Abstracts

CEO Hubris, Governance Structure, and Organizational Outcomes

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CEO hubris is an CEO's exaggerated belief in his or her own judgment that may deviate from objective standards. Since Roll (1986) argued that CEO hubris is a way to explain the losses of acquiring firms on the announcement of a merger or an acquisition, a series of related studies have been conducted. Previous studies have mainly examined the negative impact of CEO hubris on various managerial decisions. That is, hubris–infected CEOs often make unreasonable, unsound and overly optimistic decisions resulting poor firm performance. However, recent research on CEO hubris called for research going beyond the dark side of hubris. Some of the recent efforts in the field have started challenging to harmful effects of hubris, saying that CEO hubris may have potential benefits to particular firm actions. In this regard, I set aside negative frame of hubris and try to explore the effect of executive hubris on long-term firm performance, especially on corporate social responsibility and firm innovation.

In the first empirical study, I suggest that CEO hubris may be a non–economic motivation for CSR, leading firms to pursue socially responsible activities. For the last decade, most CSR literature has focused on the relationship between CSR and firm performance, but the former's influence on the latter has been remained inconclusive at best. This inconsistency may partly due to the fact that firms engage in CSR activities for different motivations. That is, not all firms pursue CSR activities for economic motivations. In the first study, I thus investigate the effects of CEO hubris as non-economic motivations for CSR and attempt to answer the following two related questions: 1) how CEO hubris affects CSR; and 2) on which types of CSR hubristic CEOs focus. I examined 178 firms in South Korea and the results showed CEO hubris positively related to CSR. Of particular interest was the finding that hubristic CEOs focused on CSR activities that targeted secondary rather than primary stakeholders. Whereas CSR targeting primary stakeholders focused on customers, employees, suppliers and shareholders, CSR for secondary stakeholders focused on philanthropy, environmental protection and social contribution. While these activities for CSR targeting secondary stakeholders have no direct relationship to corporate survival and competitiveness, hubristic CEOs use these activities to confidently showoff themselves. This indicates that a hubristic CEO uses CSR activities as a means to attract public attention and thereby satisfy his/her narcissistic needs.

The second study examines the effect of CEO hubris on firm innovation and its boundary conditions. I suggest that hubris is not always harmful to firms, but rather beneficial, especially when risk taking is necessary. Because hubristic managers are overconfident in their own efficacy in bringing about success, they inclined to overestimate the expected payoffs from innovative endeavors, underestimating associated risk and uncertainty. On that account, hubristic managers actively pursue innovative activities which enhance firm innovation. Furthermore, I investigate the moderating role of corporate governance structure with two different perspectives that are (1) as an ability perspective to restrain managerial discretion of CEOs and (2) as a motivation perspective to encourage CEOs to pursue innovative activities. I examined 183 firms in South Korea and the results showed that hubris was positively related to firm innovation and the positive relationship between hubris and firm innovation varied with CEO's ownership and board independence. High level of executive shareholding weakens the relationship between CEO hubris and innovation whereas independent board strengthens the relationship between hubristic CEOs and innovative activities, both supporting motivation perspective.

Based on two empirical studies, this dissertation has provided another aspects on CEO hubris literature, challenging to dark side of CEO hubris.

Key Words : CEO hubris, corporate governance, corporate social responsibility,

firm innovation, managerial discretion, upper echelons theory

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Chapter I.

Overall Introduction

I. Research Motivation and Purpose

This dissertation aims to examine the effect of CEO hubris on long-term firm performance. The word ‘hubris’ refers to an individual’s exaggerated belief in his or her own judgment and capability that may deviate from objective standards (Hayward and Hambrick, 1997; Hayward et al., 2006; Hiller and Hambrick, 2005).

Since Roll (1986) has argued that takeovers occur because bidding managers infected with hubris overestimate their ability to manage the target firm and hence overpay for an acquisition, academics in strategic management and corporate finance have analyzed executive hubris as a factor explaining firms' decisions, characteristics and outcomes. The hubris hypothesis of takeover(Roll, 1986) has spawned a particular area of study, which seeks to demonstrate the negative effects of executive hubris in three ways: (1) the impact of CEO hubris on a firm’s decisions or strategies (Hayward and Hambrick, 1997; Li and Tang, 2010); (2) its impact on firm performance (Hayward et al., 2006; Wade et al., 2006); and (3) its impact on managerial financing decision (Malmendier and Tate, 2005). This stream of research was conducted with the premise that CEO hubris is harmful to organizational outcomes. Therefore, researchers have dwelled on negative aspects of CEO hubris and its devastating effects on firm strategy and outcomes. This has given rise to a whole literature in the hubris tradition, in which researchers try to seek negative or even extreme situations and link them to executive hubris (Bollaert and Petit, 2010).

However, recent research on CEO hubris has raised limits of hubris literature saying that hubris research has been limited to a negative frame of reference and called for research going beyond the dark side of managerial psychological biases. Some of the recent efforts in the field have started challenging to harmful effects of hubris, tying to broaden the scope of research on executive hubris to an exploration of its productive aspects. In this regard, I set aside negative frame of hubris and try to explore the effect of executive hubris on long-term firm performance, especially on corporate social responsibility and firm innovation. To achieve the central goal of this dissertation, I conducted two separate, but related empirical studies. In study 1, my orienting research interest is the relationship between CEO hubris and CSR. Furthermore, through study 2, I examine the positive impact of CEO hubris on firm innovation and its boundary conditions.

II. Organization of Thesis

This dissertation consists of two empirical studies for CEO hubris. This chapter presents an introduction and includes the objective of this study.

The first study in Chapter II presents two research questions: 1) how CEO hubris affects CSR; and 2) on which types of CSR hubristic CEOs focus. This study aims to examine the relationship between CEO hubris and CSR and furthermore between CEO hubris and the types of CSR.

Chapter III presents the second study focusing on the impact of hubris on firm innovation and the boundary conditions for it. This study attempts to examine that hubris is not always harmful to firms, but rather beneficial, especially when risk taking is necessary. Furthermore, we investigate the moderating role of corporate governance that influence the relationship between CEO hubris and firm innovation. Lastly, the summary and the implications of the thesis are addressed in Chapter IV.

Chapter II.

Corporate Social Responsibility as a Tool for Satisfying the Narcissistic Needs of a Hubristic CEO

I. Introduction

For the last decade, academia and business together have paid considerable attention to corporate social responsibility (CSR) in South Korea as well as in other advanced countries. CSR has been defined as actions undertaken by a firm that appear to advance or accept promotion of a certain degree of social good beyond the immediate interests of the firm and its shareholders, and beyond that required by law (Waldman et al., 2006). Until recently, the prevailing view in South Korea has been that a firms' sole responsibility was to manufacture high-quality products at a low cost. CSR, however, has assumed greater importance because of strong, growing demand for economic democratization. In addition, Korean firms face both national and international regulative pressure to adopt more socially responsible activities (Kim et al., 2013). For example, the case of Namyang Dairy, South Korea's leading dairy company, revealed the negative consequences that may occur when firms do not undertake CSR activities properly.[1] Namyang Dairy faced its worst crisis ever after a group of its wholesalers staged a protest in May 2013 accusing the company of forcing its sales agents to buy more products near their expiration date than they needed. The Korea Fair Trade Commission (KFTC) found that Namyang Dairy abused its power when it dealt with 1,849 sales agents nationwide between 2007 and May 2013. The

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[1] "Namyang Dairy sales plunge after scandal" 6/10/2013, *The Korea Herald*; "Namyang Dairy to face prosecutors' investigation" 7/8/2013, *The Korea Herald*; "Namyang faces widespread boycott" 5/8/2013, *The Korea Times*

scandal ignited a nationwide controversy over abusive business practices. After this scandal, the firm's sales dropped dramatically to 30–50% in comparison to the same quarter the year before, causing its market share to plummet. This scandal has given a serious warning to Korea firms, demonstrating what can happen when firms only pursue profits and do not seek to fulfill their social responsibilities.

In academia, research on CSR has been increasing as well. Aguinis and Glavas (2012) reported that nearly 600 articles pertaining to CSR have been published in major journals from 1990 to 2011. And the number of articles published per year also has been increased revealing an increasing interest in the topic over time. A great part of prior literature on CSR has concentrated on the economic consequence of CSR (Basu and Palazzo, 2008; Margolis and Walsh, 2003). These research shows that the effects of CSR on a firm's financial performance are at best inconsistent (Vogel, 2006; Lee, 2008; Aguinis and Glavas, 2012). This may be partly due to the fact that prior literature does not consider the different motivations for engaging in CSR. Some firms may participate in CSR by non-economic purposes while other firms engage in CSR to promote economic performances. The firm engages in CSR by non-economic purposes may pursue quite different types of CSR activities compared to firms participating CSR by economic purposes. For this reason, the economic consequences of CSR may be different among firms.

In this paper, we thus focus on the antecedents of CSR, particularly non-economic motivations for CSR, rather than the consequences of CSR. By doing so, this paper attempts to contribute to more comprehensive understanding about CSR. Most prior research in non-economic motivations for CSR examines the effects of CEO's personal characteristics on CSR. These research shows that the extent of an individual firm's CSR engagement varies according to the CEO's personal values (Agle et al., 1999; Godos-Díez et al., 2011), leadership style (Waldman et al., 2006; Du et al., 2012), knowledge about CSR (Weaver et al., 1999), and demographic traits (Mudrack, 2007; Manner, 2010). Extending this stream of research, we focus on CEO hubris as an antecedent of CSR and attempt to answer the following two related question: 1) does a hubristic CEO pursue CSR more actively than a non-hubristic CEO?; and 2) if so, on which type of CSR does the hubristic CEO place more emphasis?

Emphasizing the narcissistic aspect of CEO hubris, this paper argues that a hubristic CEO actively participates in CSR than a non-hubristic CEO since CSR is a powerful tool for satisfying his/her narcissistic needs. In order to further confirm the above argument, this paper examines and compares the effects of the following two types of CSR: 1) CSR that addresses primary stakeholders such as shareholders, employees, suppliers and customers; and 2) CSR that concerns secondary stakeholders including philanthropy, environmental protections and social contributions. In general, the latter type of CSR is less related to a firm's direct survival or competitiveness, but more related to gaining public attention than the former type of CSR. This paper thus claims that a hubristic CEO actively engages in CSR activities that target secondary stakeholders to satisfy his/her narcissistic needs.

We will first explain the background of CSR and CEO hubris, then explore the effects of CEO hubris on CSR. The results and discussions will be followed.

II. Theoretical Background

2.1 Corporate Social Responsibility

Traditionally, the responsibility of the firm has been limited to economic aspects which is maximizing shareholder's wealth. However, after Bowen (1953) offered an initial definition of the social responsibilities of business people as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society", an active debate on CSR has started, extending the responsibilities of firms to broad realm.

In the early period, CSR emphasized normative aspects that firms should pursue CSR despite the firm may have no economic benefits (that is boosting shareholder's wealth) from it. However, business and academia both began to realize that CSR may have positive aspects as well as normative. CSR may boost firm's financial performance (Posnikoff, 1997), reduce firm risk (Bansal and Clelland, 2004), enhance firm's reputation (Fombrun and Shanley, 1990), used as a mean of recruiting and retaining high quality workers (Turban and Greening, 1997), or can be a source of opportunity, innovation, and competitive advantage (Porter and Kramer, 2006).

As noted, the concept of CSR has been expanded from normative aspect to containing both normative and positive. Hence, the concept of CSR is inherently vague and complex, resulting in very mixed research on the antecedents and consequences of CSR. If a firm pursue CSR for economic purposes, the financial performance may positive whereas a firm promote CSR for social purposes, CSR may have no relationship with firm’s financial performance. Therefore, it is needed to classify CSR activities with the criteria of whether the activity is more related to firm’s competitive advantage and survival or not. Doing so, we can examine the motivations and financial consequences of CSR more clearly.

In this regard, researchers has typologies CSR in various ways to describe complex phenomenon of CSR. For example, Angus-Leppan et al. (2010) categorized two types of CSR: 'explicit' and 'implicit'. While the former is voluntary and implemented as a result of a corporation’s deliberate and often strategic decisions, the latter results from strong norms and is embedded within business-society-government relations of a political system. Waldman et al. (2006) formulated two categories of CSR, 'strategic' and 'social' based on whether each set of CSR activities relates more clearly to the firm’s competitive strategy. Strategic CSR is more clearly related to the firm's competitive strategy whereas social CSR appears to be based more on concern of social issues. Husted and de Jesus Salazar (2006) distinguished three types of CSR based on a firm’s motivation. They differentiated between 'altruism', 'enforced egoism' and 'strategic intent'. Windsor (2006), on the other hand, distinguished between 'economic' and 'ethical' CSR and formulated a concept of corporate citizenship. Halme and Laurila (2009) categorized CSR based on actions such as 'philanthropy', 'integration' and 'innovation'. More recently, researchers have categorized CSR activity based on its aims. Godfrey et al.(2009) categorized it based on whether it targets 'primary' or 'secondary' stakeholders.

Despite various titles, above examples all have something in common. That is, researchers have categorized CSR activities by criteria of whether the activity directly related to the firms' survival or competitiveness. For example, explicit (Angus-Leppan et al., 2010), strategic (Waldman et al., 2006), strategic intent (Husted and de Jesus Salazar, 2006), economic (Windsor, 2006) and integration/innovation (Halme and Laurila, 2009) are all directly related to firm's survival or competitiveness whereas implicit (Angus-Leppan et al., 2010), social (Waldman et al., 2006), altruism/enforced egoism (Husted and de Jesus Salazar, 2006), ethical (Windsor, 2006) and philanthropy (Halme and Laurila, 2009) are not directly related to firm's survival or competitiveness.

