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The Impact of CEO Decision Horizon on Dividend Stickiness

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ABSTRACT

This study examines the impact of CEOs' decision-making horizons on dividend stickiness of firms. We test this framework using panel data from 1,140 firm-year observations of companies listed on the Tehran Stock Exchange between 2014 and 2023. The findings indicate that (a) longer CEO decision-making horizons are associated with greater dividend stickiness; (b) this effect diminishes in firms experiencing high earnings volatility or intense financial performance pressure, reflecting heightened manager–shareholder conflicts; and (c) CEOs' behavioral traits are influential: myopic CEOs tend to reduce dividend stickiness, whereas risk-averse CEOs strengthen it, particularly in financially credible firms. These results remain robust across multiple sensitivity analyses. Overall, the findings align with agency and upper echelons theories, suggesting that managers with long-term decision-making horizons enhance dividend stickiness by aligning their actions with shareholders' long-term interests and prioritizing stable, predictable payouts over short-term adjustments. By integrating CEOs' behavioral characteristics with firm-level financial conditions, this study offers novel insights into how executive traits interact with environmental factors to shape dividend policy. It contributes to the literature on behavioral corporate finance and governance by highlighting the mechanisms through which top executives' long-term orientation and psychological traits influence financial decision-making and corporate stability.

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1. Introduction

Dividend policy is considered one of the most important financial decisions within companies, as it can convey significant messages to the market regarding financial stability, the company's future outlook, and the quality of corporate governance (Abdullah et al., 2025; Baker et al., 2020; Chang et al., 2018; Kanojia & Bhatia, 2022; Pahi et al., 2019). Among these, dividend stickiness defined as the degree of stability and consistency in maintaining or increasing dividend payouts over time is a key indicator for evaluating the stability of financial policies (DeAngelo et al., 2006; Lin et al., 2023; Lintner, 1956). At first glance, dividend stickiness may be viewed as a sign of a company's stability and credibility, as managers tend to delay dividend reductions in order to avoid sending negative signals to the market and to maintain investor confidence. However, on the other hand, this phenomenon can lead to inefficient resource allocation and reduce a firm's flexibility in responding to financial difficulties (Easterbrook, 1984). Therefore, understanding the factors influencing dividend stickiness is essential for improving financial policies and enhancing market efficiency.

One of the most important factors influencing the formation and intensity of dividend stickiness is the personality and managerial characteristics of the CEO, particularly their decision-making horizon. According to the Upper Echelons Theory (Hambrick & Mason, 1984), executives' observable characteristics, including their time horizon, values, and cognitive biases, shape strategic choices and organizational outcomes. The CEO time horizon refers to the period over which the CEO expects to see the results of their decisions, thereby influencing both the nature and timing of strategic and operational decisions (Dechow & Sloan, 1991). From the perspective of Agency Theory (Jensen & Meckling, 1976), conflicts between shareholders and managers can emerge when CEOs prioritize personal incentives or short-term performance over long-term shareholder wealth. A CEO with a short-term horizon tends to focus on immediate results and is more sensitive to financial pressures and the demands of short-term-oriented shareholders. Such managers are more likely to reduce or adjust dividend payouts rapidly to preserve liquidity or satisfy market expectations, which can reduce dividend stickiness (Cadman & Sunder, 2014). In contrast, a CEO with a long-term horizon adopts a broader perspective, emphasizing sustained growth, stability, and reputation management (Li et al., 2021). Guided by both the Upper Echelons Theory and agency considerations, long-term-oriented CEOs are more likely to implement stable dividend policies, sending credible positive signals to the market. These signals can reduce the firm's cost of capital and enhance shareholder trust (Marinovic & Varas, 2019). Accordingly, a long-term CEO horizon contributes to greater dividend stickiness, making the firm less responsive to short-term fluctuations in earnings.

Among the key factors influencing dividend stickiness, earnings volatility and performance pressure resulting from profitability play a central role, as they can either amplify or mitigate the effect of CEO decision horizon on dividend policies. Fluctuations in a firm's net income, arising from operational variability, economic shifts, or managerial decisions, often reduce dividend stickiness because firms with unstable earnings are less inclined to maintain consistent dividend payouts (DeAngelo et al., 2006). In this sense, high earnings volatility and performance pressure make the influence of CEO characteristics, particularly their time horizon, even more pronounced. Long-term-oriented CEOs, when facing such environmental pressures, are more likely to adopt conservative policies to sustain dividend stickiness and avoid excessive fluctuations in payouts (DeAngelo et al., 2004; Skinner & Soltes, 2011). From a theoretical perspective, the interaction between environmental conditions and managerial characteristics can be explained through Agency Theory and Upper Echelons Theory. According to Agency Theory (Jensen & Meckling, 1976), conflicts between managers and shareholders emerge when managers' short-term incentives diverge from long-term shareholder wealth, a situation exacerbated under high earnings volatility or strong performance pressure. Meanwhile, Upper Echelons Theory (Hambrick & Mason, 1984) posits that observable executive characteristics such as a CEO's decision horizon shape strategic and financial choices. In this context, CEOs with long-term orientations are more likely to maintain stable dividend policies despite earnings fluctuations and performance pressures, sending credible signals to the market and reinforcing shareholder trust. Conversely, short-term-oriented CEOs may react to environmental pressures by reducing dividend stickiness to meet immediate financial or market expectations.

Despite the substantial expansion of the literature on dividend policy and managerial characteristics, the role of CEO decision-making horizon in explaining dividend stickiness has not yet been examined. Prior research shows that managerial preferences and incentives influence corporate financial decisions through mechanisms such as agency conflicts and strategic considerations (Jensen, 1986; Graham et al., 2005). However, these studies have mainly focused on relatively static characteristics such as age, tenure, compensation structure, or ownership concentration, and have paid less attention to the dynamic and forward-looking aspects of managerial behavior.

The main insight of this study is that the CEO decision-making horizon, unlike many demographic characteristics of managers, is a variable directly related to the temporal orientation of financial decisions and can explain why some firms maintain stable dividend policies even under earnings fluctuations, while others adjust dividends more rapidly. Based on managerial horizon theory, CEOs with shorter decision-making horizons are expected to show greater flexibility in adjusting dividends due to higher sensitivity to performance pressures and short-term evaluations, whereas CEOs with longer decision-making horizons, by emphasizing strategic continuity and reducing investor uncertainty, are more likely to adopt stable dividend policies (Cadman & Sunder, 2014; Li et al., 2021; Marinovic & Varas, 2019).

While existing empirical evidence from developed economies indicates that managerial time horizons influence strategic and financial decisions (Antia et al., 2010; Matta & Beamish, 2008; McClelland et al., 2012; Oh et al., 2016), these studies have mainly focused on outcomes such as investment, risk-taking, or firm performance and have rarely examined the stability of dividend policy as a long-term behavioral outcome. From this perspective, the present study provides a different analytical view from prior research by focusing on dividend stickiness as a behavioral manifestation of the CEO decision-making horizon.

In addition, another important contribution of this study is the examination of this relationship in an emerging capital market. The mechanisms through which CEO decision-making horizon affects dividend stickiness in such environments may differ from those in developed economies. In institutional settings such as Iran, characteristics including ownership concentration, the prominent role of government-affiliated institutional investors, the relative weakness of corporate governance mechanisms (Khaksar et al., 2021), disclosure limitations (Arianpoor & Salehi., 2021; Khodamipour & Amiri, 2021), and economic sanctions against Iran (Aflatooni et al., 2022) may influence CEO behavior with respect to dividend stickiness. Therefore, by linking the literature on managerial characteristics and the stability of dividend policy through the concept of CEO decision-making horizon, this study provides a more precise analytical framework for understanding the determinants of dividend stickiness.

