

Behavioral Governance and Self-Conscious Emotions: Unveiling Governance Implications of Authentic and Hubristic Pride

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ABSTRACT. The main purpose of this article is to elucidate the bright connotation of the self-conscious emotion of pride, namely authentic pride, in the broader context of behavioral governance literature. Scholars in the field of psychology suggest that authentic and hubristic pride represent two facets of the same emotional construct. Yet, our review indicates that in the extant governance research pride has been treated as an exclusively dark leadership trait or self-attribution bias, thereby placing hubris among the main causes of managerial failure. After conceptually differentiating the two aspects of pride, we identify and discuss the myriad of positive governance implications stemming from firm members' tendency toward authentic pride. We argue that the examination of both positive and negative facets of pride constitutes a critical complement to the existing governance landscape largely dominated by economic theories and formal mechanisms of control. This article allows practitioners to better understand the emotional processes involved in governance that are needed to predict the workplace effectiveness of employees, identify individuals prone to experience authentic pride in the early stages of the recruitment process, and design specific interventions for acting upon and putting emotional energy into productive use.

KEY WORDS: self-conscious emotions, behavioral governance, authentic pride, hubristic pride, decision makers

Introduction

In the aftermath of massive financial scandals that shook the business world, considerable scholarly

efforts have been deployed toward enhancing our understanding of the role that various governance configurations play in the long-term success of today's organizations (Kim et al., 2010). After several decades of intensive research, authors around the globe have succeeded in gathering impressive theoretical and empirical evidence for acknowledging that improvements in firm performance can be achieved through effective corporate governance practices. Among the most popular governance mechanisms cited in the literature are the monitoring by the board of directors, shareholders' activism, incentive compensation offered to the representatives of top management team, ownership by large institutional investors, active markets for corporate control, and competitive executive labor markets (Shleifer and Vishny, 1997). By identifying and exploring a large array of governance devices stemming principally from finance, economics, and accounting disciplines, significant advances have been made in the field of corporate governance.

More recently, however, confronted with the inability to successfully explain the proliferation of governance problems across different industries and countries, many researchers have voiced the imperative need to diversify the extant corporate governance landscape largely dominated by the economic models of rational decision-making agents. In delineating future research endeavors in the area, Tosi (2008) suggested that the objective of going beyond the conventional principal-agent paradigm could be attained by incorporating the concept of personality in the study of complex behaviors and relationships among different parties implicated in the governance contract. While human-related

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factors such as personality, cognition, and emotional states have long been the cornerstone of psychoanalytical and sociological research, their importance and behavioral consequences have been insufficiently tackled in the current governance literature (Brundin and Nordqvist, 2008). Considering that processes involved in governance constitute the result of specific human decisions and actions, the extent to which people's affects, values, beliefs, and emotions influence governance outcomes in their firms represents an appropriate and timely question for exploration purposes.

Over the last decade, serious attempts have been made for developing a behavioral theory of corporate governance that focuses on interpersonal communication, emotional dynamics, problems of coordination, cognitive conflicts, and issues of knowledge creation and sharing among different members of strategic decision-making groups (Forbes and Milliken, 1999; Huse, 2007; Van Ees et al., 2009). Although these recent studies have contributed to our comprehension of the interactional nature of governance processes, they overlooked to consider that in many cases individuals who hold positions in upper firm echelons engage in interpersonal interactions and take strategic action based on their self-reflective thinking, self-awareness, and appraisal of one's self, giving rise to complex emotional feelings commonly referred to as self-conscious emotions (Lewis, 2000). Embracing higher levels of human moral development and complexity, self-conscious emotions such as guilt, shyness, pride, regret, shame, and embarrassment are likely to significantly affect the quality of governance-related decisions made by economic actors in organizations.

Albeit some tradition of research has been established to date on the role played by human pride in various corporate governance situations, it has been conceived mainly as a cognitive bias or stable personality trait rather than a self-conscious emotion experienced by firm leaders. We believe that treating pride as an emotion not only allows a more accurate assessment of the complexity surrounding decision-making processes but also provides a more reliable prediction of behavioral outcomes and a more fertile ground for formulating useful recommendations for both theory and practice. In addition, governance scholars have typically

emphasized the "dark side" of pride in order to explain corporate underperformance and inefficient strategic undertakings initiated by managers. More specifically, relying on the hubris hypothesis of corporate takeovers initially developed by Roll (1986), many authors have empirically demonstrated that hubristic pride as key characteristic of overconfident executives is the main reason leading them to involve in value-destroying merger and acquisition transactions (Hayward and Hambrick, 1997; Malmendier and Tate, 2008).

It has long been acknowledged by psychologists and psychoanalysts that the same emotional construct of pride embraces two distinct facets, namely hubristic pride and authentic pride, which are related to different causal attributions and are likely to generate divergent behavioral consequences (Lea and Webley, 1997; Lewis, 2000; Tracy and Robins, 2007a). While the former facet is associated with narcissistic self-aggrandizement and antisocial behavior, the latter relates to genuine self-esteem and is achievement oriented (Tracy and Robins, 2007b). Since hubristic pride was conventionally used by governance researchers as means for explaining the failure of managerial actions, we argue that a closer examination of authentic pride as a self-conscious emotion can improve our understanding of complex human factors connected with effective decision-making and subsequent organizational success.