In this stream, we categorize CSR on the basis of for whom the CSR activities focuses. CSR focusing primary stakeholders (e.g. shareholders, employees, customers and suppliers) is directly related to firm's competitive advantages and survival whereas CSR targeting secondary stakeholders (e.g. communities, government, environment) is not. Doing so, we can examine detailed motivations for pursing CSR and moreover, we can explain why the result of the relationship between CSR and financial performance has been so mixed.

2.2 CEO Hubris

The word "hubris," derived from Greek mythology, refers to a cognitive bias and behavior that can influence an individual's decisions (Kahneman et al., 1982). Specifically, it is an individual's exaggerated belief in his or her own judgment that may deviate from objective standards (Hayward and Hambrick, 1997; Hiller and Hambrick, 2005; Hayward et al., 2006). CEO hubris is generally defined as a CEO's exaggerated self-confidence or pride (Seth et al., 2000; Hiller and Hambrick, 2005). Roll (1986) argued that takeovers occur because bidding managers affected by hubris overestimate their ability to manage the target firm, and hence overpay for an acquisition. His arguments led to a series of related studies. As <Table 1> shows, previous studies examined the impact of CEO hubris in three ways: (1) firm strategy, (2) firm performance and (3) financing decisions.

<u>Insert <Table 1> The impact of hubris on the firm</u>

First, they examined the impact of CEO hubris on a firm's decisions or strategies, such as risk-taking or acquisition premiums (Roll, 1986; Hayward and Hambrick, 1997; Seth et al., 2000; Simon and Houghton, 2003; Doukas and Petmezas, 2007; Kau et al., 2008; Malmendier and Tate, 2008; Li and Tang, 2010). For example, in the mergers and acquisitions context, Hayward and Hambrick (1997) show that hubris-infected acquiring CEOs offer higher bid premiums for targets, and that the post-acquisition performance of their firms is worse than that of the firms of their non-hubristic counterparts. Li and Tang (2010) argue that in results on CEO hubris, narcissism and overconfidence, respectively, firms run by CEOs with these tendencies engage in more risk taking than other firms. Malmendier and Tate (2008) show that overconfident CEOs make more acquisitions than non-overconfident CEOs, and that the markets react less favorably to these acquisitions. In a study of high-technology firms, Simon and Houghton (2003) found that overconfidence was positively related to the degree to which product introductions were pioneering (risky). Hayward and Shepherd (2006) develop a hubris theory of entrepreneurship to explain why so many new ventures are created in the shadow of high venture failure rates. Tang et al. (2015) establish a link between CEO hubris and corporate social responsibility (CSR). They argue that CEO hubris is negatively related to a firm's socially responsible activities but positively related to its socially irresponsible activities. Doukas and Petmezas (2007) find evidence in support of the view that average stock returns are related to managerial overconfidence. Overconfident bidders realize lower announcement returns than rational bidders and exhibit poor long-term performance.

Second, they examined its impact on firm performance (Hayward et al., 2006; Wade et al., 2006; Chatterjee and Hambrick, 2007; Hmieleski and Baron, 2009) arguing that CEO hubris resulted in poor firm performance or performance volatility. For example, in the context of CEO narcissism, Chatterjee and Hambrick (2007) demonstrate that narcissistic CEOs are more likely to engage in acquisitions and higher levels of CEO narcissism are linked to more extreme and more volatile firm performance. Hayward and Hambrick (1997) show that hubristic CEOs offer higher bid premiums for targets resulting worse post-acquisition performance. Hayward and Shepherd (2006) explain high venture failure rates due to hubris theory of entrepreneurship. Doukas and Petmezas (2007) also argue that overconfident bidders realize lower announcement returns than rational bidders and exhibit poor long-term performance. Hmieleski and Baron (2009) found a negative relationship between entrepreneurs' optimism and the performance (revenue and employment growth) of their new ventures.

Lastly, recent studies examined the effect of overconfidence on management forecasting behavior. They argued that overconfident CEOs are more likely to issue optimistically biased forecasts and hence, managerial overconfidence could account for distortion in corporate investment (Malmendier and Tate, 2005; Hilary and Menzly, 2006; Hribar and Yang, 2010). For example, Malmendier and Tate (2005) show that investment by firms with overconfident CEOs is more sensitive to cash-flow than that of their non overconfident counterparts. The rationale behind this result is that overconfident CEOs tend to believe that their firms are undervalued by the markets. They are therefore reluctant to go to the equity markets to fulfill their financing needs and instead rely on other sources of financing, notably cash. These findings are consistent with the fact that that firms run by overconfident CEOs prefer debt to equity (Malmendier and Tate, 2011) and make lower dividend payouts (Desmukh et al., 2013). Hribar and Yang (2010) argue that overconfidence increases the optimistic bias in voluntary forecasts, leading to both an increased likelihood of missing management forecasts and greater earnings management. Hilary and Menzly (2006) argue that overconfident analysts overweight their own estimates and rely less on public signals. Therefore, they are more likely to be out of the consensus and to have a larger prediction error in their subsequent forecast.

2.3 CEO hubris, Overconfidence and Narcissism

Researchers have studied the impact of CEO hubris in terms of overconfidence (Roll, 1986; Hayward and Hambrick, 1997; Hayward et al., 2006; Li and Tang, 2010; Camerer and Lovallo, 1999; Simon and Houghton, 2003; Campbell et al., 2004; Malmendier and Tate, 2005, 2008; Hilary and Menzly, 2006; Doukas and Petmezas, 2007; Hribar and Yang, 2010), and narcissism (Kroll et al., 2000; Owen and Davidson 2009; Hiller and Hambrick, 2005; Bollaert and Petit, 2010).

The essential element of hubris is extreme confidence (Hayward and Hambrick, 1997). CEOs infected with hubris highly estimate their ability to the extent of overconfidence. Overconfidence is an overestimation of certainty about being correct of producing a certain outcome (Hiller and Hambrick, 2005). As a results, overconfident CEOs take more risk or pay more premium resulting poor firm performance.

Another important aspect of hubris is narcissism. Hayward and Hambrick (1997) contended that a sense of self-importance, which is a central aspect of a narcissistic personality (Judge et al., 2006), is a precursor of hubris. Kroll et al. (2000, p.120) also insisted that hubris derives from an overbearing sense of grandiosity, a need for admiration—in a word, narcissism. Narcissism is basically self-love and self-importance. Narcissism has been measured by NPI (Narcissistic Personality Inventory) which contains four factors that are labeled as (1) Exploitativeness/Entitlement (I insist upon getting the respect that is due to me); (2) Leadership/Authority (I like to be the center of attention); (3) Superiority/Arrogance (I am better than others); and (4) Self-absorption/Self-admiration (I am occupied with how extraordinary and special I am) (Emmons,1987). These four factors are overlapped with items that are identified to measure hubris syndrome. Owen and Davidson (2009) identified 14 symptoms of hubris syndrome, which include seven symptoms identifying narcissistic personality disorder (NPD)[2]. Among them are: "a narcissistic propensity to see their world primarily as an arena in which to exercise power and seek glory", "a predisposition to take actions which seem likely to cast the individual in a good light", "a disproportionate concern with image", and "excessive confidence in the individual's own judgment."

Technically, while the word hubris, overconfidence and narcissism differ, Hiller and Hambrick (2005) suggested that these word belong under the same

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[2]NPI and NPD are both used to measure narcissism. NPI is used in social-personality research whereas NPD is used in clinical settings (Miller and Campbell, 2008)

umbrella construct of “hyper core self-evaluation(CSE)”, which is closely aligned with hubris. Furthermore, the effects of hubris, overconfidence and narcissism on firm performance and outcomes are also similar. <Table 1> shows the similarity between hubris, overconfidence and narcissism on firm strategy or outcomes.

Insert <Table 2> The impact of hubris, overconfidence and narcissism on the firm

Bollaert and Petit (2010, p. 365) also argue that lack of a precise definition of hubris has caused academics to search for better-defined and measurable concepts that might mirror hubris, such as overconfidence or narcissism. Thus, in this study, we use hubris as a broad construct of overconfidence and narcissism.

2.4 CEO Hubris and CSR

CEOs are charged with the responsibility of formulating corporate strategy and are often deeply involved in image promotion of their respective firms through an emphasis on social responsibility. Research on how corporate executives influence CSR showed the impact of CEO’s characteristics on their firms’ social initiatives (Deckop et al., 2006; Slater and Dixon-Fowler, 2009; Manner, 2010). Nevertheless, existing research is nearly silent on how psychological bias, especially CEO hubris, plays a role in their firm’s social efforts.

Hubris is a broad concept related to narcissism and overconfidence. Therefore, we proposed two operative mechanisms that link CEO hubris to firm:

first, narcissism of CEO (Owen and Davidson, 2009); second, overestimation of a CEO's own problem-solving capabilities (Camerer and Lovallo, 1999). Although these mechanisms were not assessed directly in this study, they help to describe the ways in which hubris can play a role in a CEO's strategic choices (Chatterjee & Hambrick, 2007).

First, hubristic CEOs with narcissism tend to put themselves on display and seek public attention (Owen and Davidson, 2009). The thing is CSR is a good way to satisfy narcissistic needs of hubristic CEOs (Petrenko et al., 2016). The frequency and importance of news articles about CSR are consistently increasing in Korea as well as in other countries. <Figure 1> shows the number of news articles related to CSR that were published in 11 daily and nine economy-focused major newspapers in Korea. Only 298 articles were published as of early 2000. However, the number increased rapidly to 5,000 within 10 years, reaching 8,500 in 2013; up almost 30-fold from 2000. This shows how CSR has been increasingly in the public eye in Korea. Thus, when a CEO emphasizes CSR, it provides him or her with media and public attention.

Insert <Figure 1> Numbers of news articles related to CSR

Second, a hubristic CEO with overconfidence will overestimate his/her ability (Roll, 1986; Hayward and Hambrick, 1997; Kroll et al., 2000; Seth et al., 2000; Malmendier and Tate, 2008), sometimes to the extent of having delusions of grandeur (Kets deVries and Miller, 1984). Though the effect of CSR on a firm's performance is known to be uncertain, the hubristic CEO with overconfidence may truly believe they can make a difference. The CEO is convinced of his/her abilities and believes that conducting CSR activities will also boost his/her firm's performance.

In sum, hubristic CEOs with narcissism are highly motivated to engage in CSR so that they can show off themselves by attracting public attention. Furthermore, the hubristic CEOs with overconfidence who overestimate their own capabilities tend to actively participate in CSR because they believe that in comparison with other CEOs, they can generate more effective CSR outcomes. Therefore, it is hypothesized that:

Hypothesis 1: CEO hubris is positively related to CSR activities.

2.5 CEO Hubris and Type of CSR

Now we will further confirm above hypothesis through our second hypothesis, that is, 'of which types of CSR activities does hubristic CEO focus on?'. CSR is one of a firm's activities over which the CEO has managerial discretion. Consequently, the types of CSR activities to be conducted depend on the CEO's attributes. For example, when a CEO exhibits transformational leadership, they will pursue strategic rather than social CSR (Waldman et al., 2006). And if the CEO is an autocratic leader, they will focus on explicit CSR, rather than implicit

CSR which is preferred by CEOs who demonstrate authentic leadership (Angus-Leppan et al., 2010).

To examine the second hypothesis, we categorized CSR into two different types: CSR activities targeting primary stakeholders and targeting secondary stakeholders. This categorization is in line with prior literature in that CSR activities are categorized by criteria of whether the activity directly related to the firms' survival or competitiveness. CSR focusing primary stakeholders is directly related to firm's competitive advantages and survival whereas CSR targeting secondary stakeholders is not.

Stakeholders are defined as people, groups, or organizations with an interest or concern in an organization (Freeman, 1984). They can affect or be affected by the organization's actions, objectives, and policies. Some examples of key stakeholders are creditors, directors, employees, government, shareholders, suppliers, unions, and the communities from which a business draws its resources. Researchers have classified two types of firm stakeholders: primary stakeholders who have a direct relationship with the firm, and secondary stakeholders who have an indirect relationship (Clarkson, 1995; Freeman et al., 2007).

Primary stakeholders make legitimate claims on the firm and have both urgency and power to enforce those claims (Mitchell et al., 1997). These groups are typically comprised of shareholders, employees, customers, suppliers. Without continuing participation of primary stakeholder groups, the firm cannot survive. Secondary stakeholder groups, however, influence or affect, or are influenced or affected by, the firm, but are not engaged in transactions with the firm and are not essential for its survival. These groups also have legitimate claims on the firm, but lack both urgency and power to enforce those claims (Mitchell et al., 1997). The government, media, environment, society and special interest groups are examples of secondary stakeholder groups.

Godfrey et al. (2009, p.429) suggested that CSR provides primary stakeholders with exchange capital. They argue that CSR activities targeting primary stakeholders should produce exchange capital—the potential to create more advantageous exchanges between the firm and its primary stakeholders. That is, firms may seek profit through primary stakeholder targeted CSR. On the other hands, CSR activities directed toward secondary stakeholders are more likely to be viewed as voluntary acts of social beneficence, because secondary stakeholders lack both urgency and power to press their claims on the firm. For this reason, CSR activities that targets secondary stakeholders are more related to moral capital, providing 'insurance-like' protection in the context of a negative event. In sum, CSR activities targeting primary stakeholder are more related to firm's competitiveness and direct survival compared to targeting secondary stakeholder.

