Looking Far or Close: The Explanatory Role of Myopic Management in the Relationship between CEO–TMT Power Disparity and Corporate Social Responsibility

Shin Hyoung Kwon[a*], Joongseo Kim[b], Hyunsoon Yim[b],

[a]College of Business and Economics, Hanyang University ERICA, 55 Hanyangdaehak-ro, Sangnok-gu, Ansan, Gyeonggi-do, 15588, South Korea

[b]Black School of Business, Penn State Erie, The Behrend College, 5101 Jordan Rd. 272 Burke, Erie, PA 16563, United States of America

Abstract

We apply the approach/inhibition theory of power and tournament theory to explain how power disparities between a CEO and a top management team (TMT) lead to myopic management in a firm that, in turn, influences its corporate social responsibility (CSR) performance. Specifically, we analyze panel data from multiple sources (i.e., KLD, ExecuComp, and Compustat) over a 12-year period and find that CEO–TMT power disparity, measured by pay slice, is positively associated with myopic management that, in turn, leads to a reduction in CSR performance. Furthermore, we decompose total power disparities into short- (e.g., salary and bonus) and long-term (e.g., stock option) power disparities. Our results suggest that CEOs receiving relatively greater short-term compensation than that of TMTs are more likely to engage in myopic management, leading to their firm's reduced CSR practices. We discuss the theoretical and practical implications of this study.

Keywords: CEO–TMT power disparity, myopic management, corporate social responsibility

[*]Correspondence regarding this article should be addressed to Shin Hyoung Kwon, 55 Hanyangdaehak-ro, Sangnok-gu, Ansan, Gyeonggi-do, 15588, South Korea
Email: shkwon7@hanyang.ac.kr, Tel: +82-31-400-5632

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1. Introduction

"Companies expose themselves to the pressures of investors focused on maximizing near-term profit at the expense of long-term value... Today's culture of quarterly earnings hysteria is totally contrary to the long-term approach we need. To be clear, we do believe companies should still report quarterly results, but CEOs should be more focused in these reports on demonstrating progress [toward] their strategic plans than a one-penny deviation from their EPS targets or analyst consensus estimates."- Larry Fink, CEO of BlackRock

To survive in the cut-throat corporate environment, meeting immediate performance targets is crucial for everyone in a company, including C-level executives. However, the pressure to meet short-term objectives may lead managers to inflate earnings and/or slash expenditures. For example, Graham et al. (2005) suggested that 80% of top financial executives reduce spending on "discretionary" activities (e.g., R&D) to meet short-term objectives. Similarly, researchers have found that executives slash discretionary expenses to achieve their short-term goals (Edmans et al., 2017; Flammer & Bansal, 2017). According to the 2016 Edelman Trust Barometer survey, more than 70% of survey participants believed that CEOs place too much importance on short-term financial outcomes (Edelman, 2016).

The efficacy of this "myopic" perspective may not be sustainable and can discourage a firm from making long-term investments that enhance the firm's future value, such as CSR activities. Vishwanathan et al. (2020) provided meta-analytic evidence of how CSR improves firm performance. In addition, Dorfleitner et al. (2018) showed how long-term engagement in CSR results in long-term stock returns (e.g., a "3.8% increase in stock returns per one-standard-deviation increase in CSR rating"). Since such benefits of the long-term approach are evident, it is important to understand how firms fall into "myopic management" (the inclination to make decisions that prioritize short-term outcomes at the cost of long-term investments), which discourages engaging in long-term oriented CSR and erodes firm value.

Although scholars and practitioners have been viewing myopic management as a major

threat to business (Isaacs et al., 2017), little attention has been paid to the direct influence of CEOs on myopic firm decisions and behaviors. As shown in Table 1, researchers have suggested that CEO power directly influences CSR investments/activities (Harper & Sun, 2019; Jeong, 2020; Jouber, 2019; Li et al., 2016; Zhang et al., 2020; Zhao et al., 2021). In addition, researchers have argued that CEO power reduces firms' environmental performance (Walls & Berrone, 2017) and creates a discrepancy between CSR disclosure and actual corporate social performance (Gull et al., 2023; Shahab et al., 2022). While the direct effect of CEO power on CSR-related outcomes has been explored over the past ten years, little is known about why powerful CEOs are less likely to engage in CSR and what roles other executives (e.g., non-CEO executives) play in formulating and executing CSR. To our knowledge, no study has identified a mediating mechanism between CEO power and CSR while considering the role of non-CEO executives.

[Insert Table 1 about here]

To fill this important gap in the literature, we theorize and examine how both CEO and non-CEO executives endorse myopic management. This dual perspective not only acknowledges the superior influence of CEOs over strategic decisions but also considers the incremental contributions of non-CEO executives to firm-level decisions (Boone & Hendricks, 2009; Hambrick, 1995, Simons et al., 1999; Van der Vegt & Bunderson, 2005). Non-CEO executives provide the perspectives of their functional units (Barrick et al., 2007; Carmeli & Schaubroeck, 2007) and support the CEO as a part of the TMT (Buyl et al., 2014; Cannella & Holcomb, 2005; Simsek et al., 2018). Considering the influence of both CEOs and non-CEO executives makes the present study more relevant to the real business context because all executives on the TMT collectively contribute to strategic decision making (Finkelstein et al., 2008; Hambrick & Mason, 1984) in support of CEOs who may face dynamic and complex environmental demands (e.g., CEO

bounded rationality; Colbert et al., 2014).

The present research employs a dual theoretical framework—the approach/inhibition theory of power (Keltner et al., 2003) and tournament theory (Lazear & Rosen, 1981)—to explain how both CEOs and non-CEO executives fall into myopic management, discouraging CSR practices. On the one hand, the approach/inhibition theory of power (Keltner et al., 2003) explains how dominant CEOs create entrenchment issues by paying too much attention to imminent self-interest. Previous research has suggested that individuals with more resources and fewer constraints (e.g., CEOs) tend to prioritize potential rewards (Anderson & Galinsky, 2006) over possible losses (Anderson & Berdahl, 2002). Given that one's power is reflected in the form of compensation in the organizational context, CEOs receiving compensation that far exceeds that of non-CEO executives (high CEO–TMT power disparity) may dominate executive team meetings (Bourgeois & Eisenhardt, 1988) and override any potential challenges from non-CEO executives (Brinol et al., 2007; Gupta et al., 2018). As a result, CEOs may prioritize their immediate self-interests at the cost of long-term shareholder value (e.g., by reducing investments in long-term strategies, such as CSR and R&D; Bebchuk et al., 2011; Jiraporn & Chintrakarn, 2013).

On the other hand, tournament theory describes how tournament incentives stimulate non-CEO executives to prioritize bottom-line objectives and the performance of their function (Lazear & Rosen, 1981) and provides insight into how non-CEO executives may myopically approach strategic decisions and objectives. Excessive CEO compensation (e.g., high CEO–TMT power disparity) may reflect a CEO's victory—"winning a trophy"—in a CEO promotion tournament. However, the intensity of the competition among non-CEO executives in such a tournament may lead to insufficient commitment to organizational goals, collaboration, or information sharing (Dye, 1984; Kini & Williams, 2012). This lack of coordination and collaboration among non-CEO

executives may result in suboptimal decisions (see Samba et al. (2018)'s meta-analytic review on strategic dissent) that prioritize the myopic bottom-line interests of their own department.

The contributions of this study are threefold. First, we contribute to the executive compensation and CSR literature by providing novel explanations for how CEO–TMT power disparities (operationalized as pay slice) influences a company's CSR activities through "myopic management." Using a dual theoretical framework, this research discovers how CEO–TMT power disparities can lead to myopic management, which can then suppress a firm's engagement in CSR activities. By identifying this explanatory mechanism, this study fills the gap in the literature that has only considered the direct effects of CEOs or TMTs on firm-level CSR outcomes (Harper & Sun, 2019; Jeong, 2020, Li et al., 2016; Zhao et al., 2021).

Second, we extend the executive compensation literature by decomposing CEO–TMT power disparities into short- and long-term bases. Although previous research has examined the effects of the time-based components of executive compensation on strategic decisions and firm performance (Deckop et al., 2006; Edmans et al., 2022; Marinovic & Varas, 2019), these studies have mostly focused on the "absolute" nature of executive compensation (e.g., the compensation structure of a CEO or a non-CEO executive). Few studies (Harper & Sun, 2019; Jeong, 2020; Li et al., 2016; Zhao et al., 2021) have examined the effects of the "relative" nature of executive compensation, specifically, the time aspect of pay slices. However, these studies have not provided a theoretical rationale for why distinguishing short- and long-term considerations matters. In this study, we provide a detailed theoretical explanation and examine how the differential time-based incentives of a CEO and TMT can result in myopic management when there is a power disparity between them based on short- and long-term considerations.

Third, we contribute to the literature on upper echelons theory (UET; Hambrick, 2007; Hambrick & Mason, 1984). Although financial position (e.g., stock ownership of executives and incentive/compensation plans) is one of the proxies in UET that explains executives' strategic decisions (Hambrick & Mason, 1984), few studies have focused on how executive compensation interacts with other executive characteristics (e.g., Cho & Hambrick, 2006). By understanding the nature of the financial positions of CEOs and non-CEO executives, including how executive compensation is structured, we help uncover how their strategic decisions and behaviors change.

2. Literature Review

2.1. CEO–TMT Power Disparity

The literature generally considers a CEO the leader of a company's upper echelons rather than a member of them (Arendt et al., 2005; Jaw & Lin, 2009; Kisfalvi & Pitcher, 2003). A CEO has more power and authority than other executives and shapes the TMT's decision-making processes (Buyl et al., 2011; Lin & Rababah, 2014; Ling et al., 2008a; Ling et al., 2008b; Tuggle et al., 2010). Indeed, CEO–TMT power disparity is defined as "the power of the CEO relative to other executives in the TMT" (Tang et al., 2011, p. 1480) and can impact corporate strategies and performance outcomes (Carpenter & Sanders, 2002). In particular, CEO–TMT power disparity is manifested in the size of a CEO–TMT pay disparity, i.e., CEOs who receive significantly greater compensation than other executives on their top management team are perceived to hold more power and legitimacy (Dornbusch & Scott, 1975; Shen & Cannella, 2002), which may allow them to exercise more authority over corporate decisions (Finkelstein, 1992). Researchers argue that CEO–TMT power disparity offers CEOs greater self-confidence and makes them more likely to assert their opinions in decision-making processes (Cannella et al., 2008; Hayward & Hambrick, 1997; Tang et al., 2011; Tang et al., 2015). The literature also suggests that high CEO–TMT power

disparity results in unequal power distributions, as CEOs can guide other executives to direct critical resources and attention to strategies that reflect CEOs' preferences (Greve & Mitsuhashi, 2007).

Another stream of literature documents how a pay disparity between a CEO and non-CEO executives shapes the behavior of TMT members (Dye, 1984; Henderson & Fredrickson, 2001; Heyman, 2005; Kini & Williams, 2012; Lazear & Rosen, 1981). According to social comparison theory, when non-CEO executives compare their remuneration to a CEO's, they may feel that they are underpaid (Cowherd & Levine, 1992; Fredrickson et al., 2010; Henderson & Fredrickson, 2001; Siegel & Hambrick, 1996). Thus, high pay disparity may have a negative effect on the performance of TMT members, leading to low firm performance (Cowherd & Levine, 1992; Siegel & Hambrick, 2005). However, this theory provides inconclusive evidence concerning the relationship between pay disparity and firm performance (see Ridge et al., 2015). Tournament theory (e.g., Lazear & Rosen, 1981), however, provides a solid theoretical foundation for the impact of pay disparity on compensation structure. This theory asserts that a large pay disparity between a CEO and non-CEO executives can provide incentives for non-CEO executives to make more operational efforts to increase their chances of becoming a CEO. Henderson and Fredrickson (2001) argue that such incentives motivate collaboration among executives and discourage shirking; hence, a large pay disparity eventually increases firm performance. Subsequent studies have also found that a large pay disparity results in improved firm performance (e.g., Kale et al., 2009; Lee et al., 2008; Lin et al., 2009).