It is the aim of this article to elucidate the "bright" connotation of pride in the broader context of corporate governance literature. To achieve this goal, in the following section we highlight the need for exploring different behavioral elements of the corporate governance arena, in general, and the specific governance implications of the self-conscious emotion of pride, in particular. After describing the underlying differences between the two facets of pride, we analyze how the construct of hubristic pride was employed in extant corporate governance research. A thorough discussion of potential governance benefits ensuing from the study of people's tendency toward authentic pride follows. Finally, suggestions for guiding further research on the two facets of pride and their implications for subsequent behavior that might contribute to the advancement of corporate governance field conclude the article.

Behavioral governance and self-conscious emotions

Agency theory that relies on the use of explicit contracts and other formal mechanisms of control for disciplining self-serving agents has been the dominant perspective in the corporate governance arena. For several decades, the main focus of investigation has been the macro-level processes, such as governance roles of active markets for corporate control, structural configurations of boards of directors, and incentive designs of executive compensation packages, in which the actual behavior of economic agents has been either ignored or inferred from their demographic characteristics (Daily et al., 2003). Yet, notwithstanding its popularity, the large body of empirical research conducted within the agency framework has so far provided inconsistent evidence, thus calling for alternative models, innovative theorizing, and more consideration of relational and emotional aspects surrounding micro-governance processes.

New directions of inquiry into good corporate governance include studies adopting a behavioral perspective that seeks to uncover complex psychological, cognitive, and emotional factors influencing people's behavior and produce valuable insights into the way how firm actors actually work, cooperate, and make strategic decisions (Huse, 2007; Van Ees et al., 2009). It is worth noting that most of these studies have used the behavioral lens to examine the boardroom dynamics and quality of relationships among different members sitting on corporate boards of directors. For instance, Forbes and Milliken (1999) drew on the literature of group cognition to conceptualize a model of board processes that are likely to affect board effectiveness in terms of directors' cohesiveness and performance on both control and service tasks. Their model incorporates three main processes related to effort norms for directors' preparation, participation, and analysis, cognitive conflicts originating from task-oriented interpersonal differences in judgment, and existence and use of members' knowledge and skills. Reporting findings from a variety of empirical investigations, Huse (2007) has also emphasized the need for exploring human and social board-related factors for improving our understanding of how directors involve in problemistic search, learn, strategize, and create knowledge.

Finally, Van Ees et al. (2009) made a step further toward developing a coherent behavioral theory of boards and governance, whose underlying pillars are interpersonal interactions, cooperation and satisficing behavior, process routinization for the enactment of corporate decisions, and political bargaining for goal formalization and conflict resolution among group members.

Although within the behavioral governance framework human emotions are conceived as important promoters of behavioral activation, they did not attract sufficient attention from governance scholars. Only recently, the debate concerning the role played by emotions in interpersonal dynamics started to be infused in the boards of directors' literature. In a qualitative study of board member interactions in a Swedish manufacturing firm, Brundin and Nordqvist (2008) showed that positive emotions (e.g., confidence, satisfaction, and enthusiasm) represent a source of energy that is influential in the board task performance, while the explosion of negative emotions (e.g., depression, lack of initiative, and low solidarity) in the boardroom may result in altered power and status relations among directors. Despite its contribution, this study did not explicitly account for the cognitive, expressive, and motivational differences between basic emotions and complex self-conscious emotions, thus failing to consider their differential impact on decision makers' behavior.

As opposed to basic emotions (e.g., joy, anger, fear, and sadness), self-conscious emotions such as guilt, shame, pride, and embarrassment are more difficult to analyze as they are cognitively complex, cannot be recognized from merely observing a particular set of facial or vocal expressions and may be triggered by events that can only be apprehended by the individuals themselves (Lewis, 2000). More importantly, these emotions emerge in a later evolutionary stage of human beings characterized by higher levels of moral development and ability for self-representation and self-awareness. Cognitions related to the self play a critical role in the elicitation of self-conscious emotions where people involve in self-reflective evaluation of their actions in regard to ideal goals set for the self or socially accepted standards and make internal or external attributions of responsibility for actions being evaluated (Tracy and Robins, 2004). These emotions are important for the study of human behavior because they not only promote the attainment of

pre-established objectives but also require reflection of how one is being perceived by others, thus helping to regulate one's interactions with others.

Pride as a self-conscious emotion

Our analysis reveals that self-conscious emotions and their implications for decision-maker behavior received scant consideration in extant governance literature. To the best of our knowledge, research by Velayutham (2003) and Velayutham and Perera (2004) is among the few studies to have conceptualized on governance effects of the self-conscious emotions of shame and guilt, underlying their cultural relativity and explaining their association with better governance practices of information transparency and accountability for individual actions. In a recent empirical investigation, Steebhaut and Van Kenhive (2006) adopted an ethical framework for analyzing consumer-seller relationships and found that anticipated guilt significantly enhanced consumers' ethical decision-making. We argue that pride is a self-conscious emotion whose closer examination is particularly relevant in the context of behavioral governance research. Since the representatives of upper echelons in organizations (e.g., executives and board members) are more prone to experiencing this emotion, pride may be an important indicator of the quality of their decisions and actions.

In the area of social psychology, the concept of pride has been associated with many paradoxical effects being alternatively viewed as both virtue and vice, beneficial and detrimental emotion, proof of genuine self-esteem and narcissistic self-aggrandizement, noble attribute and serious offense (Tracy et al., 2009; Williams and DeSteno, 2009). Yet, in a later review, we show that studies conducted in the corporate governance field have focused exclusively on the "dark" side of pride at the expense of its "brighter" connotation, conceptualizing it as a stable personality characteristic of firm leaders rather than a self-conscious emotion that can be acted upon and funneled into a more productive rather than destructive use. As pride has been invested with lots of sometimes contradictory meanings, it is relevant to shed more explanatory light on this emotion prior to discussing its broader governance role.

