| Corrected Model                           | 24                | 6.774   | 0.000        |
| Intercept                                 | 1                 | 545.768 | 0.000        |
| Rigid Thinking                            | 19                | 2.665   | 0.048        |

Test results shows that the  $p$ -value  $< 0.05$  indicates that the second hypothesis is supported: a manager will tend to escalate commitment when the manager is in unrigid thinking condition if compared with the manager who is in the rigid thinking condition. This result is contrasts with the previous researches. Previous studies proved that Irfan et al (2013) found that he proves that a manager who has unrigid thinking, would likely not proceed with the unprofitable project compared to the manager who does not have rigid thinking. Unrigid thinking manager will tend to avoid risk so he will not proceed with the unprofitable project, and rigid thinking manager will seek risk so he will proceed with the unprofitable project. From the results above, it shows that unrigid thinking managers will tend to continue the unprofitable project than the rigid thinking manager. This is consistent with the literature on decision making which states that rigid thinking is a rigidity in thinking for the decision-making process so that the more difficult the decisions taken, the more rigid or narrow the way of thinking a manager has. The perception toward the problem is becoming increasingly dichotomous, as if the only way out of it is the decision that he offered (Ylvisaker, Mark et al, 2013 in Irfan et al 2013). The rigid thinking manager will be difficult to make decisions when facing the possibility of large losses (risk aversion).



The third hypothesis in this study mentions that a manager will tend to escalate commitment when he is in unrigid thinking conditions and experienced negative framing compared with the manager who is in rigid thinking but did not experience any negative framing.

Table 5. Tests of Between-Subjects Effects

| Dependent Variables: Commitment Escalation |                   |         |              |
|--|-------------------|---------|--------------|
| Source                                     | Degree of Freedom | F Count | Significance |
| Corrected Model                            | 24                | 6.774   | 0.000        |
| Intercept                                  | 1                 | 545.768 | 0.000        |
| Rigid Thinking* Negative Framing           | 15                | 1.514   | 0.125        |

Test results shows that the  $p\text{-value} > 0.05$  indicates that the third hypothesis is not supported, namely: a manager will tend to escalate commitment when he is in unrigid thinking conditions and experienced negative framing compared with the manager who is in rigid thinking but did not experience any negative framing.

The result above shows that the unrigid thinking manager who experiences negative framing will tend to stop the unprofitable projects than the rigid thinking manager who does not experience any negative framing. In this case it can be concluded that the manager who is in unrigid thinking and experiencing negative framing will tend to be risk aversion than the manager who is in rigid thinking and not experiencing any negative framing is likely to be risk-seeking. In the literature on decision making which states that rigid thinking is a rigidity in thinking for the decision-making process so that the more difficult the decisions taken, the more rigid or narrow the way of thinking a manager has. The perception toward the problem is becoming increasingly dichotomous, as if the only way out of it is the decision that he offered (Ylvisaker. Mark et al, 2013 in Irfan et al 2013).

## 5. Conclusion

Results of statistical analysis of variance test showed that a manager who experienced negative framing will tend to escalate commitment. These results indicate that the manager will be able to make decisions when facing an unprofitable project. The study also predicts that the unrigid thinking manager, will tend to the escalate commitment if compared with the rigid thinking manager. The results of this study were able to prove the previous prediction. These results prove that the unrigid thinking manager will tend to escalate commitment. This shows that unrigid thinking managers will continue the unprofitable projects profitable if compared with the rigid thinking manager.

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