2.2. Myopic Management

Today, while remaining keen to secure their TMT positions, the CEOs and top executives of organizations face the harsh reality of making critical strategic decisions with limited and

asymmetric information in a hypercompetitive marketplace amid rapid changes in the economy. With such internal and external pressures and uncertainties, top managers often encounter pitfalls and make short-sighted decisions that maximize immediate earnings, sacrificing corporate long-term value creation opportunities, such as R&D and marketing investments, i.e., they engage in myopic management (Bendig et al., 2018; Mizik & Jacobson, 2007). Such myopic management negatively impacts both long-term shareholder value (Bendig et al., 2018; Mizik, 2010; Saboo et al., 2016) and long-term financial performance (Mizik, 2010; Mizik & Jacobson, 2007). As the literature primarily discusses the decremental effect of myopic management on long-term performance, few studies have explored the antecedents of myopic management decisions (e.g., the role of a marketing department in suppressing myopic management decisions; Srinivasan & Ramani, 2019).

However, greater attention on imminent performance data (e.g., inflated earnings reports) may unbalance resource distribution toward long-term strategic objectives and thus prevent a firm from building fundamental market-based assets (e.g., strong brand assets and corporate reputation), rendering the organization less flexible and responsive to changes in dynamic demands and competitive landscapes (Srivastava et al., 1998). Prior studies have demonstrated that shareholders respond negatively to such myopic behavior. For example, Mizik and Jacobson (2007) and Saboo et al. (2016) find that shareholders overvalue a myopic firm's public offerings in the short term, although they tend to correct such mispricing over time. These findings echo the notion that while investors may be misled by managers' attempts to manipulate immediate earnings, they will still reduce their long-term expectations of firm value.

3. Theoretical Development

3.1. CEO–TMT Power Disparity and Myopic Management

CEO–TMT power disparity may influence the time horizon of business strategies (Wiseman & Gomez-Mejia, 1998) in two ways. First, from a CEO's perspective, excess CEO compensation may grant a CEO the power to propel his or her self-interest (Fama & Jensen, 1983). As the theory of the approach/inhibition of power suggests (Keltner et al., 2003), individuals with power activate their behavioral system, which makes them overestimate the potential upsides of their behaviors (Anderson & Galinsky, 2006) while downplaying their downsides (Anderson & Berdahl, 2002). People with high power tend to behave selfishly and often engage in actions that benefit themselves at the cost of others (Fiske, 1993; Galinsky et al., 2003; Keltner et al., 2003; Kipnis, 1972, 1976). Previous research on the context of top management suggests that CEOs with high power may override potential challenges from non-CEO executives (Brinol et al., 2007; Gupta et al., 2018) and freely make business decisions for their immediate self-interests rather than focusing on sustainable business plans (Bebchuk et al., 2011; Jiraporn & Chintrakarn, 2013). Since stakeholders directly attribute firm performance to powerful CEOs (Hall & Liebman, 1998; Hermalin & Weisbach, 2017), CEOs have incentives to manipulate earnings to meet or beat earnings benchmarks (Mande & Son, 2012). In sum, relatively powerful CEOs are more likely to focus on short-term firm objectives and protect themselves from any downside risks by engaging in myopic management, that is, the business practice of inflating short-term earnings and reducing long-term investments (e.g., marketing, R&D, etc.) for sustainable business growth.

Second, regarding non-CEO executives, a CEO's excessive compensation (e.g., high CEO-TMT power disparity) can function as a motivational goal for non-CEO executives in a highly competitive promotion tournament. Following tournament theory (Henderson & Fredrickson, 2001; Lazear & Rosen, 1981), non-CEO executives in a tournament are incentivized to make more efforts to be promoted to a CEO when the compensation for a trophy is large (Bognanno, 2001).

Thus, a large power disparity enhances firm performance (e.g., Kale et al., 2009). Alternatively, if a non-CEO executive in a tournament has an incentive to undertake more risks, such as R&D and marketing investments, than other non-CEO executives with the expectation that higher risks will generate higher output, helping him or her to become a CEO, then the same incentive will make all non-CEO executives take higher risks (Goel & Thakor, 2008). Such intense competition among non-CEO executives may induce their reluctance to share information and their lack of commitment to properly allocate firm resources (Harbring & Irlenbusch, 2011). This in turn creates suboptimal and inefficient operational decisions for their firm, implying that non-CEO executives prioritize their imminent interest in their own functions while sacrificing well-distributed long-term investments, such as R&D and marketing investments. Consequently, the power disparity between a CEO and the TMT can encourage non-CEO executives to be compliant with the CEO for their unit's interest, leading to a focus on short-term objectives and myopic management.

Overall, both theoretical approaches acknowledge the existence of the CEO dominance and supportive roles of non-CEO executives (Heyden et al., 2013) in the strategic decisions. Thus, combining CEO/non-CEO executive perspectives coherently posit that CEO–TMT power disparity likely increases the propensity for myopic management practices, leading to our first hypothesis as follows:

H1: CEO–TMT power disparity is positively associated with myopic management.

3.2. Differential Time Effects of CEO–TMT Power Disparity on Myopic Management

The following types of CEO–TMT power disparity, based on different types of time-bound compensation, may impact a firm's strategic direction and resource allocation: 1) short-term CEO–TMT disparity (disparity in short-term compensation, such as salary, cash bonus); 2) long-term CEO–TMT disparity (disparity in long-term compensation, such as stock options). Because

information on executives' short-term compensation (e.g., their salary and bonus) is easily and immediately attainable (Kulik & Ambrose, 1992), a greater short-term CEO–TMT disparity may lead to a CEO being more visible and discernable (Westphal & Zajac, 1998; Zajac & Westphal, 1995) than non-CEO executives. Stakeholders may attribute a firm's performance to a powerful CEO more directly because of the CEO's visibility, implied power, and status (Hall & Liebman, 1998; Hermalin & Weisbach, 2017). Therefore, powerful CEOs, relative to other executives, are more likely to be motivated to focus on short-term firm objectives. However, since R&D and marketing investments are expensed under the current accounting rule, making a firm's reported earnings lower, CEOs may cut such expenses to boost their firm's short-term earnings.

Non-CEO executives also benefit from better earnings because they are evaluated by their contribution to firm performance. The option-like features of a CEO promotion tournament can incentivize executives to neither collaborate nor share information with other executives, as argued above. Thus, to win an intensely competitive tournament to become a CEO, non-CEO executives may make suboptimal and inefficient operation decisions (e.g., Dye, 1984; Lazear & Rosen, 1981; Siegel & Hambrick, 2005). Furthermore, since an executive who wins such a tournament can benefit from short-term compensation, which is generally not associated with long-term firm value, non-CEO executives are more interested in short-term earnings and support the CEO accordingly. As a result, both a CEO and non-CEO executives may prioritize immediate performance goals at the expense of investment in long-term growth and, thus, are likely to engage in myopic management.

In contrast, long-term executive compensation (e.g., equity-based compensation) is aligned with shareholders' interests in firm value (Nyberg et al., 2010; Vo & Canil, 2019). A CEO with high long-term compensation may not benefit from myopic management because a firm's myopic

behavior will harm long-term firm value (Bendig et al., 2018; Mizik, 2010; Saboo et al., 2016). Furthermore, non-CEO executives not only are interested in short-term earnings (e.g., myopic management) but also understand how continual myopic management will eventually harm a firm's long-term value creation. Hence, they become concerned with a decrease in firm value that will impact their compensation upon their promotion as the tournament winner. Therefore, a powerful CEO and non-CEO executives with high power disparity in long-term compensation (e.g., greater long-term CEO–TMT power disparity) are less likely to be motivated to engage in myopic management. Accordingly, this discussion leads to our second hypothesis:

H2: Short-term CEO–TMT power disparity has a stronger impact on myopic management than long-term CEO–TMT power disparity.

3.3. The Role of Myopic Management between CEO–TMT Power Disparity and CSR

The literature asserts that CSR is a part of the daily business operations that are essential for long-term value creation (Garel & Petit-Romec, 2021; Veldman, 2018). While CSR helps a firm develop socially responsible resources and capabilities (Branco & Rodrigues, 2006), CSR practices also involve a significant amount of (capital) resource coordination and a concerted approach inside the organization (Bhandari & Javakhadze, 2017). Thus, Wang and Bansal (2012) argue that an orientation toward long-term CSR enables a firm to recognize its value and insurance-like benefits and foster tolerance for a lack of short-term outcomes by aligning stakeholders' diverse interests.

Past studies have documented how CEOs and other TMT members influence a firm's socially responsible business practices (e.g., Muttakin et al., 2018; Reimer et al., 2018; Wong et al., 2011). For example, Jiraporn and Chintrakarn (2013) demonstrate that CEOs view CSR as an important strategic investment and that CEOs with high pay disparity have a negative impact on

CSR investment. Wong et al. (2011) show that a decentralized TMT tends to be more responsive to stakeholders' needs and puts more effort into corporate social performance. This stream of the literature thus suggests a negative association between CEO–TMT power disparity and CSR investment. Our theoretical rationale posits that CEO–TMT power disparity increases the propensity for myopic management, implying that CEO–TMT power disparity inhibits CSR practices. This line of reasoning drives our expectation of an association between CEO–TMT power disparity (short-term vs. long-term power disparity) and CSR through myopic management. Thus, our third hypothesis is as follows (see Figure 1 for our theoretical model):

H3a: Myopic management mediates the relationship between CEO–TMT power disparity and CSR.

H3b: The mediation effect of myopic management between the impact of CEO–TMT power disparity on short-term compensation and CSR is stronger than that between the impact of CEO–TMT power disparity on long-term compensation and CSR.

[Insert Figure 1 about here]

4. Methodology

We tested our hypotheses using archival data from three different sources. We obtained CSR data from the KLD database, executive compensation data from ExecuComp, and all other financial data from Compustat. Because these data are available for different years in different databases, we matched our observations across the three databases. We focused on U.S. public companies and excluded financial institutions (Standard Industrial Classification (SIC) codes

6000-6500) and firms with missing accounting information.[1] Our sample includes annual CSR scores from 1991 to 2016, including data on CSR strengths and concerns, which are drawn from the KLD database. However, some years have a large amount of incomplete data and an insufficient number of observations. Initially, the KLD database covered only firms in the S&P 500 and Domini 400 Social Index; in the early 2000s, it expanded its coverage by including firms in the Russel 3000 Index. Thus, these early years were not included in the final sample, which ultimately contained 5,139 firm-year observations for the period of 2001 to 2013.