However, CSR activities that target secondary stakeholder may a good tool for satisfying narcissistic desire of hubristic CEOs. Secondary stakeholder focused CSR activities are usually both construed as contributing to a social good and reflective of the CEOs values or ethics. Therefore, secondary focused CSR activities are a noticeable example of actions that will attract both praise and attention for the CEO (Petrenko et al., 2016). <Figure 2> shows that the number of news articles about secondary focused CSR outnumbered the number of news articles containing primary stakeholder focused CSR.

Insert <Figure 2> Numbers of news articles on types of CSR

We search articles from *MaeilKyungjae,* the most influential daily economic newspaper of South Korea. By conducting a content analysis, we categorized news articles into three ways : news articles about primary targeted CSR, about secondary targeted CSR and articles referring CSR as a broad concept (containing both primary and secondary targeted activities). The total number of news articles that published in the year of 2014 was 352. Among total articles, the number of news articles about primary stakeholder focused CSR was only 28, whereas that of secondary focused CSR was 148, almost as 5 times as high. This reveals that media reports of a firm's donations or voluntary work, or its taking the lead in environmental protection attract public attention. Such events effectively appease the vanity and narcissism of a hubristic CEO (Petrenko et al., 2016). Thus, hubristic CEOs concentrate more on CSR that focuses on secondary stakeholders.

Moreover, hubristic CEOs tend to overestimate their own capabilities and resources they possess, while underestimating resources required for their strategic initiatives. Despite the importance of primary stakeholders on firm's direct survival and competitiveness, hubristic CEOs assume that their firms' success depends less on primary stakeholders and more on CEO themselves (Tang et al., 2015). This suggests hubristic CEOs fail to realize the importance of primary stakeholders and are less likely to invest in primary stakeholder focused CSR activities. Consequently, our second hypothesis is:

Hypothesis 2: A hubristic CEO will focus more on CSR activities that target secondary stakeholders rather than primary stakeholders.

III. Method

3.1 Sample and Data

Our sample was drawn from companies listed in the Korean Economic Justice Institute (KEJI) database. The KEJI index, introduced in 1991, was the first comprehensive evaluation scheme to be developed and implemented in Korea for corporate business ethics and social responsibility. KEJI Index relies on multiple distinct data sources that are collected from a wide variety of companies, the Korean government, nongovernment organizations, and media sources (Oh et al., 2011). Based on these data, KEJI selects winners of the Economic Justice Award each year. Selecting award-winners entails both quantitative and qualitative evaluation. Quantitative evaluation is based on annual reports, news reports, and other information available from governmental authorities such as the National Tax Service and Fair Trade Commission of South Korea. Qualitative evaluation is subsequently conducted by sending questionnaires to firms. The main purpose of qualitative evaluation is to collect nonpublic information to determine final award-winners. KEJI discloses the scores of the top 200 companies in its annual brochure. While the selection of our sample was inevitably limited to firms in the KEJI index and, hence, was subject to possible selection bias, there were practically no alternative reliable measures of CSR in Korea that were comparable in coverage and measurement validity (Choi et al., 2010).

For our sample firms, we use KEJI index of year 2012. The financial data were retrieved from the Korean Information Service Value (KIS-Value) database. We classified the sample firms into four industries using the Korean standard industry classification codes. All explanatory variables are lagged by one year to avoid the reverse causality problem. There were 200 annually listed Korean firms in the KEJI database, but because of missing data, the final sample size for this study was 178.

3.2 Measurements

3.2.1 Dependent Variable

The KEJI database was evaluated based on seven categories: integrity, justice, consumer satisfaction, employee satisfaction, environmental protection, social contribution, and economic development. These domain-specifics appear to be comparable to Kinder, Lydenberg, Domini Research & Analytics (KLD) ratings, which is most widely used in the U.S. to measure CSR performance.[3] <Table 3>

[3] KLD ratings consist of multiple sub-domains: Environment, Community,

shows the KEJI categories in detail.

<u>Insert <Table 3> KEJI index</u>

The dependent variable in Hypothesis 1 (Total CSR) is measured by the sum of the points obtained for each of these categories. To verify our second hypothesis, we first classified KEJI categories into CSR for primary stakeholders and CSR for secondary stakeholders. As <Table 3> shows, 'justice' stands for fairness and transparency of trade between the firm and suppliers and 'consumer satisfaction' represents consumer right protection or investment in consumer satisfaction. 'Employee satisfaction' denotes wage and welfare program for employee or management of labor relations at the firm. In this regard, justice, consumer satisfaction and employee satisfaction target suppliers, consumers, and employees respectively, and we categorized these 3 items as Primary CSR. 'Environmental protection' stands for efforts to improve the environment and 'social contribution' is related to volunteer program or donation. 'Economic development' represents economic contribution of the firm for the country. Therefore, environmental protection, social contribution, and economic development are CSR activities targeting secondary stakeholders.

To verify our hypothesis, we have decided not to use raw scores as they are

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Diversity, Employee Relations, Human Rights, Product Quality and Safety, and Corporate Governance.

disclosed in the KEJI reports but to covert the scores into a scale of 0 to 100, where 100 is perfect. It is because there are two different kinds of highest possible scale score for KEJI categories. Each category of justice, employee satisfaction and environmental protection is in the range of 0 to 15, where 15 is best. However, the scale for consumer satisfaction, social contribution and economic development is from 0 to 10, with 10 being the highest possible score. To mediate these different measures, we first covert raw scores into a scale of 0 to 100, where 100 is perfect, then sum scores in each category and divide the total scores by the number of categories. To verify hypothesis 2, we use two separate dependent variables. First, the sum of total scores of each ‘Primary’ focused CSR activities and ‘Secondary’ focused CSR activities. Second, the ratio of ‘Secondary’ scores to ‘Primary’ scores (= secondary CSR scores divided by primary CSR scores).

However, integrity, which includes the integrity of capital spending or the soundness of capital finance, is neither targeted at primary nor secondary stakeholders. We therefore excluded this category.

3.2.2 Independent Variable

For the independent variable, hubris, unfortunately, there is no reliable instrument for directly measuring it. In this context, Hiller and Hambrick (2005) tried to conceptualize executive hubris as core self-evaluation (CSE). This concept concisely encompasses and consolidates the common, overlapping portions of four well-studied but unconnected concepts: self-esteem (an individual’s holistic evaluation of self-worth), self-efficacy (an individual's ability to successfully execute and perform tasks), locus of control (the belief one holds about who or what controls the occurrence of life events), and emotional stability (individuals who score low on emotional stability are prone to worry, fear, stress, and feelings of helplessness). CSE has been considered the most precise method for measuring hubris. However, application of CSE requires conducting a survey targeting top executives. The problem here is that conducting a survey that targets CEOs often results in low survey response rates (Cycyota and Harrison, 2006). Even if we could secure sufficient questionnaire responses, CEO's psychological biases are a personal and thus difficult issue to uncover, and the level of honesty with which an individual CEO would respond is also questionable.

Considering the above problems, we used recent organizational success, media praise, and firm size as sources of hubris based on prior literature (Hayward and Hambrick, 1997). Hayward and Hambrick (1997) used recent organizational success, media praise, and self-importance as three sources of hubris. However, data for the self-importance measure, calculated as CEO monetary compensation divided by the compensation of the second-highest paid officer, were not accessible in Korea[4], thus, in this study we used firm size, instead of self-importance. Because hubris can manifest as a drive to dominate others and hubristic CEOs tend to build

[4] Currently, South Korean companies only provide annual salaries of registered executives and auditors exceed KRW 500 million. Therefore, it was barely impossible to access data of CEO's monetary compensation and compensation of second-highest paid officers.

empires to demonstrate their capabilities. At the same time, hubristic CEOs may demonstrate pride in leading a large firm (Li and Tang, 2013). Each of the three hubris indicators is measured as follows.

Recent success of an organization: Hubristic CEOs have a strong propensity to attribute their organization's success to their own competence, even when the success could more objectively be attributed to other factors (Meindl et al., 1985; Kroll et al., 2000). Moreover, when a firm performs well, the CEO receives favorable acknowledgement and commitments from organizational players. These in turn substantially boost the CEO's confidence and stature (Hayward and Hambrick, 1997). Thus, the greater the recent success of the organization, the more likely it is for the CEO to exhibit hubris. Recent organizational success is measured through market share, which is calculated as a firm's sales divided by the total sales of the respective industry. We used market share as an indicator of firm performance because Korean executives have placed high importance on market share reflecting heavy emphases on growth and expansion (Hitt et al., 1997).

Media praise: Journalists tend to attribute a firm's success simply to CEOs' abilities. It is due to space and time constraints, and journalists' tendency to explain firms' outcomes in terms of stable factors, such as CEOs' characteristics (Jones and Davis, 1966). When CEOs receive greater media praise, their influence over internal and external stakeholders increases. They will have more confidence in their capabilities, resulting in hubris and arrogance. Media praise was determined through content analysis of articles on CEOs in five major national newspapers in

Korea. Hubris is most likely to be activated through favorable press coverage from nationally prestigious publications with high circulation rates (Hayward and Hambrick, 1997). Therefore, we limited our newspaper search to articles from five major newspapers in Korea with significant business coverage: *ChosunIlbo*, *DongaIlbo*, *JoongangIlbo*, *MaeilKyungjae*, and *HankookKyungjae*. We classified news articles into three categories: positive, neutral, and negative regarding CEOs, and counted the sum of positive and neutral articles to measure media praise. Although neutral articles did not directly praise the concerned CEO's performance, we determined that merely the CEO's name being published by powerful media could itself raise their self-confidence.

Firm size: Hubris can manifest as a drive to dominate others and engage in empire-building for its own sake (Kroll et al., 2000). That is, hubristic CEOs tend to build empires to demonstrate their capabilities. At the same time, hubristic CEOs acquire more confidence and pride as the firm size increases. Though firm size is not a factor indicative of a firm's competitiveness, a hubristic CEO may demonstrate pride in leading a large firm (Li and Tang, 2013). Thus, the leader of a large firm may be more arrogant and hubristic than the leader of a smaller firm. Firm size is measured as the number of employees.

We derived a composite measure of hubris (hubris factor) from factor analysis of the three hubris indicators. Reliability refers to the degree to which test scores are consistent from one test administration to the next. In this study, we use internal consistency method, which assesses the consistency of results across items within a test, using Cronbach's alpha. The coefficient of Cronbach's alpha was 0.684. Although there are no standard guidelines available on appropriate magnitudes for the coefficient in practice, an alpha greater than .60 is considered reasonable in organizational research (Nunnally,1987). The three variables loaded on one factor with eigenvalue of 1.131 and the factor loadings of recent organizational success, media praise, and firm size were .551, .577, and .702, respectively.

3.2.3 Control Variables

To rule out alternative explanations, we included several control variables. Types of CEO, firm age, firm leverage and industry dummy were included because research has shown that they influence its CSR activity (Waldman et al., 2006; Manner, 2010).

Types of CEO: In South Korea, there is a fundamental difference between professional managers and owner managers, in most cases family owners, in pursuing CSR activities. In case of family owners, a congruence of identities between a family and a firm implies a certain overlap of goals, beliefs and values between family and firm. In addition to financial goals, family owners pursue non-financial goals, such as recognition, status and a positive image in the public domain (Wiklund, 2006). Block and Wagner (2014) also argued that a family's pride in its firm and its concern for maintaining a positive image in the public arena can have a positive influence on its firm's CSR. Families who want to be proud of their firms and who want to be perceived positively by the public will care about the reputation of their firms in the public arena. In particular, these families will be concerned with avoiding reputation-damaging actions by their firms, and they will aim to excel at addressing societal (stakeholder) demands. Therefore, we control the types of CEO. Professional CEO was coded as 0, whereas family CEO was coded as 0.

Firm age: A firm's age was calculated by subtracting its founding year from the year 2009.

Leverage : The leverage of the firm was measured by debt ratio.

Industry dummy: We also input an industry dummy variable to control for the industry effect. Several studies have revealed that CSR is an industry-specific variable and that a failure to control for industry effects may lead to biased results (King & Lenox, 2002). In addition, public scrutiny with regard to CSR is industry-specific; hence, it can be expected that the reactions of firms to scrutiny will differ across industries. Our sample firms were drawn from companies listed in the Korean Economic Justice Institute (KEJI) database. KEJI database determines the ranking of top 200 firms from all the industries including both manufacturing and service. Therefore, firms that are listed on KEJI database are changed each year. In our sample, the total number of industries were 28 (19 were manufacturing industries and 9 were service industries). We condense 28 industries into 3 industries based on prior literature(이수열 and 홍미경, 2015). Firms of KSIC (Korea standard industrial classification) code number from 10 to 35 were categorized as manufacturing dummy, from 41 to 42 were as construction industry and from 46 to 91 were as service industry. A total of three industries generated two industry dummy variables. All explanatory variables are lagged by one year to avoid the reverse causality problem.

3.3 Models

We used factor analysis to measure CEO hubris (Hayward and Hambrick, 1997). To test for the relationship between CEO hubris and CSR, we used multiple regression analysis. The model was estimated using the STATA 11 statistical software package.

IV. Results

<Table 4> presents descriptive statistics and correlations for the study variables.

Insert <Table 4> Descriptive statistics and correlations

The relationship between CEO hubris factor and CSR was positive, providing preliminary support for our hypothesis 1. The relationship between CEO hubris and secondary focused CSR was also positive, providing preliminary support for our second hypothesis.

