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Does Managerial Myopia Affect Corporate Strategic Change?

An Empirical Study from the Perspective of Corporate Governance

Jianing Zhang[1]

[1] *School of International Business, Northeast University of Finance and Economics*

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Abstract

Sustained corporate development depends on strategic change, yet differences in managers' time horizons may materially shape this process. Using A-share listed firms from 2014 to 2024 as the research sample, this study examines whether and how managerial myopia constrains corporate strategic change. The empirical results show that managerial myopia significantly inhibits strategic change. Mechanism tests indicate that this inhibitory effect operates mainly through two channels: higher agency costs and greater performance pressure. Heterogeneity analyses further show that the negative effect of managerial myopia is more pronounced among firms with lower executive shareholding and lower analyst coverage, and among non-state-owned enterprises. This study enriches the literature on the economic consequences of managerial myopia and provides governance implications for promoting long-term strategic transformation.

1. Introduction

Modern firms operate in an environment shaped jointly by globalization and the digital revolution, where competition has become increasingly complex and volatile. Rapid technological renewal, shifting market demand, and geopolitical uncertainty have made discontinuity a normal condition of business. For firms, relying on existing competitive advantages is no longer sufficient for long-term survival. Continuous strategic change is necessary to maintain resilience and vitality in intense market competition. Strategic change represents not only a major shift in resource allocation but also an important means by which firms reshape their competitive positions in response to environmental turbulence. However, strategic change is typically characterized by long implementation cycles, high risk, delayed returns, and substantial uncertainty. These features conflict with managers' incentives to stabilize short-term performance. In transition economies, capital-market pressure, performance appraisal systems, and agency problems often coexist, making managerial myopia more salient. Whether an assessment system dominated by short-term financial indicators discourages necessary strategic change is therefore an important theoretical

and practical question. Addressing this issue matters for micro-level resource allocation efficiency and for understanding how firms can support innovation-driven upgrading under the broader agenda of high-quality economic development.

The widespread presence of managerial myopia imposes substantial constraints on corporate strategic development. Upper echelons theory argues that managerial characteristics, such as cognitive patterns, values, and insight, influence firms' operating directions and development paths through psychological and cognitive mechanisms when managers face complex external environments. Managerial myopia refers to the tendency of managers to emphasize immediate gains while neglecting decisions that contribute to long-term sustainable development, such as product iteration and upgrading. Under the joint influence of capital-market fluctuations, short-term performance appraisal pressure, and external uncertainty, such behavior has become increasingly common in modern corporations.

This study therefore investigates how managerial myopia affects strategic change in dynamic competitive environments. Using a panel-data model and A-share listed firms from 2014 to 2024, the empirical analysis shows that a higher degree of managerial myopia is associated with a lower degree of corporate strategic change. Mechanism tests reveal that the inhibitory effect operates mainly by increasing agency costs and intensifying performance pressure. In firms with lower executive shareholding and lower analyst coverage, the negative effect of managerial myopia on strategic change is stronger.

This study makes three contributions. First, it enriches research on the economic consequences of managerial myopia. Prior studies have mainly examined the effects of myopic behavior on specific financial indicators or individual investment decisions. This study extends the analysis to the broader level of corporate strategic change and shows that managerial myopia weakens firms' overall capacity to respond to environmental change. Second, it contributes to the literature on the determinants of strategic change. Existing studies largely explain strategic change from the perspectives of environmental turbulence or executives' demographic characteristics, whereas this study provides evidence from the micro-level cognitive trait of managerial myopia. Third, the findings have practical implications for improving corporate governance and designing effective incentive and constraint mechanisms that encourage long-term strategic transformation. In the context of high-quality development, this study provides useful insights into how firms can reduce short-term managerial behavior and promote deeper strategic transformation.

2. Literature Review

2.1 Managerial Myopia

Managerial myopia is a form of irrational decision-making bias. It often emerges from defensive psychology when managers operate under particular institutional constraints or cognitive limitations, and it can erode long-term firm value in multiple ways. Existing studies have discussed in detail the far-reaching effects of managerial myopia on corporate resource allocation and innovation activities.

Managerial myopia distorts corporate asset allocation. Hu Nan et al. (2021) show that managerial myopia inhibits corporate long-term investment, and that such myopic behavior ultimately harms future firm performance by reducing R&D investment and capital investment efficiency. Yu Biao

and Yang Gang (2022) argue that myopic managers significantly increase the allocation of short-term financial assets while cutting back on physical capital investment and R&D investment, thereby exacerbating the risk of shifting corporate resources from real to virtual activities. Luo Xiying et al. (2024) find that managerial myopia inhibits corporate digital transformation, an effect primarily achieved through reducing R&D investment and lowering financial flexibility. Xu Ningning et al. (2024) find that myopia intensifies operational and control risks and creates stronger incentives for earnings management, which in turn requires auditors to charge higher audit fees and disclose more key audit matters.

The impact of managerial myopia is even more apparent in innovation and high-quality development. Yin Ximing et al. (2024) suggest that managerial short-termism reduces both exploratory and exploitative innovation performance, undermining the ambidextrous balance required for firm survival and development. In the context of the digital economy and green development, this inhibitory effect becomes more concrete. Li Qianru and Zhai Huayun (2022) find that managerial myopia significantly reduces the level of digital transformation because digital transformation is a long-term and complex systemic project that can easily be crowded out by short-term profit-seeking motives. Consistent with Yu Wei and Guo Xiaoyi (2024), Guo Xiang and Chen Fuyong (2023) also argue that managerial myopia suppresses green innovation output. The underlying mechanism is that myopic managers, in order to smooth short-term performance, may use earnings management to embellish financial statements or abandon green technological innovation projects with high environmental benefits but long investment cycles when facing short-term market pressure. Zheng Zhen et al. (2024) find that customers' managerial myopia transmits risk signals upstream, prompting suppliers to lower their risk-taking level, increase defensive distance, and reduce capital expenditure, thereby amplifying diffusion effects along the industrial chain.