4.1. Measures

4.1.1. Myopic Management

Following the literature, we identify firms with myopic management by simultaneously considering their levels of earnings scaled by total assets (i.e., the return on assets or ROA), marketing expenses scaled by total assets (i.e., marketing intensity, or MKTG), and research and development expenses scaled by total assets (i.e., R&D intensity, or R&D) (Cohen & Zarowin, 2010; Mizik, 2010; Mizik & Jacobson, 2007). When a firm has a greater ROA and less MKTG and R&D than expected, this indicates that the firm is trying to falsely signal its accounting performance rather than properly investing in its future, thereby reducing shareholder value. Thus, to measure myopic management, we first calculate a firm's expected ROA ($\widehat{ROA_{it}}$), MKTG ($\widehat{MKTG_{it}}$), and R&D ($\widehat{R\&D_{it}}$), obtained via autoregressive forecast models that consider year fixed effects as follows (Bendig et al. 2018):

$$ROA_{it} = \alpha_0 + \alpha_1 ROA_{it-1} + YearDummy + \varepsilon_{ROA,it}$$

[1] U.S. firms are bound to play a proactive role in social welfare despite the lack of an official CSR law in the country because people are increasing their expectations of firms' social activities, in line with changing social norms. Thus, we believe that it is worth examining U.S. firms with CSR reports to address CEO–TMT motivations and myopic management onto CSR. However, we acknowledge that there are national institutional differences among countries, as documented in the literature (e.g., Freeman & Hasnaoui, 2011; Matten & Moon, 2008).

$$MKTG_{it} = \beta_0 + \beta_1 MKTG_{it-1} + YearDummy + \varepsilon_{MKTG,it}$$

$$R\&D_{it} = \gamma_0 + \gamma_1 R\&D_{it-1} + YearDummy + \varepsilon_{R\&D,it}$$

, where ROA_{it}, $MKTG_{it}$, and $R\&D_{it}$ represent the return on assets, marketing intensity, and R&D intensity of firm i in year t, and ROA_{it-1}, $MKTG_{it-1}$, and $R\&D_{it-1}$ are lagged values. YearDummy is an indicator variable for each year of fixed effects. We then obtain unexpected return on assets ($\varepsilon_{ROA,it} = ROA_{it} - \widehat{ROA_{it}}$), marketing intensity ($\varepsilon_{MKTG,it} = MKTG_{it} - \widehat{MKTG_{it}}$), and R&D intensity ($\varepsilon_{R\&D,it} = R\&D_{it} - \widehat{R\&D_{it}}$) by subtracting the expected values from the actual values. Then, we define MYO, which represents myopic management, as an indicator variable that equals one if a firm has unexpected positive ROA and unexpected negative MKTG and R&D and zero otherwise.

4.1.2. CSR Measures

A firm's CSR strengths and concerns are measured in seven dimensions of socially responsible practices: community, corporate governance, diversity, employee relations, the environment, human rights, and product quality and safety. Following Kang et al. (2016) and Kotchen and Moon (2012), we sum each firm's strength and concern indicator variables, where each variable equals one if the firm has the specific strength or concern represented by that indicator and zero otherwise, across the seven dimensions. We determine each firm's yearly CSR scores by subtracting the summed concerns from the summed strengths, and we use the natural logarithms of these scores to calculate the descriptive statistics of our sample. Following the literature (e.g., Kang et al., 2016), we standardize the CSR scores for each year to minimize year

effects in the hypothesis testing due to differences in the indicator variables and sample sizes over our sample period.[2]

4.1.3. CEO–TMT Power Disparity

We obtained the total compensation for a firm's top five executives from the ExecuComp database. A firm's top five executives include its CEO, who we identify by following the database classification, and its top four non-CEO executives, who we determine based on total compensation, including their salary, bonuses, and other types of compensation. The total compensation of the top five executives is divided into short-term and long-term pay, where short-term pay includes an executive's salary and bonuses (short-term CEO–TMT power disparity), and long-term pay includes restricted stocks, stock options, long-term incentive plans, and other payments (long-term CEO–TMT power disparity). After deriving the total, short-term, and long-term pay of each firm's top five executives, we calculate pay slice, the proxy for power disparity. Specifically, pay slice is the proportion of the top five executives' total compensation that goes to the CEO (e.g., Bebchuk et al., 2011). Moreover, we calculate three different pay slice measures: total pay slice (TPS), short-term pay slice (SPS), and long-term pay slice (LPS).

4.2. Research Model

To test H1 and H2 in our conceptual model (Figure 1), we run a series of regressions with fixed effects. First, we estimate the effect of pay slice, i.e., TPS, SPS, and LPS, on myopic management, MYO. Because MYO is a binary variable, we estimate this relationship using logit models as follows:

$$MYO_{it} = \alpha_0 + \alpha_1 TPS_{it-1} + \alpha_2 SIZE_{it-1} + \alpha_3 LEV_{it-1} + \alpha_4 CFO_{it-1} + \alpha_5 ROA_{it-1} + \alpha_6 MKTIN_{it-1} + \alpha_7 RNDIN_{it-1} + \alpha_8 TECTB_{it-1} + \alpha_9 MKTB_{it-1} + YearDummy + \varepsilon_{it} \quad (1)$$

[2] Some CSR (i.e., strength and concern) indicators have been added or removed over time, entailing that the total number of strengths and concerns for each firm varies during the sample period. Additionally, the number of firms in the sample changes over time.

$$MYO_{it} = \beta_0 + \beta_1 SPS_{it-1} + \beta_2 LPS_{it-1} + \beta_3 SIZE_{it-1} + \beta_4 LEV_{it-1} + \beta_5 CFO_{it-1} + \beta_6 ROA_{it-1} + \beta_7 MKTIN_{it-1} + \beta_8 RNDIN_{it-1} + \beta_9 TECTB_{it-1} + \beta_{10} MKTB_{it-1} + YearDummy + \varepsilon_{it} \quad (2)$$

, where MYO is an indicator variable for firm i with myopic management at time t, and TPS (SPS, LPS) is the fraction of the top five executives' total (short-term, long-term) compensation that is received by the CEO of firm i at time t-1. We use a set of variables at time t-1 to control for other factors that may be associated with a firm's myopic behavior. Following Bendig et al. (2018), we use the following firm-level control variables: SIZE (firm size) is the natural logarithm of total assets, ROA (profitability) is earnings scaled by total assets, MKTIN (marketing intensity) is market expenses scaled by total assets, and RNDIN (R&D intensity) is R&D expenses scaled by total assets. We also use LEV (leverage), total debt scaled by total assets, and CFO (cash flows), operating cash flows scaled by total assets, because firms with high leverage may behave myopically to pay their debt, while firms with large cash flows may not be interested in myopic management. We also use the following industry-level control variables following Saboo et al. (2016): TECTB is technological turbulence, defined as the ratio of R&D expenses to sales within an industry; MKTB is market turbulence, defined as the ratio of selling, general, and administrative (SG&A) expenses to sales within an industry. We include YearDummy for year fixed effects while clustering the standard errors by industry to account for correlations within the industry. We expect to find a significantly positive coefficient (β_1) on TPS in Model (1)—suggesting that total power disparity increases the probability of myopic management—and a significantly larger coefficient (β_1) on SPS than coefficient (β_2) on LPS in Model (2)—suggesting that short-term power disparity increases the probability of myopic management more than long-term power disparity.

Second, we test H3a and H3b by estimating the mediating effect of myopic management on the relationship between pay slice and CSR. We posit that the impact of pay slice on CSR is mediated by myopic management. Path 'a' corresponds to the impact of total pay slice (short-term

and long-term pay slices) on myopic management in Figure 2, and path 'b' corresponds to the impact of the mediator on CSR. Finally, path 'c' corresponds to the total impact of total pay slice (short-term and long-term pay slices) on CSR. Following Baron and Kenny (1986), we consider a variable, MYO, as a mediator when the following three criteria are met: 1) pay slice measures (TPS, SPS, and LPS) are significantly associated with myopic management (MYO) [path 'a']; 2) myopic management is significantly associated with CSR activities (CSR) [path 'b']; and 3) the association between pay slice and CSR activities is reduced when myopic management is also taken into account [path 'c']. We establish this analytic framework using the following models:

$$CSR_{it} = \alpha_0 + \alpha_1 TPS(or\ \delta_1 SPS + \delta_2 LPS)_{it-1} + \alpha_2 SIZE_{it-1} + \alpha_3 LEV_{it-1} + \alpha_4 CFO_{it-1} + \alpha_5 ROA_{it-1} + \alpha_6 DIV_{it-1} + \alpha_7 INST_{it-1} + \alpha_8 MB_{it-1} + \alpha_9 GEN_{it-1} + \alpha_{10} TEN_{it-1} + \alpha_{11} HHI_{it-1} + \alpha_{12} LIT_{it-1} + YearDummy + IndustryDummy + \varepsilon_{it} \quad (3)$$

$$MYO_{it} = \beta_0 + \beta_1 TPS(or\ \zeta_1 SPS + \zeta_2 LPS)_{it-1} + \beta_2 SIZE_{it-1} + \beta_3 LEV_{it-1} + \beta_4 CFO_{it-1} + \beta_5 ROA_{it-1} + \beta_6 MKTIN_{it-1} + \beta_7 RNDIN_{it-1} + \beta_8 TECTB_{it-1} + \beta_9 MKTB_{it-1} + YearDummy + \varepsilon_{it} \quad (4)$$

$$CSR_{it} = \gamma_0 + \gamma_1 TPS(or\ \eta_1 SPS + \eta_2 LPS)_{it-1} + \gamma_2 MYO_{it-1} + \gamma_3 SIZE_{it-1} + \gamma_4 LEV_{it-1} + \gamma_5 CFO_{it-1} + \gamma_6 ROA_{it-1} + \gamma_7 DIV_{it-1} + \gamma_8 INST_{it-1} + \gamma_9 MB_{it-1} + \gamma_{10} GEN_{it-1} + \gamma_{11} TEN_{it-1} + \gamma_{12} HHI_{it-1} + \gamma_{13} LIT_{it-1} + YearDummy + IndustryDummy + \varepsilon_{it} \quad (5)$$

[Insert Figure 2 about here]

Because the sum of the direct effect of pay slice on CSR (γ_1) in Model (5) and the mediation effect (or indirect effect) ($\beta_1 \times \gamma_2$) in Models (4) and (5) is the total effect of pay slice on CSR (α_1) in Model (3) (Baron & Kenny, 1986), we can test only Models (4) and (5). To test the statistical significance of the mediation effect, we estimate the standard error of the mediation effect following Sobel (1982). As our dependent variable, MYO, is a binary variable in Model (4), we standardize both coefficients of TPS (or SPS and LPS) in Model (4) and MYO in Model (5) using a special computation of the standard error of the binary variable, $S_{MYO} = \sqrt{\beta_1^2 S_{TPS(or\ SPS\ and\ LPS)} + \pi^3/3}$, where S stands for the respective standard deviations of MYO

and TPS (or SPS and LPS), as suggested by Iacobucci (2012) and MacKinnon et al. (2007). Model (4) is the same as Models (1) and (2). In Models (3) and (5), we use a dependent variable, CSR, the standardized variable of firm i at time t, as defined above. We use one-year-lagged control variables because our annual CSR data are based on the number of CSR incidents that can happen at any time during a year. We include several variables at the firm, CEO, and industry levels at time t-1 to control for other factors that impact CSR as follows: At the firm level, SIZE, LEV, CFO, and ROA are the control variables of MYO that may also impact CSR (Lys et al., 2015; Yuan et al., 2019). We control for the effect of a firm's dividends, defined as dividends scaled by total assets (DIV) on CSR practices (Di Giuli & Kostovetsky, 2014), and the association of institutional ownership, the shares owned by institutions scaled by total outstanding shares (INST) with CSR practices (Oh et al., 2011). MB is the market-to-book ratio, the market price over the book value of equity (Yuan et al., 2019). At the CEO level, GEN is an indicator variable equal to one if the CEO is female and zero otherwise (Manner, 2010; Tang et al., 2015), and TEN is the number of years that the CEO has held that position. At the industry level, we add the Herfindahl-Hirschman Index (HHI), the sum of the squared market shares of all firms in the same 2-digit SIC code, because market competition can motivate firms to engage in CSR practices (Deng et al., 2013). Finally, we include LIT, an indicator variable equal to one if a firm is in a high litigation industry and zero otherwise, because firms with high litigation risk may practice CSR to alleviate such risk (Di Giuli & Kostovetsky, 2014; Yuan et al., 2019) (see the Appendix for details on the measures of the control variables). We include YearDummy and IndustryDummy for year and industry fixed effects, respectively, while clustering the standard errors by industry to account for correlations within the industry. We posit a significantly negative product of coefficient (β_1) on TPS in Model (4) and coefficient (γ_2) on MYO in Model (5), implying that the relationship

between total power disparity and a firm's CSR activities is mediated by the effect of myopic management. We also posit a significantly more negative coefficient (ζ_1) on SPS than coefficient (ζ_2) on LPS in Model (4), which is multiplied by the coefficient (γ_2) on MYO in Model (5) for the mediation effect, implying that the mediation effect of myopic management is more pronounced in the relationship between short-term power disparity and CSR activities than in the relationship between long-term power disparity and CSR.

