# The Influence of Managerial Myopia on Strategic Differentiation: A Decision-Making Perspective

Tianjiao Zhang[1], Qingqing He[1,*], Yanan Gao[1]

1  School of Management, Anhui Business and Technology College, Hefei, 231131, Anhui, China.

## ARTICLE INFO

## ABSTRACT

In highly complex and evolving business environments, the methodological soundness of corporate strategic decision-making plays a pivotal role in shaping both organizational risk resilience and competitive positioning. This research integrates Upper Echelons Theory with Strategic Balance Theory to construct a decision science framework that examines the interrelationship among managerial language, cognitive orientation, and strategic behaviour. Employing text mining techniques, the study quantifies executive myopic tendencies within Management Discussion & Analysis (MD&A) disclosures and systematically assesses their influence on corporate strategic differentiation. The analysis utilises panel data from A-share listed companies on the Shanghai and Shenzhen stock exchanges over the period 2014–2022. Based on the outcomes of the Hausman test, a fixed-effects model is applied as the principal estimation method. To enhance methodological robustness, Propensity Score Matching (PSM) is implemented to address potential sample selection bias, while Two-Stage Least Squares (2SLS) estimation is used to correct for endogeneity concerns. Empirical results indicate that managerial myopia exerts a significantly negative impact on strategic differentiation, with findings remaining consistent after controlling for firm age, size, profitability, and other relevant covariates. Mediation analysis reveals that risk-taking propensity serves as a complete mediator, whereas moderation tests indicate that the effect is intensified in state-owned enterprises and firms with limited analyst coverage. These findings carry important implications for strategic decision-making: organisations are encouraged to adopt mechanisms that mitigate cognitive biases through decision-support systems and enhanced executive performance metrics. Policymakers may consider implementing stricter disclosure regulations, promoting analyst engagement for under-covered firms, and facilitating state-owned enterprise reform via mixed-ownership strategies to foster system-wide strategic innovation.

## 1. Introduction

In the context of China's current emphasis on high-quality economic growth, fostering next-generation productive capacities has become a critical driver of industrial transformation and innovation-led economic progress. The macroeconomic landscape is experiencing unprecedented

structural changes due to profound global value chain realignments, rising geopolitical tensions, and the rapid advancement of digital technologies, exposing firms to increasingly complex volatility, uncertainty, complexity, and ambiguity (VUCA) conditions in strategic decision-making [10]. Prior research highlights that strategic differentiation serves as a crucial mechanism enabling firms to escape saturated competition. Through unique resource allocation, innovative business model design, and distinct market positioning, differentiation can generate excess returns and sustainable competitive advantages. However, excessive differentiation may lead firms to diverge from prevailing industry norms, generating legitimacy challenges, stakeholder scepticism, regulatory scrutiny, and potential capital market penalties. This "differentiation-isomorphism" paradox becomes more pronounced during economic downturns, as firms must balance competitive advantages against the necessity of conforming to institutional expectations.

In highly uncertain economic conditions, the strategic choice between differentiation and isomorphism represents a trade-off between risk and return, shaping the firm's competitive boundaries and longevity. Such decisions are largely influenced by managerial cognitive frameworks and behavioural tendencies [7]. As leaders of strategic planning, managers affect strategic direction through three principal mechanisms. First, the cognitive lens mechanism: professional experience and educational background influence perception patterns (for example, technical specialists may prefer R&D differentiation, whereas finance-focused executives may favour efficiency convergence), thereby shaping how environmental signals are interpreted and the feasibility of strategic initiatives. Second, the risk transmission mechanism: high executive power concentration or overconfidence can increase the likelihood of divergence from industry norms, as top managers may be more willing to challenge organisational inertia and assume risk. Third, the social embedding mechanism: managerial responses to industry standards can reinforce normative imitation across the organisational system.

Empirical evidence demonstrates the significance of management characteristics in strategic outcomes. For instance, the proportion of female executives exhibits an inverted U-shaped relationship with strategic differentiation, reflecting a balance between risk aversion and cognitive diversity [12]. Additionally, each additional year of CEO tenure is associated with a 0.7% reduction in strategic deviation, indicating that career-preservation motives can constrain innovation [18]. Current research, however, has not thoroughly examined how managerial myopia—a stable cognitive bias across contexts—suppresses strategic innovation by distorting long-term value assessments. There is an urgent need to establish a comprehensive causal chain linking cognitive bias, resource allocation, and strategic positioning.

Managerial myopia reflects a tendency to prioritise short-term gains over long-term organisational interests, which discourages risk-taking and can hinder sustainable enterprise development [3]. Key questions remain unresolved: how do myopic managerial behaviours affect strategic differentiation choices? Do firms pursue convergence under legitimacy pressures, or differentiation under competitive pressures? Existing studies rarely analyse these effects from a decision-making model perspective, nor do they explore how decision-support systems can mitigate myopic tendencies. To address this gap, the present study utilises panel data from Chinese A-share listed firms on the Shanghai and Shenzhen stock exchanges (2014–2022) to investigate how managerial myopia influences strategic differentiation decisions, combining theoretical and decision science frameworks to fill gaps in prior research.

This study makes three primary theoretical contributions regarding managerial myopia. First, by integrating Upper Echelons Theory with Strategic Balance Theory, it extends understanding of the organisational consequences of myopia to corporate risk decision-making. Second, using the managerial rhetoric–identity–behaviour framework, it provides empirical evidence on the mechanisms through which myopia affects strategic differentiation, enriching literature on risk-

oriented decision-making. Third, the application of a baseline–mechanism–heterogeneity analytical approach clarifies the previously opaque relationship between managerial myopia and strategic differentiation, offering new theoretical insights.