2.2 Corporate Strategic Change

Corporate strategic change is not an isolated event. It is the outcome of managerial information processing and decision-making under specific internal and external conditions. The existing literature mainly explains its drivers from three perspectives: managerial cognition, internal organizational resources, and external environmental pressure.

First, managerial cognition plays a critical role in strategic change. According to upper echelons theory, managers' personal characteristics significantly influence how they interpret the environment and make strategic choices. Quigley and Hambrick (2012) identify the background characteristics and control rights of incoming CEOs as key determinants of strategic change. Wiersema and Bantel (1992) argue that heterogeneity in top management team tenure can generate more innovative ideas, break traditional operating patterns, promote resource reallocation, and trigger strategic change. Yun Jiang et al. (2022) show that although CEO overconfidence is a cognitive bias, it can promote strategic change under uncertainty through resilience and creativity effects. Overconfident CEOs are more willing to adjust strategy actively when facing environmental pressure. Deng Xinming et al. (2021) demonstrate the importance of managerial cognitive complexity, showing that environmental dynamism influences managerial cognitive structures and thus promotes strategic change. When managers interpret environmental changes through a more complex cognitive lens, firms are more likely to undertake strategic change. Yang Lin and Yu Anping (2016) further divide entrepreneurial cognition into configuration cognition, willingness cognition, and ability cognition, finding that these

dimensions influence the foresight of strategic change through different knowledge-creation processes, such as socialization and externalization. In other words, how managers process information, their willingness to change, and their ability to implement change are central to the direction of strategic change.

Second, internal organizational resources and institutions define the boundary conditions for strategic change. Slack resources and dynamic capabilities largely determine whether firms have the capacity to respond to change. Jiao Hao et al. (2022) argue that negative feedback, or performance shortfalls, does not necessarily lead directly to change; dynamic capabilities and slack resources play important moderating roles. When dynamic capabilities are strong, even severe organizational decline can be transformed into a driver of change, whereas slack resources may either promote or hinder change depending on the situation. Lian Yanling et al. (2015), drawing on the behavioral theory of the firm, argue that managerial discretion, including organizational, environmental, and institutional discretion, mediates the relationship between performance feedback and strategic change. Managers with greater discretion are more capable of breaking organizational inertia when performance gaps emerge. Zhao Jing et al. (2015) find that the legitimacy of successors in family firms directly affects the extent of strategic change, and both excessively high and excessively low legitimacy can produce nonlinear and complex effects. These findings indicate that internal governance structures deeply constrain strategic change.

Finally, external environmental uncertainty constitutes a fundamental external driver of strategic change. Kelly and Amburgey (1991) argue that the degree of strategic change is related to changes in the external environment. Wiersema and Bantel (1992) measure environmental change using munificence, complexity, and dynamism, finding that higher environmental munificence inhibits strategic change whereas greater dynamism and complexity promote it. Fu Haotian et al. (2018) show empirically that environmental dynamism and richness positively affect strategic change, consistent with contingency theory's proposition that firms should adjust their strategies according to environmental change. In highly uncertain environments, firms that persist with existing strategies risk being eliminated. Lian Yanling et al. (2014) also show that when firms experience performance shortfalls, often caused by sudden environmental change or intensified competition, organizations make greater strategic adjustments to avoid losses. This adjustment is more pronounced in family firms because family controlling shareholders have stronger incentives to protect family reputation and economic interests when performance gaps arise.

3. Theoretical Analysis and Hypothesis Development

3.1 Managerial Myopia and Corporate Strategic Change

Strategic change is shaped not only by external environmental change but also by internal managerial characteristics. Managers' cognitive preferences, values, and risk orientations affect firms' judgments about the future and their allocation of resources. Strategic change generally requires long-term investment and involves uncertain returns; therefore, decision makers need a forward-looking perspective when balancing short- and long-term interests. Myopic managers who emphasize short-term benefits tend to prioritize financial returns that can be reflected quickly and provide insufficient support for strategic projects requiring long investment horizons and delayed returns.

From the perspective of resource allocation, myopic managers may reduce investment in long-

term R&D and innovation projects to stabilize short-term financial indicators. Such behavior weakens firms' competitiveness in key technologies and emerging markets. Managerial myopia also reduces managers' willingness to advance organizational strategic adjustment. Because strategic change requires reallocating resources and bearing uncertainty, managers focused on short-term interests are more likely to maintain the status quo or make only limited adjustments to avoid short-term losses.

Mechanistically, managerial myopia affects strategic change in two ways. First, managers may postpone or reduce strategic adjustment to avoid short-term negative effects. Second, a biased performance orientation leads managers to overemphasize short-term financial indicators while ignoring long-term value creation. Together, these effects cause managers to adopt a cautious or delayed attitude toward strategic change. It can therefore be inferred that the stronger the managerial myopia, the more constrained the extent of corporate strategic change.

Accordingly, this study proposes the following hypothesis:

H1: Managerial myopia is negatively associated with corporate strategic change.

3.2 Mechanisms Linking Managerial Myopia to Corporate Strategic Change

The fundamental problem of modern corporate governance is the principal-agent problem arising under information asymmetry. Its essence lies in how to reduce information gaps and governance costs among stakeholders so that scientific decision-making can be achieved. From the corporate governance perspective, this section discusses the relationship between managerial myopia and strategic change through two channels: increasing agency costs and intensifying performance pressure.