Insert <Table 5> Results of regression analysis

<Table 5> shows the results of multiple regression analysis. Model 1 in Table 4 presents the results of multiple regression on CSR whereas Models 2 and 3 show the results on the two types of CSR, CSR for primary stakeholders (Primary CSR) and CSR for secondary stakeholders (Secondary CSR), respectively. Model 1 shows that CEO hubris (Hubris) was statistically significant ($p<0.001$) and positively related to CSR, strongly supporting Hypothesis 1. Model 2 indicates that CEO hubris was negatively related to Primary CSR although the relationship was not statistically significant. However, Model 3 shows CEO hubris was statistically significant ($p<.001$) and positively related to Secondary CSR. The results of Models 2 and 3 together strongly support hypothesis 2 that CEO hubris is more positively related to CSR for secondary stakeholders than to CSR for primary stakeholders, which implies that hubristic CEO may be motivated to pursue CSR due to his/her narcissism and overconfidence.

Insert <Figure 3> Results of regression analysis

As <Figure 3> shows, the line of 'Total CSR' and 'Secondary focused CSR' both have a positive slope, whereas the line of 'Primary focused CSR' has a negative slope. The slope of secondary focused CSR is much steeper than that of total CSR implying that the positive relationship between CEO hubris and total CSR is partly due to the tendency of hubristic CEOs to pursue secondary CSR more enthusiastically than primary CSR. Through above graph, we may deduce that narcissism and overconfidence of hubristic CEO trigger him/her to focus more on secondary stakeholder targeted CSR, resulting positive impact on total CSR as well. It might be doubtful that CEO hubris has a positive effect on CSR, but looking inside of hubris, we can infer that hubristic CEOs have a desire to receive public attention and therefore concentrate more on secondary focused CSR.

V. Discussion

Our study makes several notable contributions, extending CSR literature by examining the impacts of psychological traits of executives on CSR. More importantly, we consider multi factorial aspects of CSR by classifying CSR activities according to stakeholder types.

Our results indicate that hubristic CEOs are more active in promoting CSR activities rather than neglecting CSR's importance. Results from an empirical study of 178 firms in South Korea show CEO hubris is positively related to CSR. Hubristic CEOs have desire to showoff themselves in the public light, and CSR activities are an effective tool for doing so. That is, CSR activities make news and help hubristic CEOs to garner public attention. These hubristic CEOs also believe that if they pursue CSR activities they will achieve better results than other CEOs. Therefore, hubristic CEOs have a positive impact on CSR activities.

However, Tang et al.(2015) insisted that CEO hubris has a negative impact on CSR. They argued that hubristic CEOs tend to underestimate their firms' dependence on stakeholders for resources and support, resulting in lesser engagement in socially responsible activities. The key difference between Tang's study and ours is whether hubris is related to narcissism. Tang et al. (2015) overlooked the narcissistic aspect which is prominent in hubristic CEOs (Kets deVries, 1994; Kroll et al., 2000; Owen and Davidson, 2009). They argue that hubris is differentiated from narcissism in that hubris lacks key elements of the narcissistic personality –continuous need for affirmation and praise. However, many studies on hubris have insisted that hubris could not be thought of without narcissism (Kroll et al., 2000; Hiller and Hambrick, 2005; Owen and Davidson, 2009). Therefore, we consider the narcissistic aspects of hubristic CEOs and show positive relationship between CEO hubris and CSR.

An interesting point to note from the results of our study is that hubristic CEOs focus on CSR activity that targets secondary stakeholders who have no direct relationship with their firm's competitiveness and survival. Many recent studies have examined the relationship between CSR and a firm's financial performance, but the results are inconsistent at best (Vogel, 2006; Lee, 2008; Aguinis and Glavas, 2012). Nevertheless, research has generally concluded that CSR targeting primary stakeholders positively impacts firm performance (Brammer and Millington, 2006; Godfrey et al., 2009). CSR that targets secondary stakeholders may, however, promote a firm's image and social contribution, but bears little relationship to the firm's survival and financial performance (Waldman et al., 2006). In this context, the fact that hubristic CEOs focus on CSR that targets secondary stakeholders evidences their desire to project themselves in the public eye rather than improve their firm's survival or competitiveness.

5.1 Theoretical Implications

This research has two theoretical implications in its extension of CSR literature. First, we concentrated on non-economic motivations for CSR rather than the consequences of CSR. Despite a large part of prior literature on CSR has examined the consequences of CSR, the impact of CSR on firm performance remained inconclusive. This is due to different motivations pursuing CSR. The firm engages in CSR by non-economic purposes may pursue different types of CSR compared to firms participating CSR by economic purposes. For this reason, the consequences of CSR on firm performance may also be different. Therefore, it is needed to examine why a firm engages in CSR at first. By doing so, we can understand CSR more comprehensively.

Second, we consider the multifaceted aspects of CSR. While some researchers begin to examine the effects of managerial psychological bias on CSR (Tang et al., 2015; Petrenko et al., 2016), to the best of our knowledge, no study to date has examined the effect of hubris on the type of CSR conducted. Because CSR is a multifaceted activity, examining it as a whole without classifying it in detail leads to false conclusions. Our results prove this, showing that hubristic CEOs focus on CSR activities that target secondary stakeholders which have no direct relationship with the firm's competitiveness and survival. It is because hubristic CEOs may be motivated to use CSR only as a tool to boost their pride and self-esteem, while not considering the firm's competitiveness or performance.

5.2 Practical Implications

Excessive confidence and arrogance that are hubristic may have serious negative consequences (Hayward and Hambrick, 1997; Hayward et al., 2006). However, confidence is also a necessary trait for CEOs. Moderate confidence of top executives may spur a firm's high performance. As leaders, those with hubris are likely to demonstrate power, strength, and authority in difficult situations, inspiring confidence among their followers and peers. Indeed, hubristic entrepreneurs are more likely to act with confidence and commitment, moving quickly to innovate and form new ventures (Hiller and Hambrick, 2005; Judge et al., 2009). Bollaert and Petit (2010) also emphasized that the positive aspects of CEOs' hubristic behavior have received little attention and hubristic behavior has some socially desirable aspects. In this sense, if a hubristic CEO emphasizes and promotes CSR activities, the firm's CSR performance will improve.

However, it is important to consider the motivation of CSR that is conducted by hubristic CEO. Because, hubristic CEOs may use CSR as a tool for satisfying their narcissistic needs. Therefore, a firm should monitor whether CSR activities are based on its CEO's arrogance and ostentation or on improving its long-term survival. And CEOs themselves must distinguish between moderate confidence and hubris. They should review their decisions and actions based on objective data.

5.3 Limitations and Future Research

Although we found evidence supporting our hypotheses, we also faced some limitations. First, we encountered a measurement limitation. We use recent organizational success, media praise, and firm size to measure hubris. However, it is only a proxy variable rather than a direct measure of hubris. As mentioned earlier, there is no reliable instrument for directly measure hubris. In this context, Hiller and Hambrick (2005) tried to conceptualize executive hubris as core self-evaluation (CSE). CSE has been considered the most precise method for measuring hubris. However, application of CSE requires conducting a survey targeting top executives. The problem here is that conducting a survey that targets CEOs often results in low survey response rates (Cycyota and Harrison, 2006). Even if we could secure sufficient questionnaire responses, CEO's psychological biases are a personal and thus difficult issue to uncover, and the level of honesty with which an individual CEO would respond is also questionable. Therefore, researchers measure hubris in various ways according to research context. For example, Li and Tang (2010) and Tang et al. (2015) measure hubris with 'correctness of judgment'. They based hubris measure on the idea that the essence of hubris is to overestimate the correctness of one's own judgments. So the positive deviation of a CEO's subjectively anchored evaluation of his or her firm's performance from a more objective measure of performance was used to measure CEO hubris. Malmendier and Tate (2005, 2008) measure hubris with how managers exercise their options. They argued that overconfident CEO may overestimate the future returns of their investment projects. Therefore, they believe that the stock prices of their companies will continue to rise under their leadership more than they objectively should expect. As a result, overconfidence induces them to postpone option exercise or even to buy additional company stock in order to benefit personally from the expected future gains. As prior literature shows researchers have endeavored to measure hubris more accurately, however there might be doubts of its suitability and accuracy in measuring hubris. Measurement has already been highlighted as an issue in previous literature. Research measuring hubris in a more direct manner needs to be conducted in the near future.

The second limitation arose from the idiosyncrasies of available data on South Korean firms. The fact that we used South Korean data, and that the research was conducted in a single country, may have limited the applicability of the results to other contexts. Recently, South Korean firms have attempted to foster a more liberal and supportive organizational culture, but top executives are still the most powerful individuals in an organization, and exert their influence throughout the firm. Moreover, South Korean employees tend to conform to their assigned social roles or expectations rather than acting based on their personal motivations. They have a strong tendency to maintain agreeable relationships with their supervisors.

For these reasons, the impact of CEO hubris on CSR might be much greater compared with that in Western contexts. That is, South Korean employees tend to abide by their CEOs' instructions to maintain good relationships with them. Thus, comparative studies should be conducted.

<Table 1> The Impact of CEO Hubris on the Firm

The Impact of CEO Hubris on Firm Strategy				
Articles	**Empirical/ conceptual**	**Concept**	**Measure**	**Findings**
Aktas, de Bodt, Bollaert, Roll (2010)	Empirical	Narcissism	patterns of personal pronoun usage in CEO speech	narcissistic CEOs are more likely to be the initiator of M&A transaction CEO narcissism is associated with higher bid premiums
Brown, Sarma (2007)	Empirical	Overconfidence, Hubris	media praise	CEO overconfidence is important in explaining the decision to acquire another firm
Ferris, Jayaraman, Sabherwal (2013)	Empirical	Overconfidence	media praise	overconfidence helps to explain the number of offers made by a CEO, the frequencies of acquisitions, and the use of cash to finance a merger deal
Haynes, Campbell, Hitt (2010)	Empirical	Hubris		managerial hubris influence firm risk and powerful board can effectively govern a CEO who is manifesting hubris and greed.
Hayward, Hambrick (1997)	Empirical	Hubris	recent performance, media praise, CEO self-importance	hubristic CEOs pay acquisition premium
Li, Tang (2010)	Empirical	Hubris	correctness of judgment	hubris has a positive relationship with firm risk taking
Malmendier, Tate (2008)	Empirical	Overconfidence	stock option holding behavior	overconfident CEOs undertake mergers that destroy value
Peterson, Galvin, Lange (2012)	Empirical	Narcissism	survey of Narcissistic Personality Inventory (NPI)	CEO narcissism has a negative relationship between servant leadership and a positive relationship between founder status
Roll (1986)	Conceptual	Hubris	–	Hubristic CEOs in acquiring firms pay too much for their targets
Seth, Song, Pettit (2000)	Empiricla	Hubris	–	hubris hypothesis may be even more relevant in the context of cross-border acquisitions.
Simon, Houghton (2003)	Empirical	Overconfidence	correctness of judgment	overconfidence was positively related to the degree to which product introductions were pioneering (risky)
Tang, Li, Yang (2015)	Empirical	Hubris	correctness of judgment	CEO hubris has a positive relationship with firm innovation
Tang, Qian, Chen, Shen (2015)	Empirical	Hubris	correctness of judgment	CEO hubris is negatively related to a firm's socially responsible activities but positively related to its socially irresponsible activities.

The Impact of CEO Hubris on Firm Performance				
Articles	**Empirical/ conceptual**	**Concept**	**Measure**	**Findings**
Chatterjee, Hambrick (2007)	Empirical	Narcissism	prominence of CEO’s photograph, CEO’s use of singular pronouns etc.	narcissism in CEOs is positively related to strategic dynamism and grandiosity
Doukas, Petmezas (2007)	Empirical	Overconfidence	high order acquisition deals and insider dealings	overconfident bidders exhibit poor long-term performance
Galasso, Simcoe (2009)	Empirical	Overconfidence	stock option holding behavior	overconfident CEOs are more likely to innovate
Gerstner, König, Enders, Hambrick (2013)	Empirical	Narcissism	prominence of CEO’s photograph etc.	narcissistic CEOs of established firms will be relatively aggressive in their adoption of technological discontinuities
Goel, Thakor (2008)	Empirical	Overconfidence	manager's risk taking tendency	overconfident CEO has a higher likelihood of being promoted to CEO
Hayward, Shepherd, Griffin (2006)	Conceptual	Hubris	–	hubristic CEOs result in venture failure
Hirshleifer, Low, Teoh (2010)	Empirical	Overconfidence	CEO’s option portfolio, media praise	overconfident CEO has a positive impact on firm innovation
Hmieleski and Baron (2009)	Empirical	Optimism	six-item Life Orientation Test–Revised (LOT-R)	found a negative relationship between entrepreneurs’ optimism and the performance (revenue and employment growth) of their new ventures
Olsen (2011)	Empirical	Narcissism	prominence of CEO’s photograph	a positive relationship between CEO narcissism and Earning-Per-Share
Rijsenbilt, Commandeur (2011)	Empirical	Narcissism	survey	narcissistic CEOs undertake challenging or bold actions to obtain frequent praise and admiration resulting in detrimental consequences for the organization
Wales, Patel, Lumpkin (2013)	Empirical	Narcissism	survey of Narcissistic Personality Inventory (NPI)	CEO narcissism and firm performance variance can be viewed as significantly influenced by the manifestation of entrepreneurial orientation

