

CEO's Overconfidence and Firm Performance of Listed Companies in Vietnam

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Abstract:

In this study, the author uses data from listed companies on the Ho Chi Minh City and Hanoi Stock Exchanges from 2012 to 2022 to examine the impact of CEOs' overconfidence on firm performance measured through ROA. The author uses four measures to measure CEOs' overconfidence including: operating cash flow surplus, income surplus, revenue management behavior, and cost management behavior. In addition, the author also uses interaction variables between overconfidence behavior and ownership form (state-owned, and foreign-owned), interaction with income diversification and interaction with stock market growth. The results show that CEO's overconfidence behavior caused by excess cash flow or excess earnings will increase performance, while CEO's overconfidence behavior caused by revenue and cost control will decrease performance. Overconfidence combined with ownership form will have an impact on efficiency, but the interaction effect with stock market growth is unclear. From the results, the author also proposes recommendations on how to control the overconfidence behavior of CEOs to avoid risks arising, helping to stabilize and increase business performance.

Keywords:

CEO overconfidence; firm performance and listed companies in Vietnam.