First, managerial myopia increases agency costs, weakens resource allocation efficiency, and thereby reduces strategic change. From shareholders' perspective, preventing managers from damaging long-term firm interests through myopic behavior requires monitoring. This involves devoting additional resources to internal audits, independent directors, and stricter internal controls. These additional monitoring costs increase operating pressure and prevent resources from being allocated optimally. At the same time, correcting managerial myopia requires the design of appropriate incentive mechanisms, such as long-term incentive plans and performance shares. Establishing and implementing such mechanisms requires complex institutional arrangements and substantial financial investment. It may increase management expenses and, when incentive mechanisms are imperfect, generate new agency problems. Rising agency costs reduce a firm's capacity to implement strategic change. Excessive monitoring and incentive costs occupy resources that could otherwise support strategic investment. As a result, firms led by myopic managers are unable to invest sufficiently in strategic transformation, adapt to market changes, or respond to new competitors, and they gradually lose competitive advantage in dynamic environments because of resource shortages and strategic underinvestment.

Accordingly, this study proposes the following hypothesis:

H2: Managerial myopia weakens corporate strategic change by increasing agency costs.

Second, managerial myopia increases performance pressure and thereby affects strategic change. Strategic change generally requires firms to alter their existing development paths through technological innovation, market expansion, organizational restructuring, or business

transformation. Such adjustments require substantial resource reallocation, usually involve long investment periods and high uncertainty, and often do not produce visible short-term effects. They may even increase costs and occupy current-period profits, thereby putting pressure on short-term performance.

When managerial myopia is high, managers treat current profit, market share, stock-price performance, and external evaluations as primary objectives. To reduce short-term performance pressure, managers tend to adopt more stable, conservative, and quickly effective operating approaches rather than bear the long-term investment and unpredictable risks associated with strategic change. In practice, myopic managers may cut R&D investment, reduce market-expansion expenditure, postpone organizational restructuring, or abandon strategic options with high differentiation but long payback periods, instead choosing more mature and stable development paths within the industry. Consequently, corporate resources are tilted toward businesses that can quickly improve financial conditions and cash flows rather than toward strategic areas that could create long-term competitive advantages.

Higher performance pressure narrows the scope of strategic change. On the one hand, stronger pressure makes managers more sensitive to short-term operating outcomes, encouraging them to maintain existing business models and avoid profit fluctuations caused by strategic adjustment. On the other hand, it weakens internal support for strategic change, making long-term, exploratory, and high-risk projects more vulnerable to cuts or postponement. Thus, managerial myopia directly inhibits strategic choices that deviate from conventional industry paths and also strengthens short-term performance pressure, placing stronger constraints on strategic change and causing firms' strategic choices to converge toward industry norms.

Accordingly, this study proposes the following hypothesis:

H3: Managerial myopia weakens corporate strategic change by increasing performance pressure.

4. Research Design

4.1 Sample Selection and Data Sources

This study takes A-share listed firms from 2014 to 2024 as the research sample to examine the effect of managerial myopia on corporate strategic change. The raw data for managerial myopia are obtained from the China Research Data Services Platform (CNRDS) and all other data are drawn from the CSMAR database. To ensure the reliability of the regression results, the initial sample is processed as follows: (1) firms in the financial industry are excluded because of unstable financial characteristics; (2) firms under ST, *ST, or PT status are excluded; (3) observations with missing variables are removed; and (4) continuous variables are winsorized at the 1% and 99% levels. After these procedures, the final sample contains 22,712 firm-year observations.

4.2 Variable Definitions

Dependent variable: strategic change (SC). Following measurement approaches in strategic management research, this study calculates six strategic dimensions from raw financial indicators, as shown in Table 1. These six strategic-dimension variables are standardized by industry and year using mean-standard deviation standardization, and their absolute values are taken. The

average of the standardized six dimensions is then used as the strategic change measure. A larger value indicates a higher degree of corporate strategic change.

Table 1. Dimensions of Strategic Change

Indicator	Measurement
Advertising and promotion intensity	Selling expenses / operating revenue
R&D investment	Net intangible assets / operating revenue
Capital intensity	Fixed assets / number of employees
Renewal of fixed assets	Net fixed assets / original fixed assets
Administrative expense intensity	Administrative expenses / operating revenue
Financial leverage	(Short-term borrowings + long-term borrowings + bonds payable) / book value of equity

Independent variable: managerial myopia (myopia). Following Hu Nan et al., this study constructs a short-term horizon dictionary based on the financial context. The dictionary includes both a seed dictionary and an expanded dictionary. The seed dictionary contains 10 terms, including expressions equivalent to 'within days,' 'several months,' 'immediately,' 'as soon as possible,' and 'opportunity.' The expanded dictionary contains 33 terms, including expressions equivalent to 'within the day,' 'imminent,' 'at the moment,' 'critical juncture,' and 'dilemma.' Managerial myopia is measured as the ratio of the total frequency of short-term horizon terms to the total word count in the MD&A section, multiplied by 100. A larger value indicates a higher degree of managerial myopia.

Control variables: following the existing literature, this study controls for leverage (Lev), R&D investment (R&D), firm size (Size), net profit growth rate (Netprfgrrt), return on assets (ROA), ownership concentration of the top ten shareholders (Herfindahl10), Tobin's Q (TobinQ), and the book-to-market ratio (BM). Detailed definitions are reported in Table 2.

Table 2. Variable Definitions and Measurement

Variable Type	Symbol	Variable Name	Definition
Dependent variable	SC	Strategic change	Volatility of strategic resource allocation across annual intervals
Independent variable	myopia	Managerial myopia	Ratio of total short-term horizon word frequency to total MD&A word count, multiplied by 100
Control variable	Lev	Leverage	Total liabilities / total assets
Control variable	R&D	R&D investment	Natural logarithm of R&D expenditure
Control variable	Size	Firm size	Natural logarithm of total assets in the current period
Control variable	Netprfgrrt	Net profit growth rate	(Current-period net profit - prior-year same-period net profit) / prior-year same-period net profit
Control variable	ROA	Return on assets	Net profit / total assets
Control variable	Herfindahl10	Top-ten shareholder concentration	Sum of squared shareholding ratios of the top ten shareholders
Control variable	TobinQ	Tobin's Q	Total market value / total assets
Control variable	BM	Book-to-market ratio	Total assets divided by market value
Fixed effect	Industry / Year	Industry and year effects	Controlled through dummy variables

4.3 Model Specification

To test H1, this study constructs the following econometric model:

$$SC_{i,t} = \beta 0 + \beta 1\ Myopia_{i,t} + \beta 2\ Controls_{i,t} + \mu_i + \gamma_t + \varepsilon_{i,t} \quad (1)$$

In Equation (1), SCi,t denotes the degree of strategic change of firm i in year t, and Myopiai,t denotes managerial myopia. Controlsi,t is a vector of control variables. The terms μi and γt denote firm or industry effects and year effects, respectively, and εi,t is the error term.