Beyond theory, the study offers practical guidance for enhancing corporate governance and regulatory mechanisms. Managerial myopia is found to constrain strategic innovation, suggesting that firms should incorporate cognitive assessment in executive selection and align compensation systems with long-term value creation. Boards of directors can employ natural language processing techniques to conduct regular text mining of management disclosures, particularly in small- and medium-sized state-owned enterprises, thereby improving oversight. Moreover, stronger myopia effects in state-owned enterprises provide empirical support for mixed-ownership reforms through strategic investor participation and board composition optimisation, promoting higher-quality decision-making and strengthening firm innovation capabilities.

The paper is organised as follows: Section 2 presents the theoretical framework and formulates hypotheses; Section 3 details the research methodology and data sources; Section 4 discusses the main empirical findings; Section 5 presents comprehensive robustness checks; and Section 6 concludes with theoretical contributions, practical implications, and directions for future research.

## 2. Theoretical Analysis and Hypotheses Development

### 2.1 Managerial Myopia

Managerial myopia originates from the time orientation theory within social psychology, describing a tendency among corporate executives to priorities short-term gains over the long-term development of the organization due to constraints in their decision-making perspective [13]. While fundamentally an intrinsic personality trait that operates at a subconscious level, managerial myopia is also shaped by external contextual factors. Both Upper Echelons Theory and Time Orientation Theory suggest that managers' temporal cognition is a key determinant of their decision-making approaches [7]. Measuring temporal cognition, however, presents significant challenges. Prior research primarily relied on questionnaires to assess managerial myopia, yet these approaches often suffer from low response rates and are prone to subjective cognitive biases. Alternative attempts have employed financial indicators, such as short-term investment ratios, as proxies, though such measures tend to capture post-hoc behavioral outcomes rather than the underlying cognitive tendencies of managers [6]. To address these limitations, a machine learning-derived lexicon of Chinese expressions indicative of short-termism has been developed, establishing a dictionary-based measure of managerial myopia [11].

### 2.2 Factors Influencing the Strategic Differentiation

Strategic differentiation reflects the degree to which a firm diverges from prevailing industry norms and constitutes a critical determinant of organizational competitiveness. Such differentiation drives firms to implement distinct organizational structures, operational procedures, and business models in response to environmental changes, thereby influencing multiple facets of enterprise activity [10]. Typically, to achieve a competitive advantage, firms refine conventional industry strategies based on their core competencies, developing unique differentiation approaches. While traditional industry strategies may reduce innovation costs and risks, Porter's competitive advantage framework suggests that these standard approaches are limited in their ability to substantially enhance a firm's competitive position.

Existing research examines the determinants of strategic divergence from both internal and external perspectives. Internally, studies focus on factors such as executive characteristics, the quality

of internal controls, and the degree of financialisation, and their effects on strategic divergence. For example, dominant CEO positions are associated with industry-atypical strategies, potentially resulting in deviations from standard industry performance levels [2]. Although strategic differentiation may increase uncertainty, robust risk-oriented internal control mechanisms can mitigate such effects and limit potential losses [16]. Increasing financialisation within manufacturing firms encourages attention toward differentiated development, as prioritising financial over operational assets can deviate from traditional industry strategies [25]. Externally, heightened economic policy uncertainty incentivises firms to adopt differentiated strategies, facilitating the capture of emerging opportunities [20]. Additionally, local officials, motivated by career advancement, are more likely to allocate resources to enterprises exhibiting unique strategic positioning, thereby enhancing regional economic performance and conferring competitive advantages [14].

## 2.3 The Impact of Managerial Myopia on Corporate Strategic Differentiation

The Upper Echelons Theory asserts that the personal characteristics of top executives fundamentally shape their cognitive frameworks and decision-making tendencies, which in turn influence enterprise strategy formulation [7]. In competitive markets, managers face dual pressures: the immediate expectations of external stakeholders for short-term profits and the internal incentives to safeguard career progression. These pressures often induce myopic behavior, prompting executives to prioritize immediate gains over long-term value creation and to adopt strategies aligned with prevailing industry norms [15].

First, firms pursuing differentiated strategies encounter greater uncertainty and operational risks than those adhering to conventional industry practices [23]. Traditional strategies, grounded in accumulated industry experience, conform to established development models. Divergence from these conventional patterns requires substantial investment of human, material, and temporal resources to explore untested strategic directions, increasing resource allocation complexity, financial volatility, and destabilising returns. Additionally, firms following traditional strategies are more likely to receive regulatory approval and market recognition, facilitating resource acquisition. Highly differentiated enterprises, however, face stricter market scrutiny and limited regulatory support due to difficulties in evaluation against conventional standards, further elevating operational risks [4].

Second, managerial cognitive and decision-making capacities inherently constrain strategic formulation. Myopic managers tend to exhibit risk-averse tendencies, adopting conservative strategies to protect their professional positions [24]. Such executives demonstrate limited willingness to pursue unique strategic positions, instead of leveraging existing resources and authority to maintain operational stability. A focus on short-term outcomes often overshadows consideration of long-term organizational growth, leading managers to prioritize strategies offering immediate benefits over those generating sustainable advantages. This temporal bias undermines the durability necessary for implementing differentiated strategies, thereby impeding departure from conventional industry practices.

