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In Search Of Marketing's Genie: Essays On The Impact Of Ceo And Corporate Governance Factors On Marketing Strategies

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IN SEARCH OF MARKETING'S GENIE

ESSAYS ON THE IMPACT OF CEO AND CORPORATE GOVERNANCE FACTORS ON MARKETING STRATEGIES

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ABSTRACT

Essay 1 attempts to address heterogeneity in stock market reaction to the new product introduction announcements and the strategic alliance announcements by looking at the impact of internal corporate governance on the abnormal returns resulted from these announcements. It is hypothesized that (a) higher pay gap between CEO and the other TMT members may negatively affect the stock returns and (b) if there is high marketing influence in the top management team, the effect of such announcements results in significantly higher returns.

Essay 2 proposes the impact of level of confidence of a CEO on various marketing outcomes like advertising, R&D intensity as well as CSR. Based on upper echelon theory, the essay proposes that the higher the level of confidence, the more the investment in advertising, R&D and CSR intensity. It also predicts that high confidence can increase the chances of product harm crisis, thus affecting the firm negatively.

Essay 3 focuses on how the integrity of the CEO can negatively impact the entrepreneurial orientation, specifically, innovativeness, risk taking and proactiveness orientation of the firm, which are responsible for risky outlays of the firm. The essay also proposes how internal corporate governance, specifically, the compensation given to the CEO and the composition of marketing in the department, can help overcome this situation along with maintaining the integrity of the CEO.

DEDICATION

To my life support and a patient husband, Pratik Gandhi: Because I owe this to you. Thanks! My husband, my partner in crime, my inspiration, my guide, my best friend - Pratik Gandhi, who has been my party partner in my good times and my shoulder in bad – Gracias! I cannot thank you enough for taking care of me, our home and our life while also bearing my tantrums and craziness, while I was in transition from student to faculty. I remember those evenings where I would not stop my emotions to get on you and you would patiently and tirelessly listen to me in spite of your own bad work day. Merci! Your love and support has resulted in the gift of title "Dr." to me. I am also very thankful to my family for showing trust in me because of which I am, what I am today. Special thanks to my Dad who has always been an inspiration to me and has always told me "You can do it and you will do it, my son". Grazie! I cannot be more thankful to have Beena Gandhi as my mother – in – law who has been saying "Be positive, dear daughter" while listening to my daily troubles of life. Danke sehr! Thank you, Mom, Dad, Mummy and Papa. I also cannot forget two little kids in my life – Archit and Pooja. You made me laugh when I felt like crying. You both have been a gift of god to me. Thanks to my peers – Derek, Duncan, Franklin, and Robert for being there and letting me share the emotions we all have gone through. Spasiba! And after my endless list – special thanks to all those whom I have interacted with, in my daily routine and I apologize if I have not smiled at you because I was thinking about my dissertation and forgot to smile. But you smiled and made my day beautiful. This is for all of you. Matondo! Dank you! Shukriya! Hvala!

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I. INTRODUCTION

Marketing in firms includes activities like advertising, innovations, research and development, promotions, sales, new product introductions and alliances with other companies. Despite this vital list, "Only ten percent of executive meeting time is devoted to marketing" (Ambler 2003, p. 62). Past research has shown that the marketing function is struggling for survival in many companies (Leeflang 2004; Webster, Malter, and Ganesan 2005). Due to this issue, the Journal of Marketing published a roundtable discussion which highlighted certain points:

- Marketing issues are receiving less attention in the boardroom (McGovern et al. 2004)
- Marketing is now perceived as a cost, not an investment
- Marketers are being marginalized (Sheth and Sisodia 2005)
- The marketing function has dropped lower on the corporate hierarchy (Verhoef and Leeflang 2009)

Based on these points, one thing is clear; firms do not realize the importance of marketing. Marketing is the heart of business success. As mentioned by David Packard, co-founder of HP "Marketing is too important to be left to the marketing department". In the effort to save marketing, academia empirically proved that marketing has greater influence than is thought to have. For example, Moorman and Rust (1999) showed how the marketing function contributes to firm's financial performance, customer relationship performance, and new product

performance along with firm's market orientation. They also added that firms should have a strong marketing department along with the market orientation they work on.

As this concern of depreciating importance of marketing keeps rising, researchers have started to look at various antecedents that are leading to this problem. For example, Vorhoef and Leeflang (2009) raised the issue of decline of marketing in the corporate world and tried to assess its determinants. They found that accountability and innovativeness are majorly responsible for the influence (decline) of marketing in the firm. Mizik and Jacobson (2009) also tried to put some light on this issue and found that seasoned equity offerings were the reason for decline of marketing. This existing research has portrayed some important points which have led to marketing decline. When looked at closely, these reasons build up to one of the most important structure in the firm – internal corporate governance.

Internal corporate governance mainly consists of:

a. composition of the top management team, including the CEO and

b. compensation provided to the team and CEO.

Internal corporate governance is known for addressing the agency related problems which are born due to the differences in opinions based on ownership and control of certain tasks (Gompers et al. 2001). Past literature has strived to find efficient solutions for the firm by studying the internal corporate governance and altering the structure of ownership, i.e. composition and compensation of the TMT. By doing this, they found effective solutions to improving firm performance, effectiveness of the board, internationalization of the firm and so on. Internal corporate governance is proposed to be a key to solving the problem of decline of marketing. How firms differ in their internal corporate governance and how can internal corporate

governance be revised, to solve the problem of decline in marketing is what this dissertation is built on.

First, CEO of the company matters. Past research has shown that CEOs can have significant influence on the companies' performance (Thomas 1988). Based on the power they have, they are able to shape various aspects of company ranging from its strategy, structure to its culture (Wasserman et al. 2001). Hambrick and Mason (1984) also justified the importance of this leadership and conceptualized upper echelon theory. Since the CEOs are the critical element to firm, their opinion matters the most. UET suggests that this opinion of CEO is the formation of layers of his background, his education, tenure, age, gender and many other characteristics. Going a step further, psychological traits of the CEOs have also been one of the reasons of why the CEOs act the way they act. Past research has looked at multiple personality traits of CEOs and their impact on various strategies of the firm. Unfortunately, the impact of this personality on the practice of myopic marketing management is seldom considered.

Second, along with the CEO, his or her team matters. "As the strategic decision-making process is by its very nature ambiguous, complex, and unstructured, the perceptions and interpretations of a top management team's members critically influence strategic decisions" (Dutton and Duncan 1987). Thus, what becomes important is who belongs to the team. Since each company has its own set of top management team members (TMT from here), composition of the team impacts the strategy of the firm in a great way. For example, if the TMT, who is responsible for making or modifying laws in the firm, does not have a chief financial officer in that team, the supposed consideration of finance will not have happened as much as it should. Similarly, if a Chief marketing officer (from here on, CMO) is not present in that team, the importance and information of marketing in that firm, known only to the CMO will be missed,

and thus so will marketing focus. Thus, composition of the team in terms of myopic marketing management has scantly been investigated as a determinant for the marketing position in the firm.

Third, if composition is important, so is compensation. Interestingly, the research done on compensation has increased exponentially from one or two articles in years prior to 1985 to sixty papers in 1995 (Murphy 1998). It started with studying relationship between CEO pay and company performance (Coughlan and Schmidt 1985; Murphy 1986; Jensen and Murphy 1990; Abowd 1990; Leonard 1990) eventually changing to the termination of CEO tenure due to poor performance of the firm (Weisbach 1988; Warner, Watts, and Wruck 1988) and if the performance was good, comparing the CEO pay to that of others in the same industry (Antle and Smith 1986; Gibbons and Murphy 1990). All this research shows the importance of compensation. Recently it expanded to the compensation of TMT and how that impacts firm performance as well (Carpenter and Sanders 2002; Junqing et al. 2003). What is noticeable here is that marketing is an intermediary outcome which eventually leads to firm performance. Thus, this link of how compensation can play a role in the influence of marketing in the firm is worth to look at.

These limitations (the CEO, composition and compensation) have been considered in the three essays which try to address the problem of decline of marketing and thus try to find a viable solution on antecedents to role of marketing in the firm. Based on upper echelon theory, these essays will investigate the limitations and provide important implications to the theoretical and practical world. The next section introduces the abstract of each essay.

Essay 1

Prior research suggests significant heterogeneity in stock market reaction to the new product introduction announcements and the strategic alliance announcements. Researchers advocate that various organizational determinants come into play for such varying results. Essay 1 attempts to address this question by looking at the impact of internal corporate governance on the abnormal returns resulted from these announcements. Internal corporate governance mainly consists of two variables – compensation (CEO pay gap) and composition (marketing influence in the top management team). An event study will be performed to analyze the stock market reaction to strategic alliance and new product introduction announcements. It is hypothesized that (a) higher pay gap between CEO and the other TMT members may negatively affect the stock returns and (b) if there is high marketing influence in the top management team, the effect of such announcements results in significantly higher returns. The analysis and methodology are discussed along with managerial and theoretical implications.

Essay 2

Problems resulting from myopic marketing management are increasing. Researchers have discovered the reason of multiple personality traits of a CEO affecting the organizational outcomes includes marketing. Level of confidence is one such personality trait which can affect the marketing outcomes. This essay proposes the impact of level of confidence of a CEO on various marketing outcomes like advertising, R&D intensity as well as CSR. Based on upper echelon theory, the essay proposes that the higher the level of confidence, the more the investment in advertising, R&D and CSR. It also predicts that high confidence can increase the chances of product harm crisis, thus affecting the firm negatively. This article also proposes the moderating effect of one of the factors of internal corporate governance - composition of the

TMT, which acts as inertia to the confidence and weakens(strengthens) this relation. Theoretical and practical implications are discussed.

Essay 3

Essay 3 investigates another important personality trait of CEOs that has not been researched in the context of CEOs' unique marketing decisions: CEO integrity. Although important, integrity of the CEO comes with certain side-effects on the firm which may play a crucial role in its performance. This essay focuses on how the integrity of the CEO can negatively impact the entrepreneurial orientation, specifically, innovativeness, risk taking and proactiveness orientation of the firm, which are responsible for risky outlays of the firm. The essay also proposes how internal corporate governance, specifically, the compensation given to the CEO and the composition of marketing in the department, can help overcome this situation along with maintaining the integrity of the CEO. Practical and theoretical implications have been discussed.

Conclusion

Not only these three essays provide theoretical contribution, but also a lot of practical implications, specially to board of directors, managers and to the marketing personnel as well, which have been discussed in each essay. Moreover, the essays also provide a solution by introducing controlled moderators of internal corporate governance to the models. This helps the managers to find effective solutions to the existing problems of myopic marketing management and resolve the tensions. These implications are discussed in each essay.

II. ESSAY ONE: COMPOSITION AND COMPENSATION: EFFECT ON THE VALUE OF ALLIANCES AND NEW PRODUCT INTRODUCTIONS

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Introduction

Abnormal returns are assumed to reflect the stock market's reaction to the events like arrival of new information or any changes made to the firm (McWilliams and Siegel 1997). Abundance of research has examined the abnormal stock returns which are a result of various types of such events. Examples of these events range from customer satisfaction (Luo et al. 2010) brand acquisitions (Wiles, Morgan, and Rego 2012) corporate name changes (Kashmiri and Mahajan 2015) to even product placements in movies (Karniouchina, Uslay and Erenburg 2011). These events researched in marketing literature have been summarized in Table 1.1. However, two events seem to be more influential to researchers than others, namely: strategic alliances and new product introductions; since they have been studied multiple times compared to others (Chaney et al. 1992; Lee et al. 2000; Bayus, Erickson and Jacobson 2003; Lee and Chen 2009). The next two sections will explain the meaning, importance and value of strategic alliances and new product introductions.

Table 1.1: Overview of marketing literature highlighting the research on event studies (in chronological order)

Authors	Context; Period	Key event studies	Moderating mechanism studied	Key findings
Lane and Jacobson (1995)	34 brand names from 1989 and 1990	Brand extension announcement	Brand attitude and Brand Familiarity	The response to announcements depends interactively on Brand attitude and familiarity
Agrawal and Kamakura (1995)	110 celebrity contracts during 1994-95	Celebrity endorsement contracts	None	Contracts have positive impact on returns
Clark, Cornwell and Pruitt (2008)	114 title sponsorship announcements of professional tennis and golf Tournaments, NASCAR	Title sponsorships made by the firm	New versus Renewing Sponsorships	Companies undertaking title sponsorships typically receive exactly what they pay for—except in the case of NASCAR races (which show evidence of increases in share prices).
Swaminathan and Moorman (2009)	230 announcements for marketing alliances in the software industry	Marketing Alliance Announcements	Firm network centrality Firm network efficiency Firm network density Firm network Reputation	Marketing alliance announcements create value for the firm. Network efficiency and network density have the strongest positive impact when they are moderate; network reputation and network centrality have no effect.
Chen, Ganesan and Liu (2009)	CPSC recalls during a 12-year period from 1996 to 2007	Product Recall Announcements	Proactive versus Passive Strategies	Regardless of firm and product characteristics, proactive strategies have a more negative effect on stock returns than more passive strategies
Wiles and danielova (2009)	126 product placements in successful films during 2002	Product Placement in Successful Films	Tie-in advertising Brand equity Audience absorption Critical acclaim	abnormal returns are enhanced by tie-in advertising and brand equity but are inhibited by audience absorption, critical

			Violent film content	acclaim, and violent film content. Placement modality, character associations, and blatancy also significantly affect the placement's value.
Kashmiri and Mahajan (2014)	180 publicly listed firms from 2002-2007	Name change announcements	High marketing influence in their C-suite, high marketing investments, and high marketing capability	Firms with high marketing influence in their C-suite, high marketing investments and high marketing capability receive greater stock market rewards for changing their names. Firms that change their names to leverage a strong brand in their portfolio are rewarded more than firms that change their names to retroactively align their names with a new scope
Kashmiri, Nicol and Hsu (2016)	168 publicly listed U.S. retailers in the same industry as Target	Impact of Data breach of one retailer on other retailers	Retailers' (a) size and product market (b) governance-related tie-strength (c) information technology-related ability (d) marketing ability (e) corporate social responsibility	Although a major retail data breach may result in an intra-industry spillover, managers can use factors related to information technology, marketing, and corporate social responsibility to help insulate their firms from this contagion effect
This study	1000 new product Announcements, 485 Strategic Alliances in 2012	New Product Announcements and Strategic Alliance	CMO Presence CEO pay gap	Higher pay gap has lower returns in both new product introductions and Strategic Alliance Announcements

A strategic alliance is “an agreement between firms to do business together in ways that go beyond normal company dealings but fall short of a merger or a full partnership” (Wheelen and Hungar 2000, p. 125). Every year, thousands of organizations across the planet get involved in strategic alliances with other organizations. The number of strategic alliances has almost doubled in the last decade and is expected to further increase in the future (Booz, Allen and Hamilton 1997). Researchers have predicted that within five years, strategic alliances will account for about 40 percent of the market value for about quarter of the companies, which accounts for $25 -$40 trillion in value (Kalmbacch and Roussel 1999). Companies form alliances to acquire technology, to enter specific markets, to reduce financial or political risks and to ensure a competitive advantage (Wheelen and Hungar 2000). One of the successful examples of a strategic alliance on the stock market returns is the one between Northwest Airlines and KLM Royal Dutch Airlines. Their combined market share increased from 7 percent to 11 percent in just two years (Das and Teng 1999). But not always are strategic alliances successful. In spite of all the advantages provided by strategic alliances, the failure of strategic alliances has been projected to be as high as 70 percent (Kalmbacch and Roussel 1999). One of the well-known strategic alliance failure was that between Volkswagen and Suzuki Motor Corporation. This partnership was broken due to disagreements and cultural differences in 2011 (Wall Street Journal 2016). Not only the practitioners, even the academicians have extreme point of views when it comes to strategic alliances and their returns. Some studies have reported positive stock market gain after a strategic alliance (Kale, Dyer and Singh 2002) whereas other studies have mentioned strategic alliances to be less valuable to shareholders (Rajgopal, Venkatachalam and Kotha 2001). As a result of this discrepancy in the result of strategic alliances, shareholders and investors think twice before investing money in the shares of the firm which has just entered a

strategic alliance. They look for certain signals to get a clue of whether the alliance will be a success or not. This article aims to introduce and test two such signals (composition and compensation) which are considered important by the stock holders at the time of strategic alliance.

The second event which is equally influential in abnormal stock returns is the new product introductions. A new product introduction is defined as "a product or service category that did not exist prior to the announcement date" (Lee et al. 2000). The importance of this event is due to the number of new products being launched in the market every year. For example, in the packaged consumer goods industries, almost 32,000 new products were introduced in the year 2000 (Lee and Chen 2009). One study that researched on best practices of innovating firms, showed that, among the best performing firms, 49% of sales are derived from their new products (Griffin 1997). This finding inspired researchers to further look into the impact of new product introductions on stock market. Past research has found that firms are awarded with significant positive returns in the stock market of about 0.25% at the exact time of new product introduction announcements (Chaney et al. 1991; Koku et al. 1997). Such positive returns may be the result of new product activities which provide transitory advantages for firms to obtain returns to innovation (Arrow 1962). When Apple introduced its lowest starting price Apple watch, the shares rose on the day of the event of launch. However, another perspective of research says that new product announcements do not contribute significantly to the value of firms (e.g., Eddy and Saunders 1980). This negative contribution may be due to the estimate that two third of all new products fail in two years (Sivadas and Dwyer 2000). For example, Elon Musk unveiled the dual engine of the new Tesla 'D' model in October 2014. The Tesla shares dropped by a flat 8 percent after the announcement was made. These contradictory findings lead us to the same question

mentioned before – what factors play a role in the abnormal behavior of stock market on the day, the new product is announced; without knowing whether the product will be success or failure. The next section introduces us to the factors coming into play and their relation to stock market.

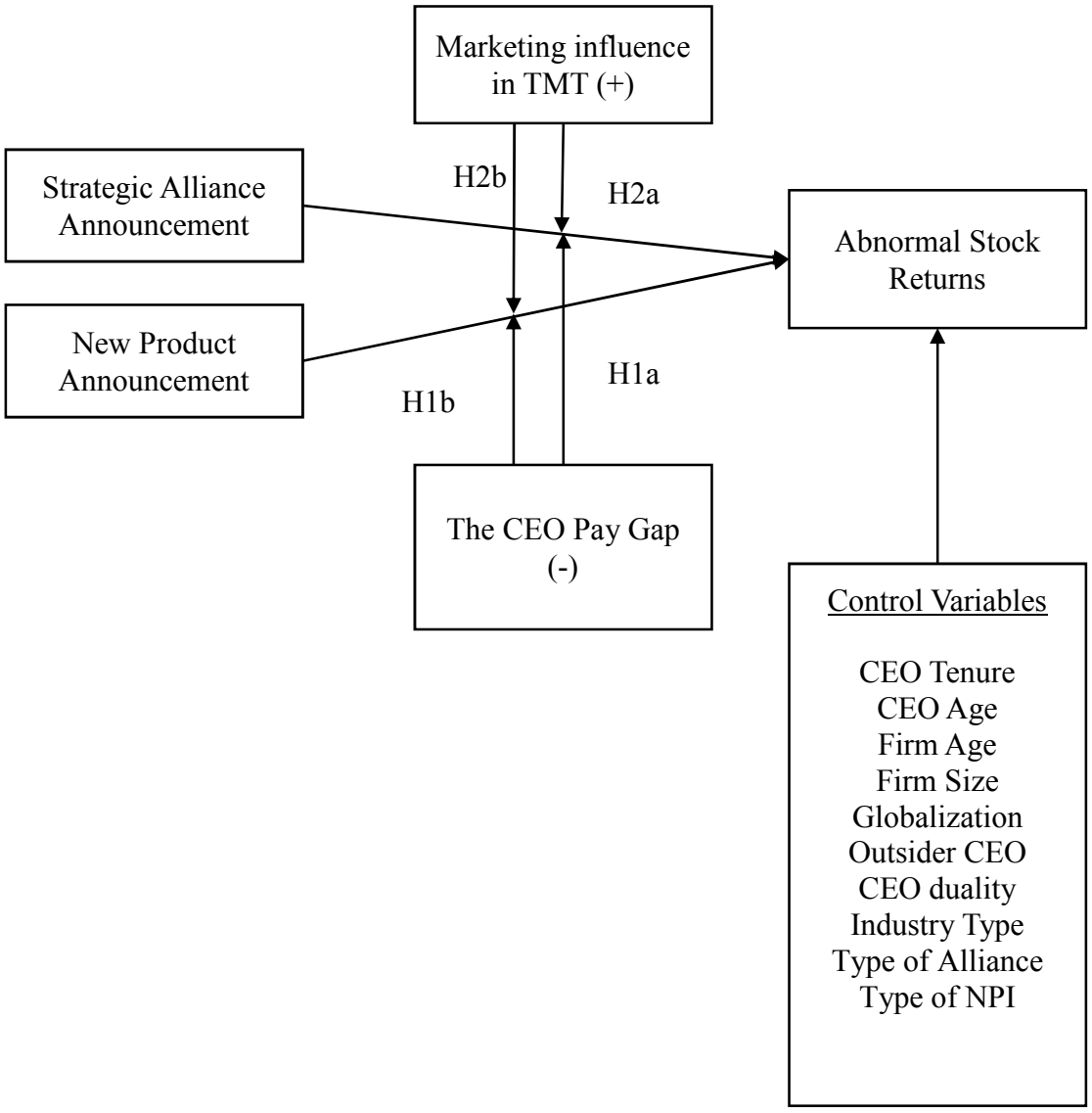
The ability of the firm to manage changes (in this case, strategic alliances and new product introductions) and handle them well, is the ultimate element that shareholders look for. A critical determinant of the ability of a firm to successfully deal with changes in strategies and new strategic decisions is its governance (Sander and Carpenter 1998). Internal corporate governance mainly consists of the top management team rewards, i.e. the compensation provided to the TMT (Gomez-Mejia 1992; Rajagopalan and Finkelstein 1992) and the functionality of members present in the team, i.e. composition of the TMT (Michel and Hambrick 1992; Wiersema and Bantel 1992). These two factors are considered to be very important for firm governance (Sanders and Carpenter 1998). This article tries to address the question - what factors impact the value of strategic alliances and new product introductions -by looking at these two important factors of the firm – a) the compensation of the CEO compared to the compensation of other TMT members (the ratio of total salary of the CEO to total salary of average of other TMT members) and b) the composition of the Top Management Team (TMT), particularly, whether there is presence of marketing influence in the TMT or not. This question has been addressed by conducting an event study of strategic alliance announcements or new product introduction announcements by a total of 266 publicly listed U.S. firms.

The rest of the paper is organized as follows: First, a theoretical framework is developed which explains the reason behind how composition and compensation can play a role in the behavior of abnormal stock returns. Next, the methodology and measures used in this research

have been operationalized and explained. Finally, the results, limitations and the theoretical and practical implications will be discussed.

Figure 1

FRAMEWORK OF THE LINK BETWEEN STRATEGIC ALLIANCES, NEW PRODUCT ANNOUNCEMENTS AND ABNORMAL STOCK RETURNS WITH MODERATING EFFECT OF MARKETING INFLUENCE IN TMT AND CEO PAY GAP



*The arrows in bold represent significant relationship as proposed. Thus, only CEO pay gap was found to significantly impact the returns, supporting H1a and H1b. Marketing influence was not found to be significant. Thus, no support was found for H2a and H2b.

Theoretical Framework and Research Hypothesis

Signaling Theory

Signaling theory talks about reducing information asymmetry between two parties (Spence 2002). As per the theory, firms can signal unobservable characteristics of themselves to external stakeholders (King, Lenox, and Terlaak 2005). For example, high marketing capabilities was received as a signal by the shareholders during the name change of a firm (Kashmiri and Mahajan 2014). Another recent study of corporate governance, for example, shows how CEOs signal the unobservable quality of their firms to potential investors via the observable quality of their financial statements (Zhang and Wiersema 2009). Multiple other examples can be provided here, as this theory has been used for numerous studies. However, signaling theory has been notably used by scholars to examine the signaling value of top management team (TMT) characteristics (Lester et al. 2006). Past research has found heterogeneity of top management teams as a positive signal to potential investors, thus resulting in greater capital accumulations (Zimmerman 2008). Another study on TMT found that TMT legitimacy send a negative signal to potential investors (Cohen and Dean 2005). Higgins and Gulati (2006) found that the TMT experience and backgrounds send a signal to the investors. The compensation of the CEO in the TMT and the marketing influence in the TMT, have been two signals which have been considered by the shareholders to predict the stock market. One study found that more CEO pay leads to poor performance (Maber 2009). Research has also been done to find the impact of presence of a Chief Marketing Officer in the top management team on name change value to the firm (Kashmiri and Mahajan 2014). Although these studies worked on the direct impact of CEO pay and presence of CMO on the stock returns, they also play a moderating role by sending a signal to the shareholders about an event being a success or not. The next two sections will further explain the CEO pay gap (compensation) and marketing influence in the TMT

(composition) and their connection with abnormal stock returns during strategic alliances and new product introductions.

Influence of CEO pay gap on the strategic alliances and new product announcements

With regard to signaling value, when firms are ready to make an announcement either for (a) a strategic alliance or for (b) a new product introduction, to communicate a forthcoming change in scope, these announcements help communicate relatively unexpected news to investors. The efficient market hypothesis would then dictate that investors would update their expectations of the firm's future cash flows, and the expected value of the new strategy would be incorporated into the firm's stock price quickly (Kashmiri and Mahajan 2015). TMTs are viewed as being responsible for their respective organizations and multiple stakeholders, thus they are considered to be a critical influence on organizational level outcomes (Barrick, Bradley and Colbert 2007).

What distinguishes the strategic alliance from the other strategic choices is that it is considered to be in the form of cooperative strategy where more than one firm is involved versus other strategies wherein “go it alone” option is followed (Pansiri 2005). To make the cooperation with the alliance firm a success, it is important for the internal working of the firm itself to be cooperative enough. Thus, the alliance motive includes reducing internal organizational uncertainty, if any (Drago 1997). This can be achieved by making the within team functioning smooth. As rightly mentioned by Barrick, Bradley and Colbert (2007), gains in within-team functioning in TMTs should convert into superior decision making which further enables firms achieve their goals more adequately, ultimately resulting in higher firm performance.

New Product Introduction has been considered as “the lifeblood for most organizations” (Balachandra and Friar 1997). It has always been hard to predict why certain products are

successful whereas some are not. To make this prediction easier, Cooper and Kleinschmidt (1986) came up with factors that are fundamental to new product success. One factor that has gained a lot of attention in research is top management support and commitment. It is important to know, what impacts the TMT to be more committed to the firm or to be less committed.

Unfortunately, not always do the members of the TMT get along well. Multiple factors play a role when it comes to coordination or discrepancy between the TMT members. One of the major factors which leads to discrepancy – a factor which has been overlooked in literature - is the pay gap between the CEO and the other TMT members. Following the research done by Henderson and Fredrickson, this study defines CEO pay gap as "the difference between a CEO's compensation and the average pay of other top management team members." (Henderson and Fredrickson 2001). This has been very well explained by the relative deprivation theory.