5. Empirical Analysis

5.1 Descriptive Statistics

Table 3. Descriptive Statistics

Variable	N	Minimum	Median	Maximum	Mean	Std. Dev.
Strategic change	22712	0.160	0.429	1.505	0.489	0.243
Managerial myopia	22712	0.000	0.469	2.693	0.601	0.539
Firm size	22712	20.250	22.210	26.520	22.430	1.293
Leverage	22712	0.063	0.388	0.809	0.395	0.182
Return on assets	22712	-0.163	0.042	0.203	0.045	0.053
Net profit growth rate	22712	-17.400	0.064	7.775	-0.212	2.629
Top-ten shareholder concentration	22712	0.014	0.125	0.536	0.154	0.109
Tobin's Q	22712	0.822	1.670	7.970	2.054	1.247
Book-to-market ratio	22712	0.126	0.599	1.216	0.614	0.254
R&D investment	22712	14.340	18.250	22.420	18.320	1.449

Table 3 reports the descriptive statistics. The mean of the dependent variable, strategic change, is 0.489; the median is 0.429; the minimum is 0.160; and the maximum is 1.505. These values indicate substantial variation in the degree of strategic change across firms. The mean of managerial myopia is 0.601, the median is 0.469, and the standard deviation is 0.539, suggesting meaningful heterogeneity across sample firms and providing an appropriate empirical basis for subsequent analysis. The distributions of control variables also indicate variation in market competition, growth, and innovation input, supporting the relevance of the selected controls. No obvious abnormal distributional patterns are observed.

5.2 Managerial Myopia and Corporate Strategic Change

Table 4. Baseline Regression Results

Variable	Strategic change	Strategic change	Strategic change
Variable	(1)	(2)	(3)
Managerial myopia	-0.017***	-0.026***	-0.014***
	(0.003)	(0.003)	(0.005)
Firm size		0.039***	0.037***
		(0.002)	(0.006)
Leverage		-0.107***	-0.079***
		(0.011)	(0.024)
Return on assets		-0.361***	-0.305***
		(0.042)	(0.074)
Net profit growth rate		-0.005***	-0.004***
		(0.001)	(0.001)
Top-ten shareholder concentration		0.059***	0.087**
		(0.015)	(0.035)
Tobin's Q		0.023***	0.021***
		(0.002)	(0.004)
Book-to-market ratio		0.020	0.015
		(0.013)	(0.024)
R&D investment		-0.018***	-0.021***
		(0.001)	(0.005)
Constant	0.499***	-0.055*	0.031
	(0.002)	(0.033)	(0.084)
Year fixed effects	No	No	Yes
Industry fixed effects	No	No	Yes
Observations	22712	22712	22711

Adj. R2	0.001	0.033	0.132

Notes: *, **, and *** indicate significance at the 10%, 5%, and 1% levels, respectively. Cluster-robust standard errors are reported in parentheses.

Table 4 reports the effect of managerial myopia on corporate strategic change. Column (1) examines only the relationship between managerial myopia and strategic change, without control variables or fixed effects. The coefficient on managerial myopia is -0.017 and significant at the 1% level, indicating that firms with higher managerial myopia exhibit lower degrees of strategic change. This result provides preliminary support for H1. Column (2) adds control variables. The coefficient on managerial myopia remains significantly negative at -0.026, showing that managerial myopia continues to exert a significant effect after controlling for firm characteristics. Among the control variables, firm size, top-ten shareholder concentration, and Tobin's Q are positively significant, suggesting that larger firms, firms with stronger market positions, and firms with higher growth potential are more willing to pursue differentiated paths. Leverage, return on assets, net profit growth, and R&D investment are negatively associated with strategic change, indicating that firms facing greater financial pressure or stronger short-term performance orientation are more likely to follow conventional industry strategies. Column (3) further includes year and industry fixed effects and uses cluster-robust standard errors. The coefficient on managerial myopia remains significantly negative at the 1% level. Overall, the results suggest that myopic management teams are more likely to abandon high-risk and long-cycle differentiated strategies and instead choose mature and conservative strategic paths, leading to strategic convergence and a lower degree of change.

5.3 Robustness Tests

5.3.1 Propensity Score Matching

Although the baseline regressions include multiple control variables as well as industry and year fixed effects, omitted-variable bias may still exist. To address potential endogeneity caused by sample self-selection, this study conducts a robustness test using propensity score matching (PSM) following Zhang Jinfan et al. (2017). Both 1:1 nearest-neighbor matching and kernel matching are used to estimate treatment effects. Managerial myopia is treated as the treatment variable. Observations with managerial myopia above the sample median are assigned to the treatment group, and those below the median are assigned to the control group. Matching constructs a control group that is as similar as possible to the treatment group in observable characteristics, thereby reducing the influence of sample-selection bias. The covariates used in the baseline regressions are also included in the matching model, and a Logit regression is used to estimate propensity scores while controlling for year and industry fixed effects. Figure 1 reports the standardized bias of covariates before and after matching. Most covariate biases decline after matching, indicating that the matching procedure is effective. Figures 2 and 3 present kernel density plots before and after matching. The two curves for the treatment and control groups overlap more closely after matching, suggesting good matching quality. Table 5 presents the results from 1:1 nearest-neighbor matching and kernel matching. The coefficients on managerial myopia remain significantly negative, indicating that the main conclusion is robust.