Moreover, managers focused on career progression and reputation preservation are inclined to conform to industry norms rather than pursue strategic innovation. This behavior arises from the perception that traditional strategies mitigate failure risk and protect career trajectories [19]. Consequently, risk-averse executives are predisposed to maintain operational continuity and exhibit reluctance to implement innovative measures when faced with highly differentiated strategic options. In summary, myopic managers display a systematic preference for conservative strategies aimed at safeguarding professional reputation and minimizing operational risk. On this basis, the following hypothesis is proposed for empirical evaluation.

Hypothesis: There is a negative correlation between managerial myopia and strategic differentiation.

## 3. Research Design

### 3.1 Sample and Data Selection

This study utilises a sample of A-share firms listed on the Shanghai and Shenzhen stock exchanges over the period 2014 to 2022. Indicators of managerial myopia are derived from annual reports, while supplementary firm-level data are obtained from the CSMAR database. Following established procedures, several sample treatments are applied to ensure data reliability: financial firms and companies with abnormal trading designations (ST/ST*/PT) are excluded; observations with missing variable values are removed to prevent estimation bias; and firms with debt-to-asset ratios exceeding 1 are omitted. To strengthen the reliability of the findings, all continuous variables are subjected to winsorisation at the 1st and 99th percentiles, thereby mitigating the influence of outliers and extreme observations.

### 3.2 Model Specification

Considering the possibility of temporal fluctuations in managerial myopia, endogeneity issues may emerge. To investigate the impact of managerial myopia on strategic differentiation, the study specifies the following baseline regression model:

$$DS_{i,t} = \alpha_0 + \alpha_1 \text{Myopia}_{i,t} + \sum_1^j \delta_j \text{Controls}_{i,t} + \text{Yeardummy} + \varepsilon_{i,t} \quad (1)$$

In this model, DS represents the intensity of strategic deviation, with higher values indicating a greater divergence from industry norms. Managerial myopia serves as the primary explanatory variable, capturing the extent of executive short-termism. Control denotes a vector of covariates incorporated to enhance the robustness of the estimation, while Year accounts for temporal fixed effects. The error term is represented by ε, with subscripts i and t corresponding to individual firms and time periods, respectively. In line with our theoretical expectations, a negative coefficient for α1 is anticipated, which would empirically substantiate the proposed inverse relationship between managerial myopia and strategic differentiation, thereby supporting the core hypothesis of this study.

### 3.3 Measurement of the Variables

Table 1 presents the operational definitions and measurement methodologies employed for all variables in the study. Moreover, the procedure for constructing the Independent Variable is illustrated in Figure 1.
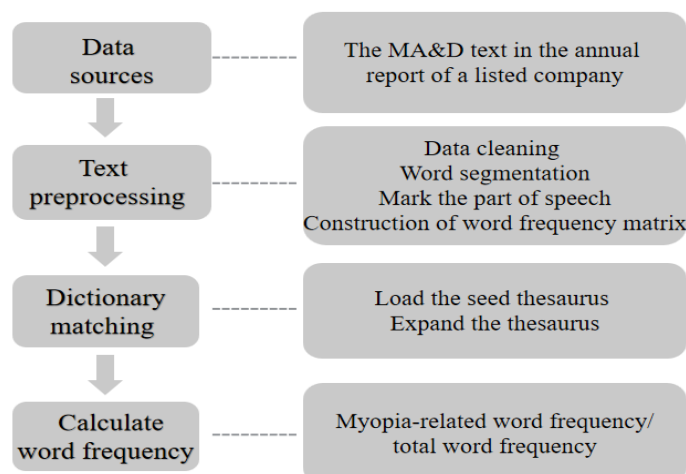


**Fig.1:** Flowchart for Obtaining the Independent Variable

**Table 1**

Variable Definition

| The Types of Variables | Variable Names | Abbreviations | Measurement Methods | Relevant Literature |
|---|---|---|---|---|
| DV | Strategic Deviance | DS | Calculate each company's annual research and development investment (net intangible assets / operating revenue), marketing investment (selling expenses / operating revenue), capital intensity (fixed assets / number of employees), corporate financial leverage ((short-term borrowings + long-term borrowings + bonds payable) / shareholders' equity), degree of fixed asset renewal (net fixed assets / original value of fixed assets), and management expense investment (management expenses / operating revenue). Then, calculate the difference between each company's annual indicator values across these six dimensions and the industry average for the same year, divide the difference by the standard deviation, and take the absolute value. Finally, calculate the average of these six indicators for each company annually. | With reference to the research methodology of [4]. |
| IV | Managerial Myopia | Myopia | The frequency of words indicating short-sighted behaviour in the MD&A section of the company's annual financial report / the total word frequency. | Drawing on the measurement approach developed by [9]. |
| CV | Firm Characteristics | Enterprise Age   Age | Time of establishment of the enterprise. | Building upon established methodologies in the existing literature [9]. |
| | | Enterprise Size   Size | Natural logarithm of the total assets of the enterprise. | |
| | | Growth Rate of Total Profit   Profit Rate | (Current year's profit amount - Previous year's profit amount) / Previous year's profit amount. | |
| | | Growth Rate of Selling Expenses   Salerate | (Current year's selling expenses - Previous year's selling expenses) / Previous year's selling expenses. | |
| | | Nature of Property Rights   State | Assigned a value of 1 if the property right is state-owned, otherwise assigned a value of 0. | |
| | Governance Characteristics | Equity Concentration   Shrcr | Shareholding percentage of the largest shareholder. | |
| | | Separation Rate of Control Rights and Ownership   Sep | Difference between the control rights and ownership rights held by the actual controller in the listed company. | |
| | Managerial Characteristics | Board Independence   Indepen | Number of independent directors / Total number of directors | |

## 4. Results

### 4.1 Descriptive Statistics and Correlation Analysis

Descriptive statistics for all variables are presented in Table 2. The strategic differentiation index (DS) exhibits a mean of 0.5589 (SD = 0.3095), ranging from 0.1551 to 1.8937, indicating substantial heterogeneity in firms' deviations from standard industry strategies. The managerial myopia variable has a mean of 0.0837 (SD = 0.0724), reflecting an appropriate level of variation. The distributions of the control variables are consistent with those reported in previous studies, supporting the reliability of the dataset.