Psychologists and psychoanalysts conceive pride as an expression of self-appreciation, an internal attribution of the successful attainment of a favorable result to one's own skills, competence, and efforts (Weiner, 1985) and a natural emotional response to substantial individual realizations (Lawler, 1992). Disregarding whether it holds a more positive or negative meaning, several cognitive and motivational components define pride and differentiate it from other self-conscious emotions. According to Lewis (2000), pride occurs when the exercise of comparing one's behavior with a widely accepted standard leads to the conclusion that one has succeeded in meeting or surpassing that standard. For pride to be experienced in either of its positive or negative forms, it has to ensue not only from the achievement of a highly desirable outcome but also when one is feeling responsible for bringing about that outcome (Kornilaki and Chlouverakis, 2004). Hence, the self-attribution of cause and subsequent effect is critical for the emotional elicitation of pride aiming at signaling success.

More importantly, pride holds a strong motivational power engendering deployment of strong effort toward goal pursuit, inducing perseverance on socially valued tasks, and energizing individuals to acquire and demonstrate skills that increase one's status and appreciation from others (Williams and DeSteno, 2008). Notwithstanding whether this emotion results in more positive or negative consequences for the self and other people surrounding the self, it is typically related to equally elevated levels of dispositional reward sensitivity (Carver et al., 2010) and a behavioral tendency of wanting to be seen, heard, and admired by interaction partners. Finally, because both aspects of pride are associated with a strong feeling of pleasure after achievement (Takahashi et al., 2007), they share the same pattern of facial and corporal expressions such as low-intensity smile, slight head tilt, and expanded posture with hands on hips (Tracy and Robins, 2004).

The two facets of pride

Despite this relatedness of brighter and darker connotations of pride, convergent findings in psychological and sociological literatures suggest that this self-conscious emotion does not represent a unified

construct. Over the recent years, researchers started to increasingly emphasize the multidimensional nature of pride demonstrating the existence of two separate aspects of pride that can be distinguished both theoretically and empirically (Lewis, 2000; Tracy and Robins, 2007b; Twenge and Campbell, 2003). Based on this more nuanced conceptualization of pride, it is useful to make a comprehensive distinction between the two facets of the same emotional construct, namely “proper pride” and “false pride” (Lea and Webley, 1997) or “authentic pride” and “hubristic pride” (Tracy and Robins, 2007b). Table I highlights the main differences between these two facets of pride.

The dark side of pride, also commonly referred to as hubris, is related to human arrogance, vanity, excessive self-importance, exaggerated confidence, and self-aggrandized perception of one’s own self. This emotional state is typically displayed as a result of erroneous assessment of one’s own behavior and actual achievements (Tracy and Robins, 2007a). On the contrary, the bright side of pride is a positively valenced emotion and a virtue which is socially sought and encouraged in many countries around the world due to its association with confidence, self-esteem, and genuine feeling of satisfaction stemming from a favorable appraisal of behavioral outcomes attained via the deployment of one’s own knowledge, competence, and expertise. This type of pride is considered to be proper or authentic since the excitement, pleasure, and joy are provoked by specific actions that were really undertaken by the person who experiences this emotion (Lewis, 2000).

Although the events that give rise to the emotional display of more or less positive and socially desirable aspect of pride are highly similar, it is basically the kind of attribution of success that is made by individuals that plays an important role in differentiating the two facets of pride. Hubristic pride results from an inaccurate perception of one’s own accomplishments and emerges in situations when one takes responsibility for favorable results that do not properly belong to the self or are not caused by one’s own actions (Lea and Webley, 1997). The self and the object are unified as the feeling of hubris is caused by an individual’s faulty belief in constant personal success and supremacy of self over others, disregarding the particular conditions surrounding the self. On the other hand,

authentic pride is driven by specific realizations that one has genuinely attained due to persistency, endurance, dedication, and hard work. Since the accomplished outcomes are viewed as circumstantial, the responsibility for success is not attributed to the global self, as in the case of hubristic pride, but rather to a specific self (Lewis, 2000). Maintaining the self and the object separated, a person takes authentic pride only in an action related to a given fruitful event that was authentically initiated and realized by the self.

Another differential pattern refers to the type of motivators and rewards being pursued and valued in each situation. As reported by Carver et al. (2010), hubristic pride is associated with extrinsic values of social dominance and public recognition, while authentic pride is tied to intrinsic rewards of goal engagement and adaptive achievement. Based on the findings reported in the study of McGregor and Marigold (2003), it appears that individuals who are more prone to experience hubristic pride are typically characterized by low-implicit and high-explicit self-views that induce frequent fluctuations in their levels of self-esteem. Therefore, when confronted with a threat to their ego, these persons tend to respond defensively by engaging in self-enhancing behavior to compensate for this unbalanced style of emotional regulation. Conversely, people who do not display such dissociations between implicit and explicit self-representations enjoy greater self-esteem stability, do not behave defensively in face of adverse life events, and are less likely to involve in compensatory self-enhancement activities (Tracy et al., 2009).