The findings of this study have several important practical and policy implications. For boards of directors, understanding the CEO's decision-making horizon can inform appointment and governance strategies, as long-term-oriented CEOs are more likely to implement stable and sustainable dividend policies. Investors can use insights about dividend payout stickiness and managerial horizons to better assess firm risk and make informed investment decisions. Regulators and policymakers can benefit by designing governance frameworks and disclosure requirements that encourage transparency, reduce opportunistic managerial behavior, and promote sustainable corporate practices. By highlighting these implications, this study not only contributes to the theoretical literature on executive decision-making and dividend policy but also provides actionable guidance for practitioners seeking to enhance firm stability and investor confidence.

The remainder of this paper will reviews the relevant literature, describes the research methodology, presents and analyzes the results, and concludes with practical implications and recommendations.

2. Literature Review and Hypothesis Development

2-1. CEO Decision Horizon and Dividend Stickiness

Dividend stickiness refers to the relative persistence of dividend payments despite fluctuations in corporate earnings and has been a focal point of scholarly attention since Lintner's seminal study in 1956. This phenomenon reflects a deliberate managerial choice to maintain stability in dividend policies, signaling financial soundness and long-term commitment to shareholders (Leary & Michaely,

2011). An important behavioral factor influencing dividend stickiness is the CEO decision-making horizon, which refers to the timeframe within which a CEO evaluates the outcomes of their actions. This horizon can range from short-term perspectives (quarterly or annually) to long-term outlooks (several years) (Benartzi et al., 1997; Hirshleifer et al., 2012).

Relevant theories explain this relationship. According to agency theory (Jensen & Meckling, 1976), the separation of ownership and management can lead to conflicts of interest, driving managers toward short-term opportunistic behaviors (Easterbrook, 1984; Hussain & Akbar, 2022). In this context, a CEO with a long-term horizon is less likely to engage in short-term actions and prefers stable dividend policies to reduce uncertainty and control agency costs (Faccio et al., 2001). Upper Echelons Theory (Hambrick & Mason, 1984) further asserts that organizational outcomes are significantly influenced by the characteristics, experiences, and cognitive orientations of top executives (McHugh & Duane, 2025). A CEO with a long-term orientation values firm stability, reputation, and predictable cash flows over short-term gains, thus preferring conservative and consistent dividend policies. These CEOs use dividend stickiness as a tool to align corporate financial policies with long-term shareholder value, signaling commitment and reducing uncertainty for investors (Canil et al., 2021). Empirical evidence shows that firms with long-horizon CEOs exhibit more stable payout patterns and slower adjustments to dividends after earnings shocks (Xiaobao, 2024).

Literature review presents diverse perspectives on dividend stickiness. Studies such as Graham et al. (2005), DeAngelo et al. (2006), and Marinovic and Varas (2019) argue that managers with long-term horizons smooth dividends to preserve reputation and signal stability, supporting the agency-theoretic view that long-term orientations mitigate managerial–shareholder conflicts (Fama & Jensen, 1983; Kaplan & Schoar, 2005). In contrast, other research, including Bushee (1998), Pinkowitz et al. (2017), and Roychowdhury (2006), highlights the destabilizing role of short-term managerial orientation. Short-termism driven by analyst pressure, market expectations, or incentive structures leads to opportunistic dividend adjustments, often cutting or increasing payouts in response to temporary fluctuations. Tunyi et al. (2024) further suggests that myopia managers engage in earnings management and reduce long-term investment, weakening dividend persistence. Abdullah et al. (2025) also report a positive and significant relationship between dividend policy and firm value, and show that this relationship is strengthened after the adoption of International Financial Reporting Standards (IFRS).

Recent studies provide further nuance by showing that dividend stickiness is shaped not only by managerial horizon but also by contextual factors. Barbopoulos and Tzioumis (2024) demonstrate that the positive effect of long tenures on dividend payments weakens under high transparency or substantial managerial ownership. Similarly, Lin (2023) and Moortgat et al. (2024) indicate that psychological traits and long-term persistence patterns also influence the horizon–dividend relationship. Cumming et al. (2024) and Renzi et al. (2025) argue that social capital and strategic orientation extend managers' horizons, reinforcing stickiness, while Tsang (2024) finds that ESG performance substitutes for dividend signaling. Rashidi (2025) also emphasizes the need for integrated frameworks that simultaneously consider managerial characteristics, corporate governance mechanisms, and strategic orientation in shaping dividend policy. Thus, the CEO's decision-making horizon plays a determining role in dividend stickiness, and based on this, the first research hypothesis is formulated as follows:

H1: The CEO decision horizon is associated with dividend stickiness in firms.

2-2. The Moderating Effects of Earnings Volatility

The relationship between a CEO's decision-making horizon and dividend stickiness is significantly influenced by earnings volatility, which can be short-term or long-term in nature. According to agency theory, short-horizon CEOs facing earnings volatility may prioritize personal benefits, such as job security and compensation, over long-term shareholder value, maintaining sticky dividends to signal stability (Bhattacharya, 1979; Jensen & Meckling, 1976). Similarly, signaling theory suggests that stable dividends reduce information asymmetry and reassure investors, implying that short-term volatility intensifies dividend stickiness to avoid negative perceptions (Lintner, 1956; Miller & Modigliani, 1961). Conversely, long-term earnings volatility, being structural, encourages long-

horizon CEOs to exercise flexibility and allocate resources to growth opportunities, reducing dividend stickiness (DeAngelo et al., 2006). From a behavioral finance perspective, short-term volatility increases perceived risk, prompting CEOs to avoid dividend cuts (Kahneman & Tversky, 1979), whereas long-term volatility allows adjustments aligned with strategic objectives (Shefrin & Statman, 1984). Hence, short-term volatility theoretically strengthens stickiness, while long-term volatility weakens it, depending on the CEO's horizon.

Empirical evidence on this moderating role is mixed. Studies such as Leary and Michaely (2011) and Brav et al. (2005) show that firms smooth dividends during short-term volatility to signal stability, yet they often overlook firm-specific financial constraints. Liquidity-based explanations (Fama & French, 2001) suggest that only firms with sufficient cash can maintain stickiness under shocks, indicating that dividend smoothing is conditional rather than universal. Life-cycle perspectives reveal that mature firms adjust dividends more aggressively under long-term volatility while younger firms maintain stickiness in short-term fluctuations (Grullon et al., 2002; Mueller, 1972); however, this approach may oversimplify the link between firm age and managerial behavior.

Recent research highlights the interaction of managerial traits with earnings volatility. Lin et al. (2023) and Saif-Alyan and Salameh (2018) argue that risk tolerance influences how volatility affects dividend decisions, although volatility is often treated as exogenous. Renzi et al. (2025) finds that long-horizon managers smooth cash-flow shocks over time but this depends on underlying stability, showing that managerial horizon alone does not fully explain stickiness. Institutional and governance factors further complicate the picture: dual-class structures enhance smoothing but volatility's effect is asymmetric (Dong et al., 2024); transparency mitigates volatility-induced instability, while opacity weakens stickiness (Salikhova et al., 2024). Social capital reinforces long-term horizons and stickiness, yet high earnings volatility diminishes this effect (Cumming et al., 2024), and extreme volatility can even prompt long-horizon CEOs to adjust dividends more rapidly (Choi & Sauka, 2024). Accordingly, the second research hypothesis is proposed:

> **H2:** The relationship between a CEO's decision-making horizon and dividend stickiness is more pronounced in firms experiencing earnings volatility.

