



It won't happen to me: An assessment of optimism bias in music piracy

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ABSTRACT

Piracy continues to be a threat to the global economy. Previous literature on factors influencing individual's attitude towards piracy indicates that as perceived risk increases, individuals attitude of acceptance of piracy should decrease. In spite of the increased risks, some people pirate, there has been no explanation for this apparent paradox. We attempt to explain this paradox by using the concept of optimism bias. Results of structural equation modeling using a sample of 219 college students provide evidence that individuals having an optimism bias engage in piracy because they consider themselves to be at lower risk than average compared to a group. Implications for practice and future research avenues are discussed.

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1. Introduction

Music piracy continues to be a challenge for music industry's future growth and a threat to the global economy. It is a persistent problem that in spite of being on rise remains unaddressed by music industry. For instance, in 2002, approximately 40% of all music CDs and cassettes sold around the planet were pirated leading to an estimated value of the piracy market to be \$4.6 billion (International Federation of Phonographic Industry, 2003). In 2009, International Federation of Phonographic Industry (IFPI) reported the number of illegally shared music files on the internet to be worth approximately 40 billion (International Federation of Phonographic Industry, 2009). In addition, a study revealed that 96% of 18- to 24-year-olds had illegally copied or downloaded music, and the average teen's MP3 player had more than 800 stolen songs on it (Dawson, 2010). The term 'music piracy' refers to the activity involving illegal reproduction (or acquisition through illegal means) of digital sound without an explicit permission from the copyright holder (International Federation of Phonographic Industry, 2000).

Impact of music piracy has significant implications worldwide. For instance, a report by Institute for policy innovation (IPI) has described that universal economic loss caused by music piracy is estimated to be \$12.5 billion. Approximately 71,060 jobs have been lost within the United States; the damage of \$2.7 billion in gross income has been estimated for working people; the shrinkage of \$422 million for government in tax revenues, out of which, \$291 million is lost in personal taxes and \$131 million in corporate income taxes.

As posted by RIAA,¹ piracy has affected the music community in terms of several layoffs, lyricists running out of work, and music rookies finding it difficult for getting into business ("Piracy online", para. 3). The most significant negative repercussion of piracy on the music industry has been in the form of declining sales. On an average, sales which peaked in 1999 have been plummeted by 7% per year (Conolly & Kruger, 2005). One of the crucial reasons cited for this decline is music piracy through the extensive use of illegal file sharing sites such as Grokster, Lime Wire, and Morpheus (Libowitz, 2004; Peitz & Waelbroek, 2004). Millions of copyrighted works are available online and the number is growing. Music downloading remains one of the fastest growing activities on the internet (Graziano & Rainie, 2001), as approximately 95% of the music download continues to be unauthorized (International Federation of Phonographic Industry, 2009).

As a result, scholars are intrigued to examine the antecedents of music piracy. Most of the previous studies that focused on identifying the factors leading to piracy suggest that perceived risk is one of the important factors predicting piracy behavior i.e. individuals account for the risk factor before engaging in such illegal activities. This has led to the notion that as the perceived risk increases; individuals abstain from piracy (Chiou, Huang, & Lee, 2001). However, the rampant piracy phenomenon persists despite the numerous attempts to curb it. For instance, in order to increase the associated risks with piracy, the well-known US Senate Bill 893 has imposed increasing penalties for copyright infringement in the form of fines up to \$250,000 and jail term of 5 years. Notwithstanding these severe legal penalties, many individuals continue to pirate music. Hence, there is an apparent paradox in that some individuals are involved in piracy regardless of the high risks associated with it. Moreover, no explanation for this paradox exists in the current piracy literature. As such,

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¹ <http://www.riaa.com/physicalpiracy.php>.

the primary purpose of the manuscript is to highlight the importance of optimism bias in the context of music piracy. We aim to bridge the gap in existing literature by introducing the construct of optimism bias to explain the music piracy intention of individuals.

The concept of optimism bias has been used extensively in the psychology literature. It refers to the tendency for people to believe that they are more likely to experience positive events and less likely to experience negative events when compared with similar others (Weinstein, 1980). Thus, we argue that the individuals pirate music because of their optimistic bias which enables them to perceive the risks of facing the negative consequences to be lower than similar others. This unique research will provide important practical implications to the music record companies and to some extent the film producers, distributors and software manufacturers.

The remainder of the paper is organized in the following order. In the first section, we provide a brief description of the theoretical framework used in this study and review the important studies in relation to our research. Next, we formulate the hypotheses based on the literature. The third section highlights the description of sample, measures, and data analysis. The fourth section contains the results of the study. In the fifth section, we discuss the practical implications of our results. Finally, we present the conclusion drawn from study and identify the scope for future research.