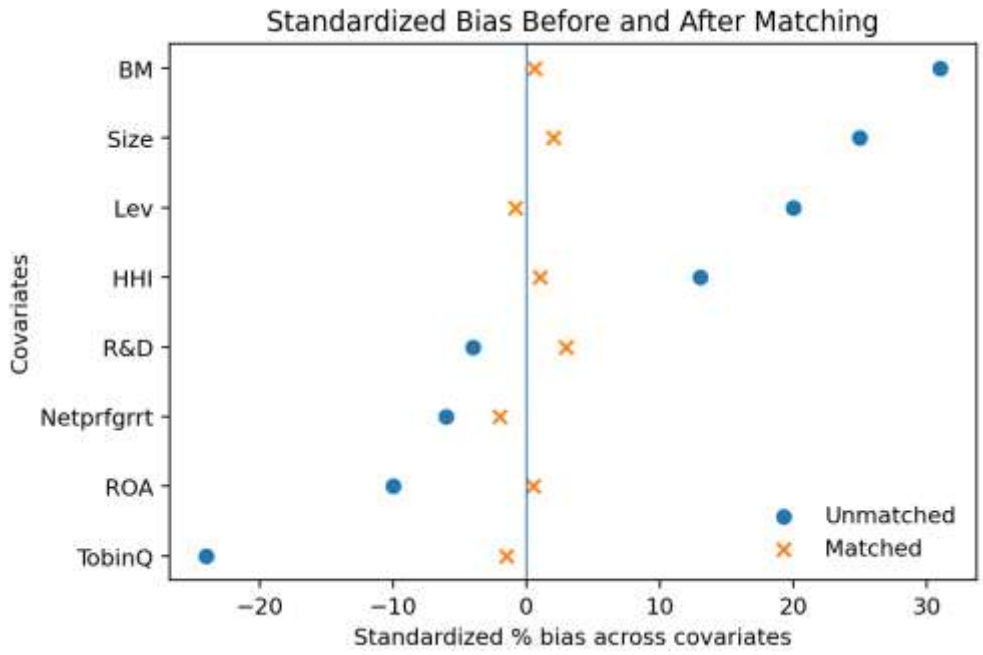
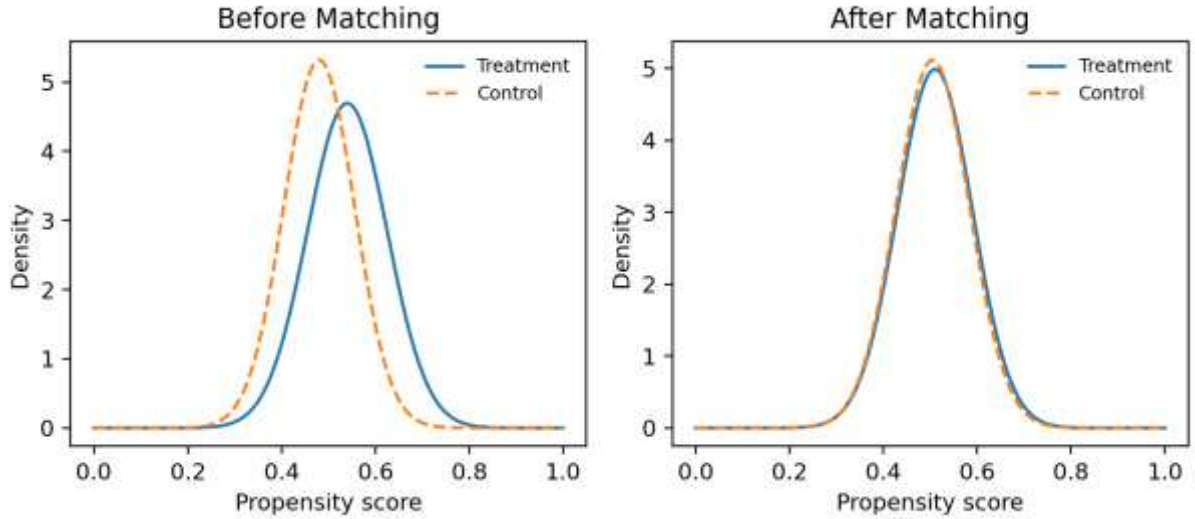


Figure 1. Standardized Bias Plot



Figures 2 and 3. Kernel Density Before and After Matching

Table 5. PSM Test

Variable	Strategic change	Strategic change
Variable	**(1)**	**(2)**
Managerial myopia	-0.010*	-0.014***
	(0.006)	(0.005)
Constant	0.090	0.032
	(0.089)	(0.084)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	12116	22701
Adj. R2	0.134	0.132

5.3.2 Instrumental Variable Approach

Although PSM partially alleviates bias caused by sample self-selection, managerial short-termism may still affect the estimation results for firms implementing differentiated strategies. To further address endogeneity, this study uses an instrumental variable approach. Following Ke Yunying et al. (2025), the dialect diversity index of the prefecture-level city in which a firm is located is used as an instrumental variable for managerial myopia, and two-stage least squares (2SLS) estimation

is performed. Column (1) of Table 6 reports the first-stage regression. The coefficient on the dialect diversity index is significantly negative at the 1% level, indicating that greater dialect diversity is associated with lower managerial myopia. One possible interpretation is that a more diverse and inclusive cultural environment exposes managers to more varied modes of thinking, which may promote longer-term cognition. The first-stage F-statistic is 10.431, exceeding the conventional threshold of 10 and suggesting that weak-instrument concerns are not severe. Column (2) reports the second-stage regression. After addressing endogeneity, the coefficient on managerial myopia remains significantly negative at the 1% level, indicating that the negative effect of managerial myopia on strategic change remains robust.