5. Results

5.1. Descriptive Statistics

Panel A of Table 2 presents the descriptive statistics of the variables. We use raw CSR scores for the descriptive statistics and the correlations among the variables of interest, including the control variables. The mean of MYO, 0.880, indicates that 88% of the firms in our sample appear to behave myopically. The mean fiscal year-end CSR score is -0.241, and the median is -1. These values are negative because the CSR scores are calculated as the difference between the sum of all strength indicators and the sum of all concern indicators at the end of each fiscal year. The mean of TPS, 0.401, indicates that total CEO compensation accounts for approximately 40% of the total compensation of firms' top five executives on average. The mean [median] of LPS (0.418 [0.428]) is greater than that of SPS (0.340 [0.338]), indicating that the power disparity in long-term compensation (i.e., compensation excluding salary and bonus) is greater than that in short-term compensation (i.e., salary and bonus). Panel B of Table 2 shows the Pearson correlation coefficients among the variables. MYO is positively correlated with the three pay slice measures (TPS, SPS, and LPS), but it is negatively correlated with CSR. However, the correlations are not significant at the 1% level. We also confirm that TPS is more strongly related to LPS (0.902) than to SPS (0.497) at the 1% significance level, suggesting that the total power disparity among

executives increases more when long-term power disparity rises than when short-term power disparity increases. Moreover, we find that CSR is negatively correlated with SPS (-0.117) at the 1% significance level, indicating that a firm reduces its CSR practices as short-term power disparity among its executives increases. Panel C of Table 2 shows the distribution of our firm-year observations by year from 2001 to 2013. We have a relatively small number of observations for the early 2000s while highlighting a notable increase in CSR from 2008 to 2013. Panel D of Table 2 presents the distribution of our sample firms across industries. Most of the sample firms are from the manufacturing industry (60.79%) and the service industry (14.61%).

[Insert Table 2 about here]

5.2. Multivariate Results

Table 3 shows the results of regressing myopic management on total pay slice, including both short-term and long-term pay slices, using Models (1) and (2). The first column of Table 3 shows that a firm's total pay slice is positively associated with myopic management while controlling for other factors. Specifically, the coefficient of TPS is positively associated with MYO ($B = 1.064$, $p < 0.01$). A coefficient of 1.064 means that a 1% increase in total pay slice increases the probability of a firm behaving myopically by 50.27% [$=1\div(1+e^{-0.01064})$] when other factors are fixed. These results suggest that if a firm's total power disparity between its CEO and other executives increases, the probability of myopic management also rises, supporting H1.

Similarly, we find that while SPS is positively associated with MYO ($B = 1.314$, $p < 0.05$), LPS is not associated with MYO ($B = 0.516$, $p > 0.1$). As shown in the second column of Table 3, a firm's short-term pay slice increases the probability of myopic management, but its long-term pay slice does not. The coefficient of 1.314 on SPS shows that a 1% increase in short-term pay slice increases the probability of myopic practice by 50.33% [$=1\div(1+e^{-0.01314})$] when other

factors are constant. These results show that the impact of short-term power disparity on myopic management is greater than that of long-term power disparity, supporting H2.

Regarding the control variables, the regression results show that while a firm's cash flows (CFO) in the previous year can reduce its chance of being myopic in the current year, firm size (SIZE) and leverage (LEV) do not impact the probability of myopic management. Return on assets (ROA), marketing intensity (MKTIN), and R&D intensity (RNDIN) affect the chance of being myopic, as Bendig et al. (2018) document. These results also indicate that myopic management is discouraged when technological turbulence (TECTB) exists in the same industry, as Saboo et al. (2016) have found in their study.

[Insert Table 3 about here]

5.3. Mediation Effect of Myopic Management between Total Power Disparity and CSR

Table 4 presents the mediating effect of myopic management on the relationship between total power disparity and CSR using Models (4) and (5).[3] The second column provides evidence for a negative relationship between total power disparity and CSR performance when myopic management is accounted for. These results demonstrate that TPS is negatively associated with CSR (B = -1.909, $p < 0.05$), suggesting that an increase in the total power disparity between a CEO and other executives discourages a firm's CSR activities. The economic significance of this finding is also meaningful, as a one-standard-deviation increase in TPS (0.105) is related to a decrease in CSR score by 20.04% (=0.105×-1.909). The column also shows that myopic management reduces CSR performance. The significantly negative coefficient of MYO implies that myopic

[3]The results in the first column of Table 4 are same as the results in the first column of Table 3.

management discourages a firm's CSR activities. A one-standard-deviation increase in MYO (0.325) is associated with a decrease in CSR score by 32.01% (=0.325×-0.985).

To assess the mediating effect of MYO, we first obtain the standardized coefficients of TPS (b = 0.470) in the first column and of MYO in the second column (b = -0.064). Next, we calculate the product of the two coefficients (indirect effect: b = -0.030), which is significant with a z-statistic of -1.894 ($p < 0.05$). Since the direct and total effects of total pay slice on CSR score are -0.040 (standardized coefficient of TPS in the second column) and -0.070, respectively, the mediated effect is 42.90%. This implies that myopic management mediates the relationship between total power disparity and CSR by 42.90%. These results therefore provide general support for H3a.

Regarding our control variables, the coefficient of CFO is significantly positive (B = 5.534, $p < 0.05$), suggesting that a firm's capital availability positively impacts its CSR practices, which is consistent with Lys et al. (2015) and Yuan et al. (2019). The significantly positive coefficient of DIV (B = 18.834, $p < 0.05$) in the regression results also shows that dividend-paying firms tend to have high CSR performance, as Di Giuli and Kostovetsky (2014) document. As Manner (2010) and Tang et al. (2015) have shown, the significantly positive coefficient of GEN (B = 1.957, $p < 0.05$) indicates that female CEOs are more likely to engage in CSR practices. Moreover, consistent with Di Giuli & Kostovetsky (2014) and Yuan et al. (2019), the coefficient of LIT (B = 0.997, $p < 0.05$) implies that firms in a high litigation industry are more likely to engage in CSR activities.

[Insert Table 4 about here]

5.4. Mediation Effect of Myopic Management between Short-term and Long-term Power Disparity and CSR

Table 5 provides our results regarding the mediating effect of myopic management on the relationship between short-term and long-term power disparity and CSR using Models (4) and (5).[4] The second column shows a negative relationship between short-term power disparity and CSR performance when myopic management is accounted for. These results indicate that SPS is negatively associated with CSR (B = -4.135, $p < 0.01$), suggesting that an increase in short-term power disparity among top executives decreases a firm's CSR activities. A one-standard-deviation increase in SPS (0.075) results in a decrease in the CSR score by 31.01% (=0.075×-4.135). The second column indicates that myopic management is negatively associated with CSR practices (B = -0.930, $p < 0.01$), suggesting that myopic management discourages a firm's CSR activities. A one-standard-deviation increase in MYO (0.325) is associated with a decrease in the CSR score by 30.23% (=0.325×-0.930). Consistent with the previous mediation test, we first obtain the standardized coefficients of SPS (b = 0.779) and MYO (b = -0.060) and then calculate the product of the two coefficients (indirect effect: b = -0.047), which is significant with a z-statistic of -1.748 ($p < 0.05$). Since the direct and total effects of short-term pay slice on the CSR score are -0.062 (standardized coefficient of SPS in the second column) and -0.109, respectively, the impact of short-term power disparity on CSR is mediated through myopic management by 43.17%.

However, we find that LPS is not associated with MYO (B = 0.516, $p > 0.1$) and CSR (B = -0.515, $p > 0.1$). These results suggest that long-term power disparity among top executives is not associated with a firm's CSR activities. Nevertheless, the significant coefficient of SPS and the insignificant coefficient of LPS along with a significant coefficient of MYO in Model (5) confirm

[4] The results in the first column of Table 5 are same as the results in the second column of Table 3.

H3b—the mediation effect of myopic management between short-term power disparity and CSR is more pronounced than that between long-term power disparity and CSR.

[Insert Table 5 about here]

5.5. Robustness Tests

While we take a lead-lag approach, using the time lag between pay slice (at time t-1) and myopic management (at time t) in our regressions, we also explore the possibility that firms with myopic management are more likely to have a high pay slice. Thus, we perform a two-stage least-square (2SLS) estimation, which controls for possible reverse causality. Since 2SLS regression analysis should identify an instrumental variable that is correlated to pay slice but does not affect the possibility of myopic management, we use the median of pay slices of firms in the same industry in a given year based on the entire Compustat database, following the literature (e.g., Park, 2017). Table 6 presents the results of our 2SLS estimation. Panel A of Table 6 provides our findings for total pay slice. In the first stage, we estimate total pay slice using the median of total pay slices in the same industry (M_TPS), including all the control variables as well as the year and industry dummy variables. The coefficient of M_TPS is found to be significantly positive, as we expected (B = 0.703, p < 0.01). In the second stage, we estimate the probability for myopic management using the predicted total pay slice (P_TPS) from the first stage as the instrumented variable. The significantly positive coefficient of P_TPS (B = 2.061, p < 0.05) is consistent with our main results, suggesting that the probability of myopic management increases as total power disparity grows. Panel B of Table 6 presents our results for the short-term and long-term pay slices. Since two instrument variables cannot be used in the same regression, we estimate the short-term and long-term pay slices using the median of each pay slice in the same industry (M_SPS and M_LPS) separately. For short-term pay slice, the first-stage result shows that the coefficient of

M_SPS is significantly positive, as we predicted ($B = 0.721$, $p < 0.01$). In the second stage, the coefficient of the predicted short-term pay slice (P_SPS) is significantly positive ($B = 6.336$, $p < 0.05$), indicating that short-term power disparity increases the probability of myopic management, which is consistent with our main results. For long-term pay slice, the first-stage result indicates a significantly positive coefficient of M_LPS, as we predicted ($B = 0.654$, $p < 0.01$). However, the second-stage result shows that the coefficient of P_LPS is not significant ($B = 0.028$, $p > 0.1$), suggesting that long-term power disparity is not associated with the probability for myopic management, which is consistent with our main results. In sum, our 2SLS estimations confirm our main results.[5]

[Insert Table 6 about here]

5.6. Alternative Tests

Prior studies have differentiated socially responsible activities from socially irresponsible actions among firms with CSR activities because they have different implications for various stakeholders (e.g., Di Giuli & Kostovetsky, 2014; Tang et al., 2015; Yuan et al., 2019). Firms can practice socially responsible and irresponsible activities at the same time (Muller & Kräussl, 2011), and they can engage in more socially responsible activities while performing more socially irresponsible activities (Kotchen & Moon, 2012). Therefore, we separate our CSR measures into CSR strengths (STRENGTH) for socially responsible activities and CSR concerns for socially irresponsible activities (CONCERN). Specifically, we use STRENGTH as a dependent variable while using CONCERN as a control variable when we estimate Models (4) and (5). Table 7

[5] Heckman (1979) derives a bias correction by using the inverse Mills ratio for a linear model with a continuous dependent variable in the second stage. However, our dependent variable in the second stage, myopic management, is an indicator variable. Thus, we may have generated inconsistent estimates due to the different distribution assumptions in Heckman's study.

provides our results for the impact of total pay slice (short-term and long-term pay slices) on CSR strengths while controlling for CSR concerns with the mediating effect of myopic management. The first and second columns show the association between total pay slice (short-term and long-term pay slices) and myopic management. The coefficients of TPS ($B = 1.064$, $p < 0.01$) and SPS ($B = 1.314$, $p < 0.05$) are significantly positive, but the coefficient of LPS ($B = 0.516$, $p > 0.1$) is not significant, suggesting that the probability of myopic management increases if total and short-term power disparities increase, which is consistent with our main results.