The tendency toward hubris is usually present in those individuals who explicitly view themselves as immune to failure and focus on the global self as being infallible in any context and situation. For that reason, they tend to adopt self-protective attitudes by attributing their inability to succeed to some external causes which are out of their control (Campbell et al., 2004). Moreover, the emotion which is most commonly elicited in the case of failure is shame, which causes a sensation of powerlessness and desire to disappear or escape from the inquisitive eyes of people surrounding the self (Velayutham and Perera, 2004). On the contrary, the person who is prone to experience authentic pride tends to make internal attributions for failure

TABLE I
Comparison of hubristic and authentic pride

Characteristics	Hubristic pride	Authentic pride
Main traits	Overconfidence, self-importance, arrogance	Confidence, self-esteem, achievement oriented
Cause of success	Global self	Specific self
Link between self and object	Unified	Separated
Implicit and explicit self-views	Dissociated	Harmonized
Response to a threat	Defensive, compensatory self-enhancement	Stable self-esteem, no self-enhancement
Cause of failure	External	Internal
Emotion felt in failure	Shame	Guilt
Emotional state	Rather permanent	Rather temporary
Motivators and values	Extrinsic rewards (social dominance, public recognition)	Intrinsic rewards (goal engagement, adaptive achievement)
Relationship with others	Asocial, conflictual, problematic	Prosocial, adaptive, collaborative
Others' response	Rejection, others' disapproval	Acceptance, others' respect
Manager's personality	Narcissistic	Accomplished
Manager's behavior	Self-focused, non-accountable, irresponsible, non-transparent	Others-focused, accountable, responsible, transparent
Future performance	Leads to negative performance	Promotes improved performance
Governance outcome	Long-term failure (rarely short-term success)	Long-term success (rarely short-term failure)
Governance control	Prevent and discipline	Motivate and reward
Recommendations	Redirect and transform	Preserve and maintain

and take full responsibility for his own decisions and actions. In this particular context, this person is likely to display the emotion of guilt characterized by a stringent desire to apologize and take corrective action to effectively repair the consequences of improper behavior of the self (Lewis, 2000).

According to Tracy and Robins (2007b), another plausible difference between the two psychologically distinct facets of pride is temporal. While hubristic pride is portrayed by a relatively chronic predisposition of people to feel this type of emotion frequently and repeatedly over time, authentic pride takes the form of momentary emotional response to a positive outcome of a given act performed by the individual. The global nature of hubristic pride makes it more permanent and addictive and people tend to maintain this state over longer periods of time unless they manage to realistically reassess the standards they use to evaluate what constitutes personal success. As Lewis (2000) observed, in many cases there are no specific actions to justify the emotion of hubristic pride and, therefore, people prone to hubris tend to

invent situations that are likely to prolong this feeling. On the other hand, authentic pride is a temporary feeling and is only re-experienced when supported by another successful act.

Furthermore, it should be noted that because the two aspects of the construct of pride are associated with opposing cognitive repositories, they lead to highly divergent behavioral outcomes (Twenge and Campbell, 2003). It is particularly in this respect that pride may affect governance arrangements in today's organizations by altering the emotional experience of corporate decision makers. For instance, given that hubris-prone individuals tend to adopt a condescending attitude toward others, they are likely to encounter many problems in their interpersonal relationships. If the extreme cases of overgeneralized hubris degenerate into aggression, fighting, and other antisocial behavior (Carver et al. 2010; Tracy et al., 2009), it might be even seen as pathological (Lewis, 2000). Since a person's tendency toward hubris is likely to interfere with others' needs and preferences, it constitutes a primary source of

workplace conflicts and social disputes. Although in the short run hubristic pride can eventually result in some adaptive benefits for the self, such as increased social status, in the long run it tends to cause interpersonal problems, others' disapproval of individual actions, and social rejection of the self (Paulhus and Williams, 2002).

In opposition, people experiencing authentic pride are described by high levels of self-control (Carver et al., 2010), a high likelihood of involving in prosocial behaviors (Hart and Matsuba, 2007), a proven sense of empathy for others, a genuine concern for the impacts that one's own behavior has on others, and a willingness to collaborate with others. This is the main reason why authentic pride is considered to be a socially desirable emotion, given that it is likely to lead to positive behavioral outcomes for both the self and others in interpersonal contexts (Tracy and Robins, 2007a). For instance, Hardy and Van Vugt (2006) found that individuals who extract a genuine feeling of pride from involving in altruistic acts easily obtain others' respect and group acceptance, successfully insert in a new social environment, and are subsequently rewarded by enhanced social status.

We contend that the emotion of pride generate important governance implications especially when it is elicited by the representatives of higher echelons in organizations because the consequences of their actions are likely to affect a larger number of firm stakeholders. According to the upper echelons theory (Hambrick, 2007), the psychological and demographic attributes of corporate leaders shape their cognitive frames, influencing both their own decisions and the activities of the companies they lead. As it was shown above, hubris can develop as result of a manager's belief of the superiority of his own self toward others or emerge following a significant public praise that recognizes past achievements of the self (Lewis, 2000). Given that hubristic pride is related to narcissistic self-aggrandizement (Tracy et al., 2009), the main risk of this emotion is that it can contribute to the cementation of a relatively stable narcissistic personality. In line with much of the previous governance research drawing upon the upper echelons and behavioral decision theories, frequent elicitation of executive hubris can not only degenerate into a negative performance of the self, but also pave the way to the failure of the corporation that

this executive leads (Hayward et al., 2006; Malmendier and Tate, 2005, 2008; Roll, 1986).

