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Title:

Enhancing and Transcending the Self: The Importance of CEO Values for Explaining Fraud

Background:

A recent strand of finance, accounting and strategy literature considers the role of CEO personality such as narcissism and overconfidence in the context of fraud. We extend this line of research by examining the effect of CEOs' personal values on their propensity to commit fraud.¹ Research in psychology shows that values are the part of human personality that is most consequential for ethical decision-making. Thus, we integrate these concepts from the psychology literature into the business literature and test two main theories. First, how is the relation between CEO values and fraud; and 2) how shareholder activism, a key corporate governance mechanism, moderates the relation between CEO values and fraud. Overall, we advance the literature's understanding of fraud by exploring how the interplay of CEO values and corporate governance determines the likelihood of fraud.

Key Research Findings to date: Key Findings: We theorize and find that CEO self-enhancement increases the likelihood of fraud whereas self-transcendence decreases it, and that shareholder activism – a governance mechanism directly related to CEOs' values – moderates these effects.

Comments and Additional Information:

Working paper... was submitted to the American Management Journal earlier this year and was rejected. Working on revising the paper and resubmitting it to another top management journal.