2-3. The Moderating Effect of Performance Pressure

The interaction between short-term and long-term performance pressures significantly influences the relationship between a CEO's decision-making horizon and dividend stickiness. According to agency theory, short-term market pressures, including analyst expectations, activist investors, and stock price volatility tend to shorten the CEO's horizon, prompting managers to maintain sticky dividends to signal stability and financial health (Bhattacharya, 1979; Jensen & Meckling, 1976; Miller & Rock, 1985). This behavior aligns with signaling theory and early evidence from Lintner (1956), indicating that firms avoid dividend cuts to prevent negative market reactions. In contrast, long-term performance pressures, such as focusing on sustainable growth, strategic investment, intangible asset development, and ESG commitments, encourage more flexible dividend policies as financing growth opportunities becomes increasingly important over a long-term horizon (Davis et al., 1997).

Empirical evidence confirms that performance pressures shape dividend policies, but findings are mixed. Several studies suggest that short-term performance pressure increases dividend stickiness, as managers attempt to avoid negative market reactions related to earnings volatility or missed analyst forecasts (Deshmukh et al., 2013).

Governance-centered research provides additional nuance to this perspective. Brav et al. (2018) report that institutional investor pressures in the short term reinforce dividend stickiness, trapping firms in inflexible payout patterns. Market-based pressures further complicate the picture: Francis et al. (2023) show that environments with short-selling pressure and sensitivity to negative news prompt firms to smooth dividends to avoid market penalties, increasing stickiness. Renzi et al. (2024) add that operational responses to performance shocks, such as declines in sales or income, indirectly enhance dividend smoothing. However, environmental pressures, such as climate risk, may encourage payout flexibility such as shifting from cash dividends to share repurchases contradicting prior findings (Chang et al., 2024). Macroeconomic conditions also create ambiguity. Choi and Sauka (2024) find

that recessions or heightened volatility lead firms to delay dividend changes or limit adjustments, combining smoothing with strategic flexibility. Based on this, the third hypothesis is proposed:

H3: The relationship between CEO decision horizon and dividend stickiness is more pronounced in firms experiencing performance pressure.

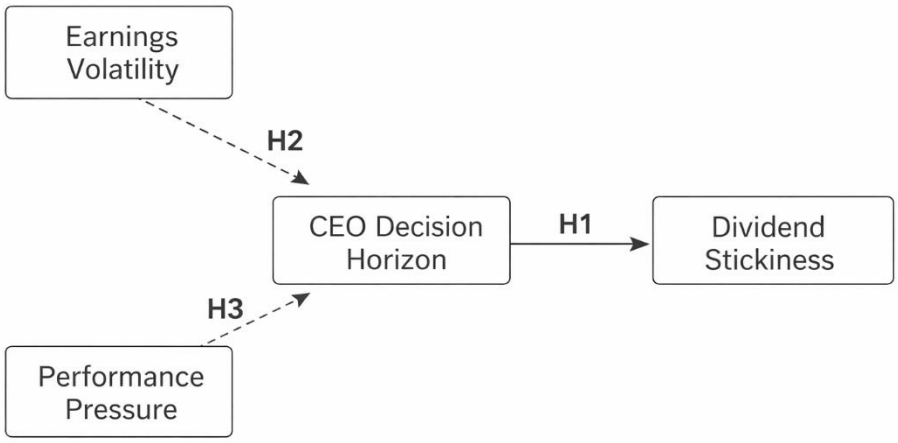


Fig. 1. Research Conceptual Model

3. Methodology

3-1. Sample

In this study, data were collected from the Rahavard Novin database and the CODAL website, and Stata software was used for data analysis. To estimate the research models, logistic regression was employed while controlling for year- and industry-specific effects. To account for heteroscedasticity and potential autocorrelation in the model error terms, cluster-robust standard errors were applied at the firm level. In the robustness tests, the sensitivity of the results to managerial myopia and risk aversion was examined. Additionally, to ensure the stability of the results with respect to the definition of the dependent variable, alternative measurement criteria were used. The study population comprises all companies listed on the Tehran Stock Exchange between 2014 and 2023 that had fiscal years ending in March and did not change their fiscal year-end during the study period. Companies operating in holding, investment, financial intermediary, and banking industries were excluded, and only firms with complete data throughout the study period were included. After applying these criteria, the sample comprised 1,140 firm–year observations (10 × 114), as presented in Table 1.

Table 1. Sample Selection Process

Sampling procedure	N (Firm-Year)
Initial observations of firm-year (2014-2023)	4773
Firms inactive in the stock market during the research period	(217)
Firms lacking research data	(1102)
Holding firms, investment firms, financial intermediaries, banks	(652)
Firms whose fiscal year did not end in March or changed their fiscal year	(1662)
The number of remaining firm-year observations	1140

3-2. Empirical Model

To test the hypotheses, logistic regression models were employed. Logistic regression was chosen because the dependent variable, dividend payout stickiness, is categorical and represents binary outcomes, such as whether a firm maintains a specific dividend policy or not. This method allows estimating the probability of an event occurring while simultaneously considering multiple predictors. It ensures that predicted probabilities remain between 0 and 1, and provides interpretable coefficients in terms of odds ratios, making it suitable for examining the relationships between managerial characteristics, firm attributes, and dividend policy stickiness. In the models below, the coefficient β_1 in Model 1 is used to test H1, while the coefficients β_3 in Models 2 and 3 are respectively used to test H2 and H3.

$$DS_{i,t} = \beta_0 + \beta_1 Horizon_{i,t} + \beta_2 Size_{i,t} + \beta_3 Lev_{i,t} + \beta_4 CFO_{i,t} + \beta_5 Growth_{i,t} + \beta_6 BInd_{i,t} + \beta_7 BS_{i,t} + \beta_8 MTB_{i,t} + \beta_9 Age_{i,t} + \sum \beta_{i,t} YEAR + \sum \beta_{i,t} Industry + \varepsilon_{i,t} \quad (1)$$

$$DS_{i,t} = \beta_0 + \beta_1 Horizon_{i,t} + \beta_2 Volatility_{i,t} + \beta_3 Horizon_{i,t} \times Volatility_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 CFO_{i,t} + \beta_7 Growth_{i,t} + \beta_8 BInd_{i,t} + \beta_9 BS_{i,t} + \beta_{10} MTB_{i,t} + \beta_{11} Age_{i,t} + \sum \beta_{i,t} YEAR + \sum \beta_{i,t} Industry + \varepsilon_{i,t} \quad (2)$$

$$DS_{i,t} = \beta_0 + \beta_1 Horizon_{i,t} + \beta_2 Perf\ Press_{i,t} + \beta_3 Horizon_{i,t} \times Perf\ Press_{i,t} + \beta_4 Size_{i,t} + \beta_5 Lev_{i,t} + \beta_6 CFO_{i,t} + \beta_7 Growth_{i,t} + \beta_8 BInd_{i,t} + \beta_9 BS_{i,t} + \beta_{10} MTB_{i,t} + \beta_{11} Age_{i,t} + \sum \beta_{i,t} YEAR + \sum \beta_{i,t} Industry + \varepsilon_{i,t} \quad (3)$$