The Impact of CEO Hubris on Financing Decision				
Articles	**Empirical/ conceptual**	**Concept**	**Measure**	**Findings**
Deshmukh, Goel, Howe (2013)	Empirical	Overconfidence	media praise	overconfident CEO views external financing as costly and hence builds financial slack for future investment needs by lowering the current dividend payout
Hilary, Menzly (2006)	Empirical	Overconfidence	superior prediction	overconfident analysts overweight their own estimates and rely less on public signal and more likely to be out of the consensus and to have a larger prediction error in their subsequent forecast.
Hribar, Yang (2010)	Empirical	Overconfidence	media praise	overconfidence increases the optimistic bias in voluntary forecasts, leading to both an increased likelihood of missing management forecasts and greater earnings management
Malmendier, Tate (2005)	Empirical	Overconfidence	stock option holding behavior	managerial overconfidence can account for corporate investment distortions.
Malmendier, Tate (2008)	Empirical	Overconfidence	stock option holding behavior	overconfident CEOs undertake mergers that destroy value
Malmendier, Tate (2011)	Empirical	Overconfidence	stock option holding behavior	overconfident CEOs prefer debt to equity and
Conceptual Literature				
Articles	**Empirical/ conceptual**	**Concept**	**Measure**	**Findings**
Hiller, Hambrick, (2005)	Conceptual	Hubris	Core self - evaluation (CSE)	Hubris can be thought of hyper-CSE
Kroll, Toombs, Wright (2000)	Conceptual	Hubris		Antecedents and consequences of hubris
Owen, Davidson (2009)	Conceptual	Hubris, Narcissism	Hubris symptoms	How to measure and treat hubris syndrome

<Table 2> The impact of hubris, overconfidence and narcissism on the firm

	Definition	Impacts on firm strategy or outcomes
Hubris	Exaggerated self-confidence or pride	pay acquisition premium result in venture failure high risk taking positive impact on firm innovation
Overconfidence	Overestimation of certainty about being correct or producing a certain outcome	undertake value destroying mergers poor long-term performance high risk taking positive impact on firm innovation corporate investment distortion
Narcissism	Self-love	pay acquisition premium increasing number and size of acquisition result in strategic dynamism and grandiosity high risk taking

<Table 3> KEJI index

KEJI Category	Contents	Details	CSR Types
Justice	-Fairness -Transparency -Cooperative relations	-Number of fair trade violations -Concentration of economic power -Outside director activity -Financial and technological support for suppliers	Primary stakeholder-focused CSR
Consumer satisfaction	-Protecting consumer rights -Product quality -Advertisements	-Investment in consumer satisfaction -Consumer satisfaction award -Product certification -Trying to reduce excessive advertising expenditure	
Employee satisfaction	-Safety and health care at the workplace -Investment in human resources -Wage and welfare program -Management of labor relations	-Education and training costs per employee -Welfare program -Occurrence of disputes regarding labor management	
Environmental protection	-Efforts to improve the environment -Ecological friendliness -Occurrence of violations or pollution	-Public announcement of environmental accounting -Energy efficiency -Investment in the environment -Environment-related awards	Secondary stakeholder-focused CSR
Social contribution	-Protecting marginalized groups -Social contributions	-Ratio of disabled or female employees -Donations -Volunteer program	
Economic development	-Efforts expended in R&D -Firm performance and economic development	-Contribution to exports -Tax payments	

<Table 4> Descriptive statistics and correlations

Variable	Mean	S.D.	1.	2.	3.	4	5	6.	7.
1.Hubris	0.0001	0.785							
2.Firm age	36.488	14.665	-0.047						
3.Leverage	0.469	0.443	0.051	0.035					
4. Owner dummy	0.331	1.472	-0.246**	0.058	0.053				
5.Total CSR	45.876	2.499	0.311**	-0.087	0.089	-0.090			
6.Primary CSR	42.593	3.425	-0.025	-0.114	-0.004	-0.013	0.436**		
7. Secondary CSR	44.376	5.288	0.260**	0.003	0.108*	-0.028	0.766**	-0.141	
8.Secondary /Primary	1.049	0.160	0.204**	0.055	0.147	-0.013	0.362**	-0.634**	0.849**

N=178 *p<0.05, **p<0.01

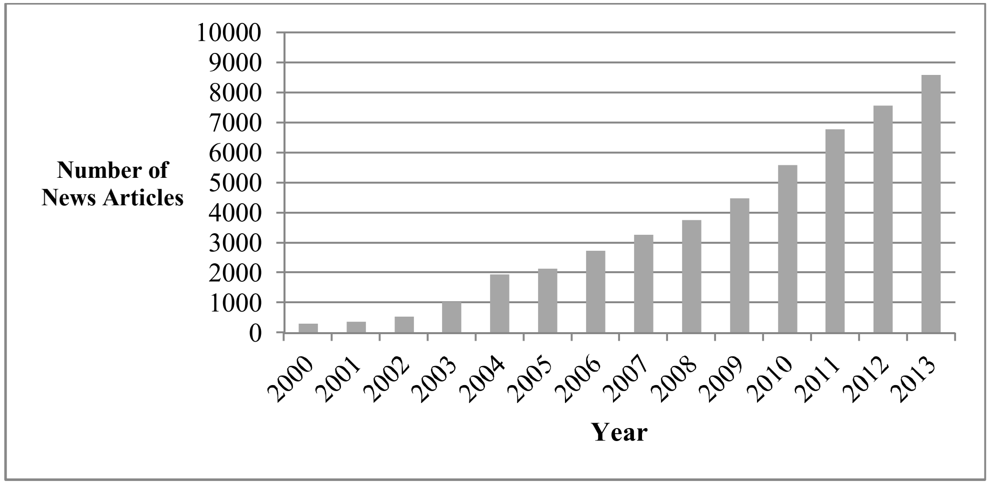
<Table 5> Results of regression analysis

Variable	Model 1 CSR	Model 2 Primary CSR	Model 3 Secondary CSR	Model 4 Secondary/Primary
Hubris	0.963 *** (0.242)	-0.157 (0.346)	1.608** (0.505)	0.038 * (0.015)
Firm age	−0.013 (0.012)	−0.021 (0.017)	-0.002 (0.025)	0.0004 (0.0007)
Leverage	0.101 (0.193)	0.501 † (0.277)	0.371 (0.404)	-0.003 (0.012)
Ownership dummy	-0.158 (0.398)	0.134 (0.569)	-0.028 (0.803)	-0.003 (0.025)
Industry dummy	Included	included	Included	Included
Constant	45.954*** (0.685)	42.748*** (0.980)	43.512*** (1.429)	1.025*** (0.043)
Adjusted R^2	0.094	0.012	0.118	0.089
F-statistics	3.64**	1.32	4.41***	3.50**

Standard errors are in parentheses

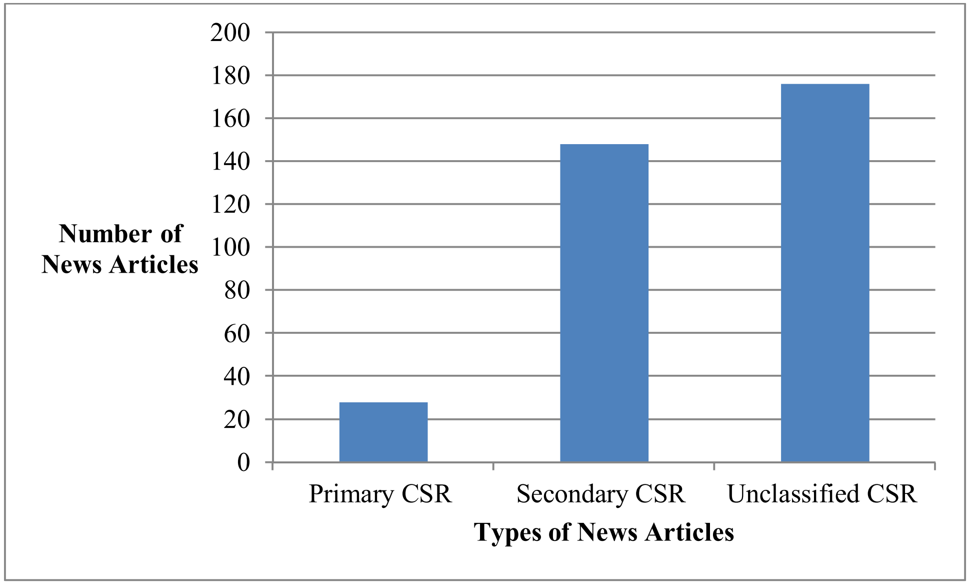
N=178 † p<0.10, *p<0.05, **p<0.01, ***p<0.001

<Figure 1> Numbers of news articles related to CSR (number, year)



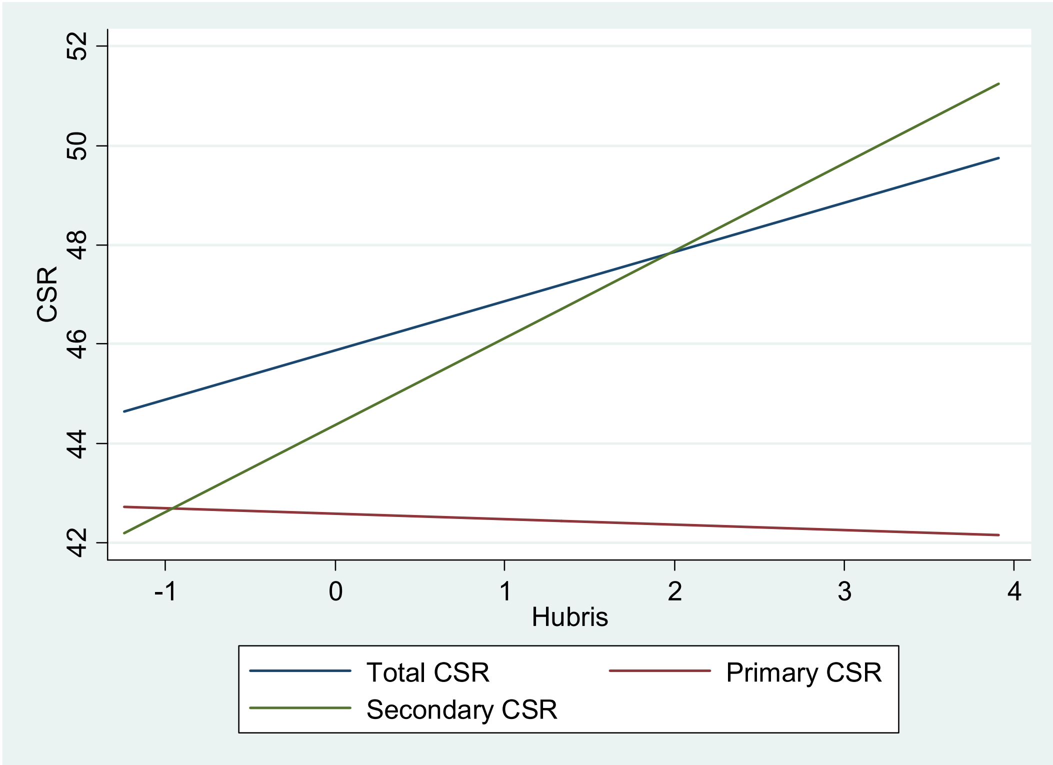
Sources: 20 South Korean daily and economic newspapers (*KyunghyangShinmun*, *KukminIlbo*, *NaeilShinmun*, *Dong-A Ilbo*, *MunhwaIlbo*, *SeoulShinmun*, *SegyeIlbo*, *ChosunIlbo*, *JoongangIlbo*, *The Hankyoreh*, *HankookIlbo*, *MaeilKyungjae*, *Money Today*, *Seoul Kyungjae*, *AsiaKyungjae*, *EDAILY*, *HankookKyungjae*, *The Financial News*, *Chosunbiz*, *Herald Kyungjae)*

<Figure 2> Numbers of news articles on types of CSR



Sources: South Korean daily economic newspapers *MaeilKyungjae* (2014)

<Figure 3>　Results of regression analysis



Chapter III.

CEO Hubris, Firm Innovation and Corporate Governance

I. Introduction

The central premise of upper echelons theory, which forms an important part of corporate governance research, is that executives view their positions through lenses formed by their individual attributes, including their experiences, values, and personalities (Hambrick and Mason, 1984). As it is not easy to directly measure a manager's personalities or values, a large proportion of upper echelons studies have examined the effect of demographic attributes of managers (e.g. tenure, functional background, or education) on organizational outcomes, such as strategic change, structural choices, and performance (Carpenter et al., 2004; Westphal and Zajac, 1995).

However, recent research of corporate governance has begun to pay attention to the influence of more sophisticated conceptions of executive makeup, including CEO's psychological traits and bias, on companies' strategic decision making (Hirshleifer et al., 2012; Gerstner et al., 2013). One personality dimension that has received much attention is hubris of executives (Hayward and Hambrick, 1997; Li and Tang, 2010; Tang et al., 2015). The word hubris, derived from Greek mythology, is defined as “exaggerated pride or self-confidence, often resulting in retribution" (Hayward and Hambrick, 1997).

As Roll (1986)'s argument that takeovers occur because bidding managers affected by hubris overestimate their ability to manage the target firm, and hence overpay for an acquisition, there have been several related studies. For example, hubristic CEOs are likely to pay premiums for M&As which produce low firm performance (Hayward and Hambrick, 1997), or undertake value destroying mergers (Malmendier and Tate, 2008), or facilitate venture failure (Hayward et al., 2006). Most prior literature on CEO hubris suggests that manager hubris is harmful to firms' strategies or outcomes.