**Table 2**
Descriptive Statistical of the Variables

| Variable | Mean | Standard Deviation | Min Value | Max Value |
|---|---|---|---|---|
| DS | 0.5589 | 0.3095 | 0.1551 | 1.8937 |
| Myopia | 0.0837 | 0.0724 | 0.0000 | 0.3623 |
| Age | 19.4102 | 5.5834 | 8.0000 | 34.0000 |
| Size | 22.3581 | 1.2851 | 20.0641 | 26.3666 |
| Profitrate | -0.2364 | 2.8968 | -17.8019 | 9.7287 |
| Salerate | 0.1522 | 0.4787 | -0.7532 | 3.0460 |
| Shrcr | 34.0364 | 14.3702 | 9.0827 | 73.1856 |
| Sep | 4.4573 | 7.1562 | 0.0000 | 28.2331 |
| State | 0.3295 | 0.4700 | 0.0000 | 1.0000 |
| Indepen | 37.7905 | 5.3629 | 33.3300 | 57.1400 |

Table 3 presents the Pearson correlation matrix for the primary variables included in the analysis. Consistent with the guidelines of Wooldridge Wooldridge [22], correlation coefficients below 0.6 indicate that multicollinearity is not a concern. The results show that all key explanatory variables have absolute correlation coefficients under 0.5, confirming the absence of significant multicollinearity and ensuring that the model estimates are not distorted by collinearity effects.

**Table 3**
Correlation Analysis

| Variable | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. DS | 1.000 | | | | | | | | | |
| 2. Myopia | 0.077 | 1.000 | | | | | | | | |
| 3. Age | 0.023 | -0.018 | 1.000 | | | | | | | |
| 4. Size | 0.009 | -0.008 | 0.053 | 1.000 | | | | | | |
| 5. Profitrate | 0.055 | 0.066 | 0.204 | -0.274 | 1.000 | | | | | |
| 6. Salerate | -0.047 | -0.050 | 0.200 | -0.217 | 0.090 | 1.000 | | | | |
| 7. Shrcr | 0.020 | 0.184 | 0.083 | -0.237 | 0.309 | 0.250 | 1.000 | | | |
| 8. Sep | -0.028 | -0.053 | 0.097 | 0.429 | -0.460 | -0.118 | -0.312 | 1.000 | | |
| 9. State | 0.008 | 0.010 | -0.029 | 0.136 | 0.052 | 0.064 | 0.052 | -0.221 | 1.000 | |
| 10. Indepen | 0.061 | 0.309 | 0.076 | -0.179 | 0.261 | 0.153 | 0.833 | -0.220 | 0.023 | 1.000 |

*4.2 Regression Results*

To mitigate the risk of model misspecification, a Hausman test is performed to determine whether a fixed-effects (FE) or random-effects (RE) model is more suitable, rather than selecting arbitrarily. The test examines whether the individual-specific effects are correlated with the explanatory variables; rejection of the null hypothesis indicates that RE estimates may be inconsistent, supporting the use of FE estimation [8]. As shown in Table 4, the p-value of 0.0000 strongly rejects the null hypothesis, confirming the superiority of the FE model, which is therefore adopted for the analysis.

**Table 4**
Hausman Test Results Analysis

| Variable | ---- Coefficients ---- | | | |
|---|---|---|---|---|
| | （b）FE | （B）RE | （b-B）Difference | Sqrt（diag（V_b-V_B））Std. err. |
| Myopia | -0.0485 | -0.0355 | -0.0130 | 0.0063 |
| Age | -0.0029 | 0.0002 | -0.0031 | 0.0056 |
| Size | 0.01034 | 0.0275 | -0.01708 | 0.0032 |
| Profitrate | -0.0049 | -0.0056 | 0.0007 | 0.0001 |
| Salerate | 0.0155 | 0.0153 | 0.0002 | 0.0006 |

**Table 4**
Hausman Test Results Analysis (cont...)

| Variable | ---- Coefficients ---- | | | |
|---|---|---|---|---|
| | （b）FE | （B）RE | （b-B）Difference | Sqrt（diag（V_b-V_B））Std. err. |
| Shrcr | 0.0003 | 0.0001 | 0.0002 | 0.0002 |
| Sep | 0.0007 | 0.0004 | 0.0003 | 0.0003 |
| State | 0.0024 | 0.0059 | -0.0035 | 0.0074 |
| Indepen | 0.0001 | 0.0007 | -0.0006 | 0.0002 |
| Constant | Included | Included | Included | Included |

b = Consistent under H0 and Ha; obtained from xtreg
B = Inconsistent under Ha, efficient under H0; obtained from xtreg.
Test of H0: Difference in coefficients not systematic
  chi2(18) = (b-B)'[(V_b-V_B)^(-1)](b-B)
      = 110.87
 Prob > chi2 = 0.0000
(V_b-V_B is not positive definite)

Table 5 reports the baseline regression outcomes. Column (1) includes only control variables, while Column (2) adds managerial myopia (Myopia), which shows a negative and significant coefficient (-0.0485, $p<0.05$). This confirms the hypothesised inverse link between Myopia and DS. Consistent with prior studies highlighting the tendency of managers to prioritise short-term outcomes under venture capital pressure or performance-based incentives [17], the findings suggest that Myopia drives risk-averse behaviour, conservative investments, and short-term operational focus. To counter these effects, firms should strengthen decision-support systems, refine executive evaluation, and introduce mechanisms to mitigate cognitive biases in strategic choices.