In the models, the dependent variable is dividend stickiness, which is measured by the ratio of the change in dividend payments to the change in the company's distributable earnings. Following the studies of Ebrahimi et al. (2022) and Beshkooh and Moharram Khani (2020), dividend stickiness is defined as follows:

$$DPS\ Ratio = \frac{DPS_{i,t}}{EPS_{i,t}} - \frac{DPS_{i,t-1}}{EPS_{i,t-1}}$$

In the mentioned model, DPS represents the dividend paid per share, and EPS represents the earnings per share. To identify companies with dividend payout stickiness, the following formula has been used for each company in each year:

$$DS_{i,t} = DPS\ Ratio \times D_{i,t}^{\ EPS} \times D_{i,t}^{\ DPS}$$

$$D_{i,t}^{\ EPS} = \begin{Bmatrix} 1\ if \dfrac{EPS_{i,t}}{EPS_{i,t-1}} < 1 \\ 0\ if \dfrac{EPS_{i,t}}{EPS_{i,t-1}} \geq 1 \end{Bmatrix}, \quad D_{i,t}^{\ DPS} = \begin{Bmatrix} 1\ if\ DPS\ Ratio < 1 \\ 0\ if\ DPS\ Ratio \geq 1 \end{Bmatrix}$$

In the above relationship, a value of zero for a company in a given year indicates that dividend payout stickiness did not occur for that company during that year. If the value of the formula is a positive number, it indicates that dividend payout stickiness occurred in the company in that year.

Previous studies (Antia et al., 2010; Lee et al., 2018; Matta & Beamish, 2008; McClelland et al., 2012; Oh et al., 2016) have widely used CEO tenure as one of the primary determinants of managerial decision-making horizon. In line with these studies and consistent with Li et al. (2021), this study calculates the CEO decision-making horizon based on industry-adjusted expected tenure, as defined below:

$$Horizon = \left(CEOT_{Ind,Ave,\ it} - CEOT_{it} \right)$$

In the above equation, $CEOT_{it}$ represents the number of years the CEO has served in that position. $CEOT_{Ind,Ave,it}$ denotes the industry median average of CEO tenure.

An important point is that the index used in this study does not solely represent the CEO's past tenure or experience but rather reflects the expected remaining time the CEO is likely to stay in their position. From a theoretical perspective, the CEO's decision-making horizon is a function of the time they expect to remain in their managerial position (Jensen & Meckling, 1979). A CEO who expects to stay longer in the company is more motivated to make decisions that secure the company's long-term interests, while a CEO with a shorter horizon may focus more on short-term results.

Therefore, the horizon index has a forward-looking nature, as it is defined based on the expected future tenure compared to the industry average, not just the past tenure. Specifically:

- A positive horizon value indicates that the CEO expects to remain in their position for more years than the industry average and thus is more likely to make long-term, forward-looking decisions.
- A negative horizon value indicates a shorter decision-making horizon, reflecting fewer expected years in the managerial position and thus a greater focus on short-term results.

In this study, earnings volatility and performance pressure are incorporated as moderating variables in the models. Following the methodology of Chang et al. (2009), earnings volatility is measured as the standard deviation of a firm's operating income over a three-year period. The industry-level

average of earnings volatility is then calculated, and if a firm's volatility exceeds this industry average, it is interpreted as operating in a highly uncertain environment (Miller & Friesen, 1980). Conversely, volatility below the industry average indicates a more stable environment.

Performance pressure (Perfpress) is measured based on the gap between a firm's performance and market expectations, using return on assets (ROA) from the previous year (Li et al., 2021). Specifically, the average ROA of all firms within the same industry in year t−1 is used as a benchmark, and the difference between a firm's ROA and this industry average is computed. If the firm's performance is below the industry average (i.e., a positive performance gap exists), the Perf press variable is assigned a value of 1; otherwise, it is coded as 0. A higher value of this variable indicates greater performance pressure, as it reflects underperformance relative to industry peers.

To control for other influencing factors, several control variables have been considered. To account for the impact of a firm's financial condition on dividend payout stickiness, variables such as firm size (Size), firm age (Age), financial leverage (Leverage), sales growth rate (Growth), and operating cash flow (CFO) are included.

Firm size is measured by the natural logarithm of total assets. Firm age is measured as the natural logarithm of the number of years the firm has been in operation, thereby controlling for firm life-cycle effects. Financial leverage is defined as the ratio of total liabilities to total assets. The sales growth rate is derived from the percentage change in sales between years t and t−1, relative to the sales in year t−1. Operating cash flow is measured as the ratio of cash flow from operations to total assets (Dahiya et al, 2023).

Regarding corporate governance, variables related to the number of board members (Board) and the proportion of independent board members are included in the model. Board size is measured as the total number of board members, while the proportion of independent directors is calculated as the number of independent directors divided by the total number of board members (Kanojia & Bhatia, 2022).

4. Results

4-1. Descriptive Statistics

Table 2 presents the descriptive statistics of the research variables. The average CEO decision horizon indicates that the CEO in the studied sample have a relatively long-term decision outlook. The low average earnings volatility in the industry also suggests relative revenue stability within the analyzed sectors. Additionally, the average performance pressure is approximately zero, meaning that, overall, companies' performance does not significantly differ from the industry average. The average firm size shows that the companies under study are generally large and operate at a significant scale. The average financial leverage indicates that, on average, about 55% of the companies' assets are financed through debt. Moreover, the average operating cash flow reflects a relatively adequate ability of the companies to generate cash flow from operating activities.

In terms of corporate governance, the average proportion of independent board members is 66%, indicating a strong emphasis on sound corporate governance structures. Moreover, the average number of board members reveals that, in most companies, the board consists of five members. Finally, the average market-to-book ratio reflects a relatively positive market perception of the companies' assets. Additionally, the average logarithm of firm age indicates that the firms in the sample are relatively mature.

Table 3, which presents the Pearson correlation matrix, indicates that the CEO's time horizon is positively and significantly correlated with dividend stickiness (0.047), suggesting that CEOs with longer-term perspectives are more inclined to maintain stable dividend payouts. Additionally, the CEO horizon shows a negative and significant relationship with earnings volatility (-0.046), implying that long-term oriented CEOs tend to operate in or prefer firms with more stable earnings. A relatively stronger and negative correlation is observed between CEO horizon and performance pressure (-0.171), indicating that long-term focused managers experience less pressure to achieve short-term results. Moreover, dividend stickiness is negatively and significantly associated with earnings volatility (-0.068), suggesting that firms with greater earnings volatility are less likely to maintain consistent dividend policies. Overall, these findings highlight the importance of CEO horizon in influencing dividend behavior and the firm's response to earnings volatility and performance pressures.

Table 2. Descriptive Statistics

Variables	Mean	Median	Std. Dev.	Max	Min
Horizon	1	0.875	3	14	-8
DS	-	-	-	1	0
Volatility	0.113	0.057	0.266	4.242	0.001
Perf Press	0.001	0.012	0.140	0.637	-0.574
Size	15.159	15.018	1.541	20.690	11.303
Lev	0.547	0.546	0.221	1.867	0.096
CFO	0.109	0.088	0.143	0.941	-0.460
Growth	0.661	0.325	0.962	0.681	-16.710
BInd	0.661	0.600	0.188	1	0
BS	5.017	5	0.236	7	5
MTB	4.834	3.404	28.255	27.682	0.987
Age	3.116	3.091	0.325	4.025	2.397

Note. In the above models, DS = Dividend stickiness, Horizoni = CEO decision horizon, Volatility = Earnings volatility, Perf Press = Financial performance pressure, Size = Firm size, Lev = Financial leverage, CFO = Operating cash flow, Growth = Sales growth, Bind = Board independenc), BS = Board size, MTB = Market-to-Book ratio, Age = Firm age, and Year and Industry denote year and industry fixed effects.