Table 6. Instrumental Variable Results

Variable	(1)	(2)
Variable	Managerial myopia	Strategic change
IV	-0.245***	
	(0.076)	
Managerial myopia		-0.386***
		(0.109)
Kleibergen-Paap rk LM		10.431***
Cragg-Donald Wald F statistic		69.836
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	22711	22711

5.3.3 Replacing the Dependent Variable

To test whether the baseline results are robust to alternative measurements, this study remeasures the dependent variable, strategic change, following Hu Nan et al. (2020). Python-based text analysis is used to count the frequency of keywords related to differentiated strategies in annual reports. A differentiated-strategy word-frequency variable is constructed, and the ratio of differentiated-strategy keyword frequency to total annual-report word count is used as an alternative proxy for strategic change (SD_alt). A larger value indicates that the firm mentions differentiated strategies more frequently in its annual report and therefore exhibits a higher degree of strategic differentiation. Column (1) of Table 7 reports the regression results using this alternative dependent variable. The coefficient on managerial myopia remains significantly negative at the 1% level, further supporting the reliability of the main conclusion.

5.3.4 Replacing the Independent Variable

To rule out estimation bias caused by measurement choices, this study also remeasures managerial myopia. Specifically, the logarithm of the raw frequency of short-term-oriented keywords in the MD&A section is used as an alternative measure. This variable captures the absolute frequency with which management discusses short-term performance-related content, and the logarithmic transformation mitigates the influence of extreme values. Column (2) of Table 7 reports the regression results. The coefficient on the alternative managerial myopia measure is significantly negative at the 5% level, indicating that the core conclusion remains valid after replacing the measurement of managerial myopia.

Table 7. Alternative Measures of Dependent and Independent Variables

Variable	SD_alt	Strategic change
Variable	(1)	(2)
Managerial myopia	-0.031***	
	(0.009)	

Log managerial myopia		-0.009**
		(0.004)
Constant	4.510***	0.029
	(0.130)	(0.084)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	22711	22711
Adj. R2	0.415	0.132

5.3.5 Lagged Explanatory Variable

Although the instrumental-variable test addresses endogeneity, reverse causality may still exist between managerial myopia and strategic change. For example, the degree of strategic change may also influence managerial myopia, leading to biased estimates. To address this issue, the core explanatory variable is lagged by one period. Specifically, managerial myopia in year t-1 is used to estimate its effect on strategic change in year t. Column (1) of Table 8 reports the results. The estimated coefficient on lagged managerial myopia remains significantly negative, indicating that the negative effect of managerial myopia on strategic change persists after mitigating reverse-causality concerns.

Table 8. Lagged Variable, Clustering Adjustment, and Fixed-Effects Adjustment

Variable	Strategic change	Strategic change	Strategic change
Variable	**(1)**	**(2)**	**(3)**
Managerial myopia	-0.010**	-0.014**	-0.007**
	(0.005)	(0.007)	(0.003)
Constant	0.033	0.031	0.177
	(0.084)	(0.125)	(0.208)
Control variables	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	No
Firm fixed effects	No	No	Yes
Observations	22463	22711	22672
Adj. R2	0.131	0.132	0.677

5.3.6 Adjusting the Clustering Level

In the baseline regressions, standard errors are clustered at the firm level. However, firms within the same industry face similar macroeconomic conditions, industrial policies, and market competition, and managerial myopia may exhibit within-industry correlation. To account for industry-level correlation, the clustering level is changed to the industry level and the regression is re-estimated. Column (2) of Table 8 shows that the coefficient on managerial myopia remains significantly negative at the 5% level after this adjustment. This result indicates that the conclusion remains robust after considering industry-level correlation.

5.3.7 Adjusting Fixed Effects

To examine whether the baseline results are affected by the specification of fixed effects, the industry fixed effects are replaced with firm fixed effects, while year fixed effects are retained. Column (3) of Table 8 reports the regression results. After replacing industry fixed effects with firm fixed effects, the coefficient on managerial myopia remains significantly negative at the 5% level. This result shows that the core conclusion is not driven by a particular fixed-effects specification and further confirms the reliability of the findings.

5.4 Heterogeneity Analysis

To further explore the boundary conditions under which managerial myopia affects strategic change, this study conducts heterogeneity tests from three dimensions: executive shareholding,

analyst coverage, and ownership type.

5.4.1 Heterogeneity by Executive Shareholding

The lower the executive shareholding ratio, the weaker the alignment between managers and shareholders, and the stronger managers' incentives to pursue self-interested behavior. Myopic executives with lower ownership stakes may more aggressively reduce investment in long-term differentiated strategies in order to realize short-term private benefits and may instead adopt conservative and convergent conventional strategies. On the one hand, lower executive shareholding reduces the wealth gains that executives receive from stock-price appreciation, while salaries and bonuses account for a greater share of compensation. This increases sensitivity to short-term performance appraisal. To avoid compensation losses caused by underperformance, executives may abandon market-expansion strategies with high input, long cycles, and high risk, and instead choose mature businesses with clearer returns and easier assessment, causing corporate strategies to converge toward mainstream industry patterns. On the other hand, lower executive shareholding reduces the personal wealth consequences of stock-price fluctuations, increasing incentives to engage in earnings management to maintain short-term performance and strengthening strategic conservatism.

Based on this logic, the inhibitory effect of managerial myopia on strategic change should be more pronounced in firms with lower executive shareholding. Following Cheng Xinsheng et al. (2020), this study divides the sample into high and low executive-shareholding groups using the median executive shareholding ratio and estimates grouped regressions. Columns (1) and (2) of Table 9 report the results. The negative effect of managerial myopia is larger and significant only in the low-executive-shareholding group, supporting the theoretical prediction.