However, recent research on CEO hubris has started to explore its effect from more neutral perspectives, challenging its well-known harmful effects. In this regard, we examine the impact of CEO hubris on long-term firm performance, especially firm innovation, and more importantly, its boundary conditions. Recent research shows that CEO hubris has positive effects on particular firm outcomes, especially firm innovation (Goel and Thakor, 2008; Galasso and Simcoe, 2011; Hirshleifer et al., 2012). Because hubristic managers are overconfident in their own efficacy in bringing about success, they tend to overestimate the expected payoffs from innovative endeavors, underestimating associated risk and uncertainty. On that account, hubristic managers actively pursue innovative activities that enhance firm innovation.

The above arguments are based on the premise that there is no difference in CEOs across firms. However, it is widely recognized that executives' activities are potentially constrained by corporate governance of the firm. Therefore, we examined the role of corporate governance in the relationship between CEOs' hubris and firm innovation. More specifically, we examine how executive ownership, board independence, and foreign investors moderate the relationship between CEO hubris and firm innovation.

The remainder of this paper first addresses the background of executive hubris and firm innovation, and then explore the effects of CEO hubris on firm innovation and its boundary conditions. The results and discussions will follow.

II. Theoretical Background

2.1 Hubris

The word hubris refers to a cognitive bias and behavior that can influence an individual's decisions (Kahneman et al., 1982). The first prominent mention of hubris in the literature on top executives was by Richard Roll (1986), who explained why CEOs make large corporate acquisitions, despite evidence that such deals generally do not deliver desired results, but rather bring about a loss for the acquiring company. After Roll's research, a large number of related studies have been conducted. Prior literature on executive hubris has two major features. First, these streams of research mainly focus on the adverse impacts of CEO hubris. Second, the concept and definition of CEO hubris is broad and vague, resulting in mixed use of hubris, overconfidence, and narcissism among researchers. As <Table 1> shows, researchers have examined negative aspects of CEO hubris in three ways: firm strategy, firm performance, and financing decisions. Some researchers use hubris as an independent variable whereas others use overconfidence or narcissism as independent variables. First, in examining the impact of CEO hubris on a firm's decisions or strategies, such as risk-taking or acquisition premiums, researchers found that CEO hubris encouraged risk-taking and premiums for acquisitions (Roll, 1986; Hayward and Hambrick, 1997; Seth et al., 2000; Simon and Houghton, 2003; Doukas and Petmezas, 2007; Kau et al., 2008; Malmendier and Tate, 2008; Li and Tang, 2010). Second, they examined its impact on firm performance (Hayward et al., 2006; Wade et al., 2006; Chatterjee and Hambrick, 2007; Hmieleski and Baron, 2009) arguing that CEO hubris resulted in poor firm performance or performance volatility. Lastly, recent studies examined the effect of overconfidence on management forecasting behavior. They argued that overconfident CEOs are more likely to issue optimistically biased forecasts and, hence, managerial overconfidence could account for distortion in corporate investment (Malmendier and Tate, 2005; Hilary and Menzly, 2006; Hribar and Yang, 2010).

Another feature of the extant literature is that there is no clear distinction between hubris, overconfidence, and narcissism. These constructs are basically psychological traits that overestimate the person's own capability or judgment. Therefore, researchers have studied hubris effects in terms of overconfidence (Roll, 1986; Hayward and Hambrick, 1997; Hayward et al., 2006; Li and Tang, 2010; Camerer and Lovallo, 1999; Simon and Houghton, 2003; Campbell et al., 2004; Malmendier and Tate, 2005, 2008; Hilary and Menzly, 2006; Doukas and Petmezas, 2007; Hribar and Yang, 2010), and narcissism (Kroll et al., 2000; Owen and

Davidson 2009; Hiller and Hambrick, 2005; Bollaert and Petit, 2010). Technically, while the words hubris, overconfidence, and narcissism differ, Hiller and Hambrick (2005) suggest that these words belong under the same umbrella construct of "hyper core self-evaluation (CSE)", which is closely aligned with hubris. Hayward and Hambrick (2005) noted that a very high level of CSE may exactly correspond to what is colloquially referred to as hubris. Furthermore, Owen and Davidson (2009), identify 14 symptoms of hubris syndrome, which include seven symptoms identifying narcissistic personality disorder (NPD), indicating that narcissism and hubris overlap in large part. Thus, in this study, we use hubris as a broad construct of overconfidence and narcissism.

2.2 CEO Hubris and Firm Innovation

Innovation is defined as a new product or service, a new production process technology, a new structure or administrative system, or a new plan or program pertaining to organizational members (Damanpour, 1991). The range of innovation is broad and is categorized as (1) technical versus administrative, (2) product versus process, and (3) radical versus incremental, innovation. Although these categories of innovation are different in their own right, they do overlap and each innovation has varying degrees of importance depending on the environment and organization in which it operates. By taking the broadest view of innovation, rather than an exact and specific definition, this study considers innovation as knowledge creation during a firm's operation.

Hubris is a broad concept related to both overconfidence and narcissism. Therefore, we propose two mechanisms that link hubris to firm innovation: first, overestimation of a CEO's own problem-solving capabilities (Camerer and Lovallo, 1999); second, a CEO's strong desire for attracting public attention. Both mechanisms tend to allow hubristic CEOs to interpret decision situations as less risky and thus to take more risk (Li and Tang, 2010).

Overconfident top executives tend to overestimate their personal capabilities (Hayward and Hambrick, 1997; Kroll et al., 2000; Malmendier and Tate, 2008; Roll, 1986; Seth et al., 2000). Innovative projects have a high risk of failure. However, hubris inclined executives tend to overestimate the expected payoffs from innovative endeavors. They also underestimate the uncertainties and risks associated with innovative projects, either because of a tendency to expect good outcomes, or because they overestimate their own efficacy (Hilary and Menzly, 2006; Hribar and Yang, 2010; Malmendier and Tate, 2005). Furthermore, hubristic CEOs tend to be overconfident about their performance on hard tasks compared to easy ones; this tendency is known as the "difficulty effect" (Griffin and Tversky, 1992). Therefore, we expect overconfident CEOs to be especially enthusiastic about risky, challenging projects.

Moreover, pursuing innovative projects is one of the firm actions that attracts public attention and satisfies the narcissistic needs of hubristic CEOs (Petrenko et al., 2016). A narcissistic executive would think of himself or herself as being in control, efficacious, and even a miracle worker (Hayward and Hambrick, 1997). Innovative projects are challenging, complicated and hard to predict (March, 1991). In this regard, if top executives lead innovative projects successfully, they may convince others that they have great vision and capabilities, thereby satisfying their own desire for self-admiration and aggrandizement.

Based on the above arguments, as executives' hubris increases, they become more attracted to the potentially high payoff of firm innovation, thus neglecting all the associated risk and uncertainty. Therefore, our first hypothesis is:

Hypothesis 1: CEO hubris will have a positive impact on firm's innovative activities

2.3 The Moderating Role of Corporate Governance

Corporate governance, from the broadest perspective, can be defined as the coordination mechanism of conflicting interests between various stakeholders of the firm (Alkhafaji, 1989; Cochran and Wartick, 1988). Cochran and Wartick (1988) also defined corporate governance as an umbrella term that covers many aspects related to concepts, theories, and practices of boards of directors and their executive and non-executive directors. Monks and Minow (1995) state that corporate governance is "the relationship among various participants in determining the direction and performance of corporations." Combining these definitions, corporate governance is a coordination system of potential conflicts of firm stakeholders.

The need for corporate governance arises from the potential conflicts of interest among participants (stakeholders) in the corporate structure. These conflicts of interest, often referred to as agency problems, arise from two main sources. First, different participants have different goals and preferences from which conflicts of interest arise. Second, the participants have imperfect information with respect to each other's' actions or knowledge which causes information asymmetry (Eisenhardt, 1989). Berle and Means (1932) address these conflicts by examining the separation of corporate ownership from management, commonly referred to as the separation of ownership and control. They note that without the corporate governance mechanism, this separation of ownership may provide executives with the ability to act in their own interest rather than that of shareholders. However, executives' activities are potentially constrained by numerous factors that constitute and influence corporate governance. These factors include the board of directors, laws and regulations, labor contracts, and the market for corporate control. In general, these factors can be thought of as either internal control mechanisms (such as the board) or external control mechanisms (such as the emergence of institutional investors or foreign investors as equity owners).

In conclusion, corporate governance structures affect management decision making by reducing agency cost, as shareholders, capital markets, and board of directors prevent managers from abusing their power. Drawing on these insights, we examined managerial ownership, board independence, and foreign ownership as corporate governance mechanisms that affect the relationship between CEO hubris and firm innovation.

To examine the moderating role of corporate governance mechanisms we consider two distinct perspectives: (1) an ability perspective to strengthen or weaken managerial discretion of top executives, and (2) a motivation perspective for top executives to encourage or discourage pursuing innovative activities.

2. 3. 1 Managerial Ownership

First, from an ability perspective, ceteris paribus, a top manager with significant shareholdings in an organization will have greater power than a manager without such a base of control (Zald, 1969). Morck et al. (1988) argue that managerial equity ownership bestows power to the manager, not only based on pure voting power, but also through unobservable variables, such as status within the firm and board. Denis et al. (1997) suggest that equity ownership by CEOs may partially shield them from internal monitoring mechanisms to the extent that it may be difficult for the board to remove the CEO from office. Therefore, a top manager with significant shareholdings in an organization will have more managerial discretion, thereby strengthening the effect of manager hubris on firm innovation.

However, from a motivation perspective, a CEO having significant shareholdings may be discouraged from pursuing innovative projects with a high risk. The personal wealth portfolios of top managers are comprised of their ownership of shares/options in the firm, the income produced from their employment, and assets unrelated to the firm. Presumably, as senior executives increase their equity stakes in the enterprise, their personal wealth portfolios become correspondingly less diversified. Although stockholders can diversify their wealth portfolios, top executives have less flexibility if they own substantial shares in the firms they manage (Wiseman and Gomez-Mejia, 1998; Wright et al., 2002). Hence, if a significant portion of top managers' wealth is concentrated in their firms, then they may find it prudent to diversify their firms via risk aversion strategies (Eisenhardt, 1989; Hill and Snell, 1989; Jensen & Meckling, 1976; Wright et al., 2002), thus weakening the relationship between CEO hubris and firm innovation. Therefore, we propose the following hypothesis:

Hypothesis 2a : The greater the manager's ownership, the more positive the relationship between the manager hubris and firm innovation.

Hypothesis 2b : The greater the manager's ownership, the less positive the relationship between the manager hubris and firm innovation.

2.3.2 Board Independence

To examine the moderating role of board independence we again consider two distinct perspectives: an ability perspective and a motivation perspective.

From an ability perspective, an independent board performs a role in decreasing the managerial discretion of hubristic CEOs. The board of director has been created as an internal governance mechanism to represent and protect shareholders from managers who may pursue their own personal interests, or otherwise may not act in the best interests of shareholders. The presence of independent outsiders is thus crucial for the board to truly monitor and, if necessary, discipline the management (Choi et al., 2007). Independent boards will be more vigilant in their monitoring role (Fama and Jensen, 1983) with the level of CEO managerial discretion being negatively related to the level of monitoring (Finkelstein et al., 2009). A number of studies have also shown that boards with a majority of independent outside directors are more effective in overseeing management and mitigating managerial discretion of CEOs (Beatty and Zajac, 1994; Bhagat and Black, 2002; Lewellyn and Muller-Kahle, 2012). Therefore, we would expect that firms in our sample that have a greater level of outside directors would have CEOs with less managerial discretion, decreasing the effect of CEO hubris on firm innovation.

However, from a motivation perspective, independent outside directors can effectively ensure the pursuit of long-term value creation by vigorously encouraging managers to pursue innovation (Zahra et al., 2000). Given the perceived uncertainties and risks associated with innovation, boards dominated by insiders might be reluctant to pursue these long-term initiatives (Wright et al., 1996). Outside directors, however, are more inclined to restructure executive compensation and rewards packages in ways that encourage innovation (Fama & Jensen, 1983). These types of managerial incentives can promote the pursuit of innovative activities (Wright & Ferris, 1997). Furthermore, external directors' knowledge of different companies competing in domestic and international markets may further broaden the board's perspective and alert executives to promising innovative opportunities. In this capacity, outside directors can also serve as active boundary spanners between the company and its external environment - a role that can promote innovation (Miller, 1983). Therefore, we suggest that firms with a greater proportion of external directors will encourage innovation, strengthening the effect of CEO hubris on firm innovation. Hence, we propose the following hypotheses:

Hypothesis 3a : The greater the ratio of outside directors, the less positive the relationship between the manager hubris and firm innovation.

Hypothesis 3b : The greater the ratio of outside directors, the more positive the relationship between the manager hubris and firm innovation.

2.3.3 Foreign Ownership

As a moderator of the relationship between CEO hubris and firm innovation, foreign ownership plays two distinct roles: 1) a controlling mechanism, limiting managerial discretion of the CEO, and 2) a motivator, encouraging CEOs to pursue more innovative activities.

From an ability perspective, foreign investors who generally hold sizable fractions of shares, have high incentives to monitor managers more actively (Shleifer and Vishny, 1986). Simultaneously, as they are able to more easily access insider information than minority shareholders, they may effectively monitor (Barclay and Holderness, 1989; Khanna and Palepu, 1999; Sachs and Warner, 1995). Foreign investors exercise influence through exit and voice strategies (Ahmadjian and Robbins, 2005). A massive sale of domestic stocks by foreign investors is perceived as bad news by the public, resulting in the widespread selling of stocks by general investors. Therefore, foreign investors' divesture may decrease managerial discretion, because it can significantly harm firm value (David et al., 2006). Therefore, the higher the shareholding of foreign investors, the lower the managerial discretion, thus weakening the impact of manager hubris on firm innovation.