Table 3. Pearson Correlation Matrix of Variables

Variables	Horizon	SDPS	Volatility	Perf Press	Size	Lev	CFO	Growth	BInd	BS	MTB	Age
Horizon	1											
DS	0.047**	1										
Volatility	-0.046**	-0.068*	1									
Perf Press	-0.171**	-0.038	-0.029	1								
Size	-0.057	0.015	-0.059*	-0.172**	1							
Lev	-0.140**	-0.079*	-0.158**	0.554**	0.056	1						
CFO	0.151**	0.012	-0.031	-0.287	0.080**	-0.187**	1					
Growth	0.011**	-0.070*	0.086**	-0.201	0.096**	-0.070*	-0.144**	1				
BInd	-0.099**	0.026	0.025	-0.032	-0.097**	-0.231**	0.045	0.012	1			
BS	-0.006	0.032	-0.009	-0.037	-0.019	-0.108**	0.065*	-0.018	0.083**	1		
MTB	0.009	-0.011	0.005	-0.013	0.037	-0.014	0.006	0.030	0.004	-0.005	1	
Age	0.026	0.017	0.027	-0.139**	0.255**	-0.118**	0.019	0.082**	-0.068*	-0.061*	0.025	1

Note 1. * and ** denote significance at the 5% and 1% levels, respectively.

Note 2. DS = Dividend stickines, Horizoni = CEO decision horizon, Volatility = Earnings volatility, Perf Press = Financial performance pressure, Size = Firm size, Lev = Financial leverage, CFO = Operating cash flow, Growth = Sales growth, Bind = Board independence, BS = Board size, MTB = Market-to-Book ratio, Age = Firm age.

4-2. Regression Results

Table 4 presents the results of testing the first hypothesis under three different conditions:

In all models, it is clearly shown that CEO decision horizon has a positive and significant effect on dividend stickiness, supporting Hypothesis H1. CEOs with a long-term perspective are more likely to maintain stable dividend payout policies, which enhances predictability and signals reliability to shareholders. For firms with a low CEO horizon, the coefficient is negative and significant, indicating that short-term oriented CEOs tend to adjust dividends more frequently, reflecting a focus on immediate performance targets rather than long-term stability. Moreover, for firms with a high CEO horizon, the coefficient is positive and highly significant, further confirming the hypothesis. These findings suggest that the CEO time horizon plays a critical managerial role in shaping dividend policy stability. Long-term-oriented CEOs tend to reduce dividend variability and strengthen investor confidence, whereas short-term-oriented CEOs may contribute to greater dividend volatility, potentially affecting firm valuation and stakeholder trust. Overall, the evidence fully supports Hypothesis 1 and highlights the practical implications of CEO decision horizon in promoting dividend stickiness.

Table 5 presents the results of testing Hypothesis 2, which examines the effect of CEO horizon on dividend stickiness across different levels of earnings volatility. In the first column, for the entire sample, it is observed that a longer CEO horizon can reduce dividend stickiness, although the strength and direction of this effect depend on the extent of profit volatility. These results are further illustrated in the second and third columns.

In the second column, representing firms with low volatility, a long-term CEO horizon slightly increases dividend stickiness. Moreover, volatility and its interaction with the CEO horizon also

positively contribute to dividend stability, indicating that even in stable environments, managers maintain precise dividend policies while balancing growth-oriented investment decisions. However, in the third column, for firms with high volatility, a long-term CEO horizon weakens dividend stickiness. In other words, high volatility and its interaction with the CEO horizon reduce the positive effect of a long-term horizon on dividend stickiness. This suggests that managers act cautiously in more turbulent conditions to mitigate potential risks and protect the company's reputation.

Overall, these results support Hypothesis 2, indicating that the economic impact of a CEO's horizon on dividend stickiness depends on the context. In stable environments, firms can adopt slightly more flexible and growth-oriented strategies while maintaining shareholder confidence. In contrast, in volatile environments, dividend policies are more conservative, prioritizing stability and the preservation of trust.

Table 4. CEO Decision Horizon and Dividend Stickiness

Variables	(1) $\text{Horizon}_{i,t}$ Coeff-Z Stats	(2) $\text{Low Horizon}_{i,t}$ Coeff-Z Stats	(3) $\text{High Horizon}_{i,t}$ Coeff-Z Stats
Intercept	-0.649 (-2.89)*	-0.480 (-2.82) *	-0.512 (-2.84) *
$\text{Horizon}_{i,t}$	0.041 (2.79) *	-0.332 (-2.11) **	0.153 (2.91) *
$\text{Size}_{i,t}$	0.078 (1.09)	0.073 (1.02)	0.070 (0.99)
$\text{Lev}_{i,t}$	-0.001 (-2.37) **	-0.970 (-2.28) **	-1.050 (-2.48) **
$\text{CFO}_{i,t}$	-1.127 (-1.82) ***	-1.068 (-1.75) ***	-1.007 (-1.64)
$\text{Growth}_{i,t}$	-0.212 (-2.09) **	-0.213 (-2.08) **	-0.205 (-2.02) **
$\text{BInd}_{i,t}$	-0.020 (-0.04)	-0.037 (-0.08)	-0.097 (-0.21)
$\text{BS}_{i,t}$	0.292 (0.93)	0.296 (0.93)	0.279 (0.89)
$\text{MTB}_{i,t}$	0.0005 (0.16)	0.0004 (0.13)	0.0005 (0.18)
$\text{Age}_{i,t}$	0.240 (0.76)	0.245 (0.78)	0.260 (0.82)
YEAR	Yes	Yes	Yes
Industry	yes	Yes	Yes
LR chi2	99.24*	100.55*	96.90*
Pseudo R2	0.38	0.37	0.37

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. The values of Low-Horizon and High-Horizon are defined as dummy variables (0 and 1). If the value of Horizon is below the median of firms within the same industry, the Low-Horizon variable is assigned a value of 1; otherwise, it is set to 0. Similarly, if the Horizon value is above the industry median, the High-Horizon variable takes a value of 1; otherwise, it is set to 0.

Table 5. Moderating Effect of Earnings Volatility

Variables	(1) Volatility Coeff-Z Stats	(2) Low Volatility Coeff-Z Stats	(3) High Volatility Coeff-Z Stats
Intercept	-0.987 (-2.99)*	-0.729 (-2.92)*	-0.775 (-2.94)*
$\text{Horizon}_{i,t}$	0.038 (2.46)**	0.006 (2.13)**	0.055 (2.34)**
Volatility	-0.349 (-2.17)**	0.045 (2.26)**	-0.038 (-3.41)*
$\text{Horizon}_{i,t} \times \text{Volatility}$	-0.044 (-2.39)**	0.051 (2.10)**	-0.062 (-2.48)**
$\text{Size}_{i,t}$	0.083 (1.16)	0.081 (1.13)	0.085 (1.26)
$\text{Lev}_{i,t}$	-0.901 (-2.09)**	-0.955 (-2.25)**	-0.382 (-2.12)**
$\text{CFO}_{i,t}$	-0.127 (-1.81)***	-0.076 (-1.73)***	-0.041 (-1.71)***
$\text{Growth}_{i,t}$	-0.218 (-2.11)**	-0.212 (-2.07)**	-0.318 (-2.41)**
$\text{BInd}_{i,t}$	-0.026 (0.06)	-0.028 (-0.06)	-0.031 (-0.48)
$\text{BS}_{i,t}$	0.297 (0.94)	0.291 (0.92)	0.318 (0.197
$\text{MTB}_{i,t}$	0.0006 (0.18)	0.0004 (0.15)	0.0013 (0.68)
$\text{Age}_{i,t}$	0.252 (0.79)	0.254 (0.80)	0.311 (0.92)
YEAR	Yes	Yes	Yes
Industry	Yes	Yes	Yes
LR chi2	101.41*	100. 63*	100.63*
Pseudo R2	0.37	038	0.36

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. Low-Volatility and High-Volatility are dummy variables coded as 1 and 0. Low-Volatility is assigned a value of 1 if a firm's earnings volatility is below the average earnings volatility of firms in the same industry and 0 otherwise. Similarly, High-Volatility is assigned a value of 1 if a firm's earnings volatility is above the industry average and 0 otherwise.