Regarding the mediating effect of MYO, first, we use the standardized coefficients of TPS ($b = 0.470$) in the first column and of MYO in the third column ($b = -0.076$) to calculate the product of the two coefficients (indirect effect: $b = -0.036$), which is significant with a z-statistic of -1.999 ($p < 0.05$). The direct and total effects of total pay slice on CSR strengths are -0.053 (standardized coefficient of TPS in the third column) and -0.089, respectively; thus, the mediated effect is 40.32%. This suggests that myopic management mediates the relationship between total power disparity and socially responsible activities by 40.32% when controlling for socially irresponsible activities. Similarly, we calculate the standardized coefficients of SPS ($b = 0.779$) in the second column and MYO ($b = -0.073$) in the fourth column and then derive the product of the two coefficients (indirect effect: $b = -0.057$), which is significant with a z-statistic of -1.854 ($p < 0.05$). Since the direct and total effects of short-term pay slice on CSR strengths are -0.049 (standardized coefficient of SPS in the fourth column) and -0.106, respectively, the impact of short-term power disparity on socially responsible practices is mediated through myopic management by 53.94% when socially irresponsible activities are controlled for. In contrast, LPS is not associated with MYO ($B = 0.516$, $p > 0.1$) in the second column, indicating that long-term power disparity among

top executives is not associated with myopic management and rendering the test for the mediation of myopic management unnecessary. These results thus provide general support for H3a.

[Insert Table 7 about here]

Prior studies have used pay ratio to measure pay disparity between a CEO and non-CEO executives. (e.g., Kale et al., 2009; Park, 2017). This measure is the ratio of a CEO's compensation to the median compensation of the non-CEO executives. Hence, we replace pay slice with pay ratio (TPR for total pay ratio, SPR for short-term pay ratio, and LPR for long-term pay ratio) in Models (4) and (5). The results in Table 8 show that pay ratio is associated with a firm's myopic behavior and that myopic management has a mediating effect on the relationship between pay ratio and CSR activities. The first and second columns demonstrate that while TPR ($B = 0.051$, $p < 0.1$) and SPR ratio ($B = 0.283$, $p < 0.01$) have positive and significant coefficients, LPR ($B = 0.001$, $p > 0.1$) has an insignificant coefficient, indicating that while total and short-term power disparities are associated with the probability for myopic management, long-term power disparity is not, which is consistent with our main results. In our test for the mediating effect of MYO, the product of the standardized coefficients of TPR ($b = 0.054$) in the first column and of MYO in the third column ($b = -0.072$) is -0.004, which is insignificant with a z-statistic of -1.418 ($p > 0.1$). This result is inconsistent with our main results; it suggests that myopic management does not mediate the relationship between total power disparity and socially responsible activities when using pay ratio as a proxy for power disparity. Next, we multiply the standardized coefficients of SPR ($b = 0.159$) in the second column by MYO ($b = -0.069$) in the fourth column and obtain -0.011 as an indirect effect, which is significant with a z-statistic of -2.463 ($p < 0.01$). The direct and total effects of short-term pay ratio on CSR are -0.058 (standardized coefficient of SPR in the fourth column) and -0.069, respectively. This indicates that the impact of short-term pay ratio on socially

responsible practices is mediated through myopic management by 15.94%. In contrast, LPR is not associated with MYO (B = -0.001, p > 0.1) in the second column, suggesting that the long-term pay ratio among top executives is not associated with myopic management and rendering the test for the mediation of myopic management unnecessary. These results, based on short-term and long-term pay ratios, therefore provide general support for our main results.[6]

[Insert Table 8 about here]

The classic solution to the agency problem of conflicts of interest due to myopic management is to establish effective monitoring mechanisms. As one of these mechanisms, a firm can provide management with its shares. As strong management ownership can align CEO–TMT interests with firm value, a management team with an insignificant amount of their firm's shares may have weak incentives to strive to increase the value of their firm. This is called the incentive effect (e.g., Healy & Palepu, 2001; Lambert, 2001; Morck et al., 1988). Moreover, management with strong share ownership has the power (or control) to extract economic rent from other shareholders (Morck et al., 1988). This is called the entrenchment effect. Thus, in this section, we examine whether these two simultaneous effects can impact the relation between management power disparity and the probability of myopic management. Since managers who have either very small or large ownership may not obtain additional benefits via entrenching actions (Lennox, 2005), we posit that the incentive effect is dominant in firms with small and large management ownership. Hence, we split our full sample into a portion with high management ownership and another with low ownership to estimate Models (1) and (2). Table 9 provides our results for the

[6] We also use CSR raw scores as a dependent variable in the test for the mediation effect of myopic management and the test for estimation with Models (4) and (5) after replacing the continuous measures of total (short-term, long-term) pay slice with indicator variables for high and low total (short-term, long-term) pay slices. The results of these two tests are not reported here, but they are qualitatively similar to our main results.

impact of total pay slice (short-term and long-term pay slices) on myopic management based on the split samples of high and low management ownership. The first and second columns show that the association between total pay slice and myopic management is valid only for the low management ownership sample. The coefficient of TPS (B = 0.167, p > 0.1) for the high management ownership sample is not significant, whereas the coefficient of TPS (B = 2.673, p < 0.05) for the low management ownership sample is significantly positive, suggesting that when managers have a large number of shares, their firm can prevent the myopic management that total power disparity may induce. The third and last columns show that long-term pay slice is positively related to the probability of myopic management only for the low management ownership sample. The coefficients of SPS (B = 1.607, p > 0.1) and LPS (B = -0.308, p > 0.1) for the high management ownership sample are not significant, while the coefficient of LPS (B = 1.927, p < 0.05) for the low management ownership sample is significantly positive, indicating that when managers have a large number of shares, their firm can prevent the myopic management that short-term power disparity may lead to. In sum, we find that the incentive effect of management ownership can moderate the relation between CEO–TMT power disparity and myopic management.

[Insert Table 9 about here]

6. Discussion

The results of our empirical tests provide general support for our hypotheses. We have shown that higher CEO–TMT power disparity increases myopic management (see Column (1) of Table 3). Specifically, a CEO–TMT power disparity in short-term compensation is more likely to result in myopic management than such a disparity in long-term compensation (see Column (2) of Table 3). Subsequently, firms engaging in myopic practices are less likely to engage in CSR activities (see Column (3) of Table 3). The results of our tests for the mediation effects suggest

that myopic management partially mediates the relationship between CEO–TMT power disparity and CSR performance. Interestingly, when we disaggregate CEO–TMT power disparity into short-term and long-term types of compensation, myopic management mediates only the effect of short-term power disparity on CSR performance (see Tables 4 and 5). Furthermore, our alternative specifications, using CEO pay ratio and raw CSR score, demonstrate that myopic management has a partial mediating effect. Thus, the results of these tests strengthen our argument that myopic management plays a mediating role in the relationship between CEO–TMT power disparity and CSR performance. Finally, the results of our 2SLS estimations have revealed that our findings are robust.

6.1. Theoretical Implications

In this research, we contribute to the literature on managerial short-termism by examining the impact of CEO–TMT power disparity on myopic management from two perspectives. One strand of the literature defines managerial short-termism in consequence of the approach/inhibition theory of power, while another applies tournament theory to explain it. Our study therefore extends the literature by exploiting these two perspectives to shed light on CEO–TMT power dynamics. Consistent with the approach/inhibition theory of power (Keltner et al., 2003), we argue that CEOs with more power than other senior executives dominate the process of strategic decision-making to secure more of their imminent self-interests while obscuring long-term firm goals. In other words, firms' top managers accumulate earnings as quickly as possible at the expense of future growth and performance (e.g., marketing and R&D investments). Furthermore, based on tournament theory (Henderson & Fredrickson, 2001; Lazear & Rosen, 1981), we explain how excessive competition among non-CEO executives for a larger trophy (e.g., excess CEO–TMT pay disparity) leads to suboptimal and inefficient operational decisions for their firm. Given this

intensive and short-sighted focus, firms with a large power disparity reduce their firm's marketing and R&D expenses as well as other investments in CSR activities, limiting future growth, which is consistent with the approach/inhibition theory of power. Consequently, a myopic perspective hinders the fulfillment of social responsibility and prevents firms from achieving sustainability.

In addition, our research contributes to the literature on executive compensation by demonstrating how power disparity in short-term compensation induces executives to behave myopically more than such disparity in long-term compensation. We argue that short-term compensation provides different motivations for CEOs and non-CEO executives. CEOs are more interested in securing their self-interests and reputation via better immediate firm performance because short-term compensation makes CEOs more visible and discernable (Westphal & Zajac, 1998; Zajac & Westphal, 1995). Conversely, non-CEO executives who are motivated by short-term pay disparity focus more on winning the tournament trophy that being a CEO represents, driving their selfish and suboptimal decisions due to high competition among their colleagues (e.g., Dye, 1984; Lazear & Rosen, 1981; Siegel & Hambrick, 2005). This will lead non-CEO executives to be more concerned about short-term performance and become more compliant with CEO. Hence, while prior studies have attributed CEOs' traits to myopic, self-centered decision-making (e.g., Lim & McCann, 2014; Sanders, 2001; Vo & Canil, 2019), our study reveals that executive compensation has differential explanatory power regarding explicating firms' short-sighted myopic management.

In addition to our contribution to the compensation literature, we incrementally contribute to the upper echelon literature (Hambrick & Mason, 1984). Because financial position (e.g., executive compensation) is one of the executive characteristics (e.g., age, education, functional background, socioeconomic background, and career experience) that may influence strategic

decisions and firm behaviors (See Hambrick & Mason, 1984 for review), Hambrick (2007) has called for studies that account for financial position (e.g., executive compensation; Cho & Hambrick, 2006) to examine its interplay with other executive characteristics. Accordingly, we have sought to fill this gap in the literature, identifying and considering the power dynamics between a CEO and non-CEO executives by focusing on the lens of executive compensation with the time horizon.

Finally, although prior studies have provided mixed results when investigating the relationship between CEOs' relative power and CSR (Bebchuk et al., 2011; Jiraporn & Chintrakarn, 2013), our findings consistently demonstrate a negative relationship between CEO–TMT power disparity and CSR activities. In particular, we have shed light on the role of myopic management as an important channel through which CEO–TMT power disparity influences CSR activities. Coupled with the association between CEO–TMT power disparity and CSR performance, the mediation effect of myopic management can therefore provide an extensive understanding of the concomitant factors that influence CSR performance, thereby extending Jiraporn and Chintrakarn (2013) and Wong et al. (2011).

6.2. Practical Implications

Our findings also have several implications for practitioners. First, compensation committees should diligently consider how to reduce executive incentives to focus on short-term performance. Our results suggest that CEO–TMT power disparity increases the propensity for myopic management practices, and these results are mainly driven by short-term CEO-TMT power disparity represented by short-term pay slice. Arrangement of less weight on the short-term success and more weight on the long-term benefit in the executive compensation package can contribute to fewer incentives for myopic management. Furthermore, the committees need to include not only

overall firm performance but also individual department/unit accomplishments in designing the executive compensation package. For example, R&D and marketing assets are not shown in accounting performance but reflect possible future benefits. Thus, additional performance metrics can serve as a tool to discourage myopic management.

Second, firms should increase voluntary disclosure about their R&D and marketing activities which they believe help enhance firm value. The financial market pressure on executives to report better short-term accounting performance, which also affects their compensation, may induce them to fall into myopic management. But more communication with the financial community about the future expected performance from the current marketing investments can help alleviate information asymmetry between firms and the community (Lev, 1992). Then, executives of the firms can deploy better marketing strategy over time, expecting favorable firm value.