However, from a motivation perspective, foreign investors encourage innovative activities of the firm by providing specific innovation and managerial knowledge. Firms with a high proportion of foreign ownership may be in a better position to access advanced foreign innovation resources than firms with private investors. Foreign investors perform a dual role as institutional and foreign investors. As institutional investors, foreign investors are "active," as well as "sophisticated" investors. They are less likely to evaluate corporate executives on the basis of short-term earnings alone, and are more likely to support value-creating, long-term projects (David et al, 2006; Kochhar and David 1996; Hansen and Hill, 1991). Therefore, we suggest that when foreign investors have a significant share of ownership, they will encourage innovation, thereby increasing the effect of manager hubris on firm innovation. Hence, we propose the following hypotheses:

Hypothesis 4a: The greater the portion of foreign ownership, the less positive the relationship between the manager hubris and firm innovation.

Hypothesis 4b: The greater the portion of foreign ownership, the more positive the relationship between the manager hubris and firm innovation.

III. Method

3.1 Sample and Data

This study used 454 KOSPI-listed companies that are classified as manufacturing businesses. We shortlisted our sample to 249 companies, representing industries where innovation is important. For detailed data gathering, this paper relied on the annual report from the Financial Supervisory Service DART system (Data Analysis, Retrieval and Transfer System) and data from the KisValue database. To rule out any potential reverse causality, we used a one-year time lag. Dependent variables were measured at t +1 (the year 2013), while the predictors and control variable were measured at t (the year 2012) in the analysis. We did not include companies experiencing CEO turnover during the study period, or with co-representatives (more than one CEO), which prevented us from identifying the CEO with the greater impact on the organization. The final sample size of this study was 183 firms.

3.2 Measures

3.2.1 Dependent Variable

We measured firm innovation using patent data (Hirshleifer et al., 2012; Jung et al., 2003; Oldham and Cummings, 1996). The use of raw patent as an innovation measure is subject to a longstanding debate concerning its potential bias and other shortcomings (Dosi 1988; Cohen and Levin, 1989), such as international and industrial differences in patenting behavior, differences in patenting between large and smaller firms, differences in importance of the patent, and the fact that patents only cover a part of the overall trajectory from R&D to innovation.

However, in large parts of the economics literature, raw patent counts are generally accepted as one of the most appropriate indicators enabling researchers to compare the inventive or innovative performance of companies in terms of new technologies, processes, and products (Freeman and Soete, 1997; Bresman et al., 1999). Even authors who are critical of the overall use of patents as a performance indicator admit that patents can be an appropriate indicator in the context of many high-tech sectors (Arundel and Kabla, 1998). Furthermore, Hagedoorn and Cloodt (2003) examined different indicators of firm’s innovative performance and suggested that there is no major systemic disparity amongst R&D inputs, patent counts, patent citations and new product announcements. Therefore, in this study, we limited our analysis to high-tech sectors, and the count patent numbers of those high-tech firms. We used the webpage of the Patent and Trademark Office of Korea to access the number of patent applications.

3.2.2 Independent Variable

The key independent variable of this study is top executive's hubris. Unfortunately, there is no reliable instrument to directly measure CEO hubris. In this context, we measured hubris in the same way as Hayward and Hambrick (1997). They use "recent organizational success," "media praise," and "CEO self-importance" as sources of hubris. However, data for the self-importance measure, calculated as CEO monetary compensation divided by the compensation of the second highest paid officer, were not accessible in South Korea. Thus, in this study we used firm size instead of CEO self-importance based on prior literature (Kroll et al., 2000; Li and Tang, 2013). The greater the organization's recent success, the more favorable the media attention, the larger the firm size, and the stronger the CEO hubris.

Recent Organizational Success is measured through market share. Market share is calculated as a firm's sales divided by the total sales of the respective industry. In other words, it is the portion of a firm's sales in the particular industry in which it operates.

Media Praise is determined through content analysis of articles on the CEO in five major, nationally distributed, newspapers: *Chosun Ilbo, Donga Ilbo, Joongang Ilbo, Maeil Kyungjae,* and *Hankook Kyungjae*. We classified news articles into three categories, with respect to CEOs: positive, neutral, and negative, and summed up the positive and neutral articles to measure media praise.

Firm Size is measured as the natural log of the number of employees.

We derived a composite measure of hubris (the hubris factor) from factor analysis of the three hubris indicators. The coefficient of Cronbach's alpha was 0.734. The factors selected are those with an eigenvalue exceeding 1.0. The three variables loaded on one factor with an eigenvalue of 1.299, and the factor loadings of recent organizational success, media praise, and firm size, were .613, .623, and .730, respectively.

3.2.3 Moderating Variable

Managerial ownership: Following prior literature (Agrawal and Knoeber, 1996), we measure CEO ownership as executive share. Executive share is defined as the percentage of a firm's shares owned by an executive, and his, or her, spouse and dependent children.

Board independence: We measured board independence using the ratio of outside directors to total board of directors (Lewellyn and Muller-Kahle, 2012). The higher the ratio of external directors to the total board of directors, the stronger the board independence.

Foreign ownership: The effectiveness of foreign investors was measured by the percentage of a firm's common shares held by foreign investors.

3.2.4 Control Variable

To exclude possible alternative explanations, we included several control variables. CEO types, firm age, firm leverage, and R&D intensity were included, as research has shown that these variables influence firm innovation.

Types of CEO: In South Korea, there is a fundamental difference between professional managers and owner managers - in most cases family owners, in pursuing firm innovation. Therefore, we control for the types of CEO. A professional CEO was coded as 0, whereas a family CEO was coded as 1.

Firm age: Prior literature has shown that when a firm gets older it may become rather set in its ways becoming less innovative (Hitt et al., 1997; Jung et al., 2003). Firm age was calculated by subtracting the founding year from the year 2013.

Firm leverage: We include firm leverage as a high leverage rate may limit a firm's investment in innovative endeavors (Kochhar, 1996). Firm leverage was measured by the firm debt ratio.

R&D intensity: R&D intensity was included because it can increase the opportunities for innovation (Makri and Scandura, 2007; Daellenbach et al., 2007). We calculate R&D intensity by dividing total R&D expenditure by assets.

Industry dummy: We also input an industry dummy variable based on

KSIC (Korea Standard Industry Code) to control for the industry effect as the importance of innovation varies across industries. Following 김은영 (2011), we classified industries into three categories: scale intensive industry, specialized equipment suppliers industry, and science based industry. First, scale intensive industry included Rubber and Plastic Products (C22), Other Non-metallic Mineral Products (C23), Basic Metal Products (C24), Fabricated Metal Products (C25), Motor Vehicles (C30), and Other Transport Equipment (C31). Second, specialized equipment suppliers industry included Electrical Equipment (C28) and Machinery and Equipment (C29). Lastly, science based industry included Chemicals and Chemical Products (C20), Pharmaceuticals, Medicinal Chemicals and Botanical Products (C21), Electronic Components, Computer, Radio, Television and Communication Equipment and Apparatuses (C26), and Medical, Precision and Optical Instruments, Watches and Clocks (C27).

Regulatory effect dummy: Lastly, we include the regulatory effect of Korea as a dummy variable. In Korea, in February 1998 the Securities Listing Regulations required all firms listed on the KSE (Korea Stock Exchange) to have at least 25% of the board composed of outside directors. Moreover, the regulation changed in 2003, so that firms with assets over two trillion won should have at least three outside directors that account for at least 50% of the board. To control for this regulatory effect, we include a dummy variable based on the firm's assets (Black et al. 2006; Kim et al., 2008), which takes the value of 1 if a firm's assets are over two trillion won, and 0 otherwise.

3.3 Analysis

We use factor analysis to measure CEO hubris (Hayward and Hambrick 1997). To test for the relationship between CEO hubris and firm innovation, we use zero-inflated negative binomial analysis. The dependent variable of this study is the number of patents with discrete outcomes and count data. The Poisson regression model forms the basis for a large proportion of the empirical literature involving discrete outcomes and count data. However, the Poisson model is restricted in that the variance of the observed random variable is equal to its mean, which is unrealistic. When there is overdispersion, negative binomial analysis may provide better results (Hausman et al., 1984). Our sample contains 66 firms that have no patent, out of a total of 192 firms. To handle the excess zero data, prior studies recommend the use of zero-inflated negative binomial analysis (Lee et al., 2007). The model was estimated using the STATA 11 statistical package.

IV. Results

<Table 6> presents descriptive statistics and correlations for the study variables. The relationship between CEO hubris and firm innovation was significantly positive, providing preliminary support to hypothesis 1. <Table 6> shows some high correlations between variables including manager hubris, board

independence and regulatory dummy (asset over 2 trillion won) amongst others. A further inspection of the correlations does not reveal any serious multicollinearity problems, with a mean variance inflation factor (VIF) of 1.5 and a maximum VIF of 2.41.

Insert <Table 6> Descriptive statistics and correlations

The results of the zero-inflated negative binomial analysis are presented in <Table 7>. We use CEO hubris as an independent variable and the number of patent applications as a dependent variable. We conduct robust tests as the number of patents has a large variance depending on firm size. The robust standard errors are presented in parentheses.

Insert <Table 7> The results of negative binomial regressions

We verify hypothesis in five steps to examine the relationship between hubris and firm innovation, and its boundary conditions. Model 1 verifies hypothesis 1. The results show that CEO hubris is positively related to firm innovation ($p < 0.001$), supporting hypothesis 1. Among the control variables, board independence was also positively related to firm innovation ($p < 0.10$). Firm age ($p<0.05$) and the regulatory dummy ($p<0.10$) were significantly related to firm innovation. As Model 2 shows, the higher the executive share, the smaller the effect of manager hubris on firm innovation ($p < 0.05$), supporting hypothesis 2b. In model 3, the higher the board independence, the higher the effect of manager hubris on firm innovation ($p<0.05$), supporting hypothesis 3b. Model 5 shows the full model, supporting hypotheses 1, 2b and 3b. However, the moderating role of foreign investors in the relationship between hubris and firm innovation in Model 4 was not statistically significant.

V. Discussions

This study examined the effect of CEO hubris on firm innovation, and the role of corporate governance as a boundary condition influencing the relationship between CEO hubris and firm innovation. This research makes important contributions to the literature with respect to the impact of CEO hubris on long-term firm performance and its boundary conditions.

First, our results show that, in some cases, executive hubris will help firms attain the best results from their innovations. The results confirm that a moderate amount of confidence or even overconfidence can be instrumental to firm innovation. As leaders, those with hubris are likely to demonstrate power, strength, and authority, in difficult situations, inspiring confidence among their followers and peers. Indeed, hubristic entrepreneurs are more likely to act with confidence and commitment, moving quickly to innovate and form new ventures (Hiller and Hambrick, 2005; Judge et al., 2009). Bollaert and Petit (2010) also emphasized that the positive aspects of CEOs' hubristic behavior have received little attention, and that hubristic behavior has some socially desirable aspects. In this sense, if a hubristic CEO emphasizes and promotes innovation, the firm's innovative performance will improve.

Second, we found that the corporate governance structure affects the relationship between CEO hubris and firm innovation. Corporate governance has conflicting influences on the relationship between CEO hubris and firm innovation. In terms of ability, corporate governance structure may decrease (or increase) the impact of CEO hubris on firm innovation. For example, if CEOs have low levels of ownership, or if the ratio of outside directors is high, or if foreign investors have a substantial amount of shares, the managerial discretion of the CEO would be limited, weakening the impact of CEO hubris on firm innovation (and vice versa). However, in terms of motivation, hubristic CEOs emphasize firm innovation. Simultaneously, external directors and foreign investors are also motivated to encourage firm innovation because they emphasize long-term firm performance. Consequently, there is an alignment of interests between hubristic managers, outside directors and foreign investors, thereby strengthening the relationship between CEO hubris and firm innovation. Similarly, when CEOs have significant ownership, they try to avoid high risks associated with innovative endeavors, weakening the positive relationship between CEO hubris and firm innovation. In our study, we found that high levels of executive shareholdings weaken the relationship between CEO hubris and innovation whereas independent boards strengthen the relationship between hubristic CEOs and innovative activities, both supporting the motivation perspective.

Although we found supporting evidence for our hypothesis, we also faced some limitations. First, we have a measurement limitation. We used prior performance, media praise, and firm size to measure hubris, but these are only proxy variables rather than direct measures. Thus, there may be doubts regarding their suitability and accuracy for measurement. Measurement has already been highlighted as an issue in previous literature. Research that measures hubris more directly needs to be conducted. The second limitation arose from the idiosyncrasies of available data on South Korean firms. The fact that we used South Korean data, and that the research was conducted in a single country, may have limited the applicability of the results to other contexts. Thus, we recommend that comparative studies be conducted.