On the contrary, since authentic pride is basically achievement oriented (Campbell et al., 2004), it is our belief that managers who are predisposed to experience this emotion are actually more likely to make optimal decisions and undertake activities that can lead to the long-term improvement of corporate performance. Similar to this argument, Herrald and Tomaka (2002) found that the proper feeling of pride resulting from a successful completion of a given work-related task encourages active seeking of enhanced effectiveness on future tasks. Therefore, proper governance controls should be put in place to either prevent decision makers' inclination toward hubristic pride or discipline hubris-prone executives for the detrimental consequences that their individual behaviors generate for the broader set of organizational stakeholders. Conversely, managerial tendency for authentic pride should be encouraged and preserved, while the positive behavioral outcomes stemming from the deployment of this emotion – appropriately rewarded.

Pride and governance

Hubristic pride and governance

Consistent with the underlying prescriptions of the agency theory (Fama and Jensen, 1983), the concept of pride has been treated in the corporate governance literature only as a negative trait of Chief Executive Officer (CEO) personality or self-attribution bias of decision makers in organizations. As illustrated in Table II, several conceptual and empirical studies have been conducted in the field to analyze the role that managerial hubris plays in suboptimal individual behavior and detrimental corporate outcomes. Governance researchers have focused on examining both the antecedents and consequences of the dark connotation of pride using a diversity of closely related constructs such as hubris (Hayward and Hambrick, 1997; Li and Tang, 2010; Roll, 1986), overconfidence (Hilary and Menzly, 2006; Malmendier and Tate, 2005; Simon and Houghton, 2003), overoptimism (Lowe and Ziedonis, 2006), and narcissism (Chatterjee and Hambrick, 2007; Lubit, 2002). In a conceptual review and attempt to clarify the

relationship between these variables, Hiller and Hambrick (2005) proposed that both hubris and overconfidence refer to the same overarching construct of “hyper-core self-evaluation.” The predominance of this characteristic in corporate leaders tends to encourage less comprehensive, faster, and more centralized decisions, resulting in extreme organizational performance.

The concept of hubris was addressed for the first time in the context of active markets for corporate control. In his pioneering study, Roll (1986) developed the hubris hypothesis of corporate takeovers to explain acquirers’ failure to obtain significant financial gains upon the announcement of merger and acquisition transactions. According to Roll (1986), hubristic managers in bidding firms make substantial mistakes in estimating the value of target firms, but assuming that their valuations are correct they undertake acquisitions that ultimately generate negative abnormal returns. Subsequently, hubris hypothesis was empirically supported in coexistence with the synergy hypothesis for large samples of both domestic US tender offers (Berkovitch and Narayanan, 1993) and cross-border transactions completed by American acquirers (Seth et al., 2000). In the same vein, Chatterjee and Hambrick (2007) found that although narcissistic CEOs engaged in more and larger-size acquisitions that resulted in big wins or big losses, their firms’ performance did not significantly differ from those with non-narcissistic CEOs.

Yet, it is worth noting that many governance scholars have demonstrated the pure version of hubris hypothesis as the main reason for the occurrence of value-destroying merger and acquisition deals. Relying on American data, Hayward and Hambrick (1997), Hietala et al. (2003), and Malmendier and Tate (2008) have shown that executive hubris or overconfidence is responsible for overbidding, shareholder losses, and payment of larger control premiums to target firms. Doukas and Petmezas (2007) also confirmed the poor long-term performance implications of managerial overconfidence in bidding firms in the context of British transactions of change in corporate control. In a recent study, Li and Tang (2010) contributed to a deeper understanding of CEO hubris in a non-Western cultural setting, establishing a positive relationship between CEO hubris and firm risk-taking contingent upon

the level of managerial discretion in manufacturing firms in China.

Over time, the dark facet of the concept of pride started to be applied in other organizational frameworks such as entrepreneurial ventures (Hayward et al., 2006) and investment banks (Stotz and von Nitzsch, 2005), with the purpose of explaining a broader variety of managerial decisions, including those related to market entry (Camerer and Lovo, 1999) and sources of investment financing (Malmendier and Tate, 2005). Thus, it was shown that overconfident entrepreneurs tend to pursue unsuccessful efforts associated with the development of uncertain technologies (Lowe and Ziedonis, 2006), involve in risky product introductions that are less likely to succeed (Simon and Houghton, 2003), and deprive their ventures of needed resources and lead them to failure (Hayward et al., 2006). Employing an experimental design, Camerer and Lovo (1999) suggested that overconfidence in market entry, particularly in ambiguous environments, may be an important explanatory factor of failure among new firms. Malmendier and Tate (2005) found that executive hubris accounted for investment distortion, inducing corporations to rely more on internal rather than external financing. Studies conducted in the context of investment banks reported that financial analysts’ overconfidence intensified with stronger perceptions of control (Stotz and von Nitzsch, 2005) and prior successful earnings forecasts, resulting in less accurate and further from the consensus future predictions (Hilary and Menzly, 2006).