2. Theoretical and conceptual framework

2.1. Theory of reasoned action

Theory of reasoned action (TRA) originates from the field of social psychology and posits that human beings make systematic use of information available to them (Fishbein & Ajzen, 1975). Attitude and intention form the vital components of TRA. According to TRA, an individual's attitude towards a particular behavior determines their intention concerning the behavior, which in turn, drives the actual behavior (Fishbein & Ajzen, 1975). TRA has been successfully utilized for research within the field of ethics. For instance, Vardi and Weitz (2002) used TRA framework to examine the misbehavior in organizations. A quasi experimental approach was deployed to investigate employee intentions to engage in misbehaviors of 'self benefiting' and 'damaging'. Results of the study indicated attitude towards the misbehavior was significant predictor of organizational misbehavior. Pickett (2007) extended TRA framework to investigate employee behavior in context of organizational ethical climate. The results of the study demonstrated that employee behavior was significantly related to organizational ethical climate and the attitude towards the behavior was vital in predicting the behavior. In addition, Wolley and Einning (2006) applied TRA to the piracy domain in order to investigate the piracy behavior among students. Their results demonstrated that attitude and subjective norms were significant predictors of piracy while knowledge of copyright laws did not affect the piracy behavior. In a similar vein, Christensen and Einning (1991) examined the software piracy behavior of accounting students. Their study concluded that attitude toward software piracy was the most important determinant of the piracy behavior. Clearly, many researchers have used the TRA framework in the realm of piracy and other unethical behaviors. However, none of these studies considered the role of optimism bias. In this study, we build on the TRA framework, and extend the framework by emphasizing the role of optimism bias in the context of music piracy.

2.2. Optimism bias

Optimism bias is described as the difference in risk perceptions of an individual when compared to an average individual or a

group, and it stems from the incongruence between individual's knowledge or beliefs about the risk factors and their own behavior (Clarke, Williams, & Arthey, 1997). The concept of optimism bias was introduced by Weinstein (1980), when he asked 258 students to compare their chances of experiencing various events some desirable (e.g., live past 80, own home) and some undesirable (e.g., heart attack before age 40, getting divorced) – with that of an average person. Results of this study indicated that on an average, respondents estimated that they were more likely than the average student to experience desirable events and less likely to experience the undesirable events. He subsequently concluded that human beings have the tendency to perceive oneself as less susceptible than similar others to unpleasant events whereas more probable of experiencing favorable events.

Optimism bias has been explored in field of psychology, entrepreneurship, health and behavior research (Coelho, 2004; Harris, Griffin, & Murray, 2008; Weinstein, 1980; Weinstein, 1987). For instance, Svenson (1981) investigated the relationship between driving competency and accident risk perceptions and found that people had an optimistic bias about their driving competency and rated their accidents risks to be lower than others. Also, in a study comparing risk perceptions of different smokers, Windschitl (2002) found that smokers showed higher levels of optimism bias and believed that they were less likely to suffer health problems as compared to other smokers. In addition, Burger and Burns (1988) surveyed a sample of undergraduate females and found that sexually active women perceived themselves as less likely when compared with other students, other women of their age, and women of child bearing age to become pregnant. Subjects that displayed high levels of optimism bias were less likely to use effective methods for birth control. In summary, these studies emphasize the fact that people are prone to exhibit optimism bias while comparing their risks with similar others, and rate their risks to be lower, particularly, if the event is undesirable. Based on the same lines of reasoning presented above, we argue that people who engage in music piracy display higher levels of optimism bias because getting apprehended due to piracy is an unpleasant event. Thus, they rate their risks of getting busted to be lower than others, which is instrumental in forming a positive attitude towards music piracy.

The previous research on music piracy indicates that perceived risks will have a negative impact on individual's attitude towards piracy. As a consequence, many attempts by the US government have been put in place. In spite of all these governmental efforts, piracy has not been repressed. We attempt to answer this anomaly by utilizing the concept of optimism bias from the field of psychology. The complete conceptual model of all the constructs of interest in this study and their proposed relationships is shown in Fig. 1.

3. Hypotheses development

3.1. Attitude and intention

Attitude is defined as "readiness of the psyche to act or react in a certain way" (Jung, 1971). Social psychological scholars have focused on attitude for a long time and have acknowledged it as one of the important constructs in field. The belief is evident from the overwhelming amount of research published in the area (Ajzen, 2001; Beck & Ajzen, 1991; Fife, McCreary, Brewer, & Adegoke, 2011; Peace, Galleta, & Thong, 2003; Vinzi, 2010). Attitude has been found to be a significant predictor of behavioral intention, which is the subjective probability of one's engagement in any behavior (Fishbein & Ajzen, 1975). The attitude-intention relationship was highlighted in the theory of reasoned action (Ajzen & Fishbein, 1980). It suggests that an individual's attitude is an evaluative predisposition to the behavior as a function of its determinant personal

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