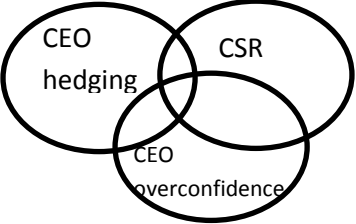


Internet Appendix A22: Behavioural Finance

Figure A22.1 Illustrative Pitch Template Example on CEO overconfidence

Pitcher's Name	Sid Song	FoR category	Behavioral Finance	Date Completed	12/6/2013
(A) Working Title	Corporate Social Responsibility and CEO overconfidence				
(B) Basic Research Question	Do overconfident CEOs undertake more or less CSR?				
(C) Key paper(s)	Malmendier, U., Tate, G., 2005a. CEO overconfidence and corporate investment. <i>The Journal of Finance</i> 60, 2661–2700. Godfrey, P.C., Merrill, C.B., Hansen, J.M., 2009. The relationship between corporate social responsibility and shareholder value: an empirical test of the risk management hypothesis. <i>Strategic Management Journal</i> 30, 425–445. Ben-David, W.E., Graham, J.R., Harvey, C.R., 2013. Managerial miscalibration. <i>The Quarterly Journal of Economics</i> 128, 1547–1584.				
(D) Motivation/Puzzle	CSR is becoming an important aspect of corporations. Research shows that CSR has a hedging feature. CEOs who are overconfident underestimate firm risks which lead them to undertake relatively less hedging. Is CEO confidence negatively related to the level of CSR? Is this effect stronger among the institutional aspects of CSR (particularly community and workforce diversity), which target secondary stakeholders rather than the technical aspects of CSR (corporate governance and employee relation)?				
THREE	Three core aspects of any empirical research project i.e. the “IDioTs” guide				
(E) Idea?	<p><i>H1,0: The level of CEO confidence is not related to the level of CSR undertaken by the firm.</i></p> <p><i>H1,1: The level of CEO confidence is negatively related to the level of CSR undertaken by the firm.</i></p> <p>Dependent variables are those that explain CSR: Firm profitability; Firm size; Firm leverage; Firm differentiation; Firm innovation; Firm capital expenditure (reliance on reputation); Firm managerial entrenchment; Outside monitoring.</p>				
(F) Data?	Data: USA- availability of CEO executive pay structure for overconfidence. Compustat for firm level data. Datastream for stock prices. Time series/cross-sectional= panel data. 20yrs of data.				

(G) Tools?	Regression analysis with firm and year fixed effects.
TWO	Two key questions
(H) What's New?	 <p>A Venn diagram consisting of three overlapping circles. The top-left circle is labeled 'CEO hedging', the top-right circle is labeled 'CSR', and the bottom circle is labeled 'CEO overconfidence'. All three circles overlap in a central region.</p>
(I) So What?	CSR is an important aspect of the impact of corporations on society. Determining if overconfident CEO's undertake more or less CSR has important social consequences.
ONE	One bottom line
(J) Contribution?	Establishing a relation between CSR and CEO confidence levels.
(K) Other Considerations	Target Journal: Journal of Financial and Quantitative Analysis. Relatively high risk given outcome is not known. There may be no relation between CEO overconfidence and CSR.