Third, our findings echo current ESG investment trends and reflect the importance of investment information. Shareholders are often excited about a seemingly promising earnings report and jump on a "gold-rush bandwagon". In contrast, we urge that the exaggerated earnings due to short-term strategic decisions from high CEO–TMT power disparity causes poor decisions on CSR initiatives, which may result in firm value loss. We thus suggest that shareholders carefully complete the due diligence via every piece of possible information to fully incorporate the implications of short-sighted marketing curtailment into firm value. If they are not able to suspect the firms of myopic management in a timely manner, that will give a chance for the executives to engage in myopic management.

Fourth, our "post hoc" analysis suggests that equity ownership is a potential remedy to avoid or decrease the likelihood of engaging in myopic management. Even though short-term

earnings are essential features of equity growth with respect to firms' healthy financial status, firms should consider encouraging equity-based compensation and increasing TMT's equity ownership to minimize the possible agent problems and self-interested short-termism. It can help a firm align its long-term objectives with its TMT's compensatory interests.

6.3. Limitations and Future Research

This study has some limitations. In our sample, CEOs receive almost 40% of the total compensation of the top five executives on average, showing clear CEO–TMT power disparity. While a high level of CEO–TMT power disparity can be detrimental to firms' CSR performance, powerful CEOs also can be motivated by long-term financial performance and seek "fruitful" future compensation beyond short-term objectives in an earnings report. We believe that CEOs' motivation levels may vary according to other internal or external factors. Thus, other contingent factors in the relationship between CEO power and CSR practices should be considered in future research to identify the ways to shift a CEO from a short-term focus to a long-term orientation. These methods may not eliminate the CEO's agency problem, but they may provide sufficient rationale for a CEO to simultaneously work toward increasing stakeholders' benefits and maximizing personal gains.

Furthermore, our research may lack external and ecological validity, as the results are drawn from U.S. data. Thus, the patterns of our results may not hold in other countries. In particular, pay disparity may not effectively reflect "power disparity" in East Asian countries (e.g., Japan, South Korea, or China) because pay is one of the many proxies for measuring power dimensions (Finkelstein, 1992). For example, executives in *chaebols* (e.g., Korean conglomerates) may not be as powerful as those in U.S. firms, regardless of their compensation levels, as they are under exclusive and/or excess control and monitoring by family ownership (Chang, 2003; Oh & Park,

2001; Oh et al., 2011). Similarly, executives in Chinese public firms are in idiosyncratic contexts where state and institutional ownership play a dominant role in corporate control and decision-making (Liu et al., 2018; Song et al., 2015).

Finally, although we have found a positive association between CEO–TMT power disparity and myopic management, a short-sighted focus of executives could be alleviated or aggravated by certain boundary conditions. For example, the relationship could be strengthened among highly homogenous TMT members (e.g., similar personal characteristics such as age, gender, and educational/functional background; Adler & Ferdows, 1990; Enns et al., 2003; Hambrick & Mason, 1984; Sobol & Klein, 2009), which could allow non-CEO executives to be cooperative with CEO's myopic management focus. That is, in a homogeneous TMT, non-CEO executives may strongly associate themselves with their CEO and thus perceive an increased chance of winning the succession tournament; hence, such intensified competition among the executives (Ridge et al., 2015) may result in a suboptimal and short-sighted focus on short-term objectives. Accordingly, we suggest that future studies investigate such moderating factors.

Declaration of Interest

The authors have no conflicts of interest to declare that are relevant to the content of this article.

Appendix

Variable	Definition
MYO	Indicator variable that takes a value of 1 if a firm acts myopically (e.g., unexpected ROA > 0, unexpected marketing intensity < 0, and unexpected R&D < 0), and 0 otherwise at the end of the year
CSR	Logarithm of the net of total strength indicators minus total concern indicators from KLD database
TPS	Fraction of the total compensation to the group of top 5 executives received by the CEO in the lagged year
SPS	Fraction of the salary and bonus compensation to the group of top 5 executives received by the CEO in the lagged year
LPS	Fraction of the compensation other than salary and bonuses to the group of top 5 executives received by the CEO in the lagged year
SIZE	Logarithm of total assets at the end of the lagged year
LEV	Total debt scaled by total assets at the end of the lagged year
CFO	Operating cash flows scaled by total assets at the end of the lagged year
ROA	Income before extraordinary items scaled by total assets at the end of the lagged year
MKTIN	Marketing expenses scaled by total assets at the end of the lagged year
RNDIN	R&D expenses scaled by total assets at the end of the lagged year
TECTB	Ratio of R&D expenses to sales within an industry at the end of the lagged year
MKTB	Ratio of SG&A expenses to sales within an industry at the end of the lagged year
DIV	Dividends scaled by total assets at the end of the lagged year
INST	Shares owned by institutions scaled by total outstanding shares at the end of the lagged year
MB	Market price of the share over book value of equity at the end of the lagged year
GEN	Indicator variable that takes a value of 1 if a CEO is female
TEN	Number of years that a CEO has held the position
HHI	Squared market shares of all firms in the same 2-digit SIC code at the end of the lagged year
LIT	Indicator variable equal to 1 if a firm in in a high litigation industry (SIC codes 2833–2836, 3570–3577, 3600–3674, 5200–5961, 7370–7374, 8731–8734), and 0 otherwise

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Figure 1. *Conceptual Model*

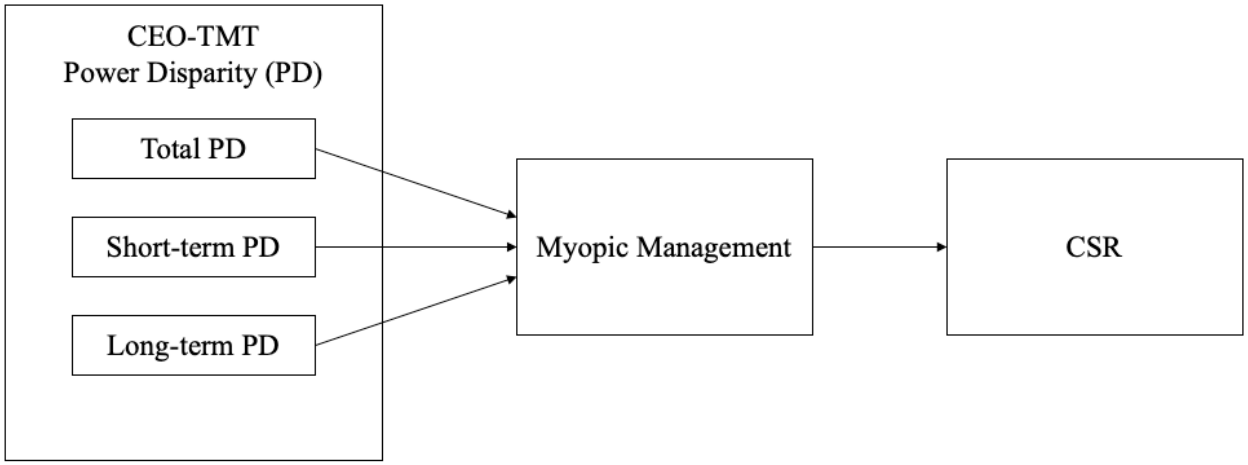

Figure 2. *Mediation Test Model*

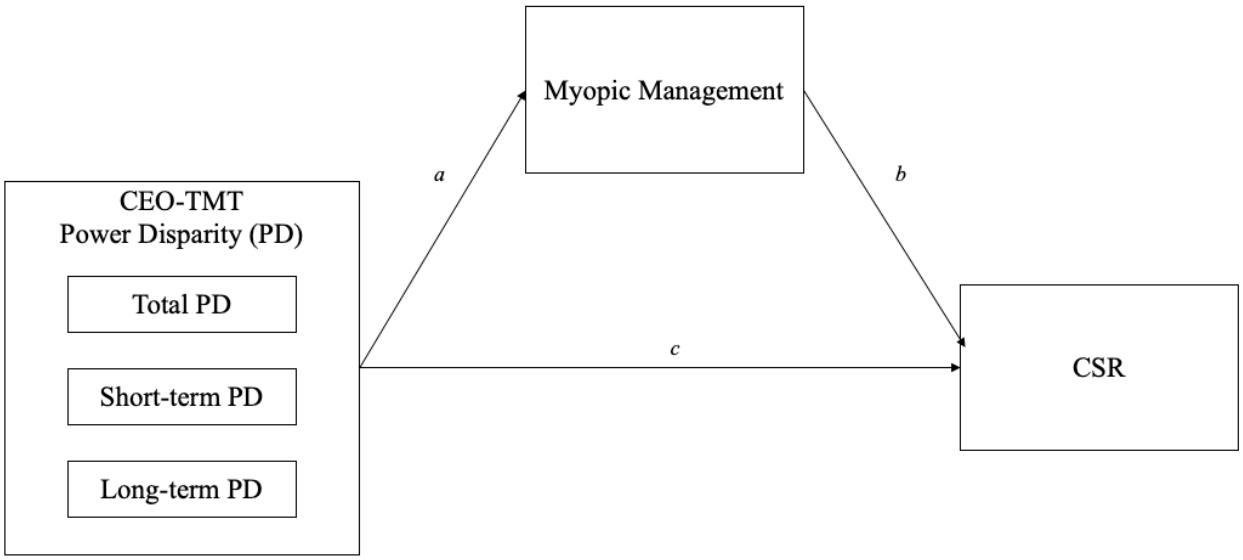

Table 1. *Summary of Relevance and Contribution to the Literature*

References	Independent variable (CEO-TMT power disparity)	Dependent variable (CSR-related outcomes)	Mediator	Decomposed CEO–TMT power disparity
Gull et al. (2023)	CEO pay slice	Environmental decoupling (+)	No	No
Shahab et al. (2022)	CEO pay slice	CSR decoupling (+)	No	No
Zhao et al. (2021)	CEO pay gap	CSR (-)	No	No
Jeong (2020)	CEO pay gap	CSR (-)	No	No
Zhang et al. (2020)	CEO pay gap	CSR (-)/CSiR (+)	No	No
Harper & Sun (2019)	CEO pay slice	CSR (-)	No	No
Jouber (2019)	CEO pay slice	CSR (+)	No	No
Walls & Berrone (2017)	CEO tenure and TMT appointed by CEO (CEO power over TMT)	Environmental performance (-)	No	No
Li et al. (2016)	CEO pay slice	CSR (-)	No	No
Jiraporn & Chintrakarn (2013)	CEO pay slice	CSR (non-monotonic)	No	No
Present research	CEO pay slice/CEO pay ratio /management ownership	Myopic management /CSR (-)	Myopic management	Short- and long-term power disparity

Table 2. *Descriptive Statistics and Correlations*

Panel A: Descriptive Statistics

Variable	N	Mean	Std Dev	Min	25th	Median	75th	Max
MYO	5,139	0.880	0.325	0	1	1	1	1
CSR	5,139	-0.241	3.035	-11	-2	-1	1	19
TPS	5,139	0.401	0.105	0.115	0.335	0.404	0.463	0.713
SPS	5,139	0.340	0.075	0.000	0.297	0.338	0.378	0.880
LPS	5,139	0.418	0.151	0.000	0.339	0.428	0.500	1.000
SIZE	5,139	7.831	1.478	4.816	6.723	7.679	8.748	11.915
LEV	5,139	0.240	0.163	0.000	0.118	0.224	0.334	0.753
CFO	5,139	0.111	0.071	-0.101	0.067	0.106	0.149	0.328
ROA	5,139	0.149	0.081	-0.112	0.101	0.140	0.189	0.427
MKTIN	5,139	0.188	0.179	-0.447	0.075	0.138	0.238	1.899
RNDIN	5,139	0.028	0.048	0.000	0.000	0.006	0.035	0.680
TECTB	5,139	0.034	0.048	0.000	0.001	0.012	0.042	0.181
MKTB	5,139	0.206	0.120	0.036	0.104	0.187	0.279	0.497
DIV	5,139	0.014	0.021	0.000	0.000	0.005	0.019	0.119
INST	5,139	0.796	0.172	0.316	0.690	0.813	0.913	1.204
MB	5,139	3.150	4.031	-13.796	1.583	2.377	3.717	25.081
GEN	5,139	0.017	0.129	0	0	0	0	1
TEN	5,139	12.922	7.624	0.742	7.636	11.564	16.679	39.025
HHI	5,139	640.808	551.765	187.435	316.884	431.371	711.447	3081.770
LIT	5,139	0.242	0.428	0	0	0	0	1