More recently and drawing upon earlier works on social construction of leadership images in the popular press and importance of media in attributions of success and socially valued personality characteristics (Chen and Meindl, 1991; Pastor et al., 2002), governance researchers began to explore the concept of CEO celebrity status as one of the most powerful sources of managerial hubris. In their conceptual article, Hayward et al. (2006) suggested that journalists contribute significantly to the creation of CEOs superstar status by attributing the causes of organizational performance exclusively to CEOs and their individual actions, while CEOs’ internalization of their celebrity leads to executive overconfidence. For a sample of 278 US firms, Wade et al. (2006) found that award-winning CEOs tend to accept

TABLE II
Hubristic pride in governance literature

Construct	Study	Sample	Findings
Hubris	Roll (1986)	N/A (review)	Bidders' over-evaluation of targets determines their involvement in value-destroying acquisitions
	Berkovitch and Narayanan (1993)	330 successful domestic US tender offers (1963–1988)	Simultaneous existence of synergy and hubris hypotheses in explaining domestic acquisitions with positive total gains (effects of synergy are offset by the effects of hubris)
	Hayward and Hambrick (1997)	106 major US acquisitions in 1989 and 1992	Sources of hubris (i.e., recent firm performance, media praise for the CEO, and CEO's self-importance) determine bidders' payment of larger acquisition premiums (i.e., overpayment) and larger shareholder losses
	Seth et al. (2000)	100 foreign acquisitions of US industrial firms (1981–1990)	Hubris hypothesis coexists with the synergy hypothesis within the sub-sample of cross-border acquisitions with positive total gains
	Hietala et al. (2003)	1 takeover contest in 1994	Leads to bidder overpayment (i.e., large acquisition premium) for target firm
	Li and Tang (2010)	2,790 CEOs of manufacturing firms in China	Encourages corporate risk-taking contingent upon managerial discretion (i.e., market munificence, complexity, and uncertainty; firm age and size; R&D intensity, chairman-CEO duality, state ownership, and political appointment of CEO)
Over-confidence	Camerer and Lovo (1999)	N/A (experimental games)	Subjects neglect the quality of competition and their (excess) entry into the industry results in a failure
	Simon and Houghton (2003)	55 executives of small computer firms in Georgia	Leads to risky product introductions that are less likely to succeed (although managers expressed extreme certainty about achieving success)
	Malmendier and Tate (2005)	477 US firms (1984–1994)	Is proxied by holding in-the-money options and accounts for corporate investment distortion (rely on internal rather than external financing)
	Stotz and von Nitzsch (2005)	147 analysts at 9 investment banks (in 2002)	A stronger perception of control increases financial analysts' overconfidence with regard to earnings forecasts
	Hayward et al. (2006)	N/A (conceptual)	Entrepreneurs with socially constructed overconfidence deprive their ventures of resources, increasing the odds of their failure
	Hilary and Menzly (2006)	46909 quarterly earnings forecasts by analysts (1980–1997)	More accurate earnings' prediction in the past leads to analysts' overconfidence in their ability to forecast future earnings, resulting in subsequently less accurate and further from the consensus forecasts
	Doukas and Petmezas (2007)	5334 UK acquisitions (1980–2004)	Stems from self-attribution bias and leads to lower acquisition announcement returns and poor bidders' long-term performance
	Malmendier and Tate (2008)	394 US firms (1980–1994)	Is proxied by CEOs personal overinvestment in their firm and their press portrayal and leads to bidders' involvement in value-destroying acquisitions and overpayment for target firms

TABLE II

continued

Construct	Study	Sample	Findings
Over-optimism	Lowe and Ziedonis (2006)	734 inventions disclosed from 1981–1999	Pushes entrepreneurs to continue (for long periods of time) unsuccessful development efforts of technologies with uncertain prospects
Narcissism	Chatterjee and Hambrick (2007)	111 CEOs in computer firms (1992–2004)	Is proxied by prominence of CEO in press releases and his photograph in annual reports, CEO's use of first-person singular pronouns, and pay relative to the 2nd-highest paid manager; is positively related to the number and size of acquisitions and determines the initiation of actions resulting in big wins or big losses
	Lubit (2002)	2 case studies	Generates destructive managerial behavior and disastrous business decisions; impairs long-term performance of organizations; drives away most talented people
Hyper-core self-evaluation	Hiller and Hambrick (2005)	N/A (conceptual)	Leads to less comprehensive, faster and more centralized firms' strategic decision-making; large stakes initiatives, strategy deviating from industry norms, and persistence in CEO-initiated strategies; and extreme performance (big wins or big losses)
Hubris/over-confidence (celebrity status)	Hayward et al. (2006)	N/A (conceptual)	CEOs' internalization of their celebrity created by journalists leads to CEOs' overconfidence
	Wade et al. (2006)	Star CEOs from 278 US firms (1992–1996)	Certified CEOs accept more demanding compensation contracts (greater sensitivity of pay to performance) out of hubris (as long-term impact of CEO certification is negative)
	Malmendier and Tate (2009)	Superstar CEOs from US firms (1975–2002)	Celebrity status cultivates CEOs hubris, leading to subsequent underperformance of CEOs and increase in their compensation

more demanding compensation contracts with tighter pay-performance sensitivity not because of their willingness to tolerate higher compensation risk but mainly out of hubris. Finally, Malmendier and Tate (2009) also observed that media-induced praise and bestowal of prestigious business awards increase CEO hubris, whereas those CEOs who reached celebrity status are more inclined to involve in earnings manipulations to maintain this status and less likely to actually achieve the expected superstar performance.