Relative Deprivation Theory

According to deprivation theory, lower level managers compare their compensation to that of individuals at superior ranks. If subordinate employees feel that they have been acknowledged with less pay than they deserve, they feel deprived. This feeling of deprivation leads to detrimental reactions like absenteeism or strikes, or even becoming less devoted to organizational goals. This ultimately results in decline of cohesiveness among the employees in the organization (Deutsch 1985; Cowherd and Levine 1992; Henderson and Fredrickson 2001).

Hypotheses

Based on this theory, if there is a significant difference in the pay of CEO and that of other top management team members, this may result in conflict in the team. It also suggests that large CEO pay gaps will be perceived as unjust even if CEOs routinely contribute more than other TMT members. The end result may include withholding vital information from peers or

even polishing one's own reputation rather than paying attention to substantive operating issues (Finkelstein and Hambrick 1988; Henderson and Fredrickson 2001). Since, the pay of the TMT data is available publicly, it does send a signal to the shareholders about this conflict which may be happening back stage. Thus, the presence of such pay gap between the CEO and TMT, may be considered as a signal by the shareholders to intuit the possibility of strategic alliance or a new product introduction not being a success after the announcement, thus thinking twice on investing in such conditions. This in return may negatively affect the stock market returns which should have otherwise been positive post such (a) alliances and (b) new product introductions announcements. Overall, considering the deprivation theory as the signal for the investors, the following hypothesis is suggested:

H_{1a}: Firms that announce a strategic alliance are likely to be rewarded less by the stock market if the size of the CEO pay gap is high

H_{1b}: Firms that introduce a new product are likely to be rewarded less by the stock market if the size of the CEO pay gap is high

Influence of marketing in TMT on the strategic alliances and new product announcements

The varying results of stock market post alliances and new product announcements may have resulted in further accumulation of the ambiguity the shareholder has, towards these event announcements. In both cases, a shareholder is left to wonder if the announcement will succeed in providing a successful end product post alliance or will the new product introduction be received well among its target customers. This uncertainty in strategic alliance occurs because, while, going for strategic alliances may help firms stimulate growth (Campa and Kedia 2002), these changes may also hurt firms by sharing their core competencies with other firms via alliances. The dual results for new product introductions occur because although new product introductions help the firm to grow into untouched areas, focusing more on new product introductions may result in sacrificing on the already profitable products (Denis, Denis and Sarin

1997). Additionally, investors are not sure about the expertise the TMT of these firms may have, to manage the changes occurred in the firm due to an alliance or to manage additional tasks on the list due to new product introductions. How, then, do investors dwindle their uncertainty? Studies have found that characteristics of the CEO as age (Murphy and Zimmerman 1993) and CEO tenure (Weisbach 1988) and firm characteristics like firm age (Anderson and Reeb 2003), firm size (Perez and Timmerman 2000) as well as leverage (Duffee 1995), provide signals of firm quality, which in turn influence the stock market's valuation of an IPO. TMT factors, like role of marketing in C-suite, are also considered as a signal by the investors to diminish the uncertainty about the value of a firm's strategic decision (Kashmiri and Mahajan 2015). A recent study has shown that firms can indeed benefit financially from having a CMO at the strategy table, not to mention, the performance being 15% greater with the CMO (Germann, Ebbes and Grewal 2015). When it comes to strategic alliances and new product introductions, it is expected that marketing plays a crucial role in the TMT as well in the minds of an investor. This is consistent with the rationale that the TMT would highly scrutinize customer's voice (Kerin 2005) and take careful steps in any strategic change with customer in mind; when there is presence of marketing and high influence of marketing in the TMT (Kashmiri and Mahajan 2015). Such firms are likely to reassure investors that the TMT has considered a customer's viewpoint while making an alliance with another firm or a good marketing strategy while introducing a new product in the competitive market. Similarly, influence of marketing in the firm's C-suite, is prone to convince investors that the decision of TMT to make an alliance is only after the consideration of its impact on the customers. Also, when it comes to introducing new products, investors are ensured that there is a marketing plan in place to boost the new product in the market place, considering the fact that there is influence of marketing in the TMT.

When these signals, boost the confidence of investors in the decision of the firm, the investors are rest assured in investing in the firm's stocks, thus positively impacting the abnormal returns due to the event. Thus:

H_{2a}: Firms that announce a strategic alliance are likely to be rewarded more by the stock market if they have high marketing influence in the TMT

H_{2b}: Firms that introduce a new product are likely to be rewarded more by the stock market if they have high marketing influence in the TMT

Research Methodology

Sample

To develop the sample for this study, the list of S&P 1000 firms (Kashmiri and Mahajan 2014) that were announced in the year 2012 was used. S&P's Capital IQ database was used to identify all the announcements related to strategic alliances and new product introductions using tickers of the S&P 1000 list. The filters used in the Capital IQ to create this dataset were a) the list of S&P 1000 b) the year of 2012 and c) those public U.S. firms listed on the NYSE, AMEX, or NASDAQ stock exchanges. This resulted in a total of 266 firms.

Data collection for strategic alliances

The final sample for strategic alliances was comprised of 164 unique companies with 1 or more strategic alliances. Each of the 164 firms in the sample announced a strategic alliance at least once in the year 2012. Overall there were 479 strategic alliances announced during that period by the 164 companies listed in S&P 1000. The date of each announcement was collected for further investigation of event study.

Data collection for product related announcements

The final sample for new product introductions was comprised of 193 companies with 1 or more product related announcements. Each of the 193 firms in this sample had a product

related announcement at least once in the year 2012. Overall there were 940 new product introductions or launches announced during that period by the 193 companies listed in S&P 1000. The date of each announcement was collected for further investigation of event study.

Event Study Methodology

Event study was used following Boyd, Chandy and Cunha (2010) to calculate the abnormal return for firms involved in strategic alliances and new product introductions. This information was then analyzed using the market model (Mathur and Mathur 2000; Kashmiri and Mahajan 2015) wherein;

$$\text{Market model: } R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i.t}$$

Ri,t stands for the rate of return on the stock price of firm i on day t; Rm,t stands for the average rate of return on a benchmark portfolio of market assets over an estimation period preceding the event, α is the intercept, and $\varepsilon_{i,t}$ is the residual of the estimation (assumed to be distributed i.i.d. – independently and identically distributed, normal). For this model, abnormal returns (AR) for each announcing firm was estimated by taking the difference between the observed rate of return Ri,t and the expected rate of return E(Ri,t), i.e., $AR = \varepsilon_{it} = Ri,t - E(Ri,t)$.

Regression Model

OLS regression was used to measure the model fit, clustering the standard errors firm wise, to account for lack of independence of observations between same firms. This research regressed the rate of return (AR) on stock price for each new product announcement or each strategic alliance on the two proposed explanatory variables:

$$AR_i = \varepsilon_{it} = b_0 + b_1 * (\text{CEO pay gap}) + b_2 * (\text{marketing influence in TMT}) + b_{3\text{-}19} * (\text{controls})$$

Multiple variables were controlled in the above equation. The tenure of a CEO in the firm was controlled for, as longer the tenure of the CEO, the more likely they are to use power for their own interests, including compensation packages (Hill and Phan 1991). I also controlled for CEO age, as with increase in the age, the CEO becomes more knowledgeable and experienced from his previous positions or by attaining additional education (Mcknight 2000). The firm age was controlled, since, the older the firm gets, the CEO of that firm earns more compared to the newly listed firm (Loderer and Waelchli 2010). I also controlled for firm size, as past studies have empirically proved a positive pay – size relation unequivocally (Murphy 1985) and larger firms usually experience smaller abnormal returns (Kashmiri and Mahajan 2014). Globalization as a variable was controlled, as prior research found globalization to be positively related to firm performance (Porter 1986) which eventually results in higher CEO pay (Mehran 1995). If CEO is an outsider, he/she commands for higher pay (Henderson and Fredrickson 2001), thus the binary variable of whether the CEO is an outsider or not was controlled for. The duality of the CEO was controlled for. Duality occurs when an executive hold "both the CEO and chairperson of the board positions". This construct was controlled for, because the dual roles the CEOs play, the higher the pay they demand (Finkelstein 1992). The type of industry the firm belongs to, was also controlled for, as there may be a lot of differences in pay across industry, but it may not vary as much within the industry (Henderson and Fredrickson 2001). While regressing the event study for strategic alliances, the type of alliance was controlled for, based on whether the alliance was marketing alliance or non-marketing alliance. This was done, as marketing influence plays more role when it is marketing alliance compared to when it is non-marketing alliance. When regressing the event study for new product announcements, the type of announcement was controlled for, based on whether the announcement was radical or incremental. Since radical

announcements have a significantly higher impact on stock market, due to its nature of novelty, compared to incremental announcements, the two types were controlled for.

Table 1.2A: Data Measures and Sources

Essay 1		
	Variable	**Definition and Sources**
1	Abnormal Return Value	Abnormal Returns on day 0 of the announcement (the day of the event) for NPI and day 2 for SA **Market model(EVENTUS)
2	Strategic Alliance/ New Product Introductions	Dates on which the strategic Alliance or New Product Introduction was announced. Source: Capital IQ database
3	CEO Pay Gap	Ratio of the total compensation paid to CEO to that of average of total compensation paid to the remaining four TMT members Source: DEF 14A filings.
4	Marketing Influence	Marketing's influence in the TMT was operationalized using a dummy variable that took the value of 1 when a CMO was present in the firm's top five in the management team, otherwise the value was 0. A firm will be considered to have a CMO in its TMT if it had an executive officer with the term "marketing" in his or her title or if the description of the role given in the 10-Ks indicated that the concerned executive officer was primarily responsible for marketing (Nath and Mahajan 2008; Kashmiri and Mahajan 2014). Sources: Annual Reports; DEF14-As; Proxy filings
5	Firm Age	Natural log of the difference between the year of observation and the firm's founding year. Sources: Firm Proxy; Firm website; Hoovers.
6	Firm Size	Natural log of total employees where total employees are recorded in '000s. Source: Compustat.
7	Globalization	The proportion of firm revenues from outside the U.S. Source: Compustat.
8	Outside CEO	The 'outside CEO' will be coded one if the CEO was an outside CEO who had firm tenure of less than two years when he or she assumed the CEO position and zero otherwise. Source: Firm Website; Annual Reports
9	CEO Tenure	Total number of years a specific individual has held the CEO position with the company. Source: Proxy Statements.
10	CEO Age	The natural log of the CEO's age. Sources: Execucomp; WRDS GMI Ratings; Hoovers.
11	Industry Type	The first digit of the 4 digit SIC codes for the company. Source: Compustat.
12	CEO Duality	If the CEO also holds the position of chairperson of the board the variable is given a value of 1 otherwise, 0. Source: Annual Reports
13	Type of NPI	If the description mentioned about the product being introduced newly to the entire industry, i.e. Radical, it was marked as "1", else "0" for incremental product. This was done using a list of key words (e.g. "major breakthrough," "shattered industry barriers," "the product is an industry first") adopted from Sorescu et al. (2007)
14	Type of SA	The alliance was segmented as marketing alliance when the description of the alliance had one of these words: "Marketing, marketed, market research, sell, sales force, distribute, distribution, promote, channel, advertise, advertising, advertisement, branding, co-branding" based on the dictionary used by Swaminathan and Moorman (2009). If it did, that was marked as "1", else "0".

Independent Variables

CEO Pay gap

Following Henderson and Fredrickson (2001), the CEO pay gap data was collected from the proxy statements of all the companies which were shortlisted in the strategic alliance and product related announcements. These proxy statements returned the value of total compensation for the top management teams including the CEO and the other members. The CEO pay gap was calculated as the difference in pay between a firm's chief executive and the average pay of its other TMT members each year. As explained by Henderson and Fredrickson (2001), "top management teams were operationally defined to include the CEO and the four other highest-paid managers, an approach used by Main et al. (1993)". Following Main et al. (1993), the other TMT members were the top four members of the team after the CEO. Some firms had listed more than four members, but to maintain the uniformity in the data, only the top four after the CEO were selected as mentioned in the annual reports. Further, the names of former TMT members were also listed in certain reports, like former vice president or former CFO. These members were excluded from being the part of the dataset. The pay of other managers is not usually listed in the proxy statements of the firm. One issue faced here was large firms where the CEOs and TMTs both are paid higher, had a difference which was at the higher end compared to comparatively smaller firms whose difference did not go that high. To avoid this heteroscedasticity, the ratio of pay of the CEO to that of average TMT was considered as the measure of pay gap construct (Henderson and Frederickson 2001).

Marketing Influence in TMT

Marketing's influence in the TMT was operationalized using a dummy variable that took the value of 1 when a CMO was present in the firm's top five in the management team, otherwise the value was 0. A firm was considered to have a CMO in its TMT if it had an executive officer

with the term “marketing” in his or her title or if the description of the role given in the 10-Ks indicated that the concerned executive officer was primarily responsible for marketing (Nath and Mahajan 2008; Kashmiri and Mahajan 2014).

Control Variables

CEO tenure

CEO tenure was measured by the number of years an individual has been the CEO of a given company (Hill 1991); this data was collected from Forbes study, Bloomberg BusinessWeek or the website of the company (Agarwal and Knoeber 1996). If not directly mentioned, the year he/she was selected as the CEO of the company was collected and then that year was subtracted from the observation year (2012). Thus, the data was uniform in terms of tenure defined by various firms.

CEO age

CEO age was simply the age of the CEO as stated by the annual reports of that company. In certain cases, the companies did not have the information about this data. In these cases, CEO age was measured as a difference between the year of observation (2012) and the year he/she was born, provided by Forbes or Businessweek (Agarwal and Knoeber 1996). This way, again the data was uniform in terms of age as the measure and not the year they were born.

Firm age

Firm age was measured as the number of years from company inception to the year of observation i.e. 2012 (Anderson and Reeb 2003). This data was publicly available on the firm’s website as well the other business websites like Forbes and Businessweek.

Firm size

Firm size was measured as the natural log of total assets where total assets were recorded in $m using the Compustat database (Kashmiri and Mahajan 2014).

Globalization

Globalization was calculated as the proportion of revenues from outside the USA again using the Compustat database (Kashmiri and Mahajan 2014).

Outside CEO

A binary variable was introduced to define if the CEO who was elected was an outsider or not. The 'outside CEO' was coded one if the CEO was an outside CEO who had firm tenure of less than two years when he or she assumed the CEO position and zero otherwise. Data on CEO origin were obtained from the firm proxy statements. The company's annual reports were also the source for this data where it informed when did the CEO join the company or played different roles before becoming the CEO (Zhang and Rajagopalan 2010).

Industry type

Compustat was used as the source to find the type of industry the list of firms which were shortlisted, belonged to. The SIC 1-digit code was used to group the firms in their respective industries (Alford 1992). For example, if the SIC code of a firm was 2670, then the digit 2 was considered to recognize the industry type. The whole dataset resulted in overall 9 SIC digit codes. These SIC codes were then represented as dummies with SIC-1 being the base and then they were used to analyze the data.

CEO Duality

Following Sanders and Carpenter (1998), duality was measured by checking whether a CEO also occupied the position of chairperson of the board. If he/she occupied both the positions, the variable was given a value of 1 otherwise, 0. Thus, duality signified that one individual occupied

both positions. Annual reports and Proxy statements mentioned the positions occupied by executives at the same time.

Type of Alliance

A dummy variable was assigned based on whether the alliance was marketing or not. The alliance was segmented as marketing alliance when the description of the alliance had one of these words: "Marketing, marketed, market research, sell, sales force, distribute, distribution, promote, channel, advertise, advertising, advertisement, branding, co-branding" based on the dictionary used by Swaminathan and Moorman (2009). If it did, that was marked as "1", else "0". There was a total of 103 marketing alliances.

Type of NPI

A dummy variable was assigned based on whether the new product introduction was radical or incremental. It is defined as radical if it is new to the industry to which the company belongs, else it is incremental. I read the description of each of the NPI announced in the sample, and if the description mentioned about the product being introduced newly to the entire industry, it was marked as "1", else "0". This was done using a list of key words (e.g. "major breakthrough," "shattered industry barriers," "the product is an industry first") adopted from Sorescu et al. (2007). There was a total of 350 radical announcements in the sample.

Analysis and Results

Market Model for NPI: As shown in Table 1.2B, the mean abnormal stock return on the day of the event (i.e. day 0) was positive and significant by the CDA test and was also significant according to the Generalized Z test at 0.05 level. Moreover, 13 of the 21-mean daily abnormal stocks were non-significant, according to both their CDA test scores and their Generalized Z test scores. All in all, it can be concluded that firms that had new product introductions experienced a marginal increase in their value on day 0.

Table 1.2B : Market Model Abnormal Returns for New Product Introductions

Day	Mean abnormal return	StdC sect Z	CDA t	Generalized Z
-10	0.00%	-0.357	0.047	-0.32
-9	0.01%	0.758	0.152	0.336
-8	-0.04%	-0.925	-0.798	-0.976
-7	-0.09%	-2.258*	-1.950*	-1.567$
-6	-0.09%	-2.277*	-1.873*	-1.173
-5	0.05%	0.597	1.087	1.583$
-4	0.07%	1.736*	1.429$	2.174*
-3	-0.01%	-0.167	-0.153	1.452$
-2	-0.04%	-1.584$	-0.872	-0.189
-1	0.03%	0.187	0.556	1.321$
0	**0.06%**	**1.756****	**1.341$**	**2.042****
1	0.00%	-0.733	-0.02	0.468
2	-0.08%	-2.177*	-1.846*	-0.648
3	0.02%	-0.145	0.416	-0.648
4	-0.01%	-0.102	-0.138	1.452$
5	-0.02%	-0.375	-0.527	0.205
6	-0.09%	-1.563$	-1.988*	-0.648
7	-0.03%	-1.075	-0.625	0.468
8	-0.05%	-1.538$	-1.028	0.599
9	-0.11%	-2.749**	-2.331**	-1.632$
10	0.01%	0.133	0.158	-0.714

The symbols $,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a generic one-tail test. The symbols (,< or),> etc. correspond to $,* and show the direction and significance of a generic one-tail generalized sign test.

Market Model for SA: As shown in Table 1.2C, the mean abnormal stock return two days after the event (i.e. day 2) was negative and significant by the CDA test and was also significant according to the CDA t test at 0.05 level. Moreover, 11 of the 21-mean daily abnormal stocks were non-significant, according to the CDA t and Generalized z test scores. All in all, it can be concluded that firms that announced Strategic Alliances experienced a marginal decrease in their value two days after the announcement. Hence the Abnormal Returns for day 2 were used for the regression analysis of SA.

Table 1.2C : Market Model Abnormal Returns for Strategic Alliances

Day	Mean abnormal return	StdC sect Z	CDA t	Generalized Z
-10	-0.03%	-0.364	-0.437	0.029
-9	-0.08%	-1.327$	-1.166	-0.351
-8	-0.02%	-0.53	-0.241	1.075
-7	-0.11%	-1.392$	-1.648*	-0.161
-6	-0.12%	-1.554$	-1.750*	-1.967*
-5	-0.04%	-1.324$	-0.659	-1.492$
-4	0.07%	0.409	1.017	0.979
-3	-0.01%	-0.093	-0.078	-0.827
-2	-0.03%	-0.958	-0.411	1.075
-1	0.01%	-1.397$	0.178	-1.587$
0	0.08%	1.009	1.259	0.979
1	0.04%	0.164	0.575	0.219
2	**-0.16%**	**-2.671****	**-2.374****	**-1.207***
3	-0.11%	-1.502$	-1.618$	-1.397$
4	0.02%	-0.044	0.311	0.694
5	-0.13%	-1.494$	-1.871*	-1.397$
6	-0.09%	-1.578$	-1.342$	-1.207
7	-0.12%	-1.471$	-1.784*	-1.872*
8	-0.19%	-2.420**	-2.803**	-1.777*
9	0.12%	1.535$	1.806*	0.409
10	-0.11%	-1.666*	-1.651*	-1.587$

The symbols $,*,**, and *** denote statistical significance at the 0.10, 0.05, 0.01 and 0.001 levels, respectively, using a generic one-tail test. The symbols (,< or),> etc. correspond to $,* and show the direction and significance of a generic one-tail generalized sign test.

Table 1.3

DESCRIPTIVE STATISTICS AND CORRELATION COEFFICIENTS FOR NEW PRODUCT INTRODUCTIONS

	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Abnormal Returns	5.0E-3	0.01	1									
2. Pay Gap Ratio	5.52	25.95	0.01	1								
3. Marketing Influence	0.20	0.40	-7.0E-3	-0.04	1							
4. Globalization	57.18	22.26	0.01	-0.12***	0.07*	1						
5. Outsider CEO	0.20	0.40	-0.01	-0.05	-0.07**	-0.32***	1					
6. CEO Tenure	7.76	7.32	0.01	-0.09***	0.05	0.16***	-0.26***	1				
7. CEO Age	60.77	5.87	4.0E-3	-0.01	-0.01	0.10**	-0.02	0.12***	1			
8. Firm Size	10.45	1.37	0.02	0.07**	-0.27***	0.12***	0.03	-0.01	0.04	1		
9. Type of NPI	0.37	0.48	-0.07**	-0.01	0.06**	0.08**	-0.02	5.0E-3	-0.02	-0.05	1	
10. CEO Duality	0.81	0.38	-0.04	-0.20***	0.15***	0.02	0.03	-0.08**	-2.0E-5	-0.02	0.01	1

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed, table shows pooled correlation between 931 observations

To formally test all the hypotheses, regression analysis was conducted next.

New Product Introductions: Table 1.3 presents descriptive statistics and correlations for all common measures in the regression mode introduced in this paper only for the main effect of new product introductions, pooled over the period of observation. None of the pair-wise correlations was greater than the benchmark of .50, highest correlation being -0.32. For all models discussed, the variance inflation factors were much less than the benchmark of 10. These tests suggest that there were no significant multicollinearity problems (Kennedy 2003; Kashmiri and Mahajan 2014).

Table 1.4: RESULT OF OLS REGRESSION WITH ABNORMAL RETURN ON DAY 0 AS DEPENDENT VARIABLE FOR NEW PRODUCT INTRODUCTIONS

	Coefficients (t-values)	Coefficients (t-values)	Coefficients (t-values)	Coefficients (t-values)
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Independent Variables				
CEO Pay Ratio		-6.81E-4(-1.63)*		-8.64 E-4(-1.94)**
Marketing Influence			9.81 E-4 (0.61)	2.08E-3(1.23)
Controls				
Globalization	-3.57E-5(-1.02)	-4.48 E-4 (-1.26)	-3.82 E-5 (-1.08)	-5.27 E-5 (-1.46)
Firm Age	-1.83E-3(-1.12)	3.21 E-4 (0.67)	9.5 E-5 (1.43)	2.903 E-3(0.079)
Outsider CEO	1.64E-4(0.11)	9.35 E-5 (0.06)	1.22 E-4 (0.08)	-1.44 E-5 (-0.01)
CEO Tenure	8.7E-5(1.04)	1.07 E-4 (1.28)	9.21 E-5 (1.1)	1.24 E-4 (1.46)
CEO Age	-1.56E-4(-1.43)	-1.54 E-4 (-1.41)	-1.52 E-4 (-1.39)	-1.44 E-4 (-1.32)
Firm Size	2.7E-4(0.61)	1.10 E-4 (0.24)	2.92 E-4 (0.65)	1.12 E-4 (0.25)
CEO Duality	-1.59E-3(-1.13)	-9.85 E-4 (-0.67)	-1.74 E-3 (-1.21)	-1.12 E-3 (-0.76)
Type of NPI	-1.75 E-3 (-1.61)	1.08 E-3 (0.097)	1.09 E-3 (0.097)	-1.96 E-3 (-1.79)*
Intercept	2.33 E-3 (0.25)	5.41 E-3 (0.57)	2.20 E-3(0.24)	5.97 E-3 (0.63)
8 SIC 1-digit dummies	Yes	Yes	Yes	Yes
R^2	2.59%	3.06%	2.66%	3.32%
Overall F test	F (15, 554) = 1.05	F (16, 553) = 1.16	F (16, 553) = 1.01	F (17, 552) = 1.19

Note: *p<0.1, ** p<0.05, and ***p<0.01, using two tailed test, N = 931. The coefficients of the 9 SIC 1-digit dummies have not been presented for the sake of simplicity. All the observations were free of any type of confounding events on that day. The likelihood ratio test for Model 4 which had model 1 nested is: Chi2 (2) = 14.66, Prob > chi2 = 0.0006. All the observations were free of any type of confounding events on that day.

New Product Introductions: Table 1.4 summarizes the results of the regression analysis with abnormal return on day 0 serving as the dependent variable with New Product Introductions as the main effect. Model 1 represents the effect of control variables only, on the behavior of stock market on day 0, i.e. on the day of announcements of new product introductions. None of the control variables were found to have a significant effect on the dependent variable. Model 2 represents the moderating effect of the CEO pay gap along with other control variables on the abnormal stock market returns on day 0. The CEO pay ratio was partially significant and negative (β = -6.81E-4; $p < 0.1$), on the abnormal returns for new product announcements. Model 3 considered only the moderating effect of marketing influence and its impact. The marketing influence did not have a significant impact on the returns (β = 9.8E-4; p = ns). Model 4 in Table 1.3 represents the model with both, marketing influence and CEO pay ratio. Overall, this model found a negative and significant relationship between CEO pay ratio and abnormal returns (β = -8.64 E-4; $p < 0.05$), thus supporting $H_{1b.}$ The relationship between marketing influence and abnormal returns was not found to be significant (β = 2.08E-3; p = ns), not supporting H_{2b}.

Table 1.5

DESCRIPTIVE STATISTICS AND CORRELATION COEFFICIENTS FOR STRATEGIC ALLIANCES

	Mean	SD	1	2	3	4	5	6	7	8	9
1. Abnormal Returns	8.92E-4	0.01	1								
2. CEO pay ratio	3.06	2.62	-9.0E-3	1							
3. Marketing Influence	0.19	0.39	-0.03E-2	0.04	1						
4. Firm Age	64.50	45.47	-0.04	-0.04	-0.07	1					
5. CEO age	55.19	11.65	-0.17***	-0.29***	-5.0E-3	0.16***	1				
6. Outsider CEO	0.17	0.38	0.04	-0.03	-0.07	0.02	0.04	1			
7. CEO Tenure	6.50	7.87	2.0E-3	0.04	-0.13***	-0.24***	0.09**	-0.13***	1		
8. Firm Size	10.60	1.49	-0.09**	-0.19***	0.07	0.34***	0.08**	-0.13***	-0.12***	1	
9. Type of Alliance	0.21	0.41	0.03	0.02	-0.02	6.4E-3	-0.16***	-0.02	0.03	0.03	1

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 479

Strategic Alliances: Table 1.5 presents descriptive statistics and correlations for all common measures in the regression mode introduced in this paper only for the main effect of strategic alliances, pooled over the period of observation. None of the pair-wise correlations was greater than the benchmark of .50, highest correlation being 0.34. For all models discussed, the variance inflation factors were much less than the benchmark of 10. These tests suggest that there were no significant multicollinearity problems (Kennedy 2003; Kashmiri and Mahajan 2014).