**Table 5**
Regression Results

| Variable | Model（1） | Model（2） |
|---|---|---|
| Myopia | | -0.0485** |
| | | (0.0235) |
| Age | -0.0028 | -0.0029 |
| | (0.0057) | (0.0057) |
| Size | 0.0104** | 0.0104** |
| | (0.0041) | (0.0041) |
| Profitrate | -0.0048*** | -0.0049*** |
| | (0.0005) | (0.0005) |
| Salerate | 0.0156*** | 0.0155*** |
| | (0.0029) | (0.0029) |
| Shrcr | 0.0003 | 0.0003 |
| | (0.0003) | (0.0003) |
| Sep | 0.0007 | 0.0007 |
| | (0.0004) | (0.0004) |
| State | 0.0022 | 0.0024 |
| | (0.0103) | (0.0103) |
| Indepen | 0.0001 | 0.0001 |
| | (0.0004) | (0.0004) |
| Constant | 0.3561*** | 0.3620*** |
| | (0.1255) | (0.1255) |
| Year | Included | Included |
| Observations | 23,004 | 23,004 |
| F | 26.7676*** | 25.4479*** |
| R2 | 0.0224 | 0.0226 |

Note: *P<0.10, **P<0.05, ***P<0.01.
Standard errors in parentheses.

*4.3 Mechanism Analysis*

Myopic managers tend to limit deviations from industry norms by adopting risk-averse behaviours. Under conditions of uncertainty, they show a marked preference for conservative strategies that minimise potential negative outcomes. This risk-averse stance effectively creates organisational "guardrails," reducing exposure to market backlash, legal repercussions, and reputational harm associated with nonconformity [4]. Although such conservative approaches may protect short-term market positioning and profitability, they can impede long-term innovation and the attainment of sustainable competitive advantage. As industry norms often represent average rather than optimal practices, strict adherence can constrain transformational opportunities and foster organisational complacency [21]. Therefore, while managerial myopia supports short-term stability through constrained risk-taking, it simultaneously diminishes long-term organisational vitality and innovative potential. Definitions and operational descriptions of the supplementary variables are provided in Table 6.

**Table 6**
Definitions and Descriptions of Supplementary Variables

| Variable | Abbreviations | Measurement Method |
|---|---|---|
| Risk-Taking Level | Risktake | R&D Expenditure / Total Assets |
| Analyst Attention | AnalystNum | Number of Analysts |
| Financing Constraints | SA | KZ Index |

To examine the mechanisms described above, the study develops the following three analytical models.

$$DS_{i,t} = \alpha_0 + \alpha_1\,Myopia_{i,t} + \sum_1^j \delta_j Controls_{i,t} + Yeardummy + \varepsilon_{i,t} \quad (2)$$

$$Risktake_{i,t} = \beta_0 + \beta_1 Myopia_{i,t} + \sum_1^j \delta_j Controls_{i,t} + Yeardummy + \varepsilon_{i,t} \quad (3)$$

$$DS_{i,t} = \lambda_0 + \lambda_1 Myopia_{i,t} + \lambda_2 Risktake_{i,t} + \sum_1^j \delta_j Controls_{i,t} + Yeardummy + \varepsilon_{i,t} \quad (4)$$

Table 7 presents the regression outcomes. Column (1) shows that managerial myopia (Myopia) has a negative and significant effect on DS (coefficient = -0.036, p<0.05). Column (2) indicates that Myopia significantly reduces risk-taking behaviour (Risktake) (coefficient = -0.027, p<0.05). In Column (3), Risktake displays a strong negative effect on DS (coefficient = -0.114, p<0.01), while Myopia becomes insignificant. This confirms that Risktake fully mediates the Myopia–DS relationship, supporting the pathway whereby managerial myopia lowers risk-taking, which subsequently constrains strategic differentiation.

**Table 7**
Mechanism Analysis

| Variable | DS (1) | Risk take (2) | DS (3) |
|---|---|---|---|
| Myopia | -0.0485** | -0.0019** | 0.0094 |
| | (0.0235) | (0.0011) | (0.0249) |
| Risk take | - | - | -0.6759*** |
| | | | (0.1762) |
| Constant | 0.3620*** | 0.1069*** | 0.4271*** |
| | (0.1255) | (0.0053) | (0.1268) |
| F | 25.4479*** | 33.15*** | 10.33*** |
| R2 | 0.0226 | 0.0320 | 0.0326 |

Note: *P<0.10, **P<0.05, ***P<0.01.
Standard errors in parentheses.

## 4.4 Heterogeneity Analysis

### 4.4.1 Impact of Ownership Nature

State-owned enterprises (SOEs) have historically experienced greater governmental intervention and policy guidance, resulting in more complex and prolonged decision-making processes. This dynamic partially limits SOEs' ability to respond rapidly to market changes and pursue reform or innovation initiatives. Additionally, many SOEs maintain close ties with government agencies and financial institutions, providing them with preferential access to funding and policy benefits, which secures relatively stable resources and market share. The combination of limited innovation incentives and reduced competitive pressures may further diminish their motivation and effectiveness in pursuing strategic differentiation. In contrast, private enterprises demonstrate a stronger tendency to utilize technological innovation capabilities to enhance profitability and market competitiveness. To test these differences, the sample is stratified by ownership type, with the dummy variable State assigned a value of 1 for SOEs and 0 for non-SOEs. Columns 1 and 2 of Table 8 present the regression results for each subsample. Column (1) reports the results for SOEs, showing that the coefficient of managerial myopia (Myopia) is -0.0625 and statistically significant at the 5% level. Column (2) presents the results for non-SOEs, where the Myopia coefficient is -0.0133 and statistically insignificant. These findings provide empirical support for the hypothesis that managerial myopia exerts a stronger negative effect on strategic differentiation in SOEs [1].