Similar to Hypothesis 2, we tested Model (3) under performance pressure conditions, with the results presented in Table 6. In the full sample (Column 1), performance pressure weakens the effect of CEO horizon on dividend stickiness, although the strength and direction of this effect depend on the level of pressure. For firms under low performance pressure (Column 2), long-term oriented CEOs maintain more stable dividend policies, prioritizing stability and long-term value creation. In other words, in the absence of significant financial performance pressure, CEOs with longer horizons are more likely to preserve dividend stability. In contrast, under high performance pressure (Column 3), even long-term oriented CEOs adopt more flexible or aggressive dividend policies to achieve short-term objectives or meet market expectations. These findings indicate that performance pressure directly shapes dividend decisions. Overall, the results support Hypothesis 3 and demonstrate that the effect of CEO horizon on dividend stickiness depends on the level of performance pressure encountered by the firm.

Table 6. Moderating Effect of Performance Pressure

Variables	(1) Perf press Coeff-Z Stats	(2) Low Perf press Coeff-Z Stats	(3) High Perf press Coeff-Z Stats
Intercept	-0.322 (-2.77)*	-0.533 (-2.83)*	-0.040 (-2.06)**
$\text{Horizon}_{i,t}$	0.047 (2.04)**	0.045 (1.71)***	0.057 (1.80)***
Perf press	-0.275 (-2.45)**	0.203 (2.19)**	-0.583 (-2.98)*
$\text{Horizon}_{i,t} \times$ Perfpress	-0.057 (-2.39)**	0.034 (2.63)*	-0.019 (-2.44)**
$\text{Size}_{i,t}$	0.101 (1.40)	0.079 (1.10)	0.096 (1.33)
$\text{Lev}_{i,t}$	-0.672 (-3.34)*	-0.006 (-2.36)**	-0.466 (-3.24)*
$\text{CFO}_{i,t}$	-0.510 (-2.76)*	-0.140 (-1.84)***	-0.617 (-2.95)*
$\text{Growth}_{i,t}$	-0.181 (-1.87)***	-0.214 (-2.12)**	-0.190 (-1.93)***
$\text{BInd}_{i,t}$	-0.111 (-0.02)	-0.142 (-0.02)	0.023 (0.05)
$\text{BS}_{i,t}$	0.260 (0.84)	0.291 (0.92)	0.300 (0.96)
$\text{MTB}_{i,t}$	0.0004 (0.15)	0.0006 (0.20)	0.0007 (0.22)
$\text{Age}_{i,t}$	0.207 (0.65)	0.234 (0.74)	0.227 (0.72)
YEAR	Yes	Yes	Yes
Industry	Yes	Yes	Yes
LR chi2	105.48*	100.93*	108.32*
Pseudo R2	0.38	0.37	0.36

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. Low-Perf Press and High-Perf Press are dummy variables coded as 1 and 0. Low-Perf Press equals 1 if the Perf Press value is below the average financial performance pressure of firms within the same industry and 0 otherwise. High-Perf Press equals 1 if the Perf Press value is above the average financial performance pressure of firms within the same industry and 0 otherwise.

5. Robustness Test of Results

To assess the robustness of the research hypotheses, we conducted two supplementary tests focusing on CEO myopia and risk aversion to evaluate the robustness of the hypothesis-testing results.

5-1. The Effects of Managerial Myopia and Dividend Stickiness

CEO myopia, typically linked to a short decision-making horizon (Li et al., 2021), can increase dividend stickiness. Myopic CEOs tend to smooth reported earnings to present stable performance and reduce short-term volatility, which in turn reinforces dividend stickiness. Following Li et al. (2021), we estimated Model (4) to examine whether managerial myopia has a similar effect on dividend stickiness as a short-term CEO horizon, and vice versa.

$$DS_{i,t} = \beta_0 + \beta_1 \text{Myopia}_{i,t} + \beta_2 \text{Non} - \text{myopia}_{i,t} + \beta_3 Size_{i,t} + \beta_4 Lev_{i,t} + \beta_5 CFO_{i,t} + \beta_6 Growth_{i,t} + \beta_7\ BInd_{i,t} + \beta_8\ BS_{i,t} + \beta_9\ MTB_{i,t} + \beta_{10}\ Age_{i,t} + \sum \beta_{i,t} YEAR + \sum \beta_{i,t} Industry + \varepsilon_{i,t} \quad (4)$$

The findings obtained from model estimation in Table 7 indicate that CEOs with shorter decision-making horizons adjust or reduce dividends more readily in response to lower profitability or unfavorable financial conditions, reflecting a focus on short-term performance and limited commitment to dividend stability. Conversely, non-myopic, long-term oriented CEOs exhibit greater

dividend stickiness, as they use stable dividend payments to maintain investor confidence and the firm's credibility. These findings highlight that CEO myopia plays different roles depending on the firm's orientation. In myopia-oriented firms, it accelerates dividend adjustments, while in non-myopic firms, CEOs may maintain or even enhance dividend stickiness to signal stability. Accordingly, these findings confirm the results of the hypotheses.

Table 7. Robustness Test Results for CEO Myopia

Variables	(1)	(2)
	Myopia	**Non-Myopia**
Intercept	-0.507 (-2.73)*	-0.263 (-2.66)*
Myopia	-0.099 (-2.44)**	-
Non-myopia	-	0.065 (2.29)**
$Size_{i,t}$	0.075 (1.01)	0.074 (0.99)
$Lev_{i,t}$	-0.087 (-2.42)**	-0.100 (-2.45)**
$CFO_{i,t}$	-0.185 (-2.28)**	-0.225 (-2.34)**
$Growth_{i,t}$	-0.715 (-3.27)*	-0.742 (-3.40) *
$BInd_{i,t}$	-0.114 (-0.24)	-0.063 (-0.13)
$BS_{i,t}$	-0.237 (0.71)	0.244 (0.74)
$MTB_{i,t}$	0.001 (0.30)	0.004 (0.31)
$Age_{i,t}$	0.289 (0.89)	0.275 (0.85)
YEAR	Yes	Yes
Industry	Yes	Yes
LR chi2	105.12*	104.05*
Pseudo R2	0.39	0.38

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. Myopia and Non-Myopia are dummy variables coded as 1 and 0. Myopia equals 1 if the firm is identified as exhibiting CEO myopic behavior, and 0 otherwise. Non-Myopia equals 1 if the firm is not characterized by CEO myopia, and 0 otherwise.

5-2. The Effects of Risk Aversion and Dividend Stickiness

The second robustness test examines CEO risk aversion, a behavioral trait that can directly influence the decision-making horizon. Risk-averse managers typically avoid long-term, uncertain decisions and prefer short-term, predictable outcomes. This tendency limits their decision-making horizon and affects corporate investment and financial policies. For instance, Coles et al. (2006) show that managerial personality traits, including risk aversion, significantly shape investment decisions, while Graham et al. (2013) note that risk-averse managers tend to avoid long-term or innovative projects, reducing the decision horizon and influencing dividend smoothing.