Table 1.6: RESULT OF OLS REGRESSION WITH ABNORMAL RETURN ON DAY 2 AS DEPENDENT VARIABLE FOR STRATEGIC ALLIANCES

	Coefficients (t-values)	**Coefficients (t-values)**	**Coefficients (t-values)**	**Coefficients (t-values)**
Variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Independent Variables				
CEO pay Ratio		-6.47 E-4 (-2.07)**		-6.85 E-4 (-2.18)**
Marketing Influence			2.12 E-3 (0.96)	2.61 E-3 (1.19)
Controls				
Globalization	-3.76E-3(-1.73)	-5.76 E-4 (-0.45)	-4.53 E-6 (0.27)	-9.37 E-6 (-0.17)
Firm Age	-7.43 E-6 (-0.37)	-3.57 E-6 (-0.18)	-5.71 E-6 (-0.28)	-1.23 E-6 (-0.06)
CEO Age	-3.54 E-4 (-3.16)***	-4.60 E-4 (-3.75)***	-3.62 E-4 (-3.22) ***	-4.76 E-4 (-3.86)***
Outsider CEO	7.49 E-4 (0.35)	4.47 E-4 (0.21)	8.96 E-4 (0.42)	6.10 E-4 (0.29)
CEO Tenure	6.84 E-6 (0.07)	3.05 E-5 (0.3)	2.95 E-5 (0.28)	5.98 E-5 (0.57)
Firm Size	-2.38 E-4 (-0.4)	-4.26 E-4 (-0.71)	-2.63 E-4 (-0.44)	-4.68 E-4 (-0.78)
Type of Alliance	1.9 E-3 (0.442)	1.89 E-3 (0.473)	1.47 E-3 (0.77)	1.36 E-3 (0.72)
CEO Duality	-3.58 E-3 (-1.69)*	-2.95 E-3 (-1.38)	-4.38 E-3 (-1.92)*	-3.89 E-3 (-1.71)*
Intercept	3.09 E-3 (3.21)***	4.03 E-2 (3.8)***	3.18 E-2(3.29)***	4.18 E-2 (3.92)***
Industry	Yes	Yes	Yes	Yes
R^2	4.9%	5.96%	5.13%	6.31%
Overall F test	F (17, 382) = 1.23	F (18, 381) = 1.42	F (18, 381) = 1.21	F (19, 380) = 1.42

Note: *p<0.1, ** p<0.05, and ***p<0.01, using two tailed test. N = 479. The coefficients of the 9 SIC 1-digit dummies have not been presented for the sake of simplicity. All the observations were free of any type of confounding events on that day. The likelihood ratio test for Model 4 which had model 1 nested is: Chi^2 (2) = 12.90, Prob > chi2 = 0.001. All the observations were free of any type of confounding events on that day.

Strategic Alliances: Table 1.6 summarizes the results of the regression analysis with abnormal return on day 2 serving as the dependent variable with Strategic Alliances as the main effect. Model 1 represents the effect of control variables only, on the behavior of stock market on day 2, i.e. two days after announcements of strategic alliances. Model 2 represents the main effect of the CEO pay ratio along with other control variables on the abnormal stock market returns on day 2. The CEO pay ratio had a significant negative impact on the stock market returns on the day of strategic alliance announcement (β = -6.47 E-4; $p < 0.05$). Model 3 considered only the marketing influence main effect and its impact. The marketing influence did not have a significant impact on the returns (β = 2.12 E-3; p = ns). Model 4 in Table 1.5 represents the model with both, marketing influence and CEO pay ratio. Overall, this model found a negative and significant relationship between CEO pay ratio and abnormal returns (β = -6.85 E-4; $p < 0.05$), thus supporting $H_{1a.}$ The relationship between marketing influence and abnormal returns was not found to be significant (β = 2.61 E-3; p = ns), thus I did not find support for H_{2a}.

The marketing influence was not found to be significant for any of the event studies. One possible reason for insignificant results may be due to the measure of marketing influence. Since only those firms which had a chief marketing officer in the top five of the top management team were measured as one for marketing influence, 19 percent of the total dataset had marketing influence as 1. Thus, the impact was not as concrete as expected. This result also sheds some more light on why some of the prior papers on CMO presence may not have found CMOs contributing to firm value (e.g. Nath and Mahajan 2008). Thus, in context of NPIs and strategic alliances just the presence of a CMO is not an effective signal (perhaps CMOs may need to be given power/discretion for the signal to be effective).

While conducting future research, I will consider the marketing influence in overall top management team and not just the top five. Also, other five measures other than presence/absence will be taken into account while measuring marketing influence in the firm (Feng, Morgan and Rego 2015). These five measures will include (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives, (2) a dummy variable indicating whether a marketing executive was mentioned among the top-5 most highly compensated TMT members in the firm's proxy statement, (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1, (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT, and (5) the number of responsibilities reflected in marketing TMT executives' job titles.

Discussion and Implications

Implications for theory

Recent research scrutinizes the role that various TMT characteristics, like CEO pay gap (Carpenter and Sanders 2002), and marketing influence in the TMT (Kashmiri and Mahajan 2015), play in influencing overall firm performance. The results suggest that CEO pay ratio in the TMT plays a critical role in impacting the stock market response to strategic alliances and new product introductions. Thus, the relevance of analyzing firm-specific conditions that boost or diminish the impact of such announcements on shareholder value should be focused on. This research adds to the literature, on the role that the pay to the TMT including CEO, play in affecting overall firm value. On these grounds, Henderson and Fredrickson (2001) found that firms with a huge CEO pay ratio negatively affects their businesses. The current research adds to this contribution by suggesting that huge CEO pay ratio also plays a role in diminishing the stock

returns during important announcements like strategic alliances and new product announcements. By examining a unique context under which the CEO pay ratio can decline the firm value, this research alludes to a more complicated relationship between the CEO pay ratio and value creation. Thus, it adds to recent literature (Siegel and Hambrick 2005) that explores how the CEO pay ratio can affect the firm performance. The results on the differential stock market response to various strategic alliance announcements and new product introductions highlight the importance of studying the timing of firms' announcements. This study adds to the scant literature on announcement timing, such as that on the value of firm's name change (Kashmiri and Mahajan 2015).

By focusing on certain controllable firm-specific factors that significantly impact the stock market response to strategic alliances and new product introductions, this research provides important guidance to firms contemplating these alliances or an appropriate time to introduce new products. The results suggest that a firm planning to announce a strategic alliance should considerably attend to the pay ratio present between its CEO and that of the remaining TMT, and if it turns out to be relatively huge, then restructuring this pay to escort it through the alliance and new product introduction process, would help to maximize the market returns associated with these announcements.

Limitations and Future Research

This research only included the U.S. firms which were public and listed on NYSE, NASDAQ and AMEX. Future research can explore whether these results hold for non-U.S. private, and other public firms not listed on the major U.S. stock exchanges. Furthermore, researchers could also investigate the value of other types of alliances like the R&D Alliances (Sampson 2007) or joint ventures (Anderson 1990). The study also did not include M&A-related announcements

(Cloodt et al. 2006). Furthermore, for such acquisitions or alliances, their impact on both the acquiring and the target firm needed to be analyzed, and the contextual variables of both firms needed to be explored, making it difficult for us to accommodate them in the current study's framework. This model can also be researched on further by including different CSR windows, different pre-event windows or even using different type of models (market adjusted, FAMA French etc.). Thus, I encourage future researchers to test this study more thoroughly by using different types of windows and event study models. Finally, prior researchers argue that shareholder investments play an important role in making an alliance or a new product successful (Woolridge and Snow 1990). On those grounds, I encourage future scholars to explore other strategic, cultural, and process-related factors that can possibly improve the value of strategic alliances and new product announcements by ensuring that key stakeholders such as employees, suppliers, and customers understand and support the renewed structure of pay or accept a new alliance or get prepared for a new product introduction.

III. ESSAY TWO: ONLY I CAN DO IT: CEOS' LEVEL OF CONFIDENCE AND MARKETING OUTCOMES

"Not everything you believe that you can achieve, can be achieved but that won't stop you from trying." - Auliq Ice

Introduction

Myopic marketing management is a raising concern in the corporate sector these days. Although sounds similar, myopic marketing management is slightly different from marketing myopia which was defined by Levitt (1960). "While marketing myopia emphasizes problems with defining the business too narrowly, myopic marketing management relates to an overemphasis on the current term financial performance and the use of marketing tools to inflate current profitability measures" (Mizik and Jacobson 2007, p. 361). Researchers have raised the concern of how managers end up thinking on a short-term basis as the pressure and expectations of meeting quarterly earnings is increasing (Aaker 1991; Pauwel 2004; Hauser et al., 1994; Lehman 2004; Mizik and Jacobson 2007). Thus, major marketing activities like advertising and research and development (R&D from here on) suffer from funding, since they are considered expenditures in the short term (Erickson and Jacobson 1992). What the managers fail to understand is that they are payoffs in the long term.

The marketing community is trying hard to eradicate this problem of marketing myopic management. Yet, it prevails without any effective solution to it. Verhoef and Leeflang (2009) had success in finding certain reasons behind the declining role of marketing. Some of the reasons they found include less attention given to marketing in the boardroom, role of other C-suite officers considered more important than Chief Marketing Officer (CMO) as well as the capabilities of marketing department in that firm. When looked at closely, all these reasons connect to one single source, the top management team (TMT from here on) and the leadership. Since the Chief Executive Officer (CEO) is known to lead this team and is also well known for CEO-TMT interface (Ling et al. 2008), he/she becomes the limelight of the whole debate. Needless to say, the CEO, being the highest ranked executive in the firm, is responsible for

managing corporate decisions, overall operations as well as acting as a bridge between the management team and the board of directors. Thus, studying the characteristics and traits of the CEO, which have been proved to be the antecedents of his behavior and strategic decisions (Hambrick and Mason 1984), becomes crucial to study.

One of the traits which is related to this myopic marketing management is the confidence of CEOs, which is explained later in the sections. To improve on the myopic decision making, the CEO has to exhibit confidence in his predictions that the short-term expenditures will have long term returns (David, Graham and Harvey 2007). If they are not confident on what will happen in long term, they tend to work their way out by doing short term investments (instead of long term investments). To avoid this scenario, it increases the need of hiring managers who are above their average confidence level. This article focuses on how managers with high level of confidence succeed in overcoming the problem of myopic marketing management by investing more in advertising, R&D as well as Corporate Social Responsibility (CSR). Along with that, the article also tries to find a solution on how to encourage under confident managers to overcome the problem of myopic management by changing the composition of the TMT.

Although confused with narcissism, confidence differs from narcissism in multiple ways. One of the notable features of narcissist is his/her need for attention and self-love (Schrand and Zechman 2012) whereas a highly confident personality does not show case these features necessarily. Narcissistic leadership occurs "when leaders' actions are principally motivated by their own egomaniacal needs and beliefs, superseding the needs and interests of the constituents and institutions they lead" (Rosenthal and Pittinsky, 2006, p. 629) whereas highly confident leadership is "associated with an optimistic bias in decision making" (Schrand and Zechman 2012, p. 317). Thus, although an overlap, all narcissistic leaders may show some trait of over

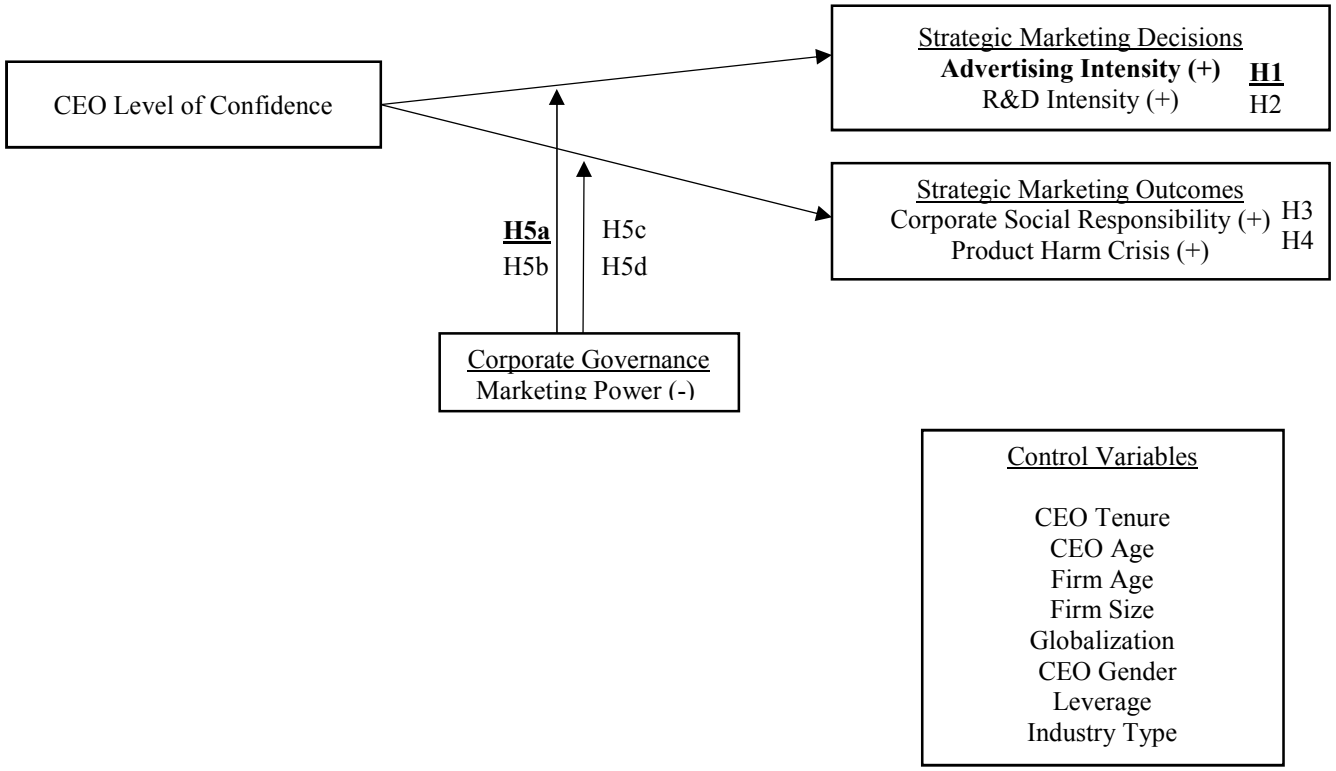
confidence, but not all leaders with high level of confidence are narcissistic. This, has also been proved empirically, in additional analysis.

Individuals with high level of confidence usually demonstrate certain signs of their behavior. They usually overestimate their capabilities and consider themselves superior to an average individual (Harrison and Shaffer 1994; Hilary and Menzly 2006; Weinstein 1980). They have a strong sense of self-sufficiency (Hayward and Hambrick 1997; Simon and Houghton 2003) and expect positive outcomes even in uncertain surroundings (Hribar and Yang 2013; Li and Tang 2010; Malmendier and Tate 2005).Although viewed negatively, these traits have been proved to be important to various aspects of the firm.

Past studies have found that CEOs' confidence is positively associated with technical innovation (Galasso et al. 2011), acquisitions of the firms (Brown and Sarma 2006) and value-maximizing corporate governance (Goel and Thakor 2008). Another study looking at Chinese CEOs found that highly confident CEOs tend to over-invest, and their investments are sensitive to cash flow from financing. All these studies have brought the positive side of confidence to light in terms of financial and firm performance of the firm. Surprisingly, research investigating the impact of a CEO's confidence on the CEO's marketing decisions is almost non-existent in spite of academics' growing interest in both individuals' confidence as well as the antecedents of marketing actions. Finding the reasons which lead to marketing myopic management is one of them. Thus, considering the traits a confident individual portrays, it becomes important to know, how a highly confident CEO will caste his shadow on the ongoing concern of marketing myopic management in the market. Will he/she look at it differently or will he/she be in the pool of managers who think of marketing as expenditure? The following sections tries to answer this question with the support of upper echelon theory. The methods to collect the data and analyzed

results followed by implications and limitations have also been discussed. The conceptual framework for this study is shown in Figure 2.

Figure 2: FRAMEWORK OF THE LINK BETWEEN CEOS' LEVEL OF CONFIDENCE, CORPORATE GOVERNANCE AND MARKETING DECISIONS AND OUTCOMES



*The hypotheses mentioned in bold and underlined represent significant relationship as proposed.

Theoretical Framework and Hypotheses

Upper echelon theory

As discussed, the CEO is the highest ranked executive and becomes an important criterion to research on, essentially for predicting the firms' outcomes. This is based on the upper echelon theory, introduced in 1984 by Hambrick and Mason. According to them, this theory is based on two critical elements "(1) executives act on the basis of their personalized

interpretations of the strategic situations they face, and (2) this personalized construal's are a function of the executives' experiences, values, and personalities" (Hambrick and Mason 1984). In other words, top executives view the situations of the firm through their "own highly personalized lenses" (Hambrick 2014). Following this theory, ample research was done on various demographics of the CEOs and their consequent impact on various types of firm behavior. These demographic variables include age, education, experience and gender and how these would affect the outcomes of the firm. Unfortunately, these demographic variables proved to be only a proxy for the real psychological attributes of the CEO behavior (Carpenter et al. 2004). Lawrence (1997) realized this gap and addressed it as the black box. Thus, studying psychological traits of the CEO is like studying the black box which provide more robust proof on why CEOs behave the way they behave (Hiller and Hambrick 2005). Areas of management and finance have studied the impact of various CEO personalities like narcissism (Chatterjee and Hambrick 2007); core self-evaluation (Simsek et al. 2010) and his charismatic personality (Waldman and Yammarino 1999). One of the well-known and important psychological trait we are studying here is the level of confidence of the CEO.

Psychological traits Associated with Level of Confidence: Over-optimism and Miscalibration

Prior research has repeatedly indicated the two attributes of highly confident individuals: Over-optimism and Miscalibration (Skala 2008; Libby and Rennekamp 2012; Hribar and Yang 2016).

Firstly, individuals who are impractically overoptimistic, specifically about uncertain outcomes are known to demonstrate the trait of over optimism. They have the propensity to overstate their ability— i.e., to see themselves as above average in their abilities and skills. Over-optimism in business settings also springs from the manner in which business plans are

developed. Most business plans start with a proposal. By their very nature, proposals accentuate the positive. However, starting with a proposal that is thought of positively, the highly confident individuals assume that the whole plan will also fall in place and the outcomes will always be positive (Fulton and Larson 2009). According to the psychology literature individuals are more confident about outcomes that they believe are under their control (Weinstein 1980). "Similar patterns of high confidence are formed in predictions about future outcomes. Predictions are most likely to be highly confident when the target outcome is rare, when the evidence available is only weakly diagnostic, and/or when predictions are made with high confidence" (Lichtenstein et al. 1982, Vallone et al. 1990). Overall, we see that a manager's level of confidence seems to initiate by overestimating the proposal of project itself, followed by his belief of his ability to achieve positive outcomes (overoptimistically).

Secondly, individuals who are known to underestimate uncertainty while predicting uncertain events display the trait of miscalibration. Miscalibration is a standard measure of confidence in both psychology and economics (David et al. 2007). "Miscalibration is therefore akin to an underestimation of the variance, leading to subjective probability distributions with respect to uncertain events that are set too narrowly (e.g. a confidence interval around the prediction of next year's expected S&P500 return that is narrower than historic norms)" (Hribar and Yang 2016). Thus, we see that a highly confident CEO will underestimate the uncertainty of the returns of investments put in the proposal.

All in all, it is expected that CEO who carry the trait of high confidence, based on prior research, demonstrate over optimism in their ability and outcomes and show miscalibration by underestimating the uncertainty uncertain outcomes tend to display. The next section

demonstrates how these two attributes of level of confidence can play a role and impact the marketing decisions.

Role of confidence in Advertising Intensity

Advertising is one of the most important segments of marketing in the firm. Advertising enhances the recognition of the brand and creates a reputation for that brand such that it is in a position to command a higher price than its competitors in spite of identical features (Erickson and Jacobson 1992), helps create strong brands (e.g., Mela et al. 1997) thus ultimately increasing the profitability of the firm. But building this brand via advertising, is time and money consuming (White and Miles 1996) and the returns are not always certain. Due to this, in spite of its importance, this segment of marketing has been neglected by practitioners. There are two main reasons (money and time) as to why advertising is not given the importance it should have.

First, past research has found that there is a great deal of wastage when investing in advertising (Vakratsas and Ambler 1999). Top management in USA believes that approximately 90% of advertising fails to meets its objectives (Rogers 1995). To add to it, if not implemented correctly, it can also result in serious "collateral damage" (Crosier, et al. 1999; El-Murad and West 2003). Thus, managers usually refrain from investing in advertising due to the risk and investment which has uncertain outcomes.

Secondly, although an investment, it is looked upon as an expenditure in the short term. Nowadays, where the managers are usually faced with quarterly earnings expectations, they tend to “artificially inflate current-term results by cutting “discretionary” spending, such as R&D and advertising” (Mizik and Jacobson 2007 p. 361). This shows that the managers lack the confidence on their own ability to convert a worthwhile project like advertising, into an investment and reap profits.

Provided the uncertainty of profits advertising can reap and the failure of returns advertising has shown in the past, managers would not want to invest in it. But what about a manger who portrays extremely high confidence characteristics? Over-optimism being one of the traits of high confidence, these managers are very optimistic about the positive outcomes of advertising. Due to holding the trait of miscalibration, they always underestimate the uncertainty advertising has been displaying in the past. Thus, based on upper echelon theory, which reflects the personalities of CEOs on the way firm works, I expect that:

H_1: CEO level of confidence is positively related to advertising intensity of the firm

Role of confidence in R&D intensity

Like advertising, R&D is an equally important element for the firm. Investing in R&D enables the firm to enhance its own knowledge and evaluates the potential outcomes that follow (Artz et al. 2010). As stated by Hall, Griliches and Hausman (1986, p.265) "The annual R&D expenditures of the firm are considered to be investments which add to firm's stock and knowledge". In spite of its importance to the firm and its stakeholders, firms repel from investing in R&D. Myopic investment behavior studied in the firms found that this behavior underinvests in long and intangible projects including R&D (Porter 1992). This lag in investing in R&D has raised concerns over myopia specially because of the positive, although long, returns on R&D. In such circumstances it becomes urgent to study the factors that can boost the possibility of investing in R&D, thus reducing the impact of myopia.

Since R&D is known to be an intangible asset which does not have immediate returns, it comes under one of the risky investments due to its nature of short term expenditures and long-term returns. Thus, one solution to increase this investment is not to underestimate the returns. One of the characteristics of highly confident managers is overestimating the returns on their

decisions. This overestimation on returns of long term investments tempts them to invest in projects like R&D since they are known to be profitable, although in long term.

R&D is also famous for its uncertain outcomes. This is a major reason; managers repel from investing in it. Thus, miscalibrating this uncertainty can help reduce managerial myopia and gain attention of the managers. Miscalibrating the uncertainty of various decisions is a trait which highly confident managers portray. This trait thus overcomes the problem of myopia, showing confidence in their decision of investing in R&D.

In a gist, the overestimation of returns and miscalibration of uncertainty, which are the characteristics of R&D, is the solution to investing in R&D. These two elements, being the traits of highly confident managers, it seems that if a CEO is highly confident, he/she will invest in R&D compared to a CEO who is not equally confident. Thus, I hypothesize,

H_2: CEO level of confidence is positively related to research and development intensity of the firm

Impact of Confidence on Corporate social responsibility or CSR

CSR is recognized as "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks" (Davis 1973; p.312). Recently stakeholders of companies including customers, employees, suppliers, community groups, governments, and shareholders demand the firms to invest more in CSR (McWilliams and Siegel 2001). Firms respond positively by devoting more resources in CSR (McWilliams and Siegel 2001). For example, Target contributed 5% of its income, i.e. $150 million in 2007, to programs which inspire education, increase access to the arts, and promote community safety (Target 2008; Du et al. 2010). Past research studying CSR considered it as an investment (McWilliams and Siegel 2001) since it creates "opportunities to expand and grow in the future" (Kogut 1991,

p. 21). Posnikoff (1997) found a positive relationship between CSR and firm performance. Research also found that 87% of American consumers switch from one brand to its competitor, if the other brand is associated with a good cause, an increase from 66% since 1993 (Cone research 2007; Du et al. 2010). The aspiration to invest in CSR is driven not because the firms become powerful and positive via social change, but for the returns which they may enjoy after investing, although long term (Du et al. 2010).

Unfortunately, CSR is considered to be an investment which is intangible. Like Husted (2005) correctly mentioned "CSR options are not so easily valued because their benefits are less tangible". The uncertain returns on CSR are portrayed by multiple studies where in the returns to CSR are found to be positive in some studies (e.g., Fombrun and Shanley 1990; Soloman and Hansen 1985) but negative in others (e.g., Aupperle et al.1985; McGuire et al.1988). Thus, studies tend to conclude that the relationship between CSR and firm performance is uncertain (Luehrman 1998; Margolis and Walsh 2003) and usually a long-term investment (Mahoney and Thorne 2005).

It has been repeatedly proved that some firms indulge in CSR investment whereas other firms stay away from it. This difference in strategies is due to the drivers of the firm that decide on these investments. The most important drivers, CEOs, "exert substantial influence over CSR as a strategic course for their firms" (Huang 2012).

Thus, to know more on which CEOs believe in CSR whereas which do not, it is important to know about how their characteristics impact them. Looking at the characteristics of the confident CEOs, they overestimate the returns of the CSR and always think on the positive side of it. Not only that, they also miscalibrate the uncertainty, one of the characteristics of CSR,

thus showing high confidence in this investment. Thus, they are expected to invest in CSR, more so, due its uncertain and risky nature. Thus, I propose that:

> H_3: CEO level of confidence is positively related to the corporate social responsibility performed by the firm

Impact of Confidence on product harm crisis

Defined as "discrete, well publicized occurrences wherein products are found to be defective or dangerous" (Dawar and Pillutla 2000, p. 215), product harm crises can be a huge challenge for companies. First, when it is faced, as much as 85% of consumers consider switching to another company's products or services. Moreover, product harm crises also threaten a company's reputation (Berman 1999; Davies et al. 2003; Mowen 1980). If threatened, it further impacts consumer loss, reduces investment interest, disappoints employees, decreases job satisfaction, negates the media coverage, thus ending up in negative comments from financial analysts (Davies et al. 2003; Laufer and Coombs 2006).

Considering all the above stake it puts the company at, the leadership always tries its best to reduce and if possible, completely avoid such crisis. Pincus (1986) pointed out how CEO plays an important role in the crisis. Siomkos (1989) showed that the role of management is pivotal to such crisis. Since CEO is the most crucial member in the management team, it is him who makes a difference for such crisis, thus making it important to understanding his viewpoint towards such threat.

When a CEO is high on level of confidence, he/she will show the traits of over estimation for each product the firms develop. He/she feels that the project will end up being successful and thus proceeds towards its completion. So much so that he/she gravitates toward this initiative due to its potential for profit ("big wins") and completely ignores or downplays the possibility of negative outcomes ("big losses") like a recall or product harm crisis (Wowak et al. 2015). He/she

usually ends up miscalibrating and not accounting for such possibility, looking forward to a rushed end of project (which he/she assumes to be successful).