### 4.4.2 Analyst Coverage

Greater analyst coverage generally reflects heightened competitive pressures and increased public scrutiny. Differences in the intensity of external monitoring may alter the extent to which managerial myopia constrains strategic deviation. Analysts collect and analyse information, using their expertise to interpret firm-level data, thereby alleviating adverse selection and moral hazard problems associated with information asymmetry [5]. In firms with lower analyst coverage, the absence of extensive information channels and professional analytical capacity may exacerbate myopic tendencies among management. In this study, analyst coverage is proxied by the number of analysts following a firm. Firms with coverage below the sample mean are classified as the low-coverage group (AnalystNum = 1), while the remaining firms constitute the high-coverage group (AnalystNum = 0). The results from the subsample regressions, presented in Columns (3) and (4) of Table 8, indicate that Myopia has a statistically significant negative coefficient (-0.0684, $p<0.05$) in low-coverage firms, whereas its effect is not statistically significant (-0.0229) in high-coverage firms. These findings imply that managerial myopia has a stronger inhibitory impact on strategic deviation in firms with lower levels of analyst coverage.

**Table 8**
Heterogeneity Analysis

| Variable | Grouped Testing Based on Ownership Nature | | Analyst Coverage | |
|---|---|---|---|---|
| | State=1 | State=0 | Analyst Num=1 | Analyst Num=0 |
| | (1) | (2) | (3) | (4) |
| Myopia | -0.0625** | -0.0133 | -0.0684** | -0.0229 |
| | (0.0328) | (0.0327) | (0.0377) | (0.0324) |
| Controls | Included | Included | Included | Included |
| Constant | 0.0866 | 0.2661 | 0.5912*** | 0.0175 |
| | (0.2024) | (0.1730) | (0.2187) | (0.1690) |
| Observations | 7490 | 14994 | 9751 | 12735 |
| F | 6.36 | 24.48 | 13.35 | 15.98 |
| R2 | 0.0385 | 0.0255 | 0.0012 | 0.0376 |

## 5. Robustness Test

### 5.1 Propensity Score Matching (PSM)

To address potential endogeneity linked to sample selection bias, this study applies the PSM technique to establish comparable treatment and control groups. A binary variable, Myopia_dum, is defined such that Myopia_dum equals 1 when Myopia exceeds the sample median and 0 otherwise, with observations where Myopia_dum = 1 assigned to the treatment group. Matching covariates comprise firm age, firm size, profit growth rate, sales expense growth rate, ownership concentration, the divergence between control and cash flow rights, ownership type, and board independence. The matching procedure adopts a nearest-neighbour algorithm to generate balanced samples for robust re-estimation. Figure 2 presents the kernel density distributions of the treatment and control groups before and after matching. Prior to matching, the kernel density curves show pronounced divergence, indicating substantial imbalances between the two groups. The matching process effectively balances the covariates, fulfilling the common support condition. As shown in Column (2) of Table 5, the re-estimated coefficient for Myopia remains significantly negative ($p<0.05$), reinforcing the results obtained in the baseline specification.
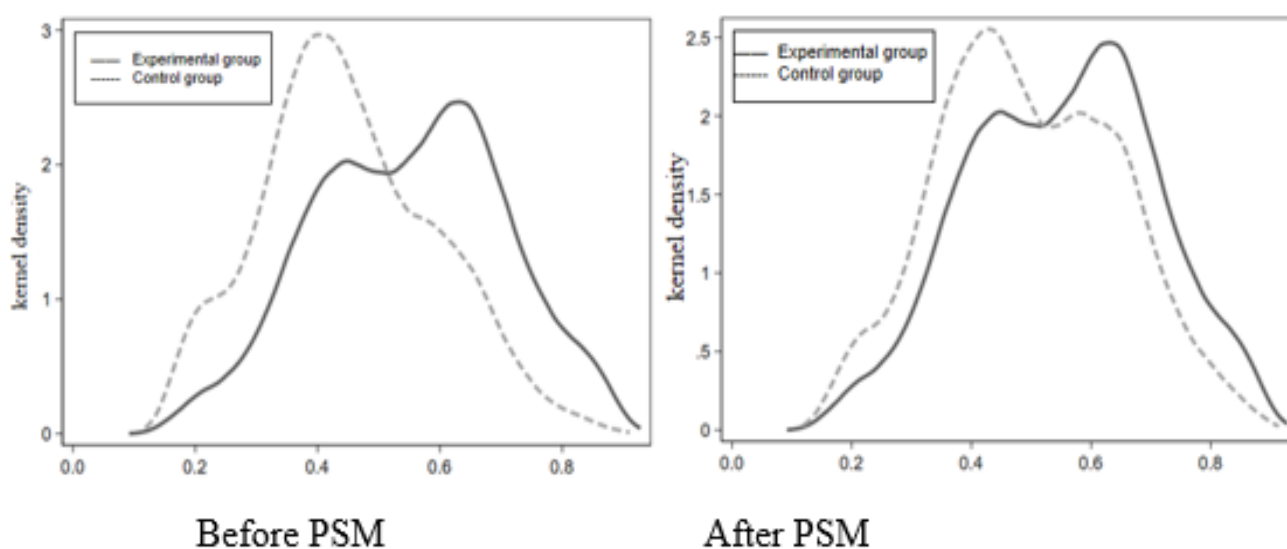