Panel B: Correlations

	MYO	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**	**(13)**	**(14)**	**(15)**	**(16)**	**(17)**	**(18)**
CSR (1)	-0.027																		
TPS (2)	0.034	-0.033																	
SPS (3)	0.011	**-0.117**	**0.497**																
LPS (4)	0.030	-0.024	**0.902**	**0.288**															
SIZE (5)	**0.078**	**0.223**	**0.107**	**0.067**	**0.064**														
LEV (6)	**0.054**	**-0.052**	**0.078**	**0.039**	**0.064**	**0.171**													
CFO (7)	-0.016	**0.125**	0.020	0.028	0.011	-0.001	**-0.146**												
ROA (8)	**0.044**	**0.121**	**0.058**	**0.073**	0.033	0.025	**-0.060**	**0.755**											
MKTIN (9)	**-0.073**	**0.080**	**-0.038**	**-0.041**	-0.015	**-0.312**	**-0.155**	**0.136**	**0.180**										
RNDIN (10)	**-0.396**	**0.153**	**-0.058**	**-0.114**	**-0.040**	**-0.145**	**-0.164**	-0.011	**-0.077**	-0.001									
TECTB (11)	**-0.354**	**0.176**	**-0.063**	**-0.109**	**-0.043**	**-0.088**	**-0.176**	-0.025	**-0.092**	**-0.046**	**0.702**								
MKTB (12)	**-0.251**	**0.211**	**-0.050**	**-0.104**	-0.027	**-0.153**	**-0.103**	**0.057**	0.034	**0.335**	**0.480**	**0.681**							
DIV (13)	0.018	**0.192**	**0.096**	0.035	**0.097**	**0.249**	**0.105**	**0.303**	**0.369**	**0.116**	-0.029	**-0.063**	0.033						
INST (14)	**0.046**	**-0.052**	**0.079**	0.017	**0.065**	**-0.164**	**-0.042**	-0.001	-0.012	-0.030	0.019	0.006	-0.015	**-0.202**					
MB (15)	**-0.049**	**0.089**	0.007	0.000	0.006	0.005	-0.006	**0.214**	**0.248**	**0.117**	**0.125**	**0.079**	**0.166**	**0.167**	-0.011				
GEN (16)	0.034	**0.065**	-0.012	**-0.043**	-0.004	0.013	0.008	-0.024	-0.016	0.001	-0.031	-0.034	0.024	0.012	0.000	**0.036**			
TEN (17)	-0.008	**-0.105**	0.020	**0.098**	0.014	**-0.123**	-0.029	0.000	-0.028	0.003	-0.014	-0.010	-0.028	**-0.103**	0.004	-0.019	**-0.065**		
HHI (18)	**0.123**	**-0.084**	**0.050**	**0.056**	**0.045**	-0.036	**0.061**	**-0.039**	-0.012	**0.060**	**-0.245**	**-0.302**	**-0.213**	**0.060**	0.031	-0.012	0.014	0.017	
LIT (19)	**-0.191**	**0.143**	**-0.085**	**-0.093**	**-0.074**	**-0.102**	**-0.132**	**0.056**	-0.029	0.026	**0.386**	**0.534**	**0.331**	**-0.076**	**0.044**	**0.048**	0.014	**0.038**	**-0.182**

Panel C: Year Distributions

Year	Frequency	Percent
2001	115	2.24%
2002	174	3.39%
2003	205	3.99%
2004	367	7.14%
2005	367	7.14%
2006	377	7.34%
2007	416	8.09%
2008	508	9.89%
2009	519	10.10%
2010	523	10.18%
2011	531	10.33%
2012	532	10.35%
2013	505	9.83%
Total	5,139	100%

Panel D: Industry Distributions

2-digit SIC	Industry classification	Frequency	Percent
01-09	Agriculture, Forestry and Fishing	22	0.43%
10-14	Mining	315	6.13%
15-17	Construction	93	1.81%
20-39	Manufacturing	3,119	60.69%
40-49	Transportation, Communications, Electric, Gas and Sanitary service	287	5.58%
50-51	Wholesale Trade	260	5.06%
52-59	Retail Trade	274	5.33%
70-89	Services	751	14.61%
99	Nonclassifiable	18	0.35%
Total		5,139	100%

Panel A shows the descriptive statistics of the variables of interest, including the control variable. The CSR variable is a raw CSR score, and all continuous variables are winsorized at the top and bottom 1%. Panel B presents the Pearson correlations among all the variables used in the multiple regressions. Bold indicates statistical significance at the 1% level (two-tailed). Panels C and D show year and industry distributions, respectively. See the "Appendix" for the detailed definitions of the variables.

Table 3. *The Effect of Total Pay Slice (Short-term and Long-term Pay Slice) on Myopic Management*

		DV: MYO	
Var.	**Pred. Sign**	**Coefficient (Std. Err.)**	**Coefficient (Std. Err.)**
TPS	+	1.064***	
		(0.454)	
SPS	+		1.314**
			(0.610)
LPS	+		0.516
			(0.406)
SIZE	+/-	0.069	0.067
		(0.055)	(0.054)
LEV	+/-	-0.174	-0.159
		(0.488)	(0.493)
CFO	+/-	-4.445***	-4.435***
		(1.258)	(1.245)
ROA	+/-	2.922***	2.881***
		(0.789)	(0.759)
MKTIN	+/-	-3.617***	-3.617***
		(0.523)	(0.521)
RNDIN	+/-	-22.656***	-22.551**
		(8.791)	(8.822)
TECTB	+/-	-18.527***	-18.411***
		(4.689)	(4.709)
MKTB	+/-	2.529	2.521
		(1.539)	(1.554)
CONST		5.492***	5.264***
		(0.921)	(1.038)
Fixed effects		Year	Year
Clustering		Industry	Industry
No. of Obs.		5,139	5,139
Chi-square		351.405***	357.802***

This table reports the results for the regressions for Hypotheses 1 and 2. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables.

Table 4. *The Mediation Effect of Myopic Management between Total Pay Slice and CSR*
Panel A: Regression Results

Var.	Pred. Sign	DV: MYO Coefficient (Std. Err.)	Pred. Sign	DV: CSR Coefficient (Std. Err.)
TPS	+	1.064***	-	-1.909**
		(0.454)		(0.997)
MYO			-	-0.985***
				(0.308)
SIZE	+/-	0.069	+/-	0.466**
		(0.055)		(0.221)
LEV	+/-	-0.174	+/-	-1.474*
		(0.488)		(0.856)
CFO	+/-	-4.445***	+/-	5.534**
		(1.258)		(2.402)
ROA	+/-	2.922***	+/-	3.298
		(0.789)		(2.011)
MKTIN	+/-	-3.617***	+/-	
		(0.523)		
RNDIN	+/-	-22.656***	+/-	
		(8.791)		
TECTB	+/-	-18.527***	+/-	
		(4.689)		
MKTB	+/-	2.529	+/-	
		(1.539)		
DIV	+/-		+/-	18.834**
				(8.541)
INST	+/-		+/-	-1.151
				(0.755)
MB	+/-		+/-	0.036*
				(0.019)
GEN	+/-		+/-	1.957**
				(0.778)
TEN	+/-		+/-	-0.021
				(0.013)
HHI	+/-		+/-	0.000
				(0.000)
LIT	+/-		+/-	0.997**
				(0.408)
CONST		5.492***		-4.181**
		(0.921)		(1.915)
Fixed effects		Year		Year & industry
Clustering		Industry		Industry
No. of Obs.		5,139		5,139
R-square				0.194
Chi-square		351.405***		

Panel B: Mediation Effects

	Model (4)	**Model (5)**
Standardized coefficient	TPS: 0.470	TPS: -0.040 MYO: -0.064
Indirect effect		-0.03
z-statistic		-1.894**
Direct effect		-0.04
Total effect		-0.07
% of mediated effect		42.90%

Panel A reports the results for the regressions for Hypothesis 3a. The CSR variable is a standardized CSR score. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables. Panel B reports the mediation effects of myopic management between total pay slice and CSR.

Table 5. *The Mediation Effects of Myopic Management between Short-term and Long-term Pay Slices and CSR*

Panel A: Regression Results

Var.	Pred. Sign	DV: MYO Coefficient (Std. Err.)	Pred. Sign	DV: CSR Coefficient (Std. Err.)
SPS	+	1.314**	-	-4.135***
		(0.610)		(1.149)
LPS	+	0.516	-	-0.515
		(0.406)		(0.590)
MYO			-	-0.930***
				(0.308)
SIZE	+/-	0.067	+/-	0.469**
		(0.054)		(0.220)
LEV	+/-	-0.159	+/-	-1.483*
		(0.493)		(0.858)
CFO	+/-	-4.435***	+/-	5.474**
		(1.245)		(2.413)
ROA	+/-	2.881***	+/-	3.488*
		(0.759)		(2.032)
MKTIN	+/-	-3.617***	+/-	
		(0.521)		
RNDIN	+/-	-22.551**	+/-	
		(8.822)		
TECTB	+/-	-18.411***	+/-	
		(4.709)		
MKTB	+/-	2.521	+/-	
		(1.554)		
DIV	+/-		+/-	18.908**
				(8.548)
INST	+/-		+/-	-1.095
				(0.780)
MB	+/-		+/-	0.034*
				(0.019)
GEN	+/-		+/-	1.916**
				(0.760)
TEN	+/-		+/-	-0.018
				(0.014)
HHI	+/-		+/-	0.000
				(0.000)
LIT	+/-		+/-	0.968**
				(0.388)
CONST		5.264***		-3.671*
		(1.038)		(1.879)
Fixed effects		Year		Year & Industry
Clustering		Industry		Industry
No. of Obs.		5,139		5,139
R-square				0.196
Chi-square		357.802***		

Panel B: Mediation Effects

	Model (4)	**Model (5)**
Standardized coefficients	SPS: 0.779	SPS: -0.062 MYO: -0.060
Indirect effect		-0.047
z-statistic		-1.748**
Direct effect		-0.062
Total effect		-0.109
% of mediated effect		43.17%

Panel A reports the results for the regressions for Hypothesis 3b. The CSR variable is a standardized CSR score. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables. Panel B reports the mediation effects of myopic management between short-term and long-term pay slices and CSR.