Summarizing, when a firm has a highly confident CEO, he/she ends up overestimating the success of the project of the product development or modification and miscalibrate the possibility of its negative outcomes like recalls or product harm. Thus, based on upper echelon theory, I propose:

H_4: CEO level of confidence is positively related to the product harm crisis faced by the firm

Impact of Marketing power as Moderator on Advertising, R&D and CSR

The power of a functional department (e.g., a marketing department) is defined as its ability to influence other people and departments in the firm (Hickson et al. 1971; Pfeffer 1981). Not only does it influence other departments but also the firm behavior. Organization theory mentions how departmental power can influence the firm behavior via various mechanisms. One of the mechanisms through which the department power can influence firm performance is by influencing the TMT attention and strategic decision making. Such that, the power enables the TMT to focus on the role and requirement of that department more, thus helping to accomplish its goals and orientation (Child 1997; Delmas and Toffel 2008).

What would a powerful marketing department look like? Having high power in the firm would ensure having more marketing talent in the firm, having greater authority over other departments in the firm (Perrow 1970; Pfeffer 1981), thus ensuring more collaboration between marketing and other departments ensuring further success and support to the marketing's role and responsibility (Feng et al. 2015). As per the organizational theory, higher marketing power

ensures that the TMT pays attention and includes marketing related decisions in its strategies, thus making marketing more influential in the firm.

When the power of marketing is high in the firm, it ensures the role of marketing to be stable and well executed, convincing the TMT to strategize the decisions accordingly. Specifically, the role of marketing includes three main roles - ensuring high advertising intensity in the firm, continual R&D investing as well as being socially responsible.

The first role of marketing – advertising – focuses on the external brand value of the firm. Since the main function of marketing includes generating demand of its products and giving preference to customers, usually accomplished via advertising and promotions. If advertised correctly, the firm wins the preference of customer along with his loyalty and repeat purchase (Webster 2016). Thus, the first role of advertising is essential in marketing since it plays a bridge between the customer and the product (Lehman 1997; Christine and Roland 1999). The department typically includes the specialists for advertising in the department to ensure the proper delivery of this role (Webster 1991). Thus, to ensure that the demand of these specialists is fulfilled along with the correct investment for advertising, the power of marketing department needs to be high.

The second role of marketing – R&D – focuses on the internal development of marketing (versus advertising which was external) (Moorman and Roland 1999). Since R&D focuses on creating new product designs, a powerful marketing department focuses on improving a firm's R&D which helps the leadership to develop attractive new product designs which can best understand the customer preference (Srinivasan et al. 1997; Feng et al. 2015). By investing more in research, it increases the possibility of increasing customers by doing the market research on what best serves the customers. Thus, to ensure that the required research is done on the product

and its design, which requires investment in R&D, the power of marketing department needs to be high.

Organizational theory mentions how power can influence the decisions of TMT. The driver of the TMT, the CEO, knows the importance of the powerful department, thus leaving the decisions of that role to them. Thus, when a firm has a highly confident CEO, as discussed before, he/she will want to make investment decisions in areas of marketing like advertising, R&D and CSR. But knowing that there is a well-established marketing department in the firm, he/she will leave these decisions up to them, and concentrate on other important tasks. When a firm has an under confident CEO, he/she may not want to invest in such risky investments, knowing the uncertainty and questionable results of such investments. But when the departmental power of marketing is high, as per organizational theory, they tend to get the attention of CEO on such critical investment decisions and make it an agenda for the strategic decision making.

Thus, irrespective of the level of confidence of CEO, the higher the power of marketing department, the more its role will be discussed in the firm planning and strategies. Thus, marketing department power tends to weaken the relation between the CEO characteristic of confidence and marketing outcomes – advertising, R&D and CSR.

H_{5a}: Marketing power in the firm is likely to weaken the positive relationship CEO level of confidence and advertising intensity

H_{5b}: Marketing power in the firm is likely to weaken the positive relationship between CEO level of confidence and R&D intensity

H_{5c}: Marketing power in the firm is likely to weaken the positive relationship between CEO level of confidence and corporate social responsibility

Impact of Marketing as Moderator on Product Harm Crisis

When a firm encounters a product harm crisis, the first thing that gets impacted is its customers. Along with that, it also negative impacts the sales of recalled products, purchase intentions, and sales of other company products (Pruitt and Peterson 1986; Siomkos and Kurzbard 1994). Ahluwalia (2000) proved how consumers portrayed negative attitudes towards the brand after it has been hit by a crisis. Thus, a product harm completely damages the overall brand value of the company eventually reducing its sales.

When marketing department does not have much power in the firm, in spite of its continuous efforts to avoid such crisis, would not be successful. On the contrary, if the marketing department power is high, it would ensure that the required steps are taken to avoid such product harm crisis.

When the confidence level of the CEO is high, as discussed before, the chances of product harm crisis increases. But in the presence of a powerful marketing department, the department would be an equal contributor to the strategies involving marketing of the firm and its customers. Thus, while making these strategies it would ensure that such crises is avoided at any cost. Thus, irrespective of the confidence level of the CEO, the possibility of such crisis can be reduced by having a powerful marketing department. Thus:

H_{5d}: Marketing power in the firm is likely to weaken the positive relationship between CEO level of confidence and product harm crisis

Methodology

Sample

To reach the sample, I started with a list of S&P 500 firms. Because the S&P 500 is comprised of publicly traded firms, the use of this sample allows for the collection of additional variables (i.e., measures of organizational size and firm performance) through a secondary source (Short et al. 2010). The years 2011 – 2015 are selected since they are the most recent

years, on which data is available. These 500 firms were then filtered based on the following criteria: The CEO of the firm was (1) appointed before 2010, and (2) remains the CEO for across the range of observation years (2011-2015) i.e. at least till the start of 2016 (following Kashmiri and Mahajan 2015). These filters are applied so as to make sure that any strategic change in the firm has been applied by the same CEO and not because of the change in CEO. The total sample ended up to be 243 firms and 485 firm year observations across two years 2014 and 2015. This was to make sure that the data and findings can be generalized across years and does not stick to one year. The final list of firms belonged to a range of different industries, which includes nine different 1-digit SIC codes (1-9).

Data Sources and Measures

Data was collected annually from 2013 to 2015. Table 2.1 lists all the variables that were used in the analyses, along with their definitions and sources.

Table 2.1

VARIABLE DEFINITIONS AND SOURCES

	Variable	Definition and Sources
1	CEO's level of confidence	Following Malmendier and Tate (2005), the total value per option of the in-the-money-option was obtained by dividing the value of all unexercised exercisable options (Execucomp item: opt unex exer est val) by the number of options (Execucomp item: opt unex exer num). This value per options are then scaled by the price of that stock at the end of the fiscal year as reported in Compustat (item: prcc_f). Source: Compustat
2	Advertising Intensity	Firms' advertising expenditure as a % of their total assets i.e., (Advertising expenditure/Total assets) * 100. Source: Compustat.
3	R&D Intensity	Firms' R&D expenditure as a % of their total assets i.e., (R&D expenditure/Total assets) * 100. Source: Compustat.
4	Corporate Social Responsibility	KLD Research & Analytics Inc.'s ratings database provides scores for each firm year in the seven categories for both strengths and weaknesses. To measure CSR, the total strengths (a measure provided by KLD for each category) for all the seven categories was summed up. Source: KLD database
5	Product Harm Crisis	Following Kashmiri and Brower (2015), KLD Research & Analytics Inc.'s ratings was used to measure whether a firm faced any product-harm crisis in a particular year. 1 was recorded in the data for the sample firms, if the firm faced the product harm crisis in that year, else 0. Source: KLD.
6	Marketing Power	Following Feng, Morgan, and Rego (2015), the following five indicants are recorded for each firm-year: (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives, (2) a dummy variable indicating whether a marketing executive was mentioned among the top-5 most highly compensated TMT members in the firm's proxy statement, (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1, (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT, and (5) the number of responsibilities reflected in marketing TMT executives' job titles. These five indicants were then combined using principal component factor analysis. The five indicants were loaded onto a single factor. The saved Bartlett factor score was rescaled between 1 and 100 and used as an alternative measure of marketing department power in each firm-year. Source: DEF-14A proxies; 10-Ks; Firm website.
7	Firm Age	Natural log of the difference between the year of observation and the firm's founding year. Sources: Firm Proxy; Firm website; Hoovers.
8	Firm Size	Natural log of total employees where total employees is recorded in '000s. Source: Compustat.
9	Globalization	The proportion of firm revenues from outside the U.S. Source: Compustat.
10	CEO Gender	Dummy Variable – 1 if the CEO is a male, 0 otherwise Source: Execucomp
11	Leverage	The ratio of long-term debt to total assets. Source: Compustat
12	CEO Tenure	Total number of years a specific individual has held the CEO position with the company. Source: Proxy Statements.
13	CEO Age	The natural log of the CEO's age. Sources: Execucomp; WRDS GMI Ratings; Hoovers.
14	Industry Type	The first digit of the 4 digits SIC codes for the company. Source: Compustat.

Measure of CEO Level of Confidence

Multiple methods have been used to measure the level of confidence of a CEO, including the stock options, press measures for confidence as well as CEO pay. Till date the method which uses stock options has been the most used measure for determining the confidence level of the CEO. I used unexercised exercisable stock options (Malmendier and Tate 2005) to measure confidence level of CEO.

Considered as a reliable resource for compensation, Execucomp of WRDS was used to measure the level of confidence of the CEO. As per the definition, a CEO is high on confidence when he/she retains in-the-money options that are vested (Banerjee, Jenner and Nanda 2015; Malmendier and Tate 2005). On the other hand, the under confident CEOs exercise the stock options well before expiration due to the risk involved in keeping them (Carpenter 1998; Hall and Murphy 2002). Thus, holding vested in-the-money options represents a degree of high confidence (see e.g., Malmendier and Tate 2005). Following Banerjee, Jenner and Nanda (2015), the total value per option was obtained by dividing the value of all unexercised exercisable options (Execucomp item: opt unex exer est val) by the number of options (Execucomp item: opt unex exer num). This value per options were then scaled by the price of that stock at the end of the fiscal year as reported in Compustat (item: prcc_f).

Measure of Dependent Variables

a. Advertising Intensity: Firms' advertising intensity was calculated as a percentage of their total assets [(Advertising expenditure/Total assets) * 100] (Kashmiri and Mahajan 2015). Compustat was used as a source to measure these values for advertising intensity – Advertising Expenditure (XAD) and total assets (AT).

b. R&D Intensity: Firms' R&D intensity was calculated as a percentage of their total assets [(R&D expenditure/Total assets) * 100] (Kashmiri and Mahajan 2015). Compustat was used as a source to measure these values for R&D intensity – R&D Expenditure (XRD) and total assets (AT).

c. Corporate Social Responsibility and Product Harm Crisis

The KLD Social Ratings Database is the most widely searched database for measuring corporate social responsibility as well as looking for product related data. It covers approximately 80 sub-areas in seven major issue areas: community, corporate governance, diversity, employee relations, environment, human rights, and product quality and safety. Each of these have their own strengths and concerns mentioned. These areas along with their items which are considered to be strength versus those which are considered concern are shown in Table 2.2. These items are marked in binary values such that when a firm fulfills any item criteria in that year (like recycling), it scores 1 for that item else 0.

- C*orporate Social Responsibility:* This indicator was a count variable which included all the strengths under the seven categories mentioned in the KLD. Thus, summation of all the strengths of the categories yield the CSR of the firm in that year.
- *Product Harm Crisis:* This is a binary variable which was measured by the Product safety indicator under the Concerns of Product Quality and Safety. Thus, if the firm had faced any product related problems in that fiscal year, the indicator shows 1 else 0.

Table 2.2
LIST OF ITEMS IN KLD SOCIAL RATINGS DATABASE (from the KLD database)

Category	Strengths	Concerns
Community	Charitable Giving Innovative Giving Non-US Charitable Giving Support for Housing Support for Education Indigenous Peoples Relations Volunteer Programs	Investment Controversies Negative Economic Impact Indigenous Peoples Relations Tax Disputes
Corporate Governance	Limited Compensation Ownership Strength Transparency Strength Political Accountability Strength	High Compensation Ownership Concern Accounting Concern Transparency Concern Political Accountability Concern
Diversity	CEO Promotion Board of Directors Work/Life Benefits Women & Minority Contracting Employment of the Disabled Gay & Lesbian Policies	Controversies Non-Representation
Employee Relations	Union Relations No-Layoff Policy Cash Profit Sharing Employee Involvement Retirement Benefits Strength Health and Safety Strength	Union Relations Health and Safety Concern Workforce Reductions Retirement Benefits Concern
Environment	Beneficial Products and Services Pollution Prevention Recycling Clean Energy Communications Property, Plant, and Equipment Management Systems	Hazardous Waste Regulatory Problems Ozone Depleting Chemicals Substantial Emissions Agricultural Chemicals Climate Change
Human Rights	Positive Record in South Africa Indigenous Peoples Relations Strength Labor Rights Strength	South Africa Northern Ireland Burma Concern Mexico Labor Rights Concern Indigenous Peoples Relations Concern
Product	Quality R&D/Innovation Benefits to Economically Disadvantaged	Product Safety Marketing/Contracting Concern Antitrust

Measure of Moderator - Marketing Power in the firm

Following Feng et al. (2015), marketing power was a result of the following five indicants for each firm-year: "(1) the number of TMT members with marketing titles as a

proportion of the total number of TMT executives, (2) a dummy variable indicating whether a marketing executive was mentioned among the top-5 most highly compensated TMT members in the firm's proxy statement, (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1, (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT, and (5) the number of responsibilities reflected in marketing TMT executives' job titles. These five indicants were then combined using principal component factor analysis loading onto a single factor. The saved Bartlett factor score was rescaled between 1 and 100 and used as an alternative measure of marketing department power in each firm-year. Source: DEF-14A proxies; 10-Ks; Firm website." The value of marketing power was mean centered by subtracting the mean of the marketing power from each value of marketing power to get a better interpretation of the intercept.

Regression models

Model of firms' advertising and R&D intensity.

Advertising and R&D both being continuous variables and measured across two years, the study used a GLS fixed effects regression[1] to model firms' advertising and R&D intensity and employed the following equations:

(1) $\text{Advertising Intensity}_{it} = \delta_0 + \delta_1(\text{CEO's Level of Confidence})_{it} + \delta_{2\text{-}8}(\text{Control variables})_{it} + \delta_{9\text{-}17}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

(2) $\text{R\&D Intensity}_{it} = \delta_0 + \delta_1(\text{CEO's Level of Confidence})_{it} + \delta_{2\text{-}8}(\text{Control variables})_{it} + \delta_{9\text{-}17}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

[1] Hausman Test was used to check if Random and Fixed effects to be used. Results were significant, hence fixed effects regression was used.

where i and t represent the firm i and the year t, respectively; δ_0..., δ_{17} are the regression coefficients and α_i and ε_{it} were unobserved heterogeneity and idiosyncratic error terms.

Advertising intensity, R&D intensity, and CEO's Level of Confidence were measured as discussed in previous section; Control variables (besides industry and year dummies) include firm age, firm size, globalization, CEO gender, and leverage, CEO age and CEO tenure. Table 2.1 explains how each control variable was measured.

I controlled for firm age and firm size since both of them were found to be negatively correlated with the degree of confidence the CEO shows in making decisions (Forbes 2004). I controlled for CEO age as past studies have found that older managers seem to be less confident than young mangers in terms of decision making (Taylor 1975; Forbes 2004). CEO gender was controlled for because research has found males to be more confident than females (Bengtsson et al. 2005). I also controlled for CEO tenure since longer tenure has been associated with greater confidence (Schrand and Zechman 2011). Furthermore, globalization was controlled for, since more global firms, due to their need for customizing advertising based on country (globalization) or industry are expected to have higher advertising intensities (Kashmiri and Mahajan 2015). Leverage was controlled because past studies have shown that CEO characteristic of high confidence causes them to reduce leverage (Malmendier et al. 2005; Strebulaev and Yang 2013). Industry type was controlled for since; some industries advertise more than others or do more R&D than others. For example: manufacturing industries may have more R&D then food and beverage industries.

Models of firms' CSR and product harm crisis

This article used a negative binomial regression (nbreg) to model CSR since it was a count variable which was obtained from KLD data.

(3) $CSR_{it} = \delta_0 + \delta_1(\text{CEO's Level of Confidence})_{it} + \delta_{2\text{-}8}(\text{Control variables})_{it} + \delta_{9\text{-}17}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

Logistic regression[2] was used to model the product harm crisis as it was a binary outcome where it mentions a 1 if the product harm has occurred, else 0.

(4) $\text{Product harm crisis}_{it} = \delta_0 + \delta_1(\text{CEO's Level of Confidence})_{it} + \delta_{2\text{-}8}(\text{Control variables})_{it} + \delta_{9\text{-}17}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

The same set of control variables was used and the description of each is mentioned in the previous section.

Moderation of marketing power in the firm was tested by analyzing the interaction effect between the marketing power and CEO's Level of Confidence.

Analysis and Results

[2] Probit regression was also used to test the model with Product Harm crisis as the Dependent Variable, but the results remained the same in significance (-0.603, ns) as with logit regression.

Table 2.3

DESCRIPTIVE STATISTICS AND CORRELATION COEFFICIENTS

		1	2	3	4	5	6	7	8	9	10	11	12	13
1	Level of confidence	1												
2	Advertising intensity	0.12***	1											
3	R&D Intensity	0.07	-0.02	1										
4	CSR	-0.19***	-0.05	0.05	1									
5	Product Harm Crisis	-0.05	-0.01	7.0E-3	0.11**	1								
6	Marketing power	0.06	0.09*	-1.0E-3	0.21***	0.01	1							
7	Firm Size	0.22***	0.07	-0.05	-0.06	-0.01	5.0E-3	1						
8	Globalization	4.0E-3	0.07	0.27***	0.18***	0.01	-0.03	-5.0E-3	1					
9	Firm Age	-0.03	-0.05	-0.08	0.12**	0.06	-0.07	0.02	0.17***	1				
10	Leverage	0.03	-0.03	-0.14***	-0.11**	-0.02	7.0E-3	-0.09**	-0.21***	-0.07	1			
11	CEO Tenure	0.11**	-0.05	0.09*	-0.08*	0.01	-0.07	0.15***	0.01	-0.03	-0.01	1		
12	CEO Gender	0.02	-0.01	0.03	-0.06	-0.04	0.03	-0.01	-0.06	-0.05	3.0E-3	0.06	1	
13	CEO Age	0.02	-0.18***	-0.12**	0.03	0.05	-0.05	0.08	-0.07	0.09*	-3.0E-3	0.44***	-5.0E-3	1
	Mean	0.45	1.25	1.83	3.97	0.10	5.61	2.0E-3	0.36	1.40	0.26	11.39	0.97	57.69
	Standard Deviation	0.28	3.02	4.00	3.57	0.31	7.07	9.0E-3	0.49	0.59	0.19	6.51	0.14	6.18

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed significance levels. Table shows correlations between measures pooled across 485 firm year observations (i.e. 244 firms each observe for 2 years)

Mean, standard deviations and inter-correlations for the observed variables are noted in Table 2.3. None of the correlations were greater than 0.5, highest being at 0.27, thus suggesting no multicollinearity problems. To confirm this further, I ran some more diagnostics like variation inflation factors (VIF) and conditional indices (CI). VIF measures the degree to which multicollinearity is present between two variables. The model variance inflation factors were smaller than the benchmark of 10. Similarly, conditional indices examine multicollinearity between a combination of variables unlike VIF and correlation which measure multicollinearity between two variables. In the study sample, condition indices associated with the eigenvalues were less than the benchmark of 30. Thus, consistent with Kennedy (2003), the multicollinearity problems were not a concern for the data.

Table 2.4: REGRESSION TABLE FOR IMPACT OF CONTROL VARIABLES ON OUTCOMES

Model	2.4.1	2.4.2.	2.4.3.	2.4.4.
DV	Ad_Intensity	R&D Intensity	CSR	Product Harm Crisis
IV	β (z-value)	β (z-value)	β (z-value)	β (z-value)
Level of Confidence				
Firm Size	-3.311(-0.06)	-237.69 (-4.15)***	-5.64 - (-0.4)	1.249(0.22)
Firm Age	1.01 E-3(2.84)***	-4.03 E-4 (-1.03)	-1.77 E-4 (-1.81)*	-2.63 E-5 (-0.64)
Globalization	0.176 (0.31)	1.91 (2.99)***	0.41 (2.55)**	0.037(0.57)
Leverage	-1.669 (-1.72)*	-1.41 (-1.31)	-0.49 (-1.83)*	-0.09(-0.83)
CEO Tenure	0.025 (0.73)	0.062 (1.65)	-6.04 E-3 (-0.64)	2.95 E-4 (0.08)
CEO Gender	-0.47 (-0.5)	1.17 (1.12)	-0.26(-1.02)	-0.133(-1.31)
CEO Age	-0.099 (-3.15)***	-0.104 (-2.99)**	5.51 (0.63)	-3.47 E-3 (-0.98)
SIC Dummies	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes
Constant	6.17	4.44 (1.92)*	1.48 (2.58)**	0.539 (2.32)***
N	328	328	328	309
F value	4.88	10.21	3.16	2.82
P - value	<0.0001	<0.0001	<0.0001	<0.0001
R^2	20.08%	34.43%	14%	13.38%
Adj-R^2	15.96%	31.06%	9.58%	8.64%

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed significance levels. Table shows correlations between measures pooled across 485 firm year observations (i.e. 244 firms each observe for 2 years). Industry and year dummies have not been included for sake of simplicity

Table 2.4 presents the individual models run only with control variables, wherein 2.4.1 was run with Advertising Intensity as the outcome, 2.4.2 with R&D as the outcome, 2.4.3 with CSR as the outcome and finally, 2.4.4. with Product Harm crisis as the outcome.

Table 2.5: LEVEL OF CONFIDENCE AND MARKETING DECISIONS AND OUTCOMES

Model	1	2	3	4	5a	5B	5C	5D
DV	Ad_Intensity	R&D Intensity	CSR	Product Harm Crisis	Ad Intensity	R&D Intensity	CSR	Product Harm Crisis
IV	β (z-value)	β (z-value)	β (z-value)	β (z-value)	β (z-value)	β (z-value)	β (z-value)	β (z-value)
Level of confidence	1.83 (2.38)***	-0.74 (-0.83)	-.71 (-2.92)***	.35 (0.85)	2.05 (2.00)**	-1.21(-1.08)	-3.49(-2.76)***	11.62(0.48)
(Level of confidence)^2					-0.33(-0.99)	0.377 (1.00)	0.62 (1.48)	-.08 (-1.44)
Firm Size	-41.77 (-0.72)	-199.05 (-2.94)	-10.73 (-0.51)	3.60 (0.18)	-50.45 (-0.86)	-203.77 (-2.97)***	-2.73 (0.53)	4.17 (0.21)
Firm Age	-.18 (-0.31)	-4.7E-05 (-0.11)	.66 (3.24)***	3.38 (1.09)	4.11E-4 (0.258)	-3.98E-5 (-0.09)	0.67 (-1.58)	3.50 (1.11)
Globalization	-0.122(0.72)	1.441 (2.03)	.026 (0.29)	1.26 (0.51)	-26.21 (0.669)	1.44 (2.03)	0.02 (2.11)	1.23 (0.47)
Leverage	-2.26 (-2.33)***	-1.64 (-1.42)	-.410 (-1.31)	.11 (-1.00)	-2.54 (-2.28)**	-1.68 (-1.46)	-0.38 (-1.23)	.093 (-1.05)
CEO Tenure	.045 (1.28)	0.038 (0.91)	-4.0 E-3 (-0.04)	.98 (-0.25)	0.054 (0.133)	0.038 (0.91)	-2.26E-3 (0.03)	.97 (-0.33)
CEO Gender	-.738 (-0.84)	1.20 (1.19)	.05 (0.17)	.27 (-1.08)	-0.88 (0.314)	1.181 (1.16)	0.089 (-0.67)	.295 (-1.02)
CEO Age	-.113 (-3.56)***	-0.04 (-1.20)	2.0E-3 (0.28)	.97 (-0.48)	-0.11 (-3.68)***	-0.046 (-1.24)	2.94E-3 (0.43)	.973 (-0.42)
SIC Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	7.15 (3.42)***	3.88 (1.66)*	1.29 (1.87)*	4.47 (0.39)	7.21 (3.45)***	1.59 (0.66)	1.64 (2.67)***	3.811 (0.35)
F/Chi-square value	4.81	2.52	3.00 (Chi-sqaure)	12.86 (Chi square)	4.71	8.61	3.06	14.44(Chi square)
P - value	<0.001	<0.05	<0.001	NS	<0.001	<0.001	<0.001	NS
R^2	21.79%	34.96%	19.45% (Pseudo)	10.71%(Pseudo)	22.6%	34.81%	15.97%(Pseudo)	12.03%(Pseudo)
Adj-R^2	17.26%	30.92%			17.8%	30.77%		

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485**.** Industry and year dummies have not been included for sake of simplicity

Table 2.5 shows the results of main effects of CEO level of confidence on the outcomes. As expected, the higher the level of confidence the more the firm is likely to invest in advertising expenditures ($\beta = 1.83$, $p < 0.001$), thus supporting H1. Although the study expected the positive impact of level of confidence on R&D intensity, I could not find support for it ($\beta = -0.75$, ns). Thus, no support was found for H2. For H3, wherein level of confidence was expected to be positively related to CSR, I found significant findings, but in the opposite direction ($\beta = -0.71$, $p < 0.001$). One of the reasons behind this negative impact may be due to the fact that when CEO is highly confident, he/she feels that the firm has the reputation and the brand in the eyes of shareholders and need not do more investments like CSR to get it to positive note. Thus, H3 was not supported. I did not find support for H4 which mentions that high confidence can be a reason for product harm crisis faced by the firm ($\beta = 0.35$, ns).