**Fig.2:** Probability Density Function Graph of Managerial Myopia (Myopia) Before and After PSM Matching

### 5.2 Two-Stage Least Squares (2SLS)

To account for potential endogeneity arising from firm-specific characteristics that may affect managerial myopia, a Two-Stage Least Squares (2SLS) estimation approach is employed. In the first stage, a Probit model is estimated using firm-level characteristics—including firm age, firm size, profit growth rate, sales expense growth rate, ownership concentration, separation of control and cash-flow rights, property rights type, and board independence—alongside a binary indicator denoting whether managerial myopia exceeds the sample median. The predicted values from this stage serve as instrumental variables for managerial myopia in the second-stage regression. The second-stage results in Column 2 of Table 9 show that Myopia remains negatively significant at the 5% level, confirming the robustness of its inverse link with strategic differentiation after controlling for endogeneity.

**Table 9**
Robustness Test

| Variable | Propensity Score Matching (PSM) | Two-Stage Least Squares (2SLS) | Exclusion of the Impact of Special Events |
|---|---|---|---|
| Myopia | -0.0594** | -0.0649** | -0.0990*** |
| | （0.0264） | (0.0255) | (0.0282) |
| Controls | Included | Included | Included |
| Constant | 0.4171*** | 0.1470 | 0.2751 |
| | (0.1438) | (0.1458) | (0.1961) |
| Observations | 18,963 | 23,004 | 13,692 |
| F | 21.77*** | 26.92*** | 20.44*** |
| R2 | 0.0244 | 0.0252 | 0.0267 |

Note: *P<0.10, **P<0.05, ***P<0.01.
Standard errors in parentheses.

## 5.3 Exclusion of the Impact of Special Events

The study's sample period includes the global economic disruptions caused by the COVID-19 pandemic (2020–2022). At the macro level, pandemic-related demand shocks and production interruptions negatively impacted investment, consumption, and exports, resulting in temporary increases in unemployment and inflationary pressures. At the meso level, industries such as catering, tourism, entertainment, transportation, and education were disproportionately affected, whereas sectors including healthcare and online gaming experienced relative gains. Micro-level evidence indicates that economically vulnerable entities, particularly private firms, small- and medium-sized enterprises, and migrant workers, suffered greater losses and faced weaker recovery capacities. To reduce potential estimation bias arising from these systemic shocks, data from 2020 to 2022 are excluded in a robust check. The re-estimated results in Column 3 of Table 6 indicate that managerial myopia (Myopia) continues to show a negative and highly significant coefficient at the 1% level, reinforcing the robustness of the main findings.

## 6. Conclusion

This study integrates Upper Echelons Theory and Strategic Balance Theory to examine how managerial myopia, measured via textual analysis of MD&A disclosures, influences corporate strategic deviation using panel data from Chinese A-share listed firms (2014–2022). The results indicate that managerial myopia significantly restricts strategic differentiation, primarily by reducing corporate risk-taking. This effect is especially pronounced in state-owned enterprises and firms with limited analyst coverage, where institutional rigidity and weak external monitoring amplify short-termist behavior. The findings contribute to the behavioral theory of the firm by linking executive cognitive biases to strategic resource allocation and demonstrate the value of text mining for revealing implicit managerial decision patterns. The study highlights the importance of decision-support mechanisms that monitor senior executives' behavior and align it with long-term organizational objectives. For complex, engineering-intensive firms, integrating behavioral analysis into strategic planning can help mitigate short-term orientation, while training, external consultancy, and enhanced risk management frameworks can support managerial long-term focus. In SOEs and under-observed firms, strengthening governance and market-based incentives may foster differentiated strategic development. While this research centers on short-term-oriented managerial behaviour, other decision-making patterns warrant investigation. Future studies could combine multiple theoretical perspectives to explore how executive decisions shape strategic differentiation and examine the role of digital tools, such as artificial intelligence and real-time analytics, in identifying and correcting biased decisions. This approach can deepen theoretical insight and provide empirically grounded guidance for strategic planning and organizational development.

**Funding**

The quality engineering project of Anhui Business and Technology College [Grant Number: 2024XJJY27]; Excellent Scientific Research and Innovation Team Construction Project of Anhui Business and Technology College [Grant Number: 2025KYTD06]

**References**

[1] Cao, Q., Ju, M., Li, J., & Zhong, C. (2022). Managerial myopia and long-term investment: evidence from China. *Sustainability*, *15*(1), 708. https://doi.org/10.3390/su15010708

[2] Choi, S.-j., Liu, H., Yin, J., Qi, Y., & Lee, J. Y. (2021). The effect of political turnover on firms' strategic change in the emerging economies: The moderating role of political connections and financial resources. *Journal of Business Research*, *137*, 255-266. https://doi.org/10.1016/j.jbusres.2021.08.034

[3] Dong, L., Chen, J., & Guo, H. (2024). Managerial myopia and outward foreign direct investment: Evidence from Chinese listed firms. *Managerial and Decision Economics*, *45*(2), 1026-1042. https://doi.org/10.1002/mde.4053

[4] Dong, X., Cui, Y., & Gao, J. (2021). Strategic deviance and auditor selection. *China Journal of Accounting Studies*, *9*(1), 81-112. https://doi.org/10.1080/21697213.2021.1927769