To measure CEO risk aversion, we use the Z-score as an indicator of a firm's credit risk and financial health (Hale & Santos, 2008; Li et al, 2021). According to reputation theory (Diamond, 1991), firms with high creditworthiness motivate managers to behave conservatively to maintain their reputation. This often manifests in stable dividends, as managers aim to avoid earnings volatility and preserve the firm's image. Therefore, in firms with high Z-scores, the CEO's decision-making horizon is expected to have a stronger effect on dividend smoothing. Conversely, in firms with low Z-scores, where maintaining credit reputation is less critical, risk-averse behaviors—such as dividend smoothing—are weaker, reducing the influence of risk aversion.

The Z-score for each firm-year observation is calculated using the Altman's (1987) model as follows:

$$Z_{score_{i,t}} = 1.2\frac{WorkingCaptal}{Asseti,t} + 1.4\frac{RetainedEarningsi}{Asseti,t} + 3.3\frac{EBITi,t}{Asseti,t} + 0.6\frac{MarketValueofEquityi,t}{Asseti,t} + 0.09\frac{Salesi,t}{Asseti,t}$$

where i , t refers to firm i in year t. The variable Assets denotes the total assets of the company, while Retained Earnings is defined as net income after dividends. For a more refined analysis, the study sample was divided into quartiles based on the Z-score. Firms in the top quartile of the distribution were classified as the High Z-score subsample, while those in the bottom quartile were labeled as the

Low Z-score subsample (Li et al., 2021). This classification enables the examination of the moderating role of risk aversion on the CEO decision-making horizon and its influence on dividend smoothing across different levels of financial credibility.

After measuring risk aversion, we estimated Model (5), as specified below, to examine whether CEO risk aversion has effects similar to those of the CEO decision horizon on dividend stickiness.

$$S_{i,t} = \beta_0 + \beta_1 \text{Risk aversion}_{i,t} + \beta_2\ Size_{i,t} + \beta_3 Lev_{i,t} + \beta_4 CFO_{i,t} + \beta_5 Growth_{i,t} + \beta_6\ BInd_{i,t} + \beta_7\ BS_{i,t} + \\ + \beta_8\ MTB_{i,t} + \beta_9\ Age_{i,t} + \sum \beta_{i,t} YEAR + \sum \beta_{i,t} Industry + \varepsilon_{i,t} \quad (5)$$

The findings of Table 8 indicate that in firms with high Z-scores, managers' risk aversion is positively related to dividend stickiness. This means that in these firms, managers tend to maintain a stable dividend level over time, driven by long-term strategic considerations to preserve their reputation and credibility. In contrast, in firms with low Z-scores, managers are more risk-taking, and there is a negative relationship between risk aversion and dividend stickiness. This indicates that such firms, due to concerns over future resource loss, are less focused on maintaining stable dividends and may prioritize short-term financial actions. These results strengthen the support for the hypotheses.

Table 8. Robustness Test Results for CEO Risk Aversion

Variables	(1)	(2)
	Low-Z-Score	**High-Z-Score**
Intercept	-0.037 (-2.67)*	-0.318 (-2.75)*
Risk aversion	-0.215 (-2.05)**	0.038 (2.16)**
$Size_{i,t}$	0.056 (0.78)	0.069 (0.94)
$Lev_{i,t}$	-0.044 (-2.48)**	-0.133 (-2.59)*
$CFO_{i,t}$	-0.775 (-2.25)**	-0.934 (-2.54)**
$Growth_{i,t}$	-0.191 (-2.90)*	-0.199 (-2.97)*
$BInd_{i,t}$	-0.104 (-0.23)	-0.135 (-0.29)
$BS_{i,t}$	0.267 (0.87)	0.268 (0.86)
$MTB_{i,t}$	0.0001 (0.33)	0.0005 (0.17)
$Age_{i,t}$	0.225 (0.71)	0.257 (0.82)
YEAR	Yes	Yes
Industry	Yes	Yes
LR chi2	97.16*	96.10*
Pseudo R2	0.36	0.36

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. Low-Z-score and High-Z-score are dummy variables coded as 1 and 0. High-Z-score equals 1 if a firm's Z-score falls within the upper quartile of the distribution; otherwise, it is coded as 0. Low-Z-score equals 1 if a firm's Z-score falls within the lower quartile of the distribution; otherwise, it is coded as 0.

Finally, to further examine the effect of the CEO's decision-making horizon on dividend payout stickiness, an additional test was conducted using an alternative measure of dividend stickiness based on Lintner (1956) model to assess the robustness of the results. Lintner (1956) model is expressed as follows:

$$\frac{DPS_t}{DPS_{t-1}} = \alpha_0 + \alpha_1 Log \frac{EPS_t}{EPS_{t-1}} + \alpha_2 Dum.EPS + \alpha_3 Log \frac{EPS_t}{EPS_{t-1}} \times Dum.EPS + \varepsilon$$

In the corresponding model, Dum.EPS represents a decline in earnings per share (EPS) and is assigned a value of 1 if the company's EPS has decreased relative to the previous year, and 0 otherwise. In this context, EPS refers to earnings per share, and DPS refers to dividends per share. EPS_t denotes the earnings per share of company i in year t, while EPS_{t-1} refers to the dividends per share of company i in year t–1. It is important to note that $\alpha_3 > 0$ indicates the presence of dividend stickiness. To operationalize this alternative measure, we defined a dummy variable that takes the value of 1 if $\alpha_3 > 0$, and 0 otherwise.

We re-estimated Model 1 using dividend stickiness as the dependent variable in three scenarios: full sample, low CEO decision horizons, and high CEO decision horizons. The results show a positive relationship between CEO decision horizon and dividend stickiness for long horizons, and a negative relationship for short horizons. This confirms that CEOs with longer decision horizons are more likely to maintain stable dividend policies, supporting the robustness and consistency of the main findings.

Table 9. Results Including the New Variable: Dividend Stickiness

Variables	(1) $Horizon_{i,t}$ Coeff-Z Stats	(2) Low $Horizon_{i,t}$ Coeff-Z Stats	(3) High $Horizon_{i,t}$ Coeff-Z Stats
Intercept	0.709 (2.67)*	0.741 (2.68)*	0.537 (2.59)
$Horizon_{i,t}$	0.0260 (2.38)**	-0.248 (-2.87)*	0.218 (2.53)
$Size_{i,t}$	0.058 (1.01)	0.057 (0.98)	0.058 (1.01)
$Lev_{i,t}$	-0.274 (-2.081)*	-0.321 (-2.94)*	-0.297 (-2.87)*
$CFO_{i,t}$	-0.248 (-2.49)**	-0.213 (-2.42)**	-0. 232 (2.46)**
$Growth_{i,t}$	-0.090 (-2.14)**	-0.091 (-2.15)**	-0.091 (-2.14)**
$BInd_{i,t}$	0.055 (0.270)	0.051 (0.70)	0.040 (2.67)
$BS_{i,t}$	0.160 (0.86)	0.153 (0.84)	0.157 (0.85)
$MTB_{i,t}$	0.001 (0.75)	0.008(0.73)	0.005(0.74)
$Age_{i,t}$	0.665 (2.58)*	0.415 (2.48)*	0.318 (2.48)
YEAR	Yes	Yes	Yes
Industry	Yes	yes	Yes
LR chi2	120.29*	121.89	120.73
Pseudo R2	0.077	0.078	0.077

Note 1. *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively.
Note 2. The dividend stickiness variable is defined as binary: 1 indicates positive stickiness ($\alpha_3 > 0$), and 0 reflects a lack of stickiness or significant changes in dividend payouts.