Table 6. *The Effect of Pay Slice on Myopic Management: Two-stage Least Square Tests*
Panel A: Total Pay Slice Effect on Myopic Management

Var.	1st DV: TPS Coefficient (Std. Err.)	Pred. Sign	2nd DV: MYO Coefficient (Std. Err.)
M_TPS	0.703***		
	(0.037)		
P_TPS		+	2.061**
			(1.203)
SIZE	0.005**	+/-	0.06
	(0.002)		(0.057)
LEV	0.034***	+/-	-0.26
	(0.012)		(0.491)
CFO	0.033	+/-	-4.476***
	(0.037)		(1.285)
ROA	0.035	+/-	2.793***
	(0.036)		(0.774)
MKTIN	-0.009	+/-	-3.579***
	(0.019)		(0.528)
RNDIN	-0.012	+/-	-22.356***
	(0.037)		(8.651)
TECTB	0.040	+/-	-18.298***
	(0.071)		(4.698)
MKTB	-0.022	+/-	2.479
	(0.031)		(1.541)
CONST	0.071***		5.160***
	(0.026)		(0.983)
Fixed effects	Year & Industry		Year
Clustering	Industry		Industry
No. of Obs.	5,065		5,065
R-square	0.195		
Chi-square			346.546***

Panel B: Short-term and Long-term Pay Slice Effects on Myopic Management

Var.	1st DV: SPS Coef. (Std. Err.)	Pred. Sign	2nd DV: MYO Coef. (Std. Err.)	1st DV: LPS Coef. (Std. Err.)	Pred. Sign	2nd DV: MYO Coef. (Std. Err.)
M_SPS	0.721***					
	(0.050)					
P_SPS		+	6.336**			
			(3.350)			
SPS				0.496***	+	1.494**
				(0.064)		(0.783)
M_LPS				0.654***		
				(0.044)		
P_LPS					+	0.028
						(1.043)
LPS	0.117***	+	-0.098			
	(0.017)		(0.553)			
SIZE	0.001	+/-	0.054	0.003*	+/-	0.066
	(0.002)		(0.061)	(0.002)		(0.056)
LEV	-0.004	+/-	-0.208	0.047**	+/-	-0.169
	(0.009)		(0.470)	(0.018)		(0.502)
CFO	-0.004	+/-	-4.191***	0.064	+/-	-4.524***
	(0.019)		(1.233)	(0.047)		(1.310)
ROA	0.044**	+/-	2.363***	-0.025	+/-	2.900***
	(0.020)		(0.723)	(0.046)		(0.735)
MKTIN	-0.012	+/-	-3.496***	0.006	+/-	-3.605***
	(0.015)		(0.533)	(0.017)		(0.522)
RNDIN	-0.075***	+/-	-21.786**	0.016	+/-	-22.300**
	(0.027)		(8.672)	(0.062)		(8.702)
TECTB	0.038	+/-	-17.982***	0.079	+/-	-18.334***
	(0.041)		(4.749)	(0.091)		(4.714)
MKTB	0.002	+/-	2.478	-0.009	+/-	2.500
	(0.018)		(1.572)	(0.035)		(1.550)
CONST	0.040		3.876***	-0.023		5.382***
	(0.027)		(1.358)	(0.027)		(1.036)
Fixed effects	Year & Industry		Year	Year & Industry		Year
Clustering	Industry		Industry	Industry		Industry
No. of Obs.	5,065		5,065	5,065		5,065
R-square	0.288			0.232		
Chi-square			351.442***			354.319***

Panel A reports the results for the 2SLS estimation for the endogeneity problem with total pay slice. M_TPS is the instrumental variable, the median of total pay slice in the same industry. P_TPS is the fitted value of TPS estimated in the 1st stage. Panel B reports the results for the 2SLS estimation for the endogeneity problem with short-term and long-term pay slices. M_SPS (M_LPS) is the instrumental variable, the median of short-term (long-term) pay slice in the same industry. P_SPS (P_LPS) is the fitted value of SPS (LPS) estimated in the 1st stage. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables.

Table 7. *The Mediation Effect on Myopic Management between Pay Slice and CSR Strength*
Panel A: Regression Results

		DV: MYO			DV: STRENGTH	
Var.	**Pred. Sign**	**Coef. (Std. Err.)**	**Coeff. (Std. Err.)**	**Pred. Sign**	**Coeff. (Std. Err.)**	**Coeff. (Std. Err.)**
TPS	+	1.064***		-	-2.727***	
		(0.454)			(0.759)	
SPS	+		1.314**	-		-3.518***
			(0.610)			(1.088)
LPS	+		0.516	-		-1.252***
			(0.406)			(0.415)
MYO				-	-1.265***	-1.220***
					(0.329)	(0.326)
CONCERN				+/-	0.228***	0.229***
					(0.054)	(0.053)
SIZE	+/-	0.069	0.067	+/-	1.857***	1.854***
		(0.055)	(0.054)		(0.216)	(0.215)
LEV	+/-	-0.174	-0.159	+/-	-2.826***	-2.833***
		(0.488)	(0.493)		(0.620)	(0.621)
CFO	+/-	-4.445***	-4.435***	+/-	2.998**	2.972**
		(1.258)	(1.245)		(1.453)	(1.452)
ROA	+/-	2.922***	2.881***	+/-	3.469***	3.577***
		(0.789)	(0.759)		(1.268)	(1.267)
MKTIN	+/-	-3.617***	-3.617***	+/-		
		(0.523)	(0.521)			
RNDIN	+/-	-22.656***	-22.551**	+/-		
		(8.791)	(8.822)			
TECTB	+/-	-18.527***	-18.411***	+/-		
		(4.689)	(4.709)			
MKTB	+/-	2.529	2.521	+/-		
		(1.539)	(1.554)			
DIV				+/-	28.795***	28.902***
					(10.499)	(10.439)
INST				+/-	-2.457***	-2.421***
					(0.778)	(0.793)
MB				+/-	0.038**	0.037**
					(0.017)	(0.017)
GEN				+/-	2.146***	2.115***
					(0.771)	(0.755)
TEN				+/-	-0.021	-0.019
					(0.015)	(0.015)
HHI				+/-	0.000	0.000
					(0.000)	(0.000)
LIT				+/-	0.676**	0.648**
					(0.273)	(0.259)
CONST		5.492***	5.264***		-9.455***	-9.022***
		(0.921)	(1.038)		(1.639)	(1.647)
Fixed effects		Year	Year		Year & Industry	Year & Industry

Clustering	Industry	Industry	Industry	Industry
No. of Obs.	5,139	5,139	5,139	5,139
R-square			0.519	0.521
Chi-square	351.405***	357.802***		

Panel B: Mediation Effects

	Model (4)	**Model (5)**	**Model (4)**	**Model (5)**
Standardized	TPS: 0.470	SPS: 0.779	TPS: -0.053	SPS: -0.049
coefficients			MYO: -0.076	MYO: -0.073
Indirect effect			-0.036	-0.057
z-statistic			-1.999	-1.854**
Direct effect			-0.053	-0.049
Total effect			-0.089	-0.106
% of mediated effect			40.32%	53.94%

Panel A reports the results for the regressions with CSR strength as a dependent variable and CSR concern as an additional control variable. The CSR variables are standardized CSR strength and concern. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables. Panel B reports the mediation effects of myopic management between total (short-term and long-term) pay slice and CSR strength.

Table 8. *The Mediation Effect on Myopic Management between Pay Ratio and CSR*
Panel A: Regression Results

		DV: MYO			DV: CSR	
Var.	**Pred. Sign**	**Coef. (Std. Err.)**	**Coeff. (Std. Err.)**	**Pred. Sign**	**Coeff. (Std. Err.)**	**Coeff. (Std. Err.)**
TPR	+	0.051*		-	-0.062	
		(0.033)			(0.057)	
SPR	+		0.283***	-		-0.294***
			(0.058)			(0.118)
LPR	+		-0.001	-		0.008**
			(0.004)			(0.003)
MYO				-	-1.165***	-1.101***
					(0.389)	(0.387)
SIZE	+/-	0.154***	0.136***	+/-	0.544**	0.554**
		(0.055)	(0.050)		(0.235)	(0.234)
LEV	+/-	-0.556	-0.531	+/-	-1.435	-1.457
		(0.523)	(0.515)		(1.086)	(1.082)
CFO	+/-	-5.550***	-5.504***	+/-	5.474*	5.326*
		(1.603)	(1.557)		(2.748)	(2.781)
ROA	+/-	4.029***	3.886***	+/-	3.922	4.201***
		(1.447)	(1.428)		(2.473)	(2.515)
MKTIN	+/-	-3.787***	-3.770***	+/-		
		(0.540)	(0.526)			
RNDIN	+/-	-26.169**	-25.792**	+/-		
		(10.510)	(10.303)			
TECTB	+/-	-18.067***	-17.869***	+/-		
		(5.413)	(5.410)			
MKTB	+/-	2.697	2.705	+/-		
		(1.689)	(1.687)			
DIV				+/-	21.089**	20.831**
					(9.867)	(9.773)
INST				+/-	-1.071	-1.068
					(0.927)	(0.956)
MB				+/-	0.041*	0.041*
					(0.023)	(0.024)
GEN				+/-	1.753*	1.713*
					(0.877)	(0.865)
TEN				+/-	-0.019	-0.019
					(0.016)	(0.016)
HHI				+/-	-0.001	-0.001
					(0.000)	(0.000)
LIT				+/-	1.136**	1.111**
					(0.511)	(0.494)
CONST		5.627***	5.283***		-5.344**	-5.184**
		(0.910)	(0.951)		(2.113)	(2.101)
Fixed effects		Year	Year		Year & Industry	Year & Industry
Clustering		Industry	Industry		Industry	Industry
No. of Obs.		4,195	4,195		4,195	4,195
R-square					0.209	0.211
Chi-square		251.851***	264.639***			

Panel B: Mediation Effects

	Model (4)	**Model (5)**	**Model (4)**	**Model (5)**
Standardized coefficients	TPR: 0.054	SPR: 0.159	TPR: -0.023 MYO: -0.072	SPR: -0.058 MYO: -0.069
Indirect effect			-0.004	-0.011
z-statistic			-1.418	-2.463***
Direct effect			-0.023	-0.058
Total effect			-0.027	-0.069
% of mediated effect			14.81%	15.94%

Panel A reports the results for the regressions with pay ratio as a dependent variable. The CSR variable is a standardized CSR score. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables. Panel B reports the mediation effects of myopic management between total (short-term and long-term) pay ratio and CSR.

Table 9. *The Effect of Total Pay Slice (Short-term and Long-term Pay Slice) on Myopic Management with High and Low Management Ownership*

		DV: MYO			
Var.	**Pred. Sign**	**High Coeff. (Std. Err.)**	**Low Coeff. (Std. Err.)**	**High Coeff. (Std. Err.)**	**Low Coeff. (Std. Err.)**
TPS	+	0.167	2.673**		
		(1.010)	(1.290)		
SPS	+			1.607	1.496
				(1.532)	(1.254)
LPS	+			-0.308	1.927**
				(0.797)	(0.968)
SIZE	+/-	0.358**	0.065	0.351**	0.070
		(0.142)	(0.092)	(0.147)	(0.093)
LEV	+/-	-1.943**	0.931	-1.921**	0.905
		(0.850)	(0.625)	(0.840)	(0.636)
CFO	+/-	-8.611***	-2.838	-8.603***	-2.860
		(2.234)	(2.797)	(2.248)	(2.828)
ROA	+/-	5.497***	3.041	5.440***	3.008
		(1.777)	(2.724)	(1.775)	(2.699)
MKTIN	+/-	-3.596***	-4.691***	-3.554***	-4.736***
		(0.713)	(1.381)	(0.705)	(1.418)
RNDIN	+/-	-34.150***	-17.007	-33.866***	-16.818
		(7.587)	(12.060)	(7.504)	(12.043)
TECTB	+/-	-11.955**	-26.244***	-11.837**	-26.503***
		(4.817)	(8.212)	(4.671)	(8.340)
MKTB	+/-	1.904	4.211	1.911	4.250
		(2.211)	(2.645)	(2.202)	(2.678)
CONST		3.438**	5.535***	3.113*	5.277***
		(1.445)	(1.233)	(1.618)	(1.166)
Fixed effects		Year	Year	Year	Year
Clustering		Industry	Industry	Industry	Industry
No. of Obs.		2,088	2,088	2,088	2,088
Chi-square		226.154***	122.069***	224.481***	125.726***

This table reports the results for the regressions for Hypotheses 1 and 2 with samples split by management ownership. Standard errors clustered by industry are reported in parentheses, and *p-value*s are one-tailed for signed predictions and two-tailed otherwise. ***, **, and * indicate significance at the 1%, 5%, and 10% levels. See the "Appendix" for the detailed definition of the variables.