[5] Gao, J., Zhang, W., Guan, T., Feng, Q., & Mardani, A. (2023). The effect of manufacturing agent heterogeneity on enterprise innovation performance and competitive advantage in the era of digital transformation. *Journal of Business Research*, *155*, 113387. https://doi.org/10.1016/j.jbusres.2022.113387

[6] Gillan, S. L., Koch, A., & Starks, L. T. (2021). Firms and social responsibility: A review of ESG and CSR research in corporate finance. *Journal of Corporate Finance*, *66*, 101889. https://doi.org/10.1016/j.jcorpfin.2021.101889

[7] Hambrick, D. C., & Mason, P. A. (1984). Upper echelons: The organization as a reflection of its top managers. *Academy of management review*, *9*(2), 193-206. https://doi.org/10.5465/amr.1984.4277628

[8] Hausman, J. A. (1978). Specification tests in econometrics. *Econometrica: Journal of the econometric society*, 1251-1271. https://doi.org/10.2307/1913827

[9] Hu, N., Xue, F., & Wang, H. (2021). Does managerial myopia affect long-term investment? Based on text analysis and machine learning. *Management World*, *37*(5), 139-156. https://doi.org/10.1016/j.iref.2025.104562

[10] Iftikhar, A., Ali, I., Zhan, Y., Stevenson, M., & Tarba, S. Y. (2025). Firms' strategic responses to rising uncertainty amid ongoing geopolitical tensions: The synergistic mediating role of network capability and innovation ambidexterity. *Transportation Research Part E: Logistics and Transportation Review*, *199*, 104146. https://doi.org/10.1016/j.tre.2025.104146

[11] Javed, T., Ihsan, A., & Ullah, H. . (2021). Implication of myopic behavior on firm financial performance: Evidence from PSX listed companies. *Journal of Managerial Sciences*, *15*(2), 139-156. https://journals.qurtuba.edu.pk/ojs/index.php/jms/article/view/327

[12] Kamil, R., & Appiah, K. O. (2022). Board gender diversity and cost of debt: do firm size and industry type matter? *Gender in Management: An International Journal*, *37*(1), 19-38. https://doi.org/10.1108/GM-12-2020-0363

[13] Laverty, K. J. (1996). Economic "short-termism": The debate, the unresolved issues, and the implications for management practice and research. *Academy of management review*, *21*(3), 825-860. https://doi.org/10.5465/amr.1996.9702100316

[14]    Li, Y., & Fang, X. (2023). Officials' promotion expectation, corporate strategic deviance and corporate growth in China: The moderating effect of corporate ownership. *Plos one*, *18*(8), e0284872. https://doi.org/10.1371/journal.pone.0284872

[15]    Li, Y., Feng, P., Qi, T., Yan, J., & Huang, Y. (2024). Enterprise digital transformation, managerial myopia and cost stickiness. *Humanities and Social Sciences Communications*, *11*(1), 1-14. https://doi.org/10.1057/s41599-024-03926-1

[16]    Liaqat, N., Khalid, U., & Khan, U. (2024). Navigating Risk and Performance through Earnings Management: The Double-Edged Sword. *Qlantic Journal of Social Sciences*, *5*(3), 24-38. https://doi.org/10.55737/qjss

[17]    Saeidi, H. (2022). Impacts of psychological behaviors of managers on money laundering: evidence from Iran stock exchange. *Journal of Money Laundering Control*, *25*(1), 206-223. https://doi.org/10.1108/JMLC-01-2021-0001

[18]    Sanders, W. G., & Hambrick, D. C. (2007). Swinging for the fences: The effects of CEO stock options on company risk taking and performance. *Academy of Management Journal*, *50*(5), 1055-1078. https://journals.aom.org/doi/full/10.5465/amj.2007.27156438

[19]    Sasaki, I., Kotosaka, M., & De Massis, A. (2024). When Top Managers' Temporal Orientations Collide: Middle managers and the strategic use of the past. *Organization Studies*, *45*(6), 825-853. https://doi.org/10.1177/01708406241236604

[20]    Struckell, E., Ojha, D., Patel, P. C., & Dhir, A. (2022). Strategic choice in times of stagnant growth and uncertainty: An institutional theory and organizational change perspective. *Technological Forecasting and Social Change*, *182*, 121839. https://doi.org/10.1016/j.techfore.2022.121839

[21]    Wei, M. (2025). Managerial Myopia and Digital Innovation: The Mechanism of Deviant Strategy. *Journal of East European Management Studies*, *30*(1), 38758. https://doi.org/10.31083/JEEMS38758

[22]    Wooldridge, J. M. (2016). *Introductory econometrics a modern approach*. South-Western cengage learning. https://www.cengage.com/c/introductory-econometrics-a-modern-approach-7e-wooldridge/9781337558860

[23]    Ye, Z., Shahab, Y., Riaz, Y., & Ntim, C. G. (2023). Strategic deviation and the cost of debt financing. *Economic Modelling*, *125*, 106371. https://doi.org/10.1016/j.econmod.2023.106371

[24]    Yu, Y., Xie, B., Dou, Z., & Fu, Q. (2024). Managerial myopia and corporate innovation strategy. *Finance Research Letters*, *67*, 105733. https://doi.org/10.1016/j.frl.2024.105733

[25]    Zhong, X., Chen, W., & Ren, G. (2022). Continuous innovation failure, top management team relational capital and the overseas R&D activities of companies in emerging economies. *Industry and Innovation*, *29*(5), 623-648. https://doi.org/10.1080/13662716.2021.2007759