Table 9. Heterogeneity by Executive Shareholding

Variable	Strategic change	Strategic change
Variable	Low executive shareholding	High executive shareholding
Variable	(1)	(2)
Managerial myopia	-0.013**	-0.011
	(0.006)	(0.007)
Constant	-0.016	0.014
	(0.113)	(0.132)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	11110	11599
Adj. R2	0.163	0.130

5.4.2 Heterogeneity by Analyst Coverage

Analysts are important external information intermediaries in capital markets. Through information collection, analysis, and public monitoring, they can effectively constrain managerial behavior. Firms with low analyst coverage face weaker external supervision and more severe information asymmetry, making managerial myopia less likely to be detected by outsiders. Because managers in such firms face fewer external constraints, myopic managers are more likely to adopt conservative management practices to maintain short-term performance and stabilize compensation. Specifically, they may cut expenditures on R&D, innovation, and market expansion that do not yield immediate results, and increase investment in mature projects with quicker short-term returns, causing corporate strategies to converge toward industry mainstream patterns (Meng Qingbin et al., 2019). In firms with high analyst coverage, analysts can better interpret the value of long-term differentiated investment and new development patterns that deviate from industry norms. This information can be transmitted to the market and reflected in

stock prices, thereby reducing managers' performance pressure.

Based on this argument, the inhibitory effect of managerial myopia on strategic change should be more pronounced among firms with lower analyst coverage. Following Li Yifei et al. (2022), this study divides the sample into high- and low-coverage groups using the median analyst coverage and conducts grouped regressions. Columns (1) and (2) of Table 10 report the results. In the low-analyst-coverage group, the coefficient on managerial myopia is significantly negative at the 1% level, indicating that the negative relationship between managerial myopia and strategic change is more pronounced when analyst coverage is low.

Table 10. Heterogeneity by Analyst Coverage

Variable	Strategic change	Strategic change
Variable	Low analyst coverage	High analyst coverage
Variable	(1)	(2)
Managerial myopia	-0.015***	-0.012
	(0.006)	(0.007)
Constant	0.012	0.042
	(0.123)	(0.120)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	11822	10889
Adj. R2	0.149	0.136

5.4.3 Heterogeneity by Ownership Type

State-owned enterprises and non-state-owned enterprises differ in their market competition environments and agency structures, so the governance effect on strategic change may vary by ownership type. Compared with non-state-owned enterprises, state-owned enterprises generally undertake national strategic tasks, and their operating decisions are more strongly guided by policy objectives. Their discretion over strategy is relatively limited. As a result, managerial assessments place greater emphasis on policy implementation than on corporate profitability. Even if managers exhibit short-term behavior, they may still align with policy directions and maintain a certain degree of strategic initiative, rather than substantially reducing strategic change through strategic contraction or convergence with industry conventions.

Therefore, the negative effect of managerial myopia on strategic change is expected to be more evident among non-state-owned enterprises. This study divides the sample into state-owned and non-state-owned groups based on ownership type and conducts grouped regressions. Columns (1) and (2) of Table 11 report the results. In the non-state-owned group, managerial myopia significantly reduces the degree of strategic change. This suggests that the governance effect of strategic change is more fully manifested in non-state-owned enterprises, where marketization and competitive pressure are stronger.

Table 11. Heterogeneity by Ownership Type

Variable	Strategic change	Strategic change
Variable	Non-state-owned enterprises	State-owned enterprises
Variable	(1)	(2)
Managerial myopia	-0.015**	-0.004
	(0.006)	(0.008)
Constant	-0.059	0.119
	(0.112)	(0.149)
Control variables	Yes	Yes
Year fixed effects	Yes	Yes
Industry fixed effects	Yes	Yes
Observations	16246	6464
Adj. R2	0.130	0.215

5.5 Mechanism Analysis

The preceding empirical tests show that managerial myopia significantly inhibits strategic change and pushes firms toward strategic contraction and convergence with industry norms. This section systematically explains the transmission mechanisms from the perspectives of agency problems and performance pressure.

5.5.1 Agency Problems

The separation of ownership and control means that shareholders often constrain managers by linking managerial performance to explicit indicators such as current profits and stock-price performance. However, increasing strategic change requires firms to deviate from conventional industry paths and make long-term resource investments and business arrangements. Such activities are difficult to monetize in the short term and may reduce current profits because they occupy resources. They therefore conflict directly with myopic managers' objective of obtaining compensation based on short-term performance. To avoid stock-price declines, performance deterioration, or even forced resignation caused by failing to meet short-term performance requirements, myopic managers may sacrifice long-term development, abandon differentiated strategies with higher risk, and instead choose low-risk mature routes commonly used in the industry. They concentrate on traditional businesses with stable cash flows, bringing strategy closer to industry norms and substantially reducing the degree of strategic change.

To test this mechanism, this study follows Wang Xin and Wang Ying (2021) and Li Wengui and Yu Minggui (2015) and uses the administrative expense ratio and operating expense ratio to measure agency costs. Higher administrative and operating expense ratios indicate higher agency costs. The sample is divided according to the annual median agency-cost measures. Table 12 reports the grouped regression results. Columns (2) and (4) represent high-agency-cost groups, whereas columns (1) and (3) represent low-agency-cost groups. The regression results show that the coefficient on managerial myopia is significantly negative in the high-agency-cost groups, indicating that serious agency problems strengthen the transmission channel through which managerial myopia suppresses strategic change.