Table 2.6: LEVEL OF CONFIDENCE, MEAN CENTERED MARKETING POWER AND MARKETING DECISIONS AND OUTCOMES

Model	1	2	3	4	5	5	5	5
DV	Ad_Intensity	R&D Intensity	CSR	Product Harm Crisis	Ad_Intensity	R&D Intensity	CSR	Product Harm Crisis
IV	β (t-value)	β (t-value)	β (z-value)	β (z-value)	β (t-value)	β (t-value)	β (z-value)	β (z-value)
Level of confidence	1.48(2.03)**	-1.01(-0.75)	-1.01(-3.3)***	-0.95(-1.03)	-2.62(-3.54)***	-6.21(-1.56)	1.25(3.44)***	12.3(2.88)***
(Level of confidence)^2					4.93(1.55)	6.24(1.32)	-2.76(-2.43)**	-17.59(-3.24)***
Mean centered Power	0.13(1.65)*	0.12(1.02)	0.02(0.65)	-0.1(-0.64)	0.15(1.77)	0.14(1.19)	0.01(0.29)	-0.15(-0.78)
Confidence *MeancMP	-0.1(-2.49)***	-0.21(-0.95)	0.07(1.54)	0.24(0.87)	-0.12(-2.55)***	-0.24(-1.09)	0.09(1.9)*	0.35(0.99)
Firm Size	-39.2(-0.48)	-199.71(-2.55)	4.75(0.27)	7.51(0.07)	-60.43(-0.7)	-226.59(-2.54)**	15.17(0.85)	78.35(0.57)
Firm Age	0(0.19)	0(-0.15)	0.22(-2.14)**	0.23(-1.63)*	0.45(0.15)	0.56(-0.17)	0.88(-2.14)**	0.65(-1.6)
Globalization	0.08(0.36)	0.52(1.39)	0.53(3.48)***	-0.21(-0.38)	0.08(0.36)	0.51(1.38)	0.52(3.2)***	-0.32(-0.61)
Leverage	-2.03(-1.67)*	-2.07(-1.7)	-0.23(-0.63)	-1.63(-0.79)	-2.03(-1.69)	-2.08(-1.65)	-0.25(-0.69)	-2.64(-1.06)
CEO Tenure	0.07(1.56)	0.05(0.85)	0.01(0.9)	0.01(0.15)	0.08(1.65)	0.06(0.99)	0.01(0.62)	-0.02(-0.41)
CEO Gender	-0.71(-1.43)	1.12(1.54)	-0.11(-0.46)	-1.41(-1.23)	-0.88(-1.67)	0.9(1.3)	-0.02(-0.08)	-0.96(-0.8)
CEO Age	-0.13(-2.11)**	-0.05(-1.1)	-0.01(-0.71)	-0.03(-0.81)	-0.13(-2.12)	-0.05(-1.09)	-0.01(-0.83)	-0.04(-0.95)
SIC Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	8.22(2.3)	2.62(0.95)	2.37 (3.19)***	2.4 (0.95)	8.73 (2.37)***	3.27 (1.19)**	2.15(2.97)***	1.3 (0.5)
N	275	275	275	190	275	275	275	190
F value	5.28	5.71	144.06	22.93	5.02	5.63	119.5	34.04
P – value	**<0.001**	**<0.001**	**<0.001**	<0.001	**<0.001**	**<0.001**	**<0.001**	<0.001
R^2	0.257	0.34		0.11	0.26	0.35		

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485**.** Industry and year dummies have not been included for sake of simplicity

Table 2.6 demonstrates the impact of high marketing power and its interaction with CEO confidence on various outcomes. As expected, marketing power had a positive significant impact on advertising intensity in the firm ($\beta = 0.13$, $p<0.1$). Similarly, the marketing power significantly weakened the relationship between CEO level of confidence and advertising ($\beta = -0.10$, $p<0.01$), thus, supporting, H5a. I could not find support for H5b, H5c and H5d ($p = ns$). This may be due to the fact that although marketing does have a say in the advertising investment, R&D expenditures decision making is based on multiple departments along with marketing. Similarly, CSR investments are done based on the interest of stakeholders, and thus, marketing would not have much of participation in that decision as well. Along with that, product harm crises being a reaction to the past action, cannot be controlled just by the marketing department. This may be one of the reasons of insignificant results.

Endogeneity

Studies with TMT demographics usually face endogeneity issues. In other words, is it possible that CEOs with high level of confidence choose to go to firms with high marketing strategic decisions and outcomes? Or is it possible that certain demographics of CEOs tend to show more confidence than others. To verify these questions, Chatterjee and Hambrick (2007, 2011) was followed wherein, CEO Level of Confidence was regressed against a set of the possible variables that could affect the choice of confident CEOs, lagging them by one year (i.e. t-1 wherein t is the observation year). Specifically, all the four outcomes were tested as the antecedent variables to confidence along with CEO Tenure, Gender and Age. Firm age, firm size, leverage and globalizations were also used as antecedents in the analysis. The marketing decisions and outcomes were chosen to check the possibility of CEOs with high confidence choosing firm with high marketing decision and outcomes, which portrays reverse causality. The

CEO and firm characteristics were considered as they highlight certain demographics based on which CEOs possibly make their choices. The industry was controlled for, while running this regression analysis. As expected, none of the variables had a significant impact on CEO level of confidence (p = ns), thus further providing evidence that CEO Confidence is not an endogenous proxy of other factors.

Additional Analysis

Past research has debated over there being an overlap between the measure of level of confidence and the personality of narcissism. To validate the measure of level of confidence and to verify its correlation with the nature of narcissism, I requested the sample of CEOs who were measured as highly narcissistic in past research (Kashmir and Nicol 2017). Comparing the two samples, I found an overlap of 42 CEOs with the same name working for the same company. The correlation between the two samples was -0.2105 (p = ns), thus proving the point that the two measures are different and there is no overlap between two personalities.

To test whether the effect of level of confidence remains the same and the proposed model of this study holds at higher ranges as well, I ran the regression analysis with quadratic[3] term of level of confidence. In table 2.5, none of the relation of confidence square term was significant with any dependent variable, thus establishing that confidence has a linear relation with all the outcomes. In Table 2.6 (Model 5), the quadratic term of confidence was not significant for Advertising and R&D thus proving linear relation between them and confidence. But, there appeared to be a quadratic relation between CSR and confidence, such that increase in confidence decreases CSR up to a certain threshold, and then there is a exponential relation between the two, thus proving curvilinearity. Similarly, for product harm crisis, originally non-

[3] For the quadratic term of level of confidence, I squared the predicted value of confidence

significant, adding the square term, increases the possibility of product harm crisis with more confident CEO till a threshold, and then dramatically decreases it, thus showing curvilinear relationship.

Discussion and Implications

The article tries to address the following question - Do CEOs' personality traits like Level of Confidence shape their firms' intangible investment decisions – advertising, R&D and social strengths and weaknesses and hence reduces marketing myopic management? The results on a sample of U.S. publicly listed firms reveal that firms with confident CEOs, on average, outperform those with under confident CEOs on a key forward looking metric - hubris, however the great investments of such firms tend to come with an important cost — product harm crisis. These differences in strategic and marketing decisions seem to be driven by highly confident CEOs' higher risk-taking personality which is biased towards gains and accomplishments compared to under confident CEOs' vigilant focus for duty and responsibility as well as short term profits. The differential market performance of firms, specifically in advertising with confident CEOs is moderated by the marketing power in the firm. In the situation of higher marketing power in the firm, the relationship between the CEO confidence and his investment decisions in advertising seem to be weakened. All in all, this article tries to resolve the problem of myopic marketing management among under confident CEOs with high marketing power.

Theoretical Implications

One of the urgent crisis that academicians have reported their concern on, is the increase in myopic marketing management. In such a situation, it becomes important to study the factors that can reduce this crisis, if not eliminate it. This study provides one of the factors that can help in reducing this crisis.

This research effectively contributes to the ongoing debate on how top management leaders see their firms with personalized lenses, thus, injecting their personal beliefs and morals into corporate decisions. Although Hambrick and Mason (1984) highlighted the role of managerial values, the studies that followed this research, majorly examined the demographic characteristics of the CEOs, like, tenure, age, education and functional background. This study tries to demonstrate that, along with the above demographic values of the CEO, it is the personality traits of the CEO as well, that play a huge role in the various strategies and decision-making process of the firms. Furthermore, the very few articles that have investigated the effect of CEOs' values considered only such outcome variables as level of diversification, capital structure, and degree of tax avoidance, with rare research to my knowledge investigating the impact of CEOs' values on firms' marketing decisions and product harm crisis. Thus, the article extends the scant literature on executives' values to a set of firm outcomes that has remained unexplored by upper echelons theory researchers — firms' investment decisions in intangible marketing assets and product harm crisis.

This research also extends the limited literature on the moderators of the relationship between the level of confidence of CEOs and the investment outcomes. The marketing profession has always been challenged to understand and highlight the value created by its actions on corporate strategy. As a result, a number of scholars have investigated the effect of marketing power on the firm value. (e.g., Nath and Mahajan 2008). Having a firm with higher marketing power in the marketplace does translate into higher levels of performance since the power is associated with relevant decision making.

Practical Implications

The study on Level of Confidence has important implications for various individuals from board of directors to the stockholders of the company.

The firm overall is struggling with the situation of myopic marketing management. In this situation, current study tries to find a solution by either hiring a manager with high level of confidence, or by increasing the power of marketing in the firm. Thus, the board of directors have an important role to play here, when forming their TMT. If they already have a CEO, they can focus on increasing the marketing power in the firm. If they are about to hire a CEO, checking his/her background to get a clue of their level of confidence, can help the firm get rid of myopic management situation.

The managers of the firm who are responsible for their projects, can determine where to focus on, given the confidence level of CEO. If they are aware that the CEO is confident enough to invest in uncertain projects, they can plan and propose such projects, like advertising, R&D and CSR, thus increasing the long term returns to the firm. On the other hand, if they know from the unexercised exercisable stock options, that the CEO is not confident enough, they can accordingly change their plans about reduction in advertising and propose the projects accordingly.

The stakeholders of the firm can keep a track of the options a CEO exercises or not, thus knowing his confidence level, and thus can plan to invest in the company's stock for long term or for short term. In case of an under confident CEO, it would be best for them to focus on investing in short term stocks. In other case, they can be certain on returns of stocks in longer duration, due to the ongoing projects like advertising which have long term returns.

Limitations

Although this research makes important theoretical and practical contributions, it has a few limitations necessitating future research. First, the research uses only public firms, since the data

for private firms is not readily available. It would be interesting to explore whether the impact of a highly confident CEO remains the same in the private firms as well. Thus, if the results hold true, one can generalize this research. If not, an interesting contribution can be done in terms of how public and private firms may differ when it comes to behavior of highly confident CEOs.

Second, since the methodology is based on secondary data, the measure of Level of Confidence in CEO is also secondary and indirect (via unexercised exercisable options). The author would further encourage the researchers to measure the CEO Level of Confidence directly (via surveys) and further complement these findings, thus making them more robust.

Third, for the sake of standardization, the article restricted the analysis of the data only to those firms whose CEOs did not change during the period of observation (2011 - 2015). Removing this limitation opens up an arena of opportunities. One can test the impact of tenure of the CEO on his confidence and other outcomes. Also, one can test the impact of newly appointed CEO on his level of confidence. Also, what happens when the CEO changes during the years of observation, would the level of confidence increase due to the new selection of CEO or decrease and how would that, in turn, impact the marketing outcomes? This future research could further provide interesting insights.

Fourth, this article focused on only one CEO value — confidence — and explored the impact of this value on marketing outcomes explicitly. The article encourages scholars to explore the impact of other executive values, experiential backgrounds, and biological traits as a combination on various additional strategic marketing outcomes. Also, since there is a possibility of part of the CEOS, being paid more of long term compensation compared to others, thus increasing their possibility of taking more risks than others. Thus, this criterion has not been taken into account which can be controlled for. Future research can look into this condition as a

possible moderator to the impact of leadership traits on marketing outcomes. Fifth, the sample selected can be challenged to have a sample selection bias issue due to the filter process of reducing the S&P 500 firms to only those firms who had the same CEO from 2010 onwards. To address this issue, while doing future research I will include all firms that changed their CEOs between 2003-2005. Post this, I will run a regression model with DV = 1 if the CEO remained the same between 2006-2010. Include mills ratio of this regression will then be added as a control for the main regression analyses, thus addressing the sample selection bias. One of the possible limitations of this research is a possibility of the culture of the firm being confident, and thus, the CEO gets driven to become more or less confident based on what the firm wants. Future researchers can ensure an endogeneity check by collecting a new sample of CEOs who have remained the CEO for a long term, along with an old CEO who is no more holding that position and a new CEO who has just joined that position. The confidence measure can then be collected for all three types of CEOs and correlated. If there is low correlation between the three types, it shows that the confidence measure is purely based on the CEO and the firm does not influence one.

Lastly, future research may also fruitfully explore how the confidence of entire TMTs and boards of directors influence strategic investment decisions. Does a firm's tendency to make proactive investment moves increase when its entire TMT is overconfident versus underconfident? In what ways does the marketing behavior of firms with highly confident CEOs, but mostly under confident boards of directors, differ from firms with under confident CEOs, but mostly overconfident boards of directors? Answers to these questions would further increase our understanding of the intriguing link between executives' values, marketing outcomes, and firm performance.

IV. ESSAY 3: DARK SIDE OF CEO INTEGRITY

"Every truth has two sides; it is as well to look at both, before we commit ourselves to either."- Aesop

Introduction

An IBM survey taken in 2010, of over 1,500 Chief Executive Officers (CEO from here on) in 60 countries and 33 industries indicates that CEOs see integrity as the most essential leadership quality, second only to creativity (Carr and Tomasco 2010). Interestingly, North American CEOs have prioritized integrity over creativity. 65% of them chose integrity first compared to 29-48% of CEOs in other countries (Dikolli et al. 2012). Not only the leadership, but also researchers and theorists who study leadership and trust, have admitted that integrity is the most important aspect of work behavior (Becker 1998). Researchers in past have identified integrity as a "predictor of job performance and counterproductive behaviors" (e.g. Ones, Viswesvaran, and Schmidt 1993). Additionally, integrity has also been found to be a central trait of effective business leaders (Bass, 1990; Kirkpatrick and Locke 1991; Yukl and Van Fleet 1992). Finally, integrity has also been recognized as a central determinant of trust in organizations (Butler and Cantrell, 1984; Hosmer 1995; Mayer, Davis, and Schoorman 1995). After reviewing the above literature where integrity has been perceived to be critically vital among leaders as well as researchers and theorists, it becomes important to dig deeper into integrity.

What is integrity?

Becker (1998) was the first to define integrity following a chain of debates on its denotation. He/she defined integrity as "commitment in action to a morally justified set of principles and values" (p.157). Past authors have debatably used the words, honesty and integrity interchangeably. Although they sound similar, they are not the same. Becker (1998) precisely specified the difference between them. "Honesty is the refusal to pretend that facts of reality are other than what they are. Hence, one difference between honesty and integrity is that honesty is

the recognition of the fact that you cannot fake existence (i.e., facts regarding the external world) whereas integrity is the recognition of the fact that you cannot fake your consciousness (i.e., facts regarding one's true principles and values)" (p. 1019). After clarifying honest and integrity difference, there may be a concern of whether integrity is the same as ethics or values? There is a thin line between these similar but not the same terms. Explained by Kolthoff (2007), ethics is the "collection of moral values, standards, principles, and norms, which provides a framework for acting" whereas integrity is "agreement with the relevant moral values, standards, norms and rules." (p. 42), thus supporting the view of acting as speaking mentioned by Becker.

When it comes to measuring the conversion of words to actions, the word integrity gets a new definition and is called behavioral integrity. In 2002, Simons defined behavioral integrity as ''the perceived pattern of alignment between an actor's words and deeds'' (p.19). Davis and Rothstein (2006) mentioned that "behavioral integrity includes the perception that the manager's behavior is in line with his or her personal statements regarding values, priorities, and management style" (p.408). They also raised the concern of how behavioral integrity can be arguably considered synonymous to trust and credibility, but is not, since behavioral integrity is a component of trust and it serves as an antecedent to the development of credibility.

Overall, integrity has always been perceived as important and critical for the organization. Unfortunately, nothing interesting and important is ever completely one-sided. Thus the obvious question here: Is having a leader with high integrity always good for the organization? Yes, and No. There are multiple reasons to why CEO with high integrity are important to the firm. CEOs who received lower integrity ratings from subordinates were perceived unfavorably by employees, were more likely to receive higher fee from their auditor for their material weakness and eventually ended up having inferior future firm performance

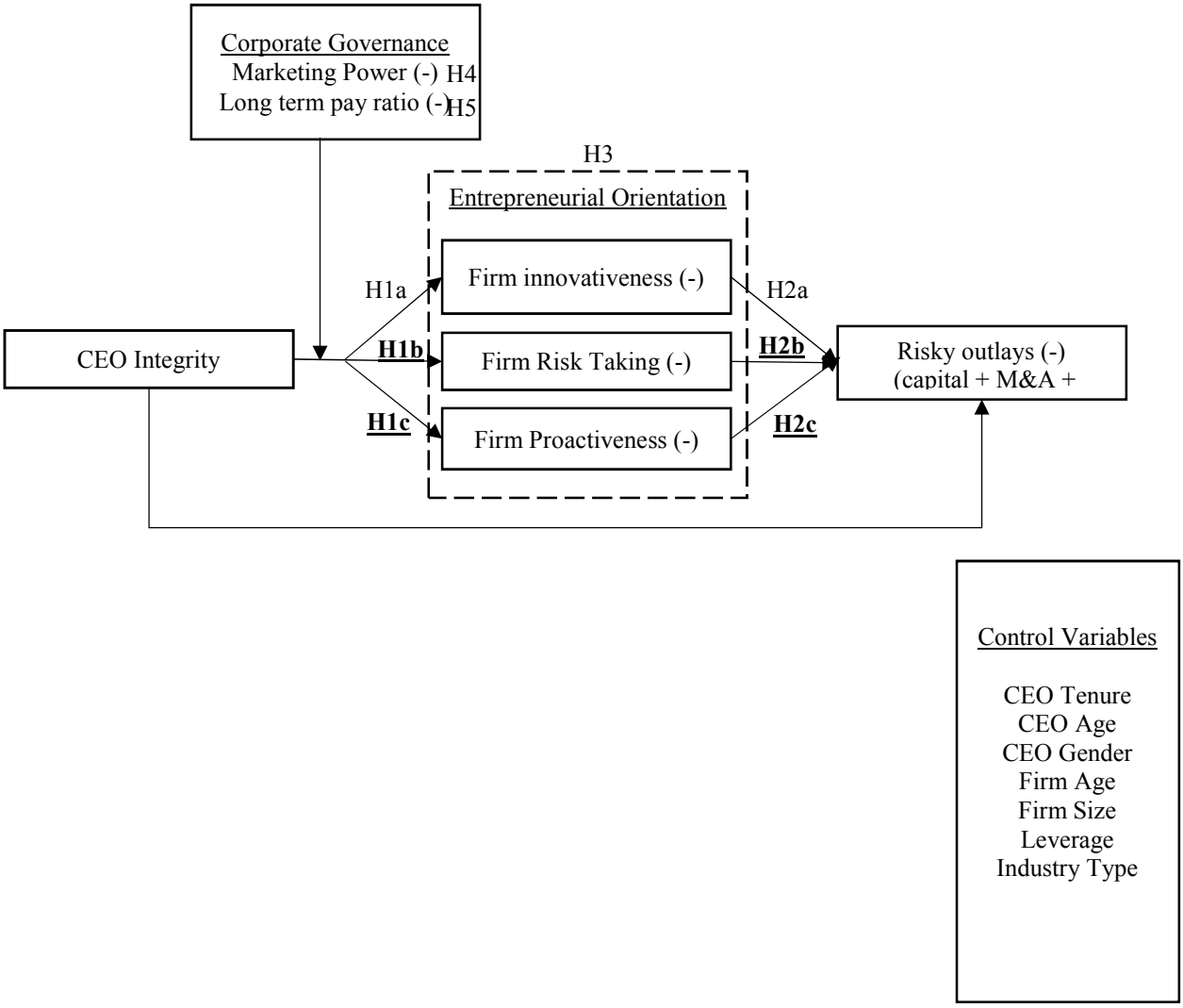
(Dikolli et al. 2016). But there are certain drawbacks to this leadership quality as well. Till date, no research to my knowledge has looked into this matter of how can integrity do harm to various intermediary outcomes of the firm due to its psychological factors. This study focuses on the hind side of integrity and its impact on strategic outcomes of the firm.

One of them is its impact on Entrepreneurial Orientation (EO form here on) of the firm which has been explained in detail later in the article along with its definition. EO is known to be an important criterion for good performance of the firms (Covin and Slevin 1991; Smart and Conant 1994; Wiklund 2006; Lechner et al. 2014). Previous research has found that when a firm is entrepreneurially oriented, it strives to find fresh opportunities, thus strengthening its competitive position (Keh et al. 2007; Covin and Miles 1999). Due to this, researchers conclude that EO is the reason for more acquisitions and other important intermediary antecedents to good firm performance, making it vital for a firm to incorporate in its strategy.

This article tries to address the question of how and why CEOs with high integrity strategize this aspect (EO) of the company differently compared to others? This question has been addressed by collecting shareholder letters of S&P 500 firms to measure integrity of the firm. Content analysis was done on the shareholder letters of these firms to measure the orientation of the firm.

The rest of the paper is organized as follows: First, a theoretical framework is developed which explains the reason behind how CEO integrity can play a big role in shaping the strategic outcomes of the firm. Next, the methodology and measures used in this research have been operationalized and explained. Finally, the analysis and results, limitations and the theoretical and practical implications are discussed. Conceptual framework for this study is shown in Figure 3.

Figure 3: FRAMEWORK OF THE LINK BETWEEN CEOS' INTEGRITY, ENTREPRENEURIAL ORIENTATION DIMENSIONS AND RISKY OUTLAYS WITH MODERATING IMPACT OF CORPORATE GOVERNANCE



*The underlined hypotheses in bold represent significant relationship as proposed.

Theoretical Framework and Hypotheses

Upper echelon theory

The behavior of a CEO is expected to have impact on the various outcomes of the firm via direct and indirect channels. Upper echelon theory provides a concrete explanation to the above statement. "The core of upper echelons theory, has two interconnected parts: (1) executives act on the basis of their personalized interpretations of the strategic situations they face, and (2) these personalized construals are a function of the executives' experiences, values, and personalities" (Hambrick and Mason 1984). In other words, the values, experiences and the personality of the CEO impacts the way he/she thinks and perceives a given situation and thus defines his actions based on that, which eventually affects the way the firm works.

Thus, to understand why organizations do the things they do, one needs to consider the biases and dispositions of their most powerful actors—their top executives, the CEO (Hambrick 2007). Since the CEO is in charge of selecting his team and subordinates, his values impact his choice of subordinates. As a result, for strategic decisions which do not involve the CEO but his team, indirectly are influenced by the way he/she thinks (Kashmiri and Mahajan 2015). This includes allocation of resources and power; the establishment of policies, systems, and procedures; and the strategic use of recruitment, termination of employment, and reward (Bower 1970). Thus, a CEO who has portrayed high integrity in the company, makes a lasting impression of importance of integrity in the firm, which further encourages other executives, managers and employees to behave in the same manner. This in turn, makes the working and behavior of the organizations a reflection of these individuals. One of the important behavior of a firm is its EO. This article tries to relate the value and personality characteristic of a CEO – his integrity, to EO behavior of the firm. Next section introduces the term EO and its dimensions.

Entrepreneurial Orientation

Lumpkin and Dess (1996) defined EO as "the decision-making styles, processes, and methods that inform a firm's entrepreneurial activities." Based on extensive research, they characterized an EO as being the product of five dimensions—risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy. Of the five dimensions provided by Lumpkin and Dess, this research particularly focuses on three dimensions– risk taking, innovativeness and pro-activeness – for two main reasons. Firstly, the original dimensions of EO which was operationalized by Miller (1983) contained three dimensions: innovativeness, proactiveness, and risk taking. Additionally, contradicting the proposal by Lumpkin and Dess, researchers have agreed that EO is a combination of only these three dimensions: innovativeness, proactiveness, and risk-taking (e.g., Rauch et al 2009; Kreiser et al. 2013). These researchers believe that the shared variance strongly exists between these three dimensions. (Covin and Wales 2012). Thus, following recent and majority of research on EO, this study focuses on the three dimensions of EO, treating them as an individual construct each. But how is EO impacted by the CEO? The following segment relates these two components.

Upper Echelon Theory and EO

Miller and Friesen (1982) opinioned that executives and their characteristics highly impact the EO in a firm. Theoretically as well, the top managers of EO firms have been found to adopt and demonstrate entrepreneurial management styles (Covin and Slevin 1991). More so, based on their personalities, CEOs often promote the EO of the firm within the organizations they lead (Rauch et al. 2009). Thus, in a gist, on the premise of upper echelon theory, a firm's EO has been accredited to its CEO's persona (Hiller and Hambrick 2005; Chatterjee and Hambrick 2007; Simsek 2007). Past research has looked at various personalities of CEOs like

narcissism (Wales, Patel and Lumpkin 2013), overconfidence (Bernardo and Welch 2001), the big five factors of personality (Nadkarni and Herrmann 2010) and core evaluation (Simsek, Heavey and Veiga 2010) and their positive impact on EO. Integrity being voted as one of the most essential leadership quality and the most sought after, how would CEOs high(low) in integrity impact this behavior of EO in the firm? The next section demonstrates the past literature, showing the various psychological traits of an individual with high versus low integrity and how that can impact EO.

Psychological Traits Associated with Integrity: Low Risk Tolerance and Low creativity

The scale of integrity is considered to be continuous. Although it is well known that an individual with high integrity is bound to behave ethically and with honesty, one question arises here: What are the other behavioral traits, that differs an individual with high integrity from an individual with low integrity?

Past research has come up with an interesting, significant and impactful finding: behavioral integrity is significantly and negatively related to creativity (Beaussart et al. 2013). Past studies have looked at how honesty, one of the factors of integrity is influenced by creativity. Gino and Ariely (2012) found that creative individuals are more likely to manipulate their test results by lying about how well they performed in their experiment trial than less creative individuals. Walczyk et al. (2008) experimented with students to come up with scenarios in which deception leads to successful outcomes. They found that lying is highly correlated with the ability to generate ideas, which is related to creativity. Additionally, De Dreu et al. (2008) studied creativity and found that it was associated with integrity factors like deception. All in all, this explains, how an individual with low(high) integrity is highly(low) creative.

Not only are individuals high in integrity, low in creativity, they have also been proved to be low in risk taking. Integrity stands for speaking the truth, doing the correct and behaving ethically all the time. Thus, an individual with high integrity will play by the rules, will avoid as many changes as possible to avoid possible controversies rising due to these changes. Thus, his personality with time has been adopted to avoid any type of risks he/she has to face. He/she will certainly stand against doing the wrong, but when it comes to taking strategically risky decisions, he/she may want to find alternative ways to get similar outcomes rather than going through a risky route. Also, as we saw that an individual with high integrity is low in creativity. A creative person is associated with risk taking personality. Past research has shown that a creative person also needs to have a risk taking personality at the same time (Sternberg et al. 1997). Thus, individual with high integrity is low in creativity, which in turn is low in risk taking. Thus, the two psychological traits of an individual with high integrity have been justified in past research: low in risk taking and low in creativity. The next section explains how the integrity of CEO can potentially impact each of the three individual dimensions of the EO.

Impact of Integrity on Innovativeness Orientation

"Innovativeness refers to a willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes" (Lumpkin and Dess 2001 p.431). The dimension of innovation is vital to facilitate growth, offer new products with high profit potential, and enhance overall market value (Cho and Pucik 2005; Kuratko 2009; Wiklund et al. 2009).Innovativeness has also been associated positively with firm performance (Roberts 1999; Terziovski 2010). It has been proved over and over again that innovativeness is extremely important and profitable to the firm. Thus, studying the factors that can impact innovation orientation of the firm becomes important.

One of the factors required to stimulate the innovativeness in the firm is creativity in the firm. Creativity of and by the leadership and employees. Prior research has also found a positive relationship between creativity and firm-level innovation (Baron and Tang 2011). Some have also suggested that creativity, a firm's intangible capability, is the first step in innovation (Day 1994). Innovation in the firm is significantly influenced by the employees who possess creativity-relevant skills. Along with having these employees in the firm, provide appropriate training and education can also help to develop, sustain, and enhance these skills (Bharadwaj and Menon 2000). Following upper echelon theory, to develop and sustain these skills in the employees, the leadership itself has to believe in creativity and encourage it (Hambrick and Mason 1984).