To address potential endogeneity from simultaneity, reverse causality, and omitted variables, the System-GMM estimator was employed. Table 10 shows that second-order autocorrelation is not significant, and the Sargan test confirms instrument validity. The results indicate that CEO decision horizon positively affects dividend stickiness, with earnings volatility and performance pressure also playing significant moderating roles. Overall, CEO decision horizon, earnings volatility, and performance pressure have positive and significant effects on dividend stickiness, supporting the research hypotheses.

Table 10 . Results of the System-GMM

variables	(1)	(2)	(3)
Intercept	0.965 (2.315)*	0.014 (3.31)*	0.294 (3.38)*
$Horizon_{i,t}$	0.141 (3.98)*	0.149 (4.11)*	0.165(4.72)*
$Volatility_{i,t}$		0.170 (3.08)*	
$Horizon_{i,t} \times Volatility_{i,t}$		0.219 (3.36)*	
$Perf\ Press_{i,t}$			0.078(5.59)*
$Horizon_{i,t} \times Perf\ Press_{i,t}$			0.197(3.23)*
$Size_{i,t}$	0.170 (0.52)	0.164 (0.41)	0.183(0.69)
$Lev_{i,t}$	-0.029 (-3.20)*	-0.016 (-3.11)*	-0.422(-3.53)*
$CFO_{i,t}$	-0.009 (-2.06)**	-0.040 (-2.28)**	-0.013(-2.10)**
$Growth_{i,t}$	-0.021(-2.40)**	-0.027 (-2. 72)*	-0.039(2.25)**
$BInd_{i,t}$	0.073 (0.44)	0.101 (0.61)	0.089(0.55)
$BS_{i,t}$	0.013 (0.12)	0.121(0.11)	0.014(0.14)
$MTB_{i,t}$	0.080(0.17)	0.098 (0.20)	0.012 (0.26)
$Age_{i,t}$	0.098 (3.17)*	0.192 (3.12)*	0.827(2.42)**
AR (1) Arellano-bond:	2.14*	2.07*	2.18*
AR (2) Arellano-bond:	1.81	1.76	1.91
(chi2) Sargan	64.45	62.81	58.75
Wald chi2	31.87	44.46	66.29

6. Conclusion

This study aimed to investigate the impact of CEO decision-making horizon on dividend payout stickiness in firms listed on the stock exchange. In line with the first hypothesis, the results indicated a positive and significant relationship between CEO horizon and dividend payout stickiness. Based on Agency Theory, a long-term oriented CEO strives to align their interests with those of the shareholders, thereby reducing potential conflicts between managers and owners and promoting more stable dividend policies. This theory indicates that incentive structures and governance mechanisms can guide managerial behavior. On the other hand, Upper Echelons Theory indicates that long-term

oriented CEOs, relying on their experience and foresight, are more likely to implement stable and consistent dividend policies, as their personal perspective encourages a focus on sustained performance rather than short-term fluctuations. These results are consistent with the findings of Lin (2023) and Moortgat et al. (2024).

Regarding the second hypothesis, which examines the moderating role of earnings volatility, it was found that in firms with higher profit volatility, the positive relationship between CEO horizon and dividend stickiness weakens. Based on Agency Theory, in low-earnings-volatility firms, environmental uncertainty is lower, and a long-term oriented CEO can more easily align their interests with those of the shareholders, resulting in more stable dividend policies and higher dividend stickiness. Reduced risk and operational stability enable managers to focus on long-term objectives and maintain the firm's credibility. On the other hand, Signaling Theory suggests that in such low-volatility environments, fewer changes in dividend policy are required, allowing managers to send signals of stability and predictability to the market. In contrast, in high-earnings-volatility firms, environmental uncertainty and unstable operating performance lead even long-term oriented CEOs to adopt more flexible dividend policies to manage risk and market expectations, ultimately reducing dividend stickiness. These results are consistent with the findings of Choi and Sauka (2024).

The results of Hypothesis 3 showed that financial performance pressure reduces the relationship between a long-term decision horizon and dividend stickiness; specifically, this relationship is weakened in firms with high performance pressure and strengthened in firms with low performance pressure. According to Agency Theory, high financial performance pressure can intensify conflicts between managers and shareholders, as CEOs may deviate from stable dividend policies to achieve short-term targets or meet market expectations. Under such conditions, even long-term-oriented CEOs may reduce their emphasis on maintaining stable, sticky dividend policies in response to performance risk and shareholder demands. In contrast, in low-performance-pressure firms, the environment is less risky, allowing long-term oriented CEOs to align their objectives with shareholder interests, thereby strengthening the positive relationship between CEO horizon and dividend stickiness. From the perspective of Signaling Theory, changes in dividend policies serve as signals to the market; under high pressure, managers may adopt more flexible policies to convey positive signals or manage expectations, whereas under low pressure, stable and consistent dividend policies communicate predictability and reliability. This finding is consistent with the results of Renzi et al. (2024).

In the robustness analysis, the first test assessed the behavioral trait of CEO myopia. The findings revealed that in firms more likely to exhibit myopic behavior, the positive relationship between CEO horizon and dividend stickiness diminishes. This indicates that myopic behavior can compromise a manager's commitment to stable dividend policies. The second robustness test focused on CEO risk aversion, using Altman's Z-score as a proxy for financial stability. Results showed a significant positive relationship between CEO horizon and dividend stickiness in firms with high Z-scores. Conversely, in firms with low Z-scores, the relationship was significantly negative. This suggests that risk aversion shaped by the firm's financial standing plays a crucial role in dividend policy decisions; risk-averse CEO in more stable firms tend to adopt more conservative payout strategies.

Practical Suggestions

The findings of this study offer several valuable insights for boards, investors, and policymakers. For boards of directors, understanding a CEO's decision-making horizon is crucial, as appointing long-term-oriented CEOs can promote stable dividend policies that support sustained firm value. Investors can use information about managerial orientation and dividend stability to better assess a firm's risk profile, especially in environments with high earnings volatility. Clear and consistent dividend strategies signal managerial confidence and can guide investment decisions. Policymakers can also benefit from these insights by promoting governance frameworks such as long-term incentive structures and stronger monitoring mechanisms that encourage sustainable decision-making and reduce short-term managerial opportunism. Together, these findings can enhance the overall quality of financial decisions and improve market transparency. Future research can extend these findings by incorporating additional governance or ownership variables, such as board diversity, institutional ownership, or shareholder concentration. Moreover, examining these relationships across different

industries or regulatory environments would help determine whether the effects observed in this study are generalizable or context-specific.

Research Limitations

This study has several limitations that should be acknowledged. First, the analysis focuses exclusively on non-financial firms listed on the Tehran Stock Exchange, which may limit the generalizability of the findings to other industries or markets with different regulatory environments. Second, the study does not incorporate all possible governance and organizational variables, such as board composition, CEO duality, or ownership concentration, which may also affect dividend payout stickiness. Third, while the logistic regression models account for multiple firm-level and managerial characteristics, there may be other unobserved factors, such as macroeconomic shocks or industry-specific events, that influence dividend policies and CEO behavior. Finally, the study examines a ten-year period; future research could extend the timeframe or adopt longitudinal approaches to capture long-term trends and causal relationships more robustly. Addressing these limitations would enhance the external validity and practical applicability of the results in future studies.

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