<Table 6> Descriptive statistics and correlations

	Mean	S.D.	1.	2.	3.	4.	5.	6.	7.	8.	9.
1.Innovation	34.570	181.478									
2.Hubris	0.0007	0.817	0.659**								
3.CEO types	0.336	0.473	-0.050	-0.228*							
4.Firm age	35.869	17.167	-0.035	-0.038	0.113						
5.Leverage	1.108	1.140	-0.030	0.046	-0.105	-0.161*					
6.Regulatory dummy	0.204	0.404	0.325**	0.644**	-0.247**	-0.063	0.030				
7.R&D intensity	1.952	2.738	0.004	0.092	-0.043	-0.081	0.101	0.108			
8.Managerial Ownership	6.929	13.562	-0.082	-0.247**	0.719**	0.058	-0.131	-0.229**	-0.110		
9.Board Independence	0.390	0.133	0.235**	0.518**	-0.201**	-0.099	0.125	0.714**	0.193**	-0.232**	
10.Foreign Ownership	9.777	13.430	0.433**	0.680**	-0.146	-0.011	-0.166	0.423**	0.067	-0.139	0.366**

N=183; * p<0.05 ; **p<0.01

<Table 7> The results of negative binomial regressions

Variables	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	1.396** (0.517)	1.269* (0.511)	1.383** (0.508)	1.419** (0.516)	1.257* (0.498)
CEO types	0.143 (0.335)	0.371 (0.345)	0.128 (0.329)	0.149 (0.334)	0.342 (0.339)
Firm age	-0.011* (0.005)	-0.011* (0.005)	-0.013* (0.005)	-0.011* (0.005)	-0.011* (0.005)
Leverage	0.195 (0.143)	0.182 (0.140)	0.190 (0.142)	0.183 (0.143)	0.152 (0.139)
R&D intensity	0.0001 (0.0002)	0.0001 (0.0002)	0.0001 (0.0002)	0.0001 (0.0002)	0.0001 (0.0002)
Regulatory effect	0.626† (0.328)	0.594† (0.322)	0.367 (0.339)	0.541 (0.340)	0.129 (0.353)
Industry dummy	(included)	(included)	(included)	(included)	(included)
Hubris	1.094*** (0.201)	0.681* (0.182)	0.851*** (0.233)	1.222*** (0.247)	0.746* (0.288)
Managerial Ownership	-0.010 (0.011)	-0.034* (0.016)	-0.013 (0.011)	-0.009 (0.011)	-0.033* (0.016)
Board independence	1.943† (1.042)	2.204* (1.034)	2.212* (1.030)	1.818† (1.047)	2.264* (1.010)
Foreign investors	-0.0002 (0.008)	0.0007 (0.008)	-0.004 (0.008)	0.003 (0.009)	0.007 (0.009)
Hubris x Managerial ownership		-0.695* (0.320)			-0.616† (0.337)
Hubris x Board Independence			0.297* (0.147)		0.330* (0.164)
Hubris x Foreign Ownership				-0.049 (0.055)	-0.132* (0.061)
N	183	183	183	183	183
Log likelihood	-374.83	-372.53	-372.79	-374.45	-369.40
LR chi2	208.00***	212.61***	212.09***	208.77***	218.86***
△ chi2		4.61 **	4.09**	0.77	10.86**

N=183; Standard errors in parentheses; †p<0.1; *p<0.05; **p<0.01; ***p<0.001

Chapter IV.

Overall Conclusion

Since Roll (1986) has presented CEO hubris as causes of the losses of acquiring firms on the announcement of a merger or an acquisition, a series of related studies have been conducted. The word “CEO hubris” refers to an top executive’s exaggerated belief in his or her own judgment that may deviate from objective standards (Hayward and Hambrick, 1997; Hiller and Hambrick, 2005; Hayward et al., 2006). A large part of previous studies on CEO hubris have examined the negative impact of CEO hubris on various managerial decisions or firm performances. That is, hubris–infected CEOs often make unreasonable, unsound and overly optimistic decisions resulting poor managerial decisions or firm performance. However, recent research on CEO hubris called for research going beyond the dark side of hubris saying that CEO hubris may have potential benefits to particular firm actions. In this regard, I set aside negative frame of hubris and try to examine the effect of executive hubris on long-term firm performance, especially on corporate social responsibility and firm innovation.

This thesis is composed of two empirical studies. The first empirical study proposed CEO hubris as a non-economic motivation to pursue CSR activities. For the last decade, most CSR literature has focused on the relationship between CSR and firm performance, but the former’s influence on the latter has been remained inconclusive at best. This inconsistency may partly due to the fact that firms engage in CSR activities for different motivations. That is, not all firms pursue CSR activities for economic motivations. In the first study, I thus investigate the effects of CEO hubris as non-economic motivations for CSR and attempt to answer the following two related questions: 1) how CEO hubris affects CSR; and 2) on which types of CSR hubristic CEOs focus. I examined 178 firms in South Korea and the results showed CEO hubris positively related to CSR. Of particular interest was the finding that hubristic CEOs focused on CSR activities that targeted secondary rather than primary stakeholders. Whereas CSR targeting primary stakeholders focused on customers, employees, suppliers and shareholders, CSR for secondary stakeholders focused on philanthropy, environmental protection and social contribution. While these activities for CSR targeting secondary stakeholders have no direct relationship to corporate survival and competitiveness, hubristic CEOs use these activities to confidently showoff themselves. This indicates that a hubristic CEO uses CSR activities as a means to attract public attention and thereby satisfy his/her narcissistic needs.

The second study examines the effect of CEO hubris on firm innovation and its boundary conditions. I suggest that hubris is not always harmful to firms, but rather beneficial, especially when risk taking is necessary. Because hubristic managers are overconfident in their own efficacy in bringing about success, they inclined to overestimate the expected payoffs from innovative endeavors, underestimating associated risk and uncertainty. On that account, hubristic managers actively pursue innovative activities which enhance firm innovation. Furthermore, I investigate the moderating role of corporate governance structure with two different perspectives that are (1) as an ability perspective to restrain managerial discretion of CEOs and (2) as a motivation perspective to encourage

CEOs to pursue innovative activities. I examined 183 firms in South Korea and the results showed that hubris was positively related to firm innovation and the positive relationship between hubris and firm innovation varied with CEO's ownership and board independence. High level of executive shareholding weakens the relationship between CEO hubris and innovation whereas independent board strengthens the relationship between hubristic CEOs and innovative activities, both supporting motivation perspective.

Our findings provide a number of theoretical and managerial implications. From the perspective of theoretical implications, we found that CEO hubris is not always harmful to firms when we look firm performance with longer time horizon. We examined the impact of CEO hubris on firm performance with longer time horizon using two representative long-term firm performance measure: CSR activities and firm innovation. When CEOs have hubris, they tend to put themselves on display and seek public attention (Owen and Davidson, 2009), actively pursuing CSR to satisfy their narcissistic needs (Petrenko et al., 2016). With the same logic, overconfident top executives tend to overestimate their personal capabilities and have desire for self-admiration and self-aggrandizement, enthusiastically pursue risky and challenging projects.

This research also provides practical implications for firm who are managed by hubristic CEOs. Excessive confidence and arrogance that are hubristic may have serious negative consequences (Hayward and Hambrick, 1997; Hayward et al., 2006). However, confidence is also a necessary trait for CEOs. Moderate confidence of top executives may spur a firm’s high performance. As leaders, those with hubris are likely to demonstrate power, strength, and authority in difficult situations, inspiring confidence among their followers and peers. Indeed, hubristic entrepreneurs are more likely to act with confidence and commitment, moving quickly to innovate and form new ventures (Hiller and Hambrick, 2005; Judge et al., 2009).

However, it is important to consider the motivation of firm's strategic actions that is conducted by hubristic CEO. Because, hubristic CEOs may use CSR or innovation as a tool for satisfying their narcissistic needs. Therefore, a firm should monitor whether firm's activities are based on its CEO’s arrogance and ostentation or on improving its long-term survival. And CEOs themselves must distinguish between moderate confidence and hubris.

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국문 초록

최고경영자 휴브리스, 기업 지배구조 그리고 기업 성과

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최고경영자 휴브리스는 최고경영자가 지닌 심리적 편향성으로 자신의 능력이나 판단력에 대해 지나친 자신감을 보이는 것을 의미한다. Roll(1986)이 기업이 별 다른 이득도 없는 인수합병에 나서는 이유로 인수 기업 최고경영자가 지닌 휴브리스를 제시한 이래 이와 관련된 다수의 연구가 수행되었다. 이들 연구는 대부분 최고경영자 휴브리스가 기업의 전략이나 성과에 미치는 부정적인 영향을 규명하고 있다. 다시 말해, 휴브리스 성향의 최고경영자는 종종 납득하기 어려운, 지나치게 낙관적인 의사결정을 내리며, 이로 인해 기업의 전략이나 성과에 부정적인 영향을

미친다는 것이다. 이처럼 휴브리스와 관련된 선행 연구 대다수는 경영자 휴브리스를 기업 성과에 부정적 영향을 주는 요인으로 단정 짓고 있다. 그런데 최근 들어, 이 같은 단편적인 시각에서 벗어나 경영자 휴브리스가 지닌 또 다른 측면을 들여다보려는 시도가 이루어지고 있다. 휴브리스는 자기 자신의 능력이나 판단력에 대해 자신감을 보인다는 측면에서 특정의 기업 활동, 특히 위험 감수가 수반되는 불확실성이 높은 도전적인 과업에는 오히려 긍정적 영향력을 줄 수 있다는 것이다.

이 같은 흐름 속에서 본 연구는 최고경영자 휴브리스가 부정적인가 혹은 긍정적인가에 대한 가치 판단을 배제하고 최고경영자의 휴브리스가 장기적인 관점에서의 기업 성과에 미치는 영향력을 기업의 사회적 책임과 혁신 활동이라는 두 가지 측면으로 규명하였다.

첫 번째 실증 연구에서는 기업이 사회적 책임 활동을 수행하는 비경제적 동기 요인으로서 최고경영자 휴브리스를 제시하였다. 기업의 사회적 책임과 관련된 선행 연구 대다수는 기업의 사회적 책임이 기업 성과에 미치는 영향력을 규명하였다. 그러나 기업의 사회적 책임이 기업 성과에 미치는 영향력은 다소 혼재된 양상을 보인다. 이는 기업이 애초에 왜 사회적 책임 활동을 추구하는 지에 대한 심도 있는 고려가 부족하였기 때문으로 분석된다. 즉, 기업이 사회적 책임을 추구하는 이유는 기업의 경쟁력 향상과 같은 경제적 이유와 더불어 사회적 선의 추구 등 비

경제적 요인이 있음에도 불구하고 이 같은 동기 요인에 대한 구분이 부족하였다. 이에 첫 번째 연구에서는 기업의 사회적 책임 활동을 추구하는 비경제적 동인으로서의 최고경영자 휴브리스의 영향력을 분석하였다. 분석 결과, 휴브리스 성향의 최고경영자는 그렇지 않은 최고경영자에 비해 사회적 책임 활동을 더욱 적극적으로 수행하는 것을 확인할 수 있었다. 이는 이들 최고경영자가 자신을 과시하고 싶은 나르시즘 성향을 지닌데다 자신은 누구보다 사회적 책임 활동을 잘 수행할 수 있다는 자신감 역시 가지고 있기 때문으로 분석되었다. 기업의 사회적 책임 활동은 언론과 사회의 이목을 끄는 주요한 기업 활동이라는 점에서 '자기 과시욕'이 있는 휴브리스 성향의 최고경영자의 요구에 부합하기 때문이다. 이는 휴브리스 성향의 최고경영자들이 사회적 책임 활동 가운데서도 기업의 생존이나 경쟁력과 직접적인 관련은 없으나 사회적 주목을 끄는 데는 더욱 유용한 2차 이해관계자들을 대상으로 하는 사회적 책임 활동에 더욱 열성적인 것을 통해서도 재확인 할 수 있었다.

두 번째 실증연구에서는 최고경영자가 지닌 휴브리스가 기업의 혁신 활동에 미치는 영향력과 이의 경계 조건에 대해 규명하였다. 휴브리스 성향의 최고경영자는 위험 추구 성향이 강하며 이로 인해 혁신으로 인한 성과는 높게, 이로 인한 불확실성은 낮게 추산하는 경향이 있다. 이 때문에 휴브리스 성향의 최고경영자는 기업의 혁신 활동에 정(+)의

영향을 미치는 것으로 나타났다. 최고경영자 휴브리가 기업 혁신 성과에 미치는 정(+)의 영향력은 기업지배구조에 따라 달라짐을 확인할 수 있었는데, 구체적으로 최고경영자의 소유지분이 높을수록 정(+)의 관계가 약화되었고, 이사회의 독립성이 높을수록 정(+)의 관계가 강화되었다.

최고경영자가 상당수의 지분을 보유하고 있을 경우, 해당 최고경영자의 자산 포트폴리오에서 소유지분이 차지하는 비중이 높아지기 때문에 위험을 회피할 동기 유인이 생기게 된다(Wiseman and Gomez-Mejia, 1998; Wright et al., 2002). 혁신적인 업무는 본질적으로 불확실성이 높다는 측면에서 위험을 수반한다. 이로 인해 최고경영자의 소유지분이 높을수록 최고경영자의 휴브리스 성향이 혁신 활동에 미치는 영향력이 약화될 수 있을 것이다.

반면, 이사회의 독립성이 높을수록 최고경영자 휴브리스와 기업 혁신 간 정(+)의 관계가 강화되었다. 이는 동기 부여 측면에서 사외이사는 기업의 단기적 재무성과보다는 장기적 성장 및 경쟁력을 중시하는 동기 요인을 가지며, 이로 인해 최고경영자 휴브리스가 기업 혁신 활동에 미치는 정(+)의 효과 역시 강화된 것으로 풀이된다.

본 연구는 위의 두 실증 분석을 통해 최고경영자 휴브리스가 장기적 관점에서의 기업 성과에 미치는 영향력을 규명하였다는 점에서 의의를 지닌다.

주요어: 최고경영자 휴브리스, 기업의 사회적 책임, 기업 지배구조, 기업 혁신 활동

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