Not only creativity, the leadership should also be ready for taking risks to boost innovation. As Amabile (1997) maintains that "the most important elements of the innovation orientation are: a value placed on creativity and innovation in general, an orientation toward risk" (p.52). Atuahene-Gima and Ko (2001) also focus on innovative and risky behavior of human resource practices which enable employees to keep up with changing technologies. As seen in the past literature, innovation orientation has constantly been linked to two characteristics – creativity and risk taking behavior. As these two characteristics are more observed in CEOs with low integrity compare to those with high integrity, I expect the firms led by these CEOs (low integrity) to be more oriented towards innovation. Thus:

H_{1a}: Integrity of CEO is negatively related to the innovativeness of the firm

Impact of Integrity on Risk Taking Orientation

Risk taking is defined as "the tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain

outcomes, and/or borrowing heavily" (Lumpkin and Dess 2001, p.431). Gaining importance, risk-taking impacts strategic decisions and is also known to improve business performance (Eisenhardt 1989). If the firms don't welcome risk taking as much, they delay or refrain from introducing innovations, tend to avoid exploitative activities and react conservatively to changing market conditions. This leads to poor performance of the firm as it is not in a position to grab both, customer and market opportunities (Covin and Slevin 1991). Overall, if the firm is not encouraged to be risk oriented, it may lose on great opportunities which lead to better firm performance. Hence it becomes important to study the antecedents that can encourage (discourage) the risk taking in the firm.

Risk taking as well as experimenting are behaviors that are known to be associated with creativity (Martin and Terblanche 2003). Researchers have also associated risk taking to innovation via creativity (Martin and Terblanche 2003). This shows that creative skills are required to have the ability of taking risks. Creativity involves risk, for doing something innovative or unusual. Past work ties risk taking to creativity (Woodman et al. 1993; Tesluk Farr and Klei 1997). If an individual is not creative, he/she lacks the skill of willingness to try something new which can even result in failure, i.e. he/she is not motivated to take risks (Cropley 2000). Thus, in order for a firm to score high in the risk taking dimension of EO, it has to encourage creativity in the firm.

Not only creativity, but risk orientation of the firm also requires risk taking behavior by the firm. The name itself justifies, why risk taking is necessary for the risk taking dimension of EO. Risk taking has been known to moderate the strength of EO dimensions (Lumpkin and Dess 1996; Lyon et al. 2000). Scholars of EO and agency theory focus on how willingness of a firm to take risks can impact the EO and eventually performance (e.g., Wiklund and Shepherd 2003;

Wiseman and Catanach 1997). Thus the firm needs to demonstrate the risk taking behavior in order to succeed in the risk taking dimension of EO.

"Risk seeking decision makers prefer relatively high risk" (March and Shapira 1987). The decision makers in the firm is the management. Thus, management plays a critical role when it comes to strategizing the risk taking orientation of the firm. Based on past research and upper echelon theory, it is the management and its leader, the CEO, who have to believe in risk taking to create an organization with risk taking orientation. As discussed above, individuals with high integrity are low on creativity and at the same time risk averse. Based on upper echelon theory and the above literature, I expect the firms led by CEOs with low integrity to be more risk oriented. Thus, this study hypothesizes that:

H_{1b}: Integrity of CEO is negatively related to the risk-taking orientation of the firm

Impact of Integrity on Proactiveness Orientation

As defined by Lumpkin and Dess (2001), "Proactiveness is an opportunity-seeking, forward-looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment" (p. 431). Proactiveness is based on how firms grab market opportunities by taking initiative in the market (Lumpkin and Dess 2001). The more proactive the firm is, the better, since it is rewarded by marketplace positions of competitive advantage such as unusual returns, best distribution channels, and amazing brand recognition (Lee et al. 2001; Lumpkin and Dess 2001; Wiklund and Shepherd 2003; Hunt and Arnett 2006; Li et al. 2009). All these intermediary outcomes lead to the most desired reward - better firm performance. As a proactive firm is heavily rewarded, it becomes important to study what encourages (discourages) the proactiveness of the firm.

Creativity is found to be closely related to proactive behavior of the firm (Kim, Hon and Crant 2009). Seibert et al. (2001) investigated the linkage between proactive personality and creative behaviors. Bateman and Crant (1999) named creativity as one of the required skills to enhance proactive behavior. As the definition goes, proactive behavior needs to take initiative and change things for the better. Thus, creating change, taking initiative for improvement, doing things differently and achieving results are all categorized to be a part of proactiveness. These lists of behaviors need creative mindsets, as a creative individual can be innovative enough to think about change and do things differently. Thus, creativity in the firm can enhance the quality of proactiveness in the firm.

Along with creativity, opportunity has been closely related to proactiveness. One cannot seek opportunities without getting ready to take risks (Krueger and Dickson 1994). As entering new ventures, trying something new, grabbing an opportunity no one has done before, all of this involves a lot of risks (Shrader et al. 2000). Thus, to behave proactively, one should also be ready to embrace risks. Researchers have shown how risk taking appears to be substantial for organizational contexts like proactiveness (Naldi et al. 2007). Thus, for a firm to qualify in proactiveness, it has to embrace risk taking.

As per the psychological traits of an individual with high integrity, he/she is not as creative and as willing to take risks as a CEO with low integrity. Thus, when a CEO is high in integrity, he/she tends to become risk averse and less creative. Based on upper echelon theory, the firm of such a CEO will also end up being risk averse and less creative. Thus, the more the risk averse and less creative a firm is, the less it will act proactively. Hence, I expect the firm of a CEO with high integrity to be low in proactivity. Thus:

H_{1c}: Integrity of CEO is negatively related to the proactiveness orientation of the firm

Impact of EO on Risky Outlays

Risky outlays are defined as "aggregate spending on acquisitions, research and development, and capital expenditures" (Chatterjee and Hambrick 2011). All these three forms of investments are important to the firm and its performance, since acquisitions achieve economies of scale (Ranft and Lord 2000); research and development (R&D from here on) contributes to innovation (Mairesse and Mohnen 2005) and capital expenditures result in future profitability (Amir et al. 2007). Each of these three forms of spending are often made substitutes to each other, in the sense that, the company may decide to invest in R&D by cutting on acquisitions and so on. Also, as per researchers, these measures, are used as indicators of risky and uncertain long term investment behavior (Sanders and Hambrick 2007). Thus, it is wise to consider the aggregate of the three to measure the risky outlays of the firm (Chatterjee and Hambrick 2011).

Since risky outlays as a whole is considered risky and uncertain, not many firms want to get involved in this uncertain situation. What type of firms then, are ready to take on such risks and face the uncertainty of the returns? It is the entrepreneurially oriented firms. Past research has found a positive association between the entrepreneurial behavior of the firm and risk taking (Rauch et al. 2009). In particular, when firms engage in the EO dimensions of risk, innovation and proactiveness, they cannot escape the uncertainty of these dimensions and thus get involved in risks (Naldi et al. 2007; Fang et al. 2008). So how is EO related to acquisitions, R&D and capital expenditures which aggregates to risky outlays?

Acquisitions are known to be "wealth-increasing transactions" for both target and acquiring firms (Bradley 1980). As important as they prove to be, they are equally known to be risky due to their uncertain returns to multibillion dollar investments (Deutsch et al. 2007). As

they mentioned, due to this uncertainty, the firms tend to be risk averse and do not enter into acquisitions. But when a firm is entrepreneurially oriented, this is not the case. Fang et al. (2008) mentioned how a well-established firm when high in EO, is positively related to acquisitions. R&D as much as it is required, it is always regarded as a risky and uncertain activity to invest in (Miyagiwa 2002). When it comes to differentiating which firms involve in R&D and which not, Slevin and Covin (1990) and Miller (1983) both suggested that firm which showcase high entrepreneurship incur R&D expenses. Thus, it becomes obvious that EO is positively related to R&D. Lastly, capital expenditures, known to be positively correlated with the firm value (Trueman 1986), are as risky as they are important. This risk is not usually taken by the firms due to their uncertain nature, except when the firms are entrepreneurially oriented. Thus, there is a positive connection between the EO firms and capital expenditures done by them.

When we combine these three outcomes, Acquisitions, R&D and capital expenditures, as per Chatterjee and Hambrick (2011), they are summed up to be risky outlays of the firm. Thus, since EO is positively related to each - acquisitions, R&D and capital expenditures, it should positively be related to the logged sum of the three i.e. risky outlays. Thus, I hypothesize that:

H_2: The EO dimensions of the firm (a) innovativeness of the firm (b) risk taking orientation of the firm (c) proactive nature of the firm are positively related to the risky outlays of the firm

H_3: The relationship between integrity and risky outlays is mediated by (a) innovativeness of the firm (b) risk taking orientation of the firm (c) proactive nature of the firm

Moderating effect of Marketing Power

Murray (1981) had published an article titled “Marketing is home for the entrepreneurial process”, proving his point that marketing is extremely essential for the entrepreneurial process in a firm. If the chief marketing officer (CMO) is present in the firm and the firm has high marketing power, he/she is aware of the importance of the innovative, risk taking and proactive

orientation of the firm. Since his job is to increase sales by winning more customers and holding on to current customers, he/she is aware that this may not be possible without being proactive to taking risks and innovating the products or services provided (Kropp et al. 2006).

Past research has shown that firms scored high in Entrepreneurship when there was an official marketing department, senior executive positions were occupied by marketing professionals, marketing research was considered an important and frequent activity, and the firms realized that marketing plays a major role in innovation and in formulating strategies. For managers seeking to maintain entrepreneurial spirit, it is best for them to begin by examining the firm's marketing orientation (Moriss and Paul 1987). Literature has also shown how the marketing officer can play a role in such strategic decisions which will further influence the orientation of the firm. This may be due to the functional expertise ensured by the marketing in C-suite to effectively carry out strategic marketing actions which also include forming new marketing alliances, managing channel relationships, supporting existing and new customers, and forming strategic partnerships with new suppliers (Kashmiri and Mahajan 2015).

We observed that a CEO with high integrity may not score high in EO. But if there is high marketing power in the firm, that department will push the firm to be oriented towards proactiveness, innovativeness and risk taking, thus weakening the negative relation between integrity and entrepreneurial outcomes. Thus, I hypothesize that:

H_4: Marketing Power in the firm is likely to weaken the relation between integrity and (a) innovativeness (b) risk taking orientation (c) proactiveness of the firm

Moderating Effect of Long term compensation ratio

Prior research has proved that short term compensation given to a manager results in short term performance of the firm at the expense of long term interests of the firm. This is due to the fact that short term reward shared among executives make them "quick profit oriented"

(Narayanan 1985). Thus, the manager who is paid more short term compensation compared to long term, does not commit on taking risks which may be fruitful for long term future performance of the firm (Rajagopalan 1997). Researchers have proved that short term compensation is less likely to motivate entrepreneurial activities in the firm since they have long lead times between investment and its pay off (Ling et al. 2008). This is because they view entrepreneurial activities as threatening since their short term compensation like salary is affected by such investments due to long lead times (Ling et al 2008).

On the other hand, if the managers are awarded more long term compensation, they have an incentive to work towards firm's better future performance. This is due the fact that they will be awarded only when the firm performs better in the future (since they will be paid higher long term compensation) Black and Scholes (1973) proved that managers with higher long term compensation tend to embrace more entrepreneurial activities. Multiple research post this, worked on compensation and various innovation and risky activities like R&D, and showed that long term compensation results in higher innovation risk taking and proactive activities and thus EO (Holthausen, Larcker and Sloan 1995; Ling et al 2008).

Based on upper echelon theory, we saw how higher integrity of a CEO can impact the EO of the firm in the negative manner. The crisis that board of directors may face here is whether to have an unethical CEO or to let go the important EO outcomes that can make firms perform better. Based on agency theory and the past literature mentioned above, it seems possible to encourage a CEO with high integrity to take decisions which are innovative and risky for the betterment of the future of the firm and for their own personal gain as well. Thus, the higher the ratio of long to short term compensation, the more a CEO is encouraged to invest, the weaker the relation gets between integrity of CEO and various EO dimensions of the firm. Thus:

H_5: Long term compensation ratio of the CEO is likely to weaken the relation between integrity and (a) innovativeness (b) risk taking orientation (c) proactiveness of the firm

Methodology

Sample

To create the sample for this study, I started with a list of S&P 500 firms for two reasons. First, it is expected that large established firms are usually forced to adopt an "entrepreneurial mindset" and usually benefit from it in the era of high competition (Bettis and Hitt 1995) and thus should undertake entrepreneurial behaviors to grow and survive (Zahra 1991). Second, because the S&P 500 firms are usually publicly traded, the data which is required for the variables of interest can be collected via secondary source (Short et al. 2010). The years 2013 – 2015 are selected since they were the most recent years on which data was available. The year 2016 was also considered initially, but due to irregularity in some firms having annual reports while others don't, this year was not taken into account. These firms were then filtered based on the following criteria: The CEO of the firm was (1) appointed before 2010, and (2) remained the CEO for across the range of observation years i.e. at least till the start of 2016 (following Kashmiri and Mahajan 2015). These filters are applied so as to make sure that any strategic change in the firm has been applied by the same CEO and not because of the change in CEO. These changes were then studied in the years 2013-2015 as mentioned in the second filter. This is to make sure that the data and findings can be generalized across two years and not just one year. The next filter was based on whether the shareholder letters are available for the listed firms or not. Those firms which did not have the shareholder letters in their annual reports were deleted, thus providing me with a final sample of 244 firms and 485 firm-year observations for the study. The final list of firms belonged to a range of 9 one digit SIC different industries, which was controlled for.

Data Sources and Measures

Data was collected annually from 2013 to 2015. Considering the firm performance is a lagged impact (Eggers and Kaplan 2008), the shareholder letters written by CEOs were collected for the year 13 and 14 and the outcomes were collected for the year 14 and 15. For example, the EO activity of the firm and investments in risky outlays in year 2014 was predicted by the behavior, views and performance of the CEO in the year 2013. This is because the EO of the firm as well as the investments are performed and realized sometime after the decision is made (Lumkin and Dess 1996). Table 3.1 lists all the variables that have been used in the analyses, along with their definitions and sources.

Table 3.1

VARIABLE DEFINITIONS AND SOURCES

	Variable	Definition and Sources
1	CEO's Integrity	Frequency measure of the number of times the causation words have been used in the shareholder letters. The list of words mentioned in Table 3.2 was looked for in shareholder letters, using the LIWC software. The higher the frequency of words, the lower the integrity of the CEO. Source: Annual reports.
2	Risk Taking Orientation	Frequency measure of the number of times the list of words, mentioned in Table 3.2, have occurred in shareholder letters. Source: Annual reports.
3	Innovativeness Orientation	Frequency measure of the number of times the list of words, mentioned in Table 3.2, have occurred in shareholder letters. Source: Annual reports.
4	Proactiveness Orientation	Frequency measure of the number of times the list of words, mentioned in Table 3.2, have occurred in shareholder letters. Source: Annual reports.
5	Marketing Power	Following Feng, Morgan and Rego (2015), following five indicants were recorded for each firm-year: (1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives, (2) a dummy variable indicating whether a marketing executive was mentioned among the top-5 most highly compensated TMT members in the firm's proxy statement, (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1, (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT, and (5) the number of responsibilities reflected in marketing TMT executives' job titles. These five indicants were then combined using principal component factor analysis. The five indicants were loaded onto a single factor. The saved Bartlett factor score was rescaled between 1 and 100 and was used as an alternative measure of marketing department power in each firm-year. Source: DEF-14A proxies; 10-Ks; Firm website.
6	Long Term Compensation Ratio	Ratio of the Long-term compensation values given to the CEO to the total compensation given to the CEO as mentioned in the SEC statements. Source: Execucomp. SEC filings by the company.
7	Risky Outlays	Following Chatterjee and Hambrick (2011), this construct was calculated as the logged sum of the three forms of risky spending – acquisition expenditures (AQC), capital expenditures (CAPX) and R&D Expenditures (XRD). Source: Compustat.
8	Firm Age	Natural log of the difference between the year of observation and the firm's founding year. Sources: Firm Proxy; Firm website; Hoovers.
9	Firm Size	Natural log of total employees where total employees is recorded in '000s. Source: Compustat.
10	Leverage	The ratio of long-term debt to total assets. Source: Compustat
11	CEO Tenure	Total number of years a specific individual has held the CEO position with the company. Source: Proxy Statements.
12	Industry Type	The first digit of SIC code for each company to specify the type of industry it belongs to. Source: Compustat.
13	CEO Age	The natural log of the CEO's age. Sources: Execucomp; WRDS GMI Ratings; Hoovers.
14	CEO Gender	This is a binary indicator to demonstrate CEO Gender. Thus, if CEO was a male – 1 else 0. Source: Execucomp

Measurement of CEO's integrity

CEO's integrity is considered to be the focal independent variable in this analysis. Past research has shown that a person with low integrity tries to use a lot of causation words since he/she wants to justify his wrong deed with a cause (Dikolli et al. 2012). Based on this explanation Dikolli et al (2012), used the approach of doing content analysis for causation words on shareholder letters[4].

Researchers have justified their use of shareholder letters to measure the characteristic of a CEO, stated here. Firstly, letters to shareholders are a great source to get some insight into the cognitions of CEOs, in a manner that is impossible to obtain through other means. Second, CEOs are known and proved to take an active role in writing these letters (Amernic, Craig and Tourish 2007). Although the top management team (TMT from here on) is also known to actively participate along with the CEO, "CEOs nevertheless have primary fiduciary responsibility for the statements made in the letters." (Yadav, Prabhu and Chandy 2007). Also, according to Dikolli et al. (2012), to test CEO integrity, content analysis should be done on something directly written by the CEO, thus further justifying the use of shareholder letters.

To measure integrity, these shareholder letters were uploaded in the Linguistic Inquiry and Word Count (LIWC) textual analysis software to calculate the percentage of causation words. LIWC computer program categorizes each shareholder letter based on its tone by processing text files and analyzing their content using an internal dictionary (Hillert et al. 2014). LIWC define the causation words category with the help of 108 words. But these words were not

[4] Dikolli et al. (2012) conduct a series of validity tests which shows that their measure has strong construct validity. These tests include construct validity of CAUSE since it was a direct measure of integrity. This was done by first, surveying both, the CEOs and the employees with integrity scale. The CEOs were then asked open ended questions to get access to rich text directly from CEOs. On correlating the responses of employees with that of CEO's rich text, high significant correlation was found between the two, showing that CEOs with low integrity did use lot of causation words and at the same time, employees also considered the CEO to be low in integrity.

made for business context (shareholder letters), thus Dikolli et al. (2012) refined these words further to come up with a list of 137 words listed in Table 3.2. Once the number of causations words in each letter are recorded, the number is divided by the total number of words in that letter. This is done since some shareholder letters are shorter than others, scaling them would control the wide discrepancy in text length across sample, thus standardizing them (Short et al. 2010). Thus, the more use of the causation words intends to show that one is giving more excuses, thus higher causation indicates lower integrity (Dikolli et al. 2012), making it a continuous reverse measure.

Table 3.2:
DICTIONARY OF WORDS FOR VARIOUS CONSTRUCTS

	Variable (Adopted)	Dictionary Words for each Variable
1	CEO's Integrity (Dikolli et al. 2012)	through, drive, solve, produced, makes, cause, results, acquired, motivated, given, acquire, derived, support, improvements, outcome, effect, thus, leads, made, how, influence, taking, effects, played, provide, used, permits, response, sources, focuses, improve, experienced, yielded, address, why, intended, improved, effective, encountered offset, contribute, affecting, result, productivity, forced, launch, caused, leveraged, based, create, attributed, enabled, changed, relating, make, generated, generates, reflect, therefore, grow, resulted, permitting, allows, demonstrate, focused, designed, causes, emphasis, allowing, leading, lead, causing, generating, requires, achieved, reducing, consequence, source, representing, expand, allow, influenced, producing, reasons, due, led, react, allowed, reason, reduced, ensure, attribute, affected, utilizing, because, enhanced, speaks, enhancing, attributable, reduce, using, underscore, highlights, forces, improving, generate, justified, impacted, replace, changes, launched, pointing, bringing, creates, change, created, justifications, approved, affect, providing, creating, reflecting, evidenced, impact, produce, reflected, consequently, related, contributed, leveraging, launching, making, resulting, implement, learn, enables, laid
2	Innovativeness Orientation (Short et al. 2010)	Ad-lib, adroit, adroitness, bright-idea, change, clever, cleverness, conceive, concoct, concoction, concoctive, conjure-up, create, creation, creative, creativity, creator, discover, discoverer, discovery, dream, dream-up, envisage, envision, expert, form, formulation, frame, framer, freethinker, genesis, genius, gifted, hit-upon, imagination, imaginative, imagine, improvise, ingenious, ingenuity, initiative, initiator, innovate, innovation, inspiration, inspired, invent, invented, invention, inventive, inventiveness, inventor, make-up, mastermind, master-stroke, metamorphose, metamorphosis, neoteric, neoterism, neoterize, new, new-wrinkle, innovation, novel, novelty, original, originality, originate, origination, originative, originator, patent, radical, recast, recasting, resourceful, resourcefulness, restyle, restyling, revolutionize, seethings, think-up, trademark, vision, visionary, visualize
3	Risk Taking Orientation (Short et al. 2010)	Adventuresome, adventurous, audacious, bet, bold, bold-spirited, brash, brave, chance, chancy, courageous, danger, dangerous, dare, daredevil, daring, dauntless, dicey, enterprising, fearless, gamble, gutsy, headlong, incautious, intrepid, plunge, precarious, rash, reckless, risk, risky, stake, temerity, uncertain, venture, venturesome, wager
4	Proactiveness Orientation (Short et al. 2010)	Anticipate, envision, expect, exploration, exploratory, explore, forecast, foreglimpse, foreknow, foresee, foretell, forward-looking, inquire, inquiry, investigate, investigation, look-into, opportunity-seeking, proactive, probe, prospect, research, scrutinization, scrutiny, search, study, survey

Measuring dimensions of EO

This construct was measured, again using shareholder letters, following Short et al. (2010) with the help of LIWC software. Adding to the reasons for using shareholder letters mentioned above, they mentioned that shareholder letters highlight the major topics and themes which has grabbed the executives' attention (Barr, Stimpert, and Huff 1992). Second, the shareholder letters are the most read section of the annual reports (Courtis 1982) thus providing a platform for the CEO to voice his thoughts and address important issues or developments (Goodman 1980). Furthermore, studying these letter texts showed that they are usually related to organizational actions and outcomes (Michalisin 2001). For example, to display innovativeness (EO dimension) done by the firm, the letter to shareholders mentioned about innovation and its importance to firm reputation (Michalisin 2001). Such results further justify that rhetoric in the shareholder letters reflects actual firm behaviors, thus making them a viable resource for examining EO. Short et al. (2010) came up with a list of words to identify each of the dimensions of EO (innovativeness, proactiveness and risk-taking behavior). These lists of words are mentioned in Table 3.2. Thus, shareholder letters for each firm-year in the sample of this study was considered to measure these dimensions of EO. Like integrity, after the number of words for each dimension was identified, that number was divided by the total number of words used in the letter. This was done to control the wide discrepancy in text length across sample, thus standardizing them (Short et al. 2010)

Measuring the risky outlays of the firm

Following Chatterjee and Hambrick (2011), risky outlays were measured by collecting data on three major forms of spending with highly uncertain returns, namely - R&D, capital expenditures, and acquisitions. These three forms of spending have been termed as corporate risk-taking indicators by researchers (Hoskisson, Hitt and Hill 1993). Chatterjee and Hambrick

highlighted that they usually act as substitute for each other. "For example, a company might decide to increase R&D instead of acquisition spending; therefore, each spending category provides only a partial picture of overall risky spending." To overcome this situation, Sanders and Hambrick (2007) used logged sum of all three forms of spending as an aggregate indicator of risky outlays in a given year. Following these researchers, I used logged sum of R&D, capital expenditures and acquisitions for measuring risky outlays of the firm using COMPUSTAT, namely XRD (R&D), CAPX (Capital Expenditures) and AQC (acquisitions).

Measuring long term compensation Ratio

Total compensation consists of salary (SALARY) + bonus(BONUS) + other annual payment (OTHANN)+ total value of restricted stock granted (RSTKGRNT), total value of stock options granted(OPTION_AWARDS_BLK_VALUE) + long-term incentive payout(LTIP) + all other (OTHCOMP). Of these, long-term incentive related items are RSTKGRNT[5] (Gopalan et al. 2014), OPTION_AWARDS_BLK_VALUE[6] (Defusco et al. 1990; Mahoney and Thorne 2005), and LTIP[7] (Westphal and Zajac 1994; Buck et al. 2003). Thus, long term compensation was measured by adding the three values (restricted stock grants, stock option grants and long term incentive payout). Unfortunately, in 2006, SEC came up with new guidelines for defining the executive pay. Since my observation years for the sample fall after 2006, I followed the new rule which has renamed certain types of compensation, although their meanings remain the same. Thus post 2006, EXECUCOMP renamed LTIP to (a)NONEQ_INCENT (non-equity incentive

[5] Restricted stock is stock that is granted to an employee provisionally. The stock is forfeited if it fails to vest because employment is terminated before the vesting date, or, in some cases, because performance requirements for vesting are not satisfied. (Westphal and Zajac 1994).

[6] Stock options provide the right but no obligation to purchase company shares at a predetermined exercise price between a vesting date and an expiration date (Westphal and Zajac 1994).

[7] LTIPs are typically accounting-based incentive plans with payoffs determined by firm performance over a several year period (Westphal and Zajac 1994).

plan compensation), RSTKGRNT to (b)STOCK_AWARDS_FV (grant-date fair value of stock awarded under plan-based awards) and OPTION_AWARDS_BLK_VALUE to (c)OPTION_AWARDS_FV (grant-date fair value of options granted) (Mishel and Sabadish 2012). This long-term value (by adding a, b and c) was then divided by the total compensation value (TDC1) to get the long-term compensation ratio.

Measuring Marketing Power

Following Feng et al (2015), marketing power was a result of the following five indicants for each firm-year: "(1) the number of TMT members with marketing titles as a proportion of the total number of TMT executives, (2) a dummy variable indicating whether a marketing executive was mentioned among the top-5 most highly compensated TMT members in the firm's proxy statement, (3) the hierarchical level of the highest-level marketing executive in the TMT, where president was recorded as 6, executive vice president as 5, senior vice president as 4, vice president as 3, other as 2, and no marketing executives as 1, (4) the cumulative hierarchical level of all the marketing executives in the firm's TMT, and (5) the number of responsibilities reflected in marketing TMT executives' job titles. These five indicants were then combined using principal component factor analysis loading onto a single factor. The saved Bartlett factor score was rescaled between 1 and 100 and used as an alternative measure of marketing department power in each firm-year. Source: DEF-14A proxies; 10-Ks; Firm website."

4.3 Regression Models

4.3.1 Models of firms' risk-taking orientation

Since the risk-taking orientation is a continuous variable and measured across two years, GLS regression was used to model firms' *risk-taking orientation*. The following equation was employed:

(1) *Firms' risk taking orientation* $_{it} = \delta_0 + \delta_1(\text{CEO's Integrity})_{it} + \delta_{2\text{-}7}(\text{Control variables})_{it} + \delta_{8\text{-}16}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

where i and t represent the firm i and the year t, respectively; $\delta_0 ..., \delta_{16}$ are the regression coefficients, and α_i and ε_{it} are unobserved heterogeneity and idiosyncratic error terms.