This overview of the concept of pride within the corporate governance literature suggests the existence of several important limitations. Firstly, extant studies in the area have focused exclusively on the exploration of the dark facet of the concept of pride, completely overlooking its brighter counterpart. Secondly, managerial hubris was typically examined *ex post*, meaning

after the actual occurrence of the detrimental action, and used as the key explanatory factor of that action. Even though uncovering the reasons behind CEOs' engagement in value-destroying undertakings is important, it provides no clear recommendation for modifying current executive behavior and effectively guiding future behavior. Finally and more importantly, hubristic pride has not been treated as a self-conscious emotion but rather as a cognitive bias or stable personality trait that is typically not modifiable following training or feedback. On a broader scale, it appears that our knowledge regarding the emotional aspects of behavioral governance is at present severely underdeveloped. We believe that these limitations of governance literature can be overcome by recognizing the two-faceted nature of the concept of pride, viewing these facets as self-conscious emotions that can be successfully apprehended and acted upon, and

funneling the next generation of governance research into the exploration of behavioral consequences originating from the elicitation of authentic pride by decision makers in organizations.

Authentic pride and governance

What emerges from our above discussion is that, by focusing on the hubristic side of pride, governance scholars overemphasized the importance of explaining the causes of failure but underestimated the need for unveiling the myriad of factors leading to long-lasting effectiveness of managers and corporations they lead. From a behavioral governance point of view, it is worth recognizing that CEOs matter not only for ill but also for good (Hambrick, 2007). More scholarly effort has to be deployed for describing the success stories in today's organizations and understanding the specific psychological and emotional tendencies of leaders that favor optimal decision-making resulting in beneficial outcomes for a larger number of corporate stakeholders. In other words, if CEO's experience of hubristic pride constitutes the main source of ineffective decision processes and firm underperformance, frequent elicitation of authentic pride is likely to be responsible for those executive actions that affect positively the wealth, career, and wellbeing of others. We believe that behavioral governance research and practice would benefit significantly from examining the bright facet of pride along with its positive implications for leadership and governance.

Over the last decade, several governance researchers have acknowledged that hubris and its closely related constructs of narcissism and overconfidence, basically seen as dark traits of human beings, hold some positive connotations. For instance, Hayward et al. (2006) argued that hubristic entrepreneurs tend to behave more decisively and with more conviction in complex situations and move quickly and with confidence to innovate and establish their own companies. According to Zuckerman and O'Loughlin (2006), as managers infused with hubris are more capable of maintaining a high-level of self-efficacy when confronted with a difficult challenge, they are likely to project authority and inspire confidence among other organizational members. It was also suggested that although overconfidence contributes

to venture failure, such event is not necessarily bad given that failing founders render a public service by conveying important information about unsuccessful market opportunities that would have otherwise been ignored by other entrepreneurs (Bernardo and Welch, 2001). More recently, Judge et al. (2009) noted that narcissistic leaders prefer to engage in social activities that enhance their positive self-images on others and favor aggressive actions that attract attention to their leadership and, sometimes, generate positive implications for firm strategy.

Yet, none of the previous governance studies discussed the role that the bright aspect of the emotion of pride, namely authentic pride, plays in executive behavior and firm performance. Although it has been suggested by scholars that hubris can eventually result in favorable corporate outcomes (Judge et al., 2009), the construct was treated as a stable personality characteristic that cannot be subject to change after intervention. We argue that governance benefits stemming from the authentic pride experience, seen as a self-conscious emotion that can be effectively monitored and put into productive use, are less accidental, more consistent, and persisting over longer periods of time. Leadership that emerges from frequent elicitation of authentic pride is healthier as managers do not take their achievements for granted and are more readily able to accurately judge their own skills and recognize their individual limitations in determining the success of their organizations. In case of unfavorable for them events and bad managerial decisions, they are more likely to realistically estimate the negative implications of their mistakes, assume full responsibility for their actions, and take corrective steps considering the opinions of various stakeholders.

Consistent with the stewardship type of behavior (Davis et al., 1997), members of top management teams who are prone to display authentic pride readily identify with the needs of their corporation and are intrinsically motivated to perform in the best interest of the largest number of people. These managers are emotionally predisposed to involve in ethical decision-making by giving careful consideration to the likely consequences of their actions for others, disregarding whether or not there are explicit rewards associated with the realization of these ethical acts (Carver et al., 2010). Leadership based on the emotion of authentic pride is sustained over time

by ongoing individual and collective accomplishments that favor consistent, rather than fluctuating, performance outcomes. Since authentic pride is only experienced temporarily due to its attachment to a given successful undertaking, managers get involved in a continuous learning process with the purpose of generating future successful undertakings and incessantly proving themselves on the job. This type of emotional leadership typically enjoys higher levels of legitimacy and credibility and is less likely to be questioned by others, given that unfortunate choices and erroneous decisions are not attributed to external to the leader sources but rather internalized and considered as major factors for further improvement.

Extant studies in the field of leadership found that authentic pride has important implications for the building of social capital and effective management as it represents an appropriate response to actual performance (Williams and DeSteno, 2009), whereas a leader's tendency toward this emotion is positively related to prosocial behaviors of social justice and altruism (Michie, 2009). It is therefore a straightforward extrapolation to suggest that decision makers experiencing this feeling are emotionally predisposed to constantly involve in value-enhancing behaviors by seeking expert advice, relying on the skills of others, favoring balanced risk-taking activities, and initiating well thought of strategies. Interestingly, the economic actions and decisions undertaken by managers who are prone to eliciting authentic pride tend to generate positive effects even when such actions had proven to be wrong by virtue of vigorous and coherent processes that were employed to make these decisions.

