

**EXECUTIVE OVERCONFIDENCE AND FIRM PERFORMANCE: A MULTILEVEL ANALYSIS OF THE MODERATING ROLE OF GOVERNANCE AND LEVERAGE**

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## **Introdução**

Leadership plays a crucial role in defining strategic directions and business performance. Executive overconfidence has ambivalent effects: it can stimulate bold decisions and innovation, but also increase risk-taking and imprudent investments, directly impacting organizational outcomes.

## **Problema de Pesquisa e Objetivo**

This study investigates how different levels of executive overconfidence moderate the relationship between corporate governance, debt, and organizational performance. The main objective is to identify how governance and leverage interact with leadership profiles to influence firm results.

## **Fundamentação Teórica**

Grounded in Upper Echelons Theory, the research explores how executives' psychological traits shape strategic decisions. Prior studies highlight overconfidence as a key factor affecting investment efficiency, debt policies, and governance effectiveness, yet multilevel interactions remain underexplored.

## **Metodologia**

The study uses a multilevel regression approach with hierarchical linear modeling (HLM). Data were collected from 469 firms across multiple countries between 2011 and 2023, totaling 5,628 balanced panel observations. Variables include ROA, total debt, governance index, and an overconfidence measure based on overinvestment, acquisitions, and debt levels.

## **Análise dos Resultados**

The findings indicate that governance and debt significantly affect firm performance. Their impacts vary with executive confidence levels: higher overconfidence weakens governance's positive effects and moderates debt's negative impacts. Low-confidence executives are more sensitive to debt risks but achieve more consistent results.

## **Conclusão**

Executive overconfidence plays a moderating role between governance, debt, and performance. Proper balance between confidence and control mechanisms is essential to mitigate risky behaviors while fostering innovation and sustainable performance.

## **Contribuição / Impacto**

Theoretically, the study extends knowledge on multilevel interactions between governance, debt, and executive traits. Managerially, it guides firms to align leadership profiles with financial strategies and governance structures. Socially, the findings align with UN SDGs 8 and 9 by promoting sustainable growth and responsible management.

## **Referências Bibliográficas**

Key references include Hambrick & Mason (1984), Schrand & Zechman (2012), Burkhard et al. (2023), and Lunardi et al. (2021).