Firms' risk-taking orientation and CEOs' Integrity were measured as discussed earlier. Control variables (measured as explained in Table 3.1) include firm age, firm size, leverage, CEO gender, CEO age and CEO tenure. The 9 one-digit SIC codes stand for the industry type which was also controlled for.

I controlled for firm age, as entrepreneurial culture may be more prevalent in younger firms whereas old firms struggle with it (Anderson and Eshima 2013). Similarly, firm size was controlled for, since the strategic process of interest is proved to vary with size (Mintzberg 1979). I controlled for leverage (King and Lenox 2001) to account for the possibility that firms with greater degrees of debt may be more or less pressurized to have riskier outlays. I controlled for CEO age as younger CEOs may be more entrepreneurial in nature compared to old CEOs (Kashmiri and Mahajan 2014). CEO gender was controlled for, as the role played in EO is more associated with men than with women (Olson et al. 2003; Kellermanns et al. 2008). Similarly, CEO tenure was also controlled for, since long tenures tend to make CEOs more knowledgeable allowing them to behave aggressively but at the same time reducing risk due to their experience (Levesque and Minniti 2006; Kellermanns et al. 2008)

4.3.2 Models of firms' innovativeness and proactiveness orientation

Like risky taking, I used a GLS regression to model firms' innovativeness and proactiveness orientation of the firm.

(2) *Firms' innovativeness orientation* $_{it} = \delta_0 + \delta_1(\text{CEO's Integrity})_{it} + \delta_{2\text{-}7}(\text{Control variables})_{it} + \delta_{8\text{-}16}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

(3) Firms' proactiveness orientation $_{it} = \delta_0 + \delta_1(\text{CEO's Integrity})_{it} + \delta_{2\text{-}7}(\text{Control variables})_{it} + \delta_{8\text{-}16}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$,

The same set of control variables were employed which are used for risk taking orientation of the firm to account for any difference in the likelihood of innovativeness and proactiveness orientation of the firm that could be attributed to a range of industry, firm, or CEO-specific characteristics.

4.3.3 Model for firms' Risky outlays

A GLS regression was used to model firms' *risky outlays*. The following equation was used:

(4) Firms' Risky outlays$_{it} = \delta_0 + \delta_1(\text{CEO's Integrity})_{it} + \delta_{2\text{-}7}(\text{Control variables})_{it} + \delta_{8\text{-}16}(\text{One-digit SIC code and year dummies})_i + \alpha_i + \varepsilon_{it}$.

Besides including the proposed mediators and 9 SIC 1-digit dummy variables as controls, I also controlled for firm age, firm size, CEO age, CEO tenure, CEO gender and leverage, as prior research has shown that these variables can affect firms' strategy to invest in risky outlays (Chatterjee and Hambrick 2011). Interaction effect was used to measure the impact of moderators – marketing power and long-term compensation ratio with the Integrity of CEO on various EO outcomes as well as Risky Outlays.

Results and Analysis

TABLE 3.3: DESCRIPTION STATISTICS AND CORRELATION MATRIX

		Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Integrity	2.52	0.76	1												
2	Risk Taking	0.06	0.11	0.01	1											
3	Innovativeness	0.72	0.40	0.13**	-0.12**	1										
4	Proactiveness	0.16	0.14	0.22***	0.09	-0.06	1									
5	Risky Outlays	6.75	1.50	-0.05	0.04	-0.08	0.19***	1								
6	Marketing power	5.38	7.07	-0.12**	-0.05	0.07	-0.09	0.14***	1							
7	Long term pay ratio	0.80	0.15	0.03	-0.18***	0.09	0.03	-0.14***	-0.01	1						
8	CEO Tenure	11.34	5.97	-0.08	-0.02	-0.03	0.02	-0.02	-0.07	-0.15	1					
9	CEO Age	57.86	5.82	9.0E-3	0.03	-0.10	0.01	0.03	-0.03	-0.10	0.42	1				
10	CEO Gender	0.98	0.14	-0.06	0.02	0.03	-0.05	-0.04	0.03	-0.06	0.06	-4.5E-3	1			
11	Leverage	0.24	0.18	-0.17	-0.09	0.01	0.05	0.11	3.E-3	0.05	-0.03	-0.02	1.0E-3	1		
12	Firm age	63.02	49.35	-0.07	-0.05	0.02	-0.07	-0.05	0.05	0.04	-0.15	-0.11	0.04	0.17	1	
13	Firm Size	2.E-3	3.0E-3	0.10	-0.19	0.12	-0.10	-0.15	5.0E-3	0.09	0.01	-0.03	-0.05	-0.05	-0.11	1

Table shows correlations between measures pooled across 485 firm-years (i.e., 244 firms each observed for 2 years)
*p < .10, **p < .05, *** p < .01, two-tailed significance levels

Mean, standard deviations and inter-correlations for the observed variables are noted in Table 3.3. None of the correlations were greater than 0.5, highest being 0.42 (between CEO tenure and age), thus suggesting no multi-collinearity problems. To confirm this further, I ran some more diagnostics like variation inflation factors (VIF) and conditional indices (CI). VIF measures the degree to which multi-collinearity is present between two variables. The model variance inflation factors were smaller than the benchmark of 10, maximum value being 1.68. Similarly, conditional indices examine multi-collinearity between a combination of variables unlike VIF and correlation which measure multi-collinearity between two variables. In the study sample, condition indices associated with the eigenvalues were less than the benchmark of 30, maximum value being 24.8. Thus, consistent with Kennedy (2003), the multi-collinearity problems were not a concern for the data. Hausman test (1978) was run to verify the use of random or fixed effects for regression analysis. Since the results of this test were significant (e.g: df = 16; □2 = 26.37; p=0.05), the use of random effects treatment was not justifiable. Thus, fixed effects panel model was used to perform the analysis.

Table 3.4: REGRESSION TABLE FOR IMPACT OF CONTROL VARIABLES ON MEDIATORS AND OUTCOMES

Model	3.4.1	3.4.2	3.4.3	3.4.4
DV	Risk Taking	Innovativeness	Proactiveness	Risky Outlays
IV	β (t-value)	β (t-value)	β (t-value)	β (t-value)
Level of Integrity				
Firm Size	-3.81(-1.3)	7.54(0.74)	-9.09(-2.45)**	-61.57(-2.56)**
Firm Age	-1.43E-5(-0.59)	7.94E-5(0.94)	-6.79E-5(-2.2)**	-4.66E-4(-2.48)**
Leverage	-0.083(-1.82)*	0.045(0.29)	0.056(0.97)	0.68(1.47)
CEO Tenure	-1.72E-3(-1.28)	2.25E-3(0.48)	2.37E-5(0.01)	-9.26E-3(-0.61)
CEO Gender	-2.30E-3(-0.05)	0.133(0.9)	-0.082(-1.52)	-0.57(-1.03)
CEO Age	1.67E-3(1.2)	-6.72E-3(-1.4)	1.02E-3(0.58)	7.41E-3(0.49)
SIC Dummies	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes
Constant	0.03(0.45)	0.89(2.91)***	0.199(1.77)*	6.94(6.95)***
Wald Chi Square	1.08	0.59	2.2	2.2
P - value	0.37	0.76	0.034	0.034
R^2	21.96%	10.23%	12.87%	15.84%
Adj-R^2	16.83%	4.32%	7.14%	11.93%

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485. 9 Industry and 2 year dummies have not been included for sake of simplicity.

Table 3.4 presents the individual models run only with control variables, wherein 3.4.1 was run with Risk Taking as the outcome, 3.4.2 with Innovativeness as the outcome, 3.4.3 with Proactiveness as the outcome and finally, 3.4.4. with Risky Outlays as the outcome.

Table 3.5: LEVEL OF INTEGRITY AND EO DIMENSIONS

Model	1	2	3	4
DV	Risk Taking	Innovativeness	Proactiveness	Risky Outlays
IV	β (z-value)	β (z-value)	β (z-value)	β (z-value)
Level of integrity	-0.024(-2.35)**	-0.054(-1.57)	-0.032(-2.52)**	0.182(1.23)
Firm Size	-4.16(-1.43)	6.72(0.66)	-9.57(-2.6)***	-31.52(-0.81)
Firm Age	-1.06E-5(-0.44)	8.79E-5(1.04)	-6.3E-5(-2.06)**	-4.74E-4(-1.47)
Leverage	-0.06(-1.49)	0.08(0.5)	0.076(1.32)	0.85(1.18)
CEO Tenure	-1.43E-3(-1.07)	2.93E-3(0.63)	4.15E-4(0.25)	1.44E-3(0.07)
CEO Gender	3.60E-3(0.08)	0.147(0.99)	-0.074(-1.38)	-0.57(-0.85)
CEO Age	1.62E-3(1.18)	-6.83E-3(-1.42)	9.6E-4(0.55)	7.69E-3(0.37)
SIC Dummies	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes
Constant	0.113(1.21)	1.06(3.27)***	0.299(2.53)**	6.15(4.33)***
Wald Chi Square	1.65	0.83	2.77	0.82
P – value	0.112	0.57	<0.001	0.58
R^2	23.82%	11.19%	15.24%	22.31%
Adj-R^2	18.45%	4.93%	9.27%	15.48%

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485**.** Industry and year dummies have not been included for sake of simplicity

Table 3.5 shows the results of main effects of CEO level of integrity on the outcomes. As expected, integrity of CEO was negatively and significantly correlated with risk taking dimension of EO ($\beta = -0.024$, $p < 0.05$), thus supporting H1b. Similarly, integrity of CEO was negatively and significantly correlated with firm proactiveness is ($\beta = -0.033$, $p < 0.05$), thus supporting H1c. Although the study expected the negative impact of level of integrity on innovativeness of the firm, I could not find support for it ($\beta = -0.054$, ns). Thus, no support was found for H1a. No support was found for the relation between CEO integrity and Risky Outlays ($\beta = 0.182$, ns).

Table 3.6: IMPACT OF DIMENSIONS OF ENTREPRENEURIAL ORIENTATION ON RISKY OUTLAYS

Dependent Variable	Risky Outlays	Risky Outlays	Risky Outlays
IV			
Innovativeness		-0.13(-0.47)	
Risk Taking	5.07(3.62)***		
Proactiveness			1.413(1.97)**
Integrity	0.064 (0.38)	0.16(0.89)	-0.09(-0.52)
Firm Size	-28.44(-0.73)	-33.30(-0.85)	-21.23(-0.54)
Firm Age	-4.18E-4(-1.3)	-4.33E-4(-1.34)	-3.47E-4(-1.08)
Leverage	0.90(1.25)	0.90(1.24)	0.84(1.17)
CEO Tenure	5.82E-3(0.29)	3.73E-3(0.18)	3.14E-3(0.16)
CEO Gender	-0.499(-0.74)	-0.51(-0.76)	-0.38(-0.57)
CEO Age	5.05E-3(0.24)	6.52E-3(0.31)	5.71E-3(0.28)
SIC Dummies	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes
Constant	6.69(5.01)***	6.84(5.02)***	6.39(4.77)***
Wald Chi Square	0.86	0.65	1.12
P – value	0.55	0.733	0.35
R^2	22.47%	21.76%	23.3%
Adj-R^2	15.65%	14.88%	16.56%

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485**.** Industry and year dummies have not been included for sake of simplicity

Table 3.6 shows the results of impact of the mediators (EO dimensions) on the outcome – risky outlays. I did find support for H2c, wherein, the more proactive the firm is, the higher the risky outlays of the firm tend to be ($\beta = 1.41$, $p = 0.05$). Similarly, the more the firm scores in risk taking, the higher the risky outlays of the firm are ($\beta = 5.07$, $p < 0.01$) thus supporting H2b. I did not find support for H2a which predicted that high innovativeness ($\beta = -0.133$, p = ns) would result in high risky outlays of the firm.

Table 3.7: LEVEL OF INTEGRITY, MARKETING POWER, LONG TERM PAY AND OUTCOMES

Model	1	2	3	4
DV	Risk Taking	Innovativeness	Proactiveness	Risky Outlays
IV	β (t-value)	β (t-value)	β (t-value)	β (t-value)
Level of integrity	0.034(2.13)**	-0.12(-2.32)**	-0.036(-0.33)	0.64(2.7)***
Level of integrity *Marketing Power	-2.53E-4(-0.73)	1.75E-3(1.54)	4.21E-3(1.78)*	6.17E-5(0.01)
Level of Integrity*Long Term Pay	-0.041(-2.86)***	0.061(1.26)	-0.016(-0.13)	-0.54(-2.54)**
Marketing Power	0.01(1.84)*	0.012(0.68)	8.76E-3(1.06)	0.07(0.82)
Long Term Pay Compensation	-0.06(-0.21)	-2.47(-2.59)***	0.27(0.63)	-1.16(-0.27)
Firm Size	-6.68(-2.97)***	12.28(1.67)*	0.055(0.95)	1.10(1.54)
Firm Age	-1.4E-5(-0.53)	4.66E-5(0.54)	-8.59(-2.26)**	-7.48(-0.19)
Leverage	-0.05(-1.15)	0.047(0.29)	-7.01E-5(-2.16)**	-5.03E-4(-1.5)
CEO Tenure	-1.41E-3(-1.01)	3.17E-3(0.7)	6.46E-4(0.38)	-1.15E-3(-0.06)
CEO Gender	-7.81(-0.17)	0.13(0.9)	-0.062(-1.15)	-0.62(-0.92)
CEO Age	8.29E-4(0.58)	-6.97E-3(-1.48)	9.51E-4(0.54)	8.80E-3(0.43)
SIC Dummies	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes
Constant	0.09(0.93)	1.11(3.44)	0.25(0.6)	5.94(4.21)***
Wald Chi Square	21.85	14.48	2.18	1.45

Note: *p<0.1, ** p<0.05, and ***p<0.01, two tailed. N = 485**.** Industry and year dummies have not been included for sake of simplicity

Table 3.7 demonstrates the impact of high marketing power and long-term compensation ratio and its interaction with CEO integrity on the three EO dimensions. As expected, the marketing power significantly weakened the relationship between CEO integrity and proactiveness (β = 4.21E-3, p<0.1), thus, supporting, H4c. I could not find support for H4a - innovativeness (β =1.75E-3, p = ns) and H4b – risk taking (β = -2.53E-4, p = ns). Similarly, for H5b, I found support for impact of long term compensation ratio, as it weakened the relationship between CEO integrity and Risk taking (β = -0.04, p<0.001). I did not find support for H5a – innovativeness (β = 0.06, p=ns) and H5c – proactiveness (β = -0.01, p = ns).

Moderated Mediation

Prior researchers have used the term moderated mediation for cases when the mediating process that is responsible for producing the effect of treatment on the outcome depends on the value of the moderator (Muller et al. 2005). Muller et al. (2005) and Rose et al. (2004) mentioned that moderated mediation "happens if the mediating process that is responsible for producing the effect of the treatment on the outcome depends on the value of a moderator variable," as repeated by Preacher and Hayes (2007) in their proposed models for Moderated Mediation, naming it conditional indirect effects. To perform this, I used multilevel SEM technique to find out if there was moderated mediation in the model, using one mediator at a time.

Table 3.8: Multilevel SEM results for Moderation Mediation of Risk Taking

Predictors	Equation 1 (Criterion: Outlays) β	z	Equation 2 (Criterion: Risk Taking) B	z	Equation 3 (Criterion: Outlays) B	z
X: Integrity	0.77	0.86	-0.008	-0.09	0.698	0.79
MO: Marketing power	0.14	3.15***	0.003	0.81	0.139	3.08***
XMO: IntCMO	-0.04	-2.92**	-0.002	-1.19	-0.044	-2.71***
MO: Long term Comp.	1.39	0.57	-0.208	-0.79	1.36	0.57
XMO: IntLong	-0.67	-0.66	0.032	0.29	-0.617	-0.61
ME: Risk Taking					0.92	1.32
Wald Chi square	16.8		15.94		18.91	
P-value	0.11		0.14		0.09	

C path	0.77	Indirect Effect	-0.008
A Path	-0.008	Direct Effect	0.69
B path	0.92	Total Effect	0.698
C-Prime	0.698		

The results above show that the interaction effect of Long-term compensation ratio and marketing power with that of integrity on mediator was not significant (equation 2). To avoid misrepresentation of power and to get unbiased results, I removed the interaction terms and the moderators were included as controls, thus making the model with risk taking as mediator, simply mediator model.

Table 3.8A: Multilevel SEM results for Mediation of Risk Taking

Predictors	Equation 1 (Criterion: Outlays) β	t	Equation 2 (Criterion: Risk Taking) B	t	Equation 3 (Criterion: Outlays) β	t
X: Integrity	-0.055	-0.38	-8.3E-3	-0.72	-0.05	-0.41
MO: Marketing power	0.019	0.92	-4.48E-3	-2.73***	0.01	0.78
MO: Long term Comp.	-2.01	-2.46**	-0.153	-2.36***	-2.09	-2.52**
ME: Risk Taking					-0.52	-0.59
F value	1.8		1.82		1.65	
P-value	0.07		0.06		0.09	
R – squared	0.07		0.08		0.08	
Sobels	4.47E-3, 0.45		Indirect Effect		4.475E-3, -.716	
Aroian	4.47E-3, 0.30		Direct Effect		-0.05, -0.409	
Goodman2	4.47E-3, 0.64		Total Effect		-0.05, -0.379	

The mediation of Risk taking was tested using Sobel's test of mediation due to its nature of being conservative and overcoming the disadvantages of Baron and Kenny test.

The results of Sobel's test (β = 4.47E-3, Z = 0.45, p = 0.64) show that risk taking does not mediate the impact of integrity on risky outlays.

Table 3.9: Multilevel SEM results for Moderation Mediation of Innovativeness

Predictors	Equation 1 (Criterion: Outlays) β	z	Equation 2 (Criterion: Inovativeness) B	z	Equation 3 (Criterion: Outlays) β	z
X: Integrity	0.77	0.86	-0.388	-1.33	0.739	0.83
MO: Marketing power	0.14	3.15***	0.014	1.02	0.145	3.19***
XMO: IntCMO	-0.04	-2.92**	-0.003	-0.67	-0.04	-2.94***
MO: Long term Comp.	1.39	0.57	-1.22	-1.54	1.25	0.51
XMO: IntLong	-0.67	-0.66	0.55	1.64*	-0.62	-0.6
ME: Innovativeness					-0.185	-0.91
Wald Chi square	16.8		16.44		17.59	
P-value	0.11		0.12		0.12	
C path	0.77		Indirect Effect		0.07	
A Path	-0.388		Direct Effect		0.739	
B path	-0.185		Total Effect		0.811	
C-Prime	0.739					

The results above show that the interaction effect of both Marketing power and Long-term compensation ratio with that of integrity on mediator was not significant (equation 2). To avoid misrepresentation of power and to get unbiased results, I removed the interaction terms and the moderators were included as controls, thus making the model with innovativeness as mediator, simply mediator model.

Table 3.9A: Multilevel SEM results for Mediation of Innovativeness

Predictors	Equation 1 (Criterion: Outlays) β	t	Equation 2 (Criterion: Innovativeness) β	t	Equation 3 (Criterion: Outlays) β	t
X: Integrity	-0.055	-0.38	0.067	1.87*	-0.04	-0.28
MO: Marketing power	0.019	0.92	0.007	1.5	0.02	0.99
MO: Long term Comp.	-2.01	-2.46**	0.297	1.46	-1.955	-2.37**
ME: Innovativeness					-0.202	0.494
F value	1.8		1.24		1.66	
P-value	0.07		0.27		0.09	
R – squared	0.07		0.05		0.08	
Sobels	-0.013, -0.64			Indirect Effect	-0.01, -0.64	
Aroian	-0.013, -0.57			Direct Effect	-0.04, -0.28	
Goodman2	-0.013, -0.74			Total Effect	-0.05, -0.37	

The mediation of innovativeness was tested using Sobel's test of mediation. The results of Sobel's test (β = -0.013, z = -0.64, p = 0.519) show that innovativeness does not mediate the impact of integrity on risky outlays.

Table 3.10: Multilevel SEM results for Moderation Mediation of Proactiveness

Predictors	Equation 1 (Criterion: Outlays) β	z	Equation 2 (Criterion: Proactiveness) β	z	Equation 3 (Criterion: Outlays) β	z
X: Integrity	0.77	0.86	0.019	0.16	0.93	1.05
MO: Marketing power	0.14	3.15***	0.009	1.68*	0.13	3.06**
XMO: IntCMO	-0.04	-2.92**	-0.004	-1.98**	-0.045	-2.75***
MO: Long term Comp.	1.39	0.57	-0.087	-0.27	1.90	0.78
XMO: IntLong	-0.67	-0.66	0.04	0.3	-0.89	-0.87
ME: Proactiveness					0.79	1.94**
Wald Chi square	16.8		20.37		20.69	
P-value	0.11		0.04		0.05	
C path	0.77			Indirect Effect	0.015	
A Path	0.019			Direct Effect	0.938	
B path	0.79			Total Effect	0.954	
C-Prime	0.938					

The results above show that the interaction effect of Long-term compensation ratio with that of integrity on proactiveness was not significant (Equation 2). To avoid misrepresentation of power and to get unbiased results, I removed the interaction term of LTC and the moderator was

included as control, thus making the model with innovativeness as moderated mediation model, with only Marketing power as the moderator.

Table 3.10A: Multilevel SEM results for Moderated Mediation of Proactiveness

Predictors	Equation 1 (Criterion: Outlays)		Equation 2 (Criterion: Proactiveness)		Equation 3 (Criterion: Outlays)	
	β	z	β	z	B	z
X: Integrity	0.187	1.60	0.055	3.37***	0.172	1.47
MO: Marketing power	0.14	3.13***	9.86E-3	1.71*	0.136	3.02***
XMO: IntCMO	-0.04	-2.89***	-4.82E-3	-2.01**	-0.043	`-2.7***
MO: Long term Comp.	-0.164	-0.31	8.2E-3	0.11	-0.149	-0.28
ME: Proactiveness					0.758	1.86*
Wald Chi square	16.47		20.46		20	
P	0.08		0.02		0.04	
C path	0.187					
A Path	0.055			Indirect Effect		0.042
B path	0.758			Direct Effect		0.172
C-Prime	0.172			Total Effect		0.214

Table 3.10A presents the results of the multilevel SEM for Proactiveness as the mediator along with Marketing power as moderator with LTC as a control. The results from Equation 1 indicate the overall effect of integrity of CEO on Risky Outlays. This effect is moderated by the Marketing power, since the interaction is significant. The Marketing power significantly weakens the impact of Integrity of CEO on Risky outlays as expected. In equation 2, the mediator – Proactiveness is the Criterion. The main effect of Integrity is highly significant and interaction effect of marketing power is also found to have significant impact on the proactiveness. Thus, it is indicative of moderated mediation evidence found when Proactiveness was the mediator. This means that the magnitude of indirect effect of integrity via proactiveness, does vary as a function of Marketing power in the firm. It is useful to calculate the simple effects via pick a point approach, wherein, the point picked is 1 standard deviation above and below the mean of Marketing Power:

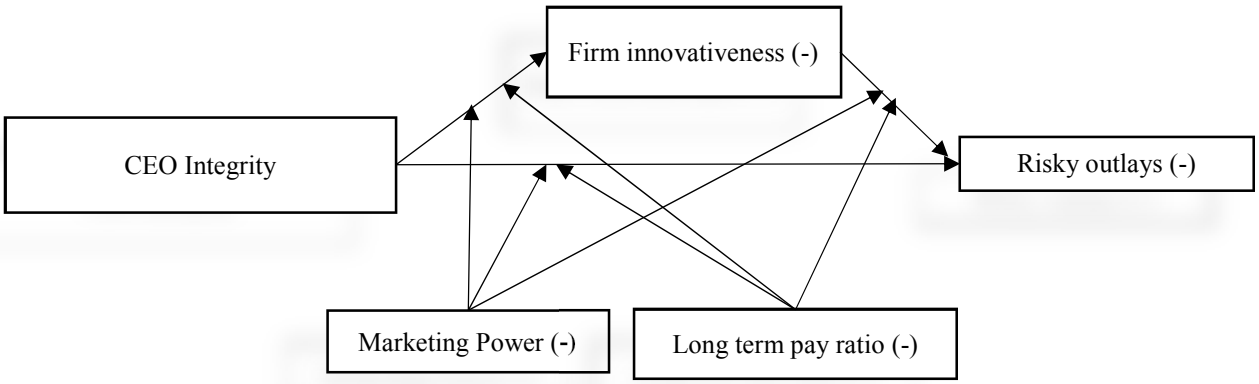
For High Marketing Power (+1 SD): $b_{21} + b_{23}Mo = 0.055 + -0.004\ (7.07) = 0.026$
For Low Marketing Power (-1 SD): $b_{21} + b_{23}Mo = -0.055 + -0.004\ (-7.07) = -0.026$

Thus, for a firm with marketing power well above the mean, the integrity of CEO leads to high proactiveness whereas the firm with marketing power below the mean, the integrity of CEO leads to low proactiveness. Overall, there is evidence that there is moderated mediation when Marketing power is the moderator and proactiveness is the mediator.

In summary, there is no mediation when innovativeness and risk taking are mediators. Moderated mediation is present with proactiveness as the mediator and only Marketing power as the moderator.

Additional Analyses

Figure 4: Conceptual Framework for 1st and 2nd stage moderated mediation Analysis for innovativeness as mediator



Moderated Mediation (Conditional Indirect and Direct Effects)

The above figure shows the total effect moderated mediation model, wherein each path in is tested whether it is being moderated or not. To test and explain this phenomenon, following Preacher et al. (2007; Model 2) and Muller et al. 2005 (for more examples, see Alfe et al. 2013; Ng et al.2008) I used pick-a-point approach, wherein the moderator was defined at two-point intervals, one standard deviation above mean and one standard deviation below mean and then the mediating relationship was explained using the conditional indirect effects; wherein condition was based on the points of moderator.