Furthermore, we believe that authentic pride should also be the main emotional response of individuals who sit on corporate boards of directors. If the board is to be diligent, involved, and value-adding, it has to be made up of people who are prone to display authentic pride and, thus, capable of developing mutual trust, sharing sensitive information, questioning one another's points of view, adjusting their own opinions in response to a challenging situation, and building on each other's knowledge to come up with a sound decision following an animated and constructive debate (Sonnenfeld, 2002). Board members' public image and reputation are constantly at stake when they perform their fiduciary duty of monitoring executives' resource allocation choices.

Therefore, to obtain others' respect and enhance investors' confidence in both their governance expertise and the company they govern, directors ought to have an emotional predisposition for authentic pride to be able to involve in collaborative and other socially valued types of behavior.

We have shown above the extent to which authentic pride can improve the ability of the representatives of higher echelons in organizations to assume successful leadership and governance roles. In its critical self-regulating capacity and potential role in helping decision makers to achieve consistent levels of performance, authentic pride can be placed among other sought-after emotional processes involved in behavioral governance of today's economic entities. On a larger scale, this self-conscious emotion may also be an important explanatory factor of efficient economic behavior of individuals situated in lower levels of corporate hierarchy. Indeed, when employees take authentic pride in their specific achievements, they are more likely to behave in a productive and responsible manner, reduce their level of absenteeism, increase their job satisfaction, and boost their commitment to the corporate mission and goals.

Conclusion and future research

Although pride is a self-conscious emotion that is most frequently exhibited by decision makers in organizations, it did not receive much scholarly consideration in behavioral sciences. To date, corporate governance literature has focused exclusively on the dark facet of this construct by analyzing the detrimental performance consequences of managerial hubris in various contexts such as mergers and acquisitions (Doukas and Petmezas, 2007), investment banks (Hilary and Menzly, 2006), and entrepreneurial ventures (Lowe and Ziedonis, 2006). In this article, we have urged researchers in the behavioral governance field to explore the bright side of pride as one of the key emotional factors capable of securing executive and corporate success. As it was argued above that authentic pride is needed for leaders to be able to seize strategic opportunities and involve in informed actions, it is worth recognizing that its proper elicitation could result in fruitful governance outcomes.

More importantly, we have also voiced the need for governance scholars to treat pride as a self-conscious emotion rather than a personality trait considering that these conceptual choices have distinct implications for future academic inquiry as well as different practical implications. As a stable personality trait, pride in either of its dark or bright representations generally cannot be subject to change. In this case, observing that a manager is infused with hubris does not allow researchers to provide practitioners with actionable recommendations for behavioral modification and improvement. Yet, when pride is viewed as an emotion, it can be monitored and transformed into a more constructive emotional experience after receiving feedback from peers and subordinates or following external intervention through the delivery of training and coaching programs. Moreover, since for individuals prone to feeling authentic pride causes of their success are attached to the deployment of a given amount of effort, they may be in a better position to coach others by directing their behavior to approach new goals and achieve similar results.

Further attempts have to be made to develop the concept of authentic pride more completely with the purpose of gaining an appreciative understanding of how people's proneness to this emotional experience can help them in the attainment of positive behavioral outcomes. Thus, future empirical undertakings could be directed toward using innovative, mainly qualitative, research designs for testing our conceptual underpinnings with regard to the governance importance of authentic pride and determining the individual and organizational performance implications of this bright facet of the self-conscious emotion of pride. The behavioral governance field could significantly benefit from discovering what specific personality types are more likely to elicit authentic rather than hubristic pride by allowing organizations to better understand employees' behavior and identify them in the early stages of the recruitment process.

Similar to Forbes (2005) who explored various sources of entrepreneurial overconfidence, governance researchers could seek to uncover personal and contextual factors that may predispose individuals to the emotional feeling of authentic pride. Since an important thing to consider is the study of emotional processes involved in governance is that

they are likely to change over time, a promising stream of inquiry could embark into capturing the evolution of emotional dynamics and accounting for variations in people's tendencies toward either facet of pride. A related issue can be looking into the ways how corporate leaders, encouraged by a series of successful events and positive life circumstances (e.g., promotions, certifications, job performance, and business awards), can maintain their inclination to authentic pride. In other words, how can executives manage to regulate their own self to resist the media-induced praise and flattery and continue making consistently informative and reliable decisions in spite of their sustained recent achievements and inflated public image? It may be argued that occasional failure or a certain level of frustration may be healthy for preventing decision makers from metamorphosing their authentic feelings into hubristic pride. We believe that comprehending more fully the temporal stability of individuals' likelihood to elicit authentic pride is important for preserving their effectiveness in the long run.

Given that both authentic pride and hubristic pride belong to the same emotional construct, it is critical to understand the conceptual and practical boundaries that exist between these two facets. One of the questions to be answered in future research endeavors is not only when authentic pride is under the risk of transforming into a display of hubristic emotions, but also whether and under which circumstances feelings of hubristic pride can be effectively altered to become authentic. In our article, we have sought to highlight the need for continued theory and practice on the dark and bright aspects of pride in the field of behavioral sciences and a better incorporation of psychological insights into the corporate governance literature. Since self-representation and self-evaluation play an important role in adults' life (Lewis, 2000), the interest in the study of the subtle functioning of self-conscious emotions in decision-making processes and their implications for employees' behavior and effectiveness in the workplace is expected to increase. It is our contention that the ability to develop skills of managing one's own self in a way that would result in a more accurate self-attribution of success and a proper use of emotional energy is critical for individuals seeking to successfully assume high responsibility roles such as CEO or board member.

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