“CEO Overconfidence and International Merger and Acquisition Activity.”

Abstract

This study examines the role that CEO overconfidence plays in an explanation of international mergers and acquisitions during the period 2000-2006. Using a sample of CEOs of *Fortune* Global 500 firms over our sample period, we document a number of demographic and national patterns in the global distribution of overconfident CEOs. We find that the Hofstede measures of national culture partially explain these geographical patterns in the dispersion of overconfident CEOs. We conclude that CEO overconfidence is an international phenomenon, although it is most extensively observed in younger individuals heading firms headquartered in Christian countries that encourage individualism while deemphasizing a long-term orientation in their national cultures. We also find that overconfidence is related to a number of aspects of merger activity. CEO overconfidence helps to explain the number of offers made by a CEO, the frequency of diversifying acquisitions, and the use of cash to finance a merger deal.