Table 3.11: 1st and 2nd stage SEM results for Moderation Mediation of Risk Taking

Predictors	Equation 1 (Criterion: Outlays) β	z	Equation 2 (Criterion: Risk Taking) B	z	Equation 3 (Criterion: Outlays) β	z
X: Integrity	0.77	0.86	-0.008 (b_{21})	-0.09	0.79 (b_{31})	0.90
MO: Marketing power	0.143	3.15***	0.003(b_{22})	0.81	0.117(b_{32})	2.59**
XMO: IntCMO	-0.047	-2.92***	-0.002(b_{23})	-1.19	-0.04(b_{33})	-2.49**
MO: Long term Comp.	1.39	0.57	-0.208(b_{24})	-0.79	2.24(b_{34})	0.94
XMO: IntLong	-0.677	-0.66	0.032(b_{25})	-0.09	-0.649(b_{35})	0.521
ME: Risk Taking					11.28(b_{36})	2.42**
MEMO: Riskpower					0.455(b_{37})	2.15**
MEMO: RiskLong					-14.34(b_{38})	-2.5**
Wald Chi square	16.8		15.94		31.07	
P-value	0.11		0.143		0.005	

C path	0.77	Indirect Effect	-0.008
A Path	-0.008	Direct Effect	0.79
B path	11.28	Total Effect	0.689
C-Prime	0.79		

Table 3.11 presents the results of the multilevel SEM for Risk taking as the mediator along with two moderators. The results from Equation 1 indicate the overall effect of integrity of CEO on Risky Outlays. This effect is not moderated by the long-term compensation ratio, but it is moderated by the Marketing power. The Marketing power significantly weakens the impact of Integrity of CEO on Risky outlays as expected. In equation 2, the mediator – Risk Taking is the Criterion. None of the main effect of Integrity and interaction effects of Marketing Power and Long-Term Compensation are significant. It is useful to calculate the overall impact via pick a point approach, wherein, the point picked is 1 standard deviation above and below the mean of Marketing Power:

For High Marketing Power (+1 SD): $b_{21} + b_{23}Mo + b_{25}Mo$ = -0.008 +-0.002 (7.07) + 0.032 (0.15) = -0.017
For Low Marketing Power (-1 SD): $b_{21} + b_{23}Mo + b_{25}Mo$ = -0.008 +-0.002 (-7.07) + 0.032 (-0.15) = 0.001

Equation 3 demonstrates that there was significant impact of the mediator on Risky outlays, along with significant impact of the moderation of Marketing power with that of Integrity is significant. Thus, there is moderated mediation evidence found in the model. For purposes of better understanding:

The following equations calculate the simple effects of mediator on the outcome at values of marketing power one SD above and below the mean:

For High Marketing Power (+1 SD): b_{36} + b_{37}Mo + b_{38}Mo = 11.28 +0.455 (7.07) + -14.34(0.15) = 12.34
For Low Marketing Power (-1 SD): b_{36} + b_{37}Mo + b_{38}Mo = 11.28 +0.455 (-7.07) + -14.34(-0.15) = 10.21

Taking the product of two simple effects, above, we get the total indirect effects at the two values:

*For High Marketing Power (+1 SD): -0.017*12.34 = -0.209*
For Low Marketing Power (-1 SD): 0.001 10.21 = 0.01*

The following equations calculate the simple residual effects at one SD above and below the mean of Power:

For High Marketing Power (+1 SD): b_{31} + b_{33}Mo + b_{35}Mo = 0.79 +-0.044 (7.07) + -0.649 (0.15) = 0.381
For Low Marketing Power (-1 SD): b_{31} + b_{33}Mo + b_{35}Mo = 0.79 +-0.044 (-7.07) + -0.649 (-0.15) = 1.19

Table 3.12: 1st and 2nd stage SEM results for Moderation Mediation of Proactiveness

Predictors	Equation 1 (Criterion: Outlays)		Equation 2 (Criterion: Proactiveness)		Equation 3 (Criterion: Outlays)	
	B	z	B	z	B	z
X: Integrity	0.77	0.86	0.01(b_{21})	0.16	0.85(b_{31})	0.92
MO: Marketing power	0.143	3.15	0.009(b_{22})	1.68*	0.11(b_{32})	2.15
XMO: IntCMO	-0.047	-2.92***	-0.004(b_{23})	2.48**	-0.038(b_{33})	-2.24**
MO: Long term Comp.	1.39	0.57	-0.08(b_{24})	-0.27	1.93(b_{34})	0.78
XMO: IntLong	-0.677	-0.66	0.041(b_{25})	0.3	-0.809(b_{35})	-0.75
ME: Proactiveness	-	-	-	-	1.80(b_{36})	0.6
MEMO: Propower					0.087(b_{37})	0.99
MEMO: ProLong					-1.61(b_{38})	-0.44
Wald Chi square	16.8		20.37		21.34	
P	0.11		0.04		0.09	
C path	0.77			Indirect Effect		0.015
A Path	0.019			Direct Effect		0.85
B path	1.80			Total Effect		0.954
C-Prime	0.85					

Table 3.12 presents the results of the multilevel SEM for Proactiveness as the mediator along with two moderators. The results from Equation 1 indicate the overall effect of integrity of CEO on Risky Outlays. This effect is not moderated by the long-term compensation ratio, but it is moderated by the Marketing power. The Marketing power significantly weakens the impact of Integrity of CEO on Risky outlays as expected. In equation 2, the mediator – Proactiveness is the

Criterion. The main effect of Integrity is not significant and interaction effects of Long-Term Compensation is also not significant. But the impact of marketing power was found to have significant impact on the proactiveness. Thus, it is indicative of moderated mediation evidence found when Proactiveness was the mediator. This means that the magnitude of indirect effect of integrity via proactiveness, does vary as a function of Marketing power in the firm. It is useful to calculate the simple effects via pick a point approach, wherein, the point picked is 1 standard deviation above and below the mean of Marketing Power:

For High Marketing Power (+1 SD): $b_{21} + b_{23}Mo + b_{25}Mo = 0.01 + -0.004\ (7.07) + 0.041(0.15) = -0.012$
For Low Marketing Power (-1 SD): $b_{21} + b_{23}Mo + b_{25}Mo = 0.01 + -0.004\ (-7.07) + 0.041(-0.15) = 0.032$

Thus, for a firm with marketing power well above the mean, the integrity of CEO leads to high proactiveness whereas the firm with marketing power below the mean, the integrity of CEO leads to low proactiveness. Equation 3 demonstrates that there is no significant impact of the mediator on Risky outlays, although the interaction of Marketing power and Integrity are significant. For purposes of better understanding:

The following equations calculate the simple effects of mediator on the outcome at values of marketing power one SD above and below the mean:

For High Marketing Power (+1 SD): $b_{36} + b_{37}Mo + b_{38}Mo = 1.80 + 0.087\ (7.07) + -1.61(0.15) = 2.17$
For Low Marketing Power (-1 SD): $b_{36} + b_{37}Mo + b_{38}Mo = 1.80 + 0.087\ (-7.07) + -1.61(-0.15) = 1.42$

Taking the product of two simple effects, above, we get the total indirect effects at the two values:

*For High Marketing Power (+1 SD): -0.012*2.17 = -0.026*
For Low Marketing Power (-1 SD): 0.032 1.42 = 0.045*

The following equations calculate the simple residual effects at one SD above and below the mean of Power:

For High Marketing Power (+1 SD): $b_{31} + b_{33}Mo + b_{35}Mo = 0.85 + -0.038\ (7.07) + -0.809(0.15) = 0.459$
For Low Marketing Power (-1 SD): $b_{31} + b_{33}Mo + b_{35}Mo = 0.85 + -0.038\ (-7.07) + -0.809(-0.15) = 1.24$

Table 3.13: 1st and 2nd stage SEM results for Moderation Mediation of Innovativeness

Predictors	Equation 1 (Criterion: Outlays)		Equation 2 (Criterion: Innovativeness)		Equation 3 (Criterion: Outlays)	
	β	z	B	z	β	z
X: Integrity	0.77	0.86	-0.38(b_{21})	-1.33	0.66(b_{31})	0.465
MO: Marketing power	0.143	3.15***	0.014(b_{22})	1.02	0.159(b_{32})	3.11**
XMO: IntCMO	-0.047	-2.92***	-0.003(b_{23})	-0.67	-0.046(b_{33})	-2.74**
MO: Long term Comp.	1.39	0.57	-1.22(b_{24})	-1.54	1.38(b_{34})	0.54
XMO: IntLong	-0.67	-0.66	0.55(b_{25})	1.64	-0.55(b_{35})	-0.52
ME: Innovativeness					0.467(b_{36})	0.26
MEMO: Innopower					-0.025(b_{37})	-0.64
MEMO: InnoLong					-0.59(b_{38})	-0.27
Wald Chi square	16.8		16.44		17.71	
P	0.11		0.12		0.22	
C path	0.77					
A Path	-0.388			Indirect Effect		0.07
B path	0.467			Direct Effect		0.66
C-Prime	0.666			Total Effect		0.811

Table 3.13 presents the results of the multilevel SEM for Innovativeness as the mediator along with two moderators. The results from Equation 1 indicate the overall effect of integrity of CEO on Risky Outlays. This effect is not moderated by the long-term compensation ratio, but it is moderated by the Marketing power. The Marketing power significantly weakens the impact of Integrity of CEO on Risky outlays as expected. In equation 2, the mediator – Innovativeness is the Criterion. None of the main effect of Integrity and interaction effects of Marketing Power and Long-Term Compensation are significant. Using pick a point approach to calculate the simple effects, wherein, the point picked is 1 standard deviation above and below the mean of Marketing Power:

For High Marketing Power (+1 SD): $b_{21} + b_{23}Mo + b_{25}Mo = -0.38 + -0.003\ (7.07) + 0.55(0.15) = -0.31$
For Low Marketing Power (-1 SD): $b_{21} + b_{23}Mo + b_{25}Mo = -0.38 + -0.003\ (-7.07) + 0.55(-0.15) = -0.44$

Thus, for a firm with marketing power well above the mean or below the mean, does not make much difference to the innovativeness of the firm. Equation 3 demonstrates that there is no significant impact of the mediator on Risky outlays, although the moderation of Marketing

power with that of Integrity is significant. Thus, there is no moderated mediation evidence found in the model as mediator is not significant. For purposes of better understanding:

The following equations calculate the simple effects of mediator on the outcome at values of marketing power one SD above and below the mean:

For High Marketing Power (+1 SD): b_{36} + b_{37}Mo+ b_{38}Mo = 0.467+ -0.025 (7.07) + -0.59(0.15) = 0.201
For Low Marketing Power (-1 SD): b_{36} + b_{37}Mo+ b_{38}Mo = 0.467+ -0.025 (-7.07) + -0.59(-0.15) = 0.732

Taking the product of two simple effects, above, we get the total indirect effects at the two values:

*For High Marketing Power (+1 SD): -0.31*0.201= -0.062*
For Low Marketing Power (-1 SD): -0.44 0.732 = -0.322*

The following equations calculate the simple residual effects at one SD above and below the mean of Power:

For High Marketing Power (+1 SD): b_{31} + b_{33}Mo + b_{35}Mo = 0.66 +-0.046 (7.07) + -0.55(0.15) = 0.252
For Low Marketing Power (-1 SD): b_{31} + b_{33}Mo + b_{35}Mo = 0.66 +-0.046 (-7.07) + -0.55(-0.15) = 1.067

These results show that the indirect effect, via the mediator, is high when marketing power is low rather than high, and a similar trend is seen in the residual direct effect as well. Thus, there is no moderated mediation for innovativeness as the mediator.

Overall, in conclusion, there was moderated mediation found with risk-taking and proactiveness as mediators and Marketing power as moderator, whereas no moderated mediation was found with innovativeness as mediator and Long-Term Compensation ratio as moderator for any of the three mediators.

Endogeneity

Studies with TMT demographics usually face endogeneity issues. In other words, is it possible that CEOs with high level of integrity choose to go to firms with low entrepreneurial orientation and risky outlays? Or is it possible that certain demographics of CEOs tend to show

more integrity than others. To verify these questions, Chatterjee and Hambrick (2007, 2011) was followed wherein, CEO Level of Integrity was regressed against a set of the possible variables that could affect the choice of CEOs with high integrity, lagging them by one year (i.e. t-1 wherein t is the observation year). Specifically, all the three dimensions of Entrepreneurial Orientation and Risky Outlays were tested as the antecedent variables to CEO integrity along with CEO Tenure, Gender and Age. Firm age, firm size, leverage and globalizations were also used as antecedents in the analysis. The EO dimensions and risky outlays were chosen to check the possibility of CEOs with high integrity choosing firm with low EO and risky outlays, which portrays reverse causality. The CEO and firm characteristics were considered as they highlight certain demographics based on which CEOs possibly make their choices. The industry was controlled for, while running this regression analysis. As expected, none of the variables had a significant impact on CEO level of integrity (p = ns), thus further providing evidence that CEO Integrity was not an endogenous proxy of other factors.

Additional Analysis

Since the measure of integrity was based on content analysis, I further tried to validate the measure. I collected a list of 15[8] firms which topped the list of most ethical firms of the year 2015. These firms were used as a proxy for testing the integrity of CEO running these firms, as the firms can only top the ethical charts if the CEO who is running these firms is himself ethical. I also collected a list of 15[9] firms which were involved in scandals across year 2015. I then collected the shareholder letters of those firms for 2015, and ran the content analysis on these

[8] 3M, Aflac, All State Insurance Company, Applied Materials Inc., Arthur J. Gallagher & Co., CA Technologies, CH2M, Colgate-Palmolive Company, Dun & Bradstreet, Eastman, GE, H & M Hennes & Mauritz AB, Henry Schein Inc. CBRE Group Inc., Ford Motor Company, HASBRO Inc.

[9] Arista Networks, Barclays, Chevron Corporation, Chipotle Mexican Grill, Cisco Systems, Halliburton, HSBC, JPMorgan Chase, Monsanto, Microsoft, Pfizer Inc, PMI, Valeant Pharmaceuticals, Volkswagen, Wells Fargo

letters, returned by LIWC. As expected, there was a significant difference in integrity scores (difference = 3.39, t value = 1.86, p =0.07). This confirmed that the list of words used to measure integrity was authentic. To do a robustness check, I regressed integrity scores of these firms calculated by the proposed integrity dictionary (Y variable) on the integrity of the firm (whether the firm has been considered in media as ethical as 1, otherwise 0). The regression analysis returned a significant value, further suggesting that the integrity measure was justified (β = -3.39, t = 1.87, p = 0.072). Additionally, the non-linear impact of integrity (adding a squared term for integrity) was also studied on various outcomes, and the results for level of integrity did not change, thus providing further support for linear impact of integrity on outcomes.

Discussion and Implications

This study tries to shed light on dark side of CEO integrity. The purpose of this research was to address the following questions: 1) how does the high level of integrity impacts the EO of the firm as well as its risky outlays? 2) How can we overcome this negative impact? As expected, the CEOs with high integrity have low intentions to get involved in the risk taking and proactive behaviors of the firm. Further, the proactiveness dimensions was positively related to the risky outlays of the firm. To overcome the negative personality trait that integrity demonstrates, the article also proposed two solutions. One to increase the long-term compensation ratio of the CEO with high integrity, which resulted in his integrity being intact, but increased the involvement of the firm in risk taking behavior. Second, to have a high marketing power in the firm, thus sharing the responsibility of strategizing and investing in these outcomes.

Risky outlays have been blamed to be a double edged sword. On one hand, risky outlays, known for being risky, can have a positive impact on overall firm performance, based on agency

theory (Chatterjee and Hambrick, 2011). On other hand, due to the risky nature of outlays, the firm can even run into bankruptcy and uncertain returns (Hoskisson, Hitt and Hill, 1993; Pablo, Sitkin and Jemison, 1996), thus not only impacting the firm, but at the same time, impacting the employees, stakeholders and customers of the firm. Thus, having a CEO with high integrity ensures that such negative outcomes can be avoided. Thus overall, having a CEO with high integrity can further end up in having higher firm performance compared to the CEO with low integrity.

Theoretical Implications

Various personalities of CEOs, like narcissism, hubris, overconfidence etc. have been studied in literature. Integrity although studied, has always been studied from the positive perspective. While it is equally important, the research remains incomplete without knowing its adverse effects. This article expands the research first by studying integrity of CEO and then by taking a different route and exploring the dark side of it. It shows that although important, there are always some disadvantages to having a CEO with high integrity. The research tries to address this issue by encouraging the board of directors to make the firm entrepreneurially oriented, by focusing on corporate governance. The study contributes to upper echelon theory by further providing support to its conceptual framework. EO is extremely important for firm performance. Hence, researchers have always strived to look for antecedents that can encourage EO in the firm (Morris et al 2007; Rosenbusch et al. 2013). This study contributes the Entrepreneurial literature by studying the antecedent of this orientation. It also extends the present research by showing the importance of corporate governance on EO which includes composition and compensation.

Practical implications

This study provides a range of practical implications from board of directors to stockholders. Integrity being extremely important and necessary for any firm, board of directors get an important message of planning corporate governance in the way that the EO of the firm is not harmed by the most required characteristic of the CEO, integrity. Thus, having high marketing power and high long-term compensation can help in planning the EO strategies in spite of CEOs with high integrity, if the board of directors want. The study provides the managers of the firm with an idea of the way the firm may be oriented, in the presence of the CEO with high integrity versus low integrity, thus helping them with creating strategies for the firm accordingly. For employees seeking out job opportunities, the study helps them to get an estimate of how oriented the firm will be towards risk taking, proactiveness or innovativeness, based on the behavior of the CEO. This will help them decide on the job they are really looking for. Given how important EO is, for the firm (Rauch et al. 2009; Engelen et al. 2012), investors may also take into account a CEO's integrity in their investment decisions. Investors can also look at the compensation chart and the marketing power in the firm to get the clue of orientation of the firm.

Limitations

First, a potential limitation of this study is the use secondary data. Although used on a big scale, this data provides indirect evidence on measuring the integrity of the CEO. I would encourage future researchers to take a step further and use standard scales for measuring integrity by surveying the leadership directly, thus getting primary data evidence. Also, collecting the EO dimensions with primary scale items would further validate the current study. Second, this study did not consider two additional dimensions of EO—competitive aggressiveness and autonomy—introduced by Lumpkin and Dess (1996). While most of the past research has conceptualized EO

as a combination of three dimensions (Rauch et al. 2009; Kreiser et al. 2012), future research should also examine the possibility of competitive aggressiveness and autonomy being impacted by the integrity of CEO. Third, the sample for this study consisted of only publicly listed S&P 500 firms. Since the S&P 500 firms are operated in a different way compared to small or medium firms, future research should consider extending this research to SMEs and interpreting the impact of integrity on those SMEs. Fourth, this research was done keeping the CEOs as the center most variable and analyzing their integrity on the firm level decision. Since the TMT as a whole is also involved in influencing CEO's decisions, it would be interesting to see, how would the level of integrity of the team as a whole, would impact the orientation of the firm. One more interesting research idea here would be to see how the low level of CEO integrity but high level of TMT integrity and vice versa, would impact various decisions of the firm, including various dimensions of orientation. Fifth, the sample selected can be challenged to have a sample selection bias issue due to the filter process of reducing the S&P 500 firms to only those firms who had the same CEO from 2010 onwards. To address this issue, while doing future research I will include all firms that changed their CEOs between 2003-2005. Post this, I will run a regression model with DV = 1 if the CEO remained the same between 2006-2010. Include mills ratio of this regression will then be added as a control for the main regression analyses, thus addressing the sample selection bias. One limitation of this research is a possibility of the culture of the firm being that of high integrity or low integrity, and thus, the CEO gets driven to behave with high or low based on what the firm wants. Future researchers can ensure an endogeneity check by collecting a new sample of CEOs who have remained the CEO for a long term, along with an old CEO who is no more holding that position and a new CEO who has just joined that position. The integrity measure can then be collected for all three types of CEOs and

correlated. If there is low correlation between the three types, it shows that the integrity measure is purely based on the CEO and the firm does not influence one. Lastly, since integrity has been considered the most sought-after quality in the leadership, I would encourage future researchers to shed some light on all the consequences the firm can face after selecting a CEO with high integrity and how to overcome such situations. For example, adverse effect of having CEO with high integrity on marketing capabilities would be a critical contribution in the field of marketing.

Overall Conclusion of Dissertation

Although, there is an increasing worry of marketing myopia in firms, leading to reduced firm performance, the solution of this problem is still in control of the board of directors and the Top management team. The three essays of my dissertation have addressed this problem by finding the cause (low confidence, high integrity, CEO pay gap) as well as the solution (high marketing power, high long term pay ratio, equality in pay) to it.

Actions taken in marketing decisions like Introducing New products or forming alliances, can yield positive or negative stock returns. This result is based on certain features of the firm like compensation given to the CEO compared to the team and the presence of chief marketing officer in the firm. Essay 1 highlights these reasons and finds evidence that having high pay ratio can hamper the stock returns when announcing new products and alliances. At the same time, having high marketing influence can positively impact it.

Upper Echelon theory stated that "organizational outcomes are partially predicted by managerial background characteristics of the top-level management team" (Hambrick and Mason 1984). Essay 2 and Essay 3 further found evidence to support the theory and suggest that along with demographics, which have been studied vastly in literature, personality traits also matter. Traits like confidence and integrity are one of the reasons which lead to increase or decrease in

marketing myopia. Hence, when recruiting a new CEO, the board of directors have to ensure the presence of traits like high confidence, to reduce marketing myopia in the firm.

If the firms are facing the problem of marketing myopia with the existing CEO, the board of directors can take necessary steps to avoid it. For example, essay 2 found that, when a CEO is highly under confident which results in marketing myopia, having high marketing power in the firm can negate the impact by taking care of marketing in the firm. When a CEO is known to have integrity, paying the CEO with long term compensation more than short term compensation, will also fade the negative impact of integrity on marketing.

V. REFERENCES

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Education

Ph.D. (Marketing): Expected May, 2018 – Proposal defended, April 26, 2017
University of Mississippi, Mississippi, U.S.A

May 2014 — Master of Business Administration (Marketing)
University of Mumbai, Maharashtra, India

May 2010 — Bachelor of Engineering (Information Technology)
University of Mumbai, Maharashtra, India

Research Interests

Marketing Strategy, Corporate Governance, Innovation, Marketing-Management Interface, Top Management Team, CEO, Firm Performance, Composition, Compensation

Dissertation

Title: In Search of Marketing's Genie: Essays on the Impact of CEO and Corporate Governance Factors on Marketing Strategies
Co-Chairs: Douglas Vorhies, Saim Kashmiri
Committee: Scott Vitell, John Bentley

[1] Essay 1: "Composition and Compensation: Effect on the value of Alliances and New Product Introductions"
Status: Complete

[2] Essay 2: "Only I can do it: CEOs' Level of Confidence and Marketing Outcomes"
Status: Completed Data Analysis

[3] Essay 3: "Dark Side of Integrity"
Status: Completed Data Analysis

Honors and Awards

- Doctoral Consortium Fellow, Society for Marketing Advances, Kentucky, 2017 (upcoming)
- Doctoral Consortium Fellow, American Marketing Association Sheth Foundation, Iowa, 2017
- William O. Bearden Doctoral Student Research Award, Southeast Marketing Symposium, 2017
- Nominee - SMA Doctoral Dissertation Competition, 2017 (Results Pending)
- Best Paper in Marketing Strategy Track, Society of Marketing Advances, 2016
- Nominee - UM GSC Research Grant Award, University of Mississippi, 2016
- Doctoral Consortium Fellow, Society for Marketing Advances, Texas, 2015
- Representative of India, Gandhi Inspired Student Exchange for Research between University of South Africa and Mumbai University, Pretoria, 2013

Research Under Review

[4] Saim Kashmiri, Prachi Gala and Cameron Nicol (2017)
"Seeking Pleasure or Avoiding Pain: Influence of CEOs' Regulatory Foci on Firms' Advertising, R&D, and Corporate Social Performance" *
Status: Under Review at *Journal of Business Research*

Selected Research in Progress

[5] Prachi Gala, Vishal Gupta, Sandra Mortal and Xiaohu Guo
"CEO Pay slice, Firm Value, and the Mediating Role of Corporate Social Responsibility" *
Status: Completed data collection and analysis. Currently at writing stage

Selected Conference Presentations

- Prachi Gala, Robert King (2017) "Money Talks; Marketing Walks? Impact of CEO Pay on Marketing Outcomes," American Marketing Association Summer Conference (San Francisco, CA August 4 – 6)
- Prachi Gala (2017) "Do Pilots like Marketing? Impact of Pilot CEOs on marketing in the firm," Proceedings of the Marketing Management Association Spring Educators Conference (Chicago, Il March 22-24)
- Prachi Gala, Franklin Tillman, Derek Ezell (2017) "Married or Single: Impact of Marital Status of CEO on Marketing Outcomes," Proceedings of the Marketing Management Association Spring Educators Conference (Chicago, Il March 22-24)
- Prachi Gala (2017) "The missing link between CEO pay gap and marketing outcomes of the firm," Proceedings of the Marketing Management Association Spring Educators Conference (Chicago, Il March 22-24).
- Prachi Gala (2016) "Only I can do it: CEOs' Overconfidence and Marketing Outcomes," Proceedings of Society for Marketing Advances Conference (Atlanta, GA November 2-5)
- Saim Kashmiri, Prachi Gala, Cameron Nicol (2016) "Seeking Pleasure or Avoiding Pain: Influence of CEOs' Regulatory Foci on Firms' Advertising, R&D, and Corporate Social Responsibility," Proceedings of the Society for Marketing Advances Conference (Atlanta, GA November 2-5)
- Saim Kashmiri, Prachi Gala, Cameron Nicol (2016) "Seeking Pleasure or Avoiding Pain: Influence of CEOs' Regulatory Foci on Firms' Advertising, R&D, and Corporate Social Responsibility," Proceedings of the American Marketing Association Summer Conference (Atlanta, GA August 5-7)
- Prachi Gala (2016) "Will showing images sell my food? Impact of cognitive load in menu items on consumer purchase intentions," American Marketing Association Summer Conference (Atlanta, GA November 2-5)

- Prachi Gala (2016) ""I" Miss "Me": Truth about Nostalgia, Message Framing and Narcissism," American Marketing Association Summer Conference (Atlanta, GA November 2-5)
- Prachi Gala (2015) "Do Images Speak More Than Calories? Impact of Images and Calories on Consumer's Decision-Making Process," Proceedings of the Society for Marketing Advances Conference (San Antonio, TX November 3-7)

Teaching Experience

- Consumer Behavior Spring 2017, Fall2017, Spring 2018 University of Mississippi (ongoing)
- Principles of Marketing 2016, 2017, University of Mississippi
- Introduction to Retailing 2015, University of Mississippi
- Selected to share Best Teaching Moments, Society for Marketing Advances, 2016, Nov 2017
- Teaching Assistant, Marketing Research, Introduction to Retailing (2014 - 2016)

Grants and Fellowships

- Graduate Assistantship, The University of Mississippi (2014 – Present)
- Research Assistantship, The University of Mississippi (2014 – present)

Professional Service

- Member of Editorial Review Board for International Journal of Marketing and Sales Education
- Vice Chair of Special Events, Marketing for Higher Education Special Interest Group, AMA
- Reviewer 2015, 2016, 2017 – Society for Marketing Advances Conference
- Reviewer 2016, 2017 – AMA Summer and Winter Marketing Educators' Conference
- Reviewer 2017 – AMS Annual Conference
- Session Chair 2016 – AMA Summer Marketing Educators' Conference, Society for Marketing Advances Conference

Professional Experience

Deloitte Consulting India Pvt. Ltd. (June 2010 – June 2012)
Business Technology Analyst

- Developed SAP based back end system for multiple Fortune 500 Companies
- Trained in areas of ABAP including classical and interactive reporting, data migrations, and object oriented programming

Kantar IMRB (March 2013 – April 2013)
Market Research Intern

- Analyzed and assessed rural consumer behavior for the dish washing category of a FMCG giant
- Analyzed and assessed the car freshener category through interaction with various channel partners including the distributors, wholesalers, retailers and consumers for a FMCG giant

Business of Ideas (April 2013 – June 2013)
Marketing Consultant Intern

- Analyzed the various factors affecting the footfalls in the food court of a mall in India and provided various strategies to increase footfall