Table 12. Mechanism Test Based on Agency Costs

Variable	Strategic change	Strategic change	Strategic change	Strategic change
Variable	Low administrative expense ratio	High administrative expense ratio	Low operating expense ratio	High operating expense ratio
Variable	(1)	(2)	(3)	(4)
Managerial myopia	-0.004	-0.025***	-0.001	-0.024***
	(0.006)	(0.007)	(0.006)	(0.007)
Constant	-0.251**	0.558***	-0.347***	0.559***
	(0.105)	(0.109)	(0.106)	(0.112)
Control variables	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes
Observations	11357	11348	11356	11347
Adj. R2	0.180	0.162	0.243	0.142

5.5.2 Performance Pressure

Managerial myopia significantly reduces strategic change mainly because it prioritizes short-term market performance and market share. Improving strategic change means that a firm does not follow the current mainstream path of its industry but instead engages in long-term, high-risk innovation or market development. Such investments cannot generate returns quickly and may reduce current profits because they occupy resources, making it more difficult to meet short-term market performance targets. Myopic managers focus narrowly on current performance and stock-price fluctuations rather than long-term development. To improve performance and stock prices

quickly, they may abandon differentiated development paths, shift to mature strategies within the industry that produce faster short-term results, compress long-term investment, and concentrate on businesses with stable cash flows. This lowers the degree of strategic change and causes firms to converge toward industry norms (Meng Qingbin et al., 2019).

To test this mechanism, this study measures performance pressure from industry and firm perspectives. Following Wei Zhihua and Zhu Caiyun (2019), market share and the Lerner index are used as proxies for firm performance pressure. Lower values indicate greater performance pressure. The sample is divided by the annual medians of market share and the Lerner index. Table 13 reports the results. Columns (1) and (3) correspond to groups with weaker competitive positions, while columns (2) and (4) correspond to groups with stronger competitive positions. In the groups with lower market share and lower Lerner index, the coefficient on managerial myopia is significantly negative, indicating that performance pressure is an important transmission channel through which managerial myopia suppresses strategic change.

Table 13. Mechanism Test Based on Firm Performance Pressure

Variable	Strategic change	Strategic change	Strategic change	Strategic change
Variable	Low market share	High market share	Low Lerner index	High Lerner index
Variable	(1)	(2)	(3)	(4)
Managerial myopia	-0.018***	-0.009	-0.024***	-0.001
	(0.007)	(0.006)	(0.008)	(0.006)
Constant	0.057	-0.091	0.559***	-0.331***
	(0.161)	(0.131)	(0.112)	(0.106)
Control variables	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes
Industry fixed effects	Yes	Yes	Yes	Yes
Observations	11348	11359	11272	11432
Adj. R2	0.137	0.182	0.141	0.241

6. Conclusions and Policy Implications

6.1 Conclusions

Managers are central to corporate strategic decision-making, and their cognitive patterns and behavioral modes directly influence resource allocation and long-term development. Existing research suggests that managerial myopia leads firms to emphasize short-term financial performance while neglecting long-term value creation. Myopic behavior can generate inefficient investment and distort strategic choices through information asymmetry and principal-agent conflicts. In today's complex and volatile market environment, strategic change has become an important pathway for firms to maintain long-term competitive advantage. If managers are myopic, firms may miss transformation opportunities and become locked into low-level development paths. Therefore, studying how managerial myopia affects strategic change from the perspective of corporate governance has important theoretical and practical value for understanding the causes of strategic inertia and identifying potential solutions.

Using A-share listed firms from 2014 to 2024, this study empirically examines the effect of managerial myopia on corporate strategic change and explores the underlying mechanisms. The main conclusions are as follows. First, managerial myopia inhibits corporate strategic change, and this finding remains valid after addressing endogeneity and conducting a series of robustness tests. Second, mechanism analyses show that managerial myopia suppresses strategic change through two channels: increasing agency costs and intensifying performance pressure. Myopic managers generate higher monitoring costs and resource misallocation, while the deterioration of the information environment further weakens the motivation for change. Third, heterogeneity tests

show that the inhibitory effect of managerial myopia on strategic change is significantly attenuated in firms with higher analyst coverage and higher executive shareholding, indicating that external monitoring and internal incentives can effectively correct managerial short-termism.

6.2 Policy Implications

Based on these conclusions, this study proposes the following policy implications to mitigate the inhibitory effect of managerial myopia on strategic change and strengthen firms' ability to respond to dynamic competitive environments.

First, firms should improve internal governance structures and establish incentive and constraint systems that balance short- and long-term objectives. Because managerial myopia impedes change by increasing agency costs, firms should reform performance appraisal systems that rely heavily on short-term financial indicators. Multidimensional evaluation tools such as the balanced scorecard should be adopted, and greater weight should be assigned to long-term strategic indicators such as R&D intensity and new-product market share. Firms should also promote equity incentive plans, especially restricted stock and stock options, to link executives' wealth to long-term stock-price performance. Such arrangements can correct managerial myopia and stimulate executives' intrinsic motivation to implement strategic change.

Second, external market supervision should be strengthened and information transparency improved to reduce losses caused by information asymmetry. The empirical results suggest that analyst coverage can mitigate the negative effect of managerial myopia. Regulators should therefore further improve information disclosure systems and enhance the quality of sell-side research reports. Firms should actively improve investor relations management and increase the frequency and depth of disclosure regarding strategic planning and nonfinancial information, particularly information related to long-term transformation. Reducing information barriers between the firm and external stakeholders can use capital-market pressure to encourage managers to focus on long-term value and reduce resistance to strategic change caused by information asymmetry.

Third, differentiated governance measures should be adopted for firms with different ownership and governance characteristics. Because managerial myopia is more severe in non-state-owned firms and firms with weaker external monitoring, policymakers should encourage these firms to introduce strategic investors or independent supervisors to strengthen external oversight. For executives, shareholding plans should be adjusted according to firms' life-cycle stages and industry characteristics. In particular, firms at critical transformation stages should prioritize core executive shareholding to form a stronger community of interests. In addition, firms should reshape the cognition of top management teams by introducing independent directors with long-term strategic vision or by providing strategic leadership training, thereby improving senior managers' decision-making mindsets and providing strategic support for sustainable development.

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