

The Relationship between CEO Power and Risk-taking with Respect to Centralized Ownership in Companies Listed on the Tehran Stock Exchange

Mustafa Sharifzadeh*, Fariba Jamshidi

Master of Accounting, Department of Accounting, Firouzabad Branch, Islamic Azad University, Firouzabad, Iran

*Corresponding Author Email: F1872981@gmail.com

Abstract: In this study, the effect of centralized ownership on the relationship between CEO power and risk-taking in companies listed on the Tehran Stock Exchange was investigated. For this purpose, 140 companies were surveyed during the period 2012-2017. In this research, the variables are extracted from Rahavard3 software and summarized, classified and calculated by Excel software and finally tested by Eviews and Stata software at a confidence level of 0.95. The results obtained from the test of research hypotheses showed that there is a negative and significant relationship between centralized ownership and company risk-taking. In addition, there was no reliable evidence of a relationship between CEO power and firm risk-taking, as well as the impact of centralized ownership on the relationship between CEO power and risk-taking at a 95% confidence level.

Keywords: Company risk-taking, CEO characteristics, CEO tenure and centralized ownership.

Introduction

Environmental complexity, intensity of competition, prevalence of new and advanced technologies, development of information and communication technology, new ways of offering goods and services, environmental issues and orientation of companies from tangible to intangible assets are the main factors that make companies and enterprises during their lifetime faced with multiple risks, high risks and unforeseen. Thus, today, every organization, depending on the nature of its work, experiences various risks and their success largely depends on the risk management method (Stone Eric et al., 1997). Uncertainty in the financial matters faced by a shareholder investor in a company is called corporate risk. The risk of the company is related to the operational and financial success of the company on the one hand and is related to the beliefs and thinking of investors on the other hand (Abbasi, 2015). Each person in the company has different responsibilities in dealing with risk issues of the company, among which the CEO has a significant role and should have a sense of ownership towards risk management (Jafari Kloocheh, 2018). (Graham et al., 2005) showed that the duality of the CEO, the tenure of the CEO and the ownership of the CEO affect the ability and willingness of the CEO to pursue operations. (Li & Tang, 2010) also showed that CEO duality leads to risky behaviors on the part of the CEO. (Chen & Zheng, 2014) showed that the characteristics of the CEO affect the company's risk-taking. Therefore, the power of the CEO seems to play a significant role in risk-taking.

The focus of institutional owners helps to reduce the risk of the enterprise by improving the quality of financial reporting, and on the other hand, encourages managers to strive to increase the value of the company instead of

pursuing short-term personal interests. Focusing on corporate ownership, which results from the absolute control of major shareholders over the management of the company, can also reduce representation issues because major shareholders, due to having enough information, can have better control over the performance of management (Mansoori, 2015).

Therefore, it seems that the focus of ownership can play a significant role in the relationship between CEO duality and risk-taking. Due to this issue, in this study, the relationship between CEO power and risk-taking with respect to centralized ownership was examined.

Theoretical Foundations and Background

Corporate risk-taking can be significantly influenced by evaluating a company's strategy by creating new business capacities that can quickly revive a company's strategy changes and increase the company's profit and growth in domestic markets such as international markets. Despite international scientists' attention to corporate risk-taking, empirical researchers have paid little attention to integrating these initial findings into a comprehensive approach. Researchers pay attention to corporate risk-taking in general for two reasons: The first reason is directly related to corporate risk-taking: Creating new businesses, increasing economic growth as well as increasing the rate of return on investment for the company through the use of new risks and the second reason includes strategy revitalization, improvement of competitive activities and development and creation of new technologies, differentiation, fostering the culture of company innovation and learning through the identification and discovery of new risks (Masoumi, 2009). For this reason, corporate risk-taking is one of the topics that companies pay attention to today and companies in today's world use corporate risk-taking to improve their financial situation (Narayanan et al., 2009). The degree of risk-taking or risk aversion is one of the important factors influencing the behavior and decision-making of individuals, especially in financial markets.

(Stone Eric et al., 1997) define risk-taking as performing any activity that has at least one ambiguous or uncertain outcome (Stone Eric et al., 1997). The CEO is the most important administration manager of the company who is responsible for business implementation and reducing uncertainty in the company environment. However, in some companies' managers make major decisions, while in other companies the final decisions are the result of group decisions involving the CEO and administration manager. Organizational theory states that individual decisions are risky, while the results of group decision making are moderate due to the diversity of opinions. Given this philosophy, it is expected that in companies, the results of the individual judgment of the CEO will be very severe (or risky). However, this risk-taking largely depends on how the CEO influences the decision-making process. In other words, the power of the CEO influences on decision-making according to his position (Haider & Fang, 2017). Previous studies have shown that strong CEOs exacerbate company problems. For example, (Bebchuk et al., 2011) showed that CEO power will reduce profitability and efficiency. (Li & Tang, 2010) also showed that shareholders demand high performance from companies in which the CEO has a significant role in decision-making, because it will be more difficult for managers to make consensus decisions in the presence of a strong CEO. (Haider & Fang, 2017) believe that the power of the CEO will increase risk-taking. In general, there are two issues regarding the impact of CEO power on companies' results, which can be classified based on the theoretical perspective of the organization and the other based on the perspectives of management and economics. The first view is proposed based on theoretical perspective, organizational behavior, and group psychology theorizing that individual decisions are more severe and risky than group decisions. Proponents of this theory argue that it is very difficult to persuade a group to make a risky decision, and as a result one can make better decisions. Economics and management, on the other hand, determine how increasing individual decision-making power affects outcomes. Resource dependence theory and stewardship theory offer different topics in this field. The main idea of Resource dependence theory is that by giving more power to managers, companies can increase uncertainty in the external environment and reduce access to valuable resources. Stewardship theory also argues that with strong CEO oversight, agency conflicts can be reduced and that more oversight can improve CEO performance (Haider & Fang, 2017).

(Haider & Fang, 2017) argue that how the CEO influences the company's risk-taking depends on the specific situations of the company and the market. For example, the ownership structure of a company determines how a strong CEO and an independent CEO make risk-making decisions. According to stewardship theory, centralized ownership often acts as an effective external oversight mechanism for CEO activity.

(Nguyen, 2011) conducted a research entitled Investigating the relationship between corporate governance mechanisms and systematic risk. To achieve this goal, they have used the information of 154 companies in the period 2004 to 2011. His findings show that there is a significant relationship between the percentage of institutional shareholders that is one of the elements and mechanisms of corporate governance and systematic risk. The relationship

between the percentage of non-executive board members and systematic risk at the general level is inverse and not significant in other categories of companies. (Parvaneh, 2016) conducted a research entitled "The effect of competition in the product market on risk-taking and investment decisions of companies listed on the Tehran Stock Exchange." For this purpose, was examined the financial information of 110 companies during the period 2009 to 2014. His statistical tests were performed using R software. The results of the research confirm the existence of a significant relationship between competition in the product market with risk-taking and over-investment. Regarding the investigation of the relationship between competition in the product market and inefficient investment decisions, the research results show that in fractional and linear deficit cases, the behavior of the studied variables can be predicted with more confidence than in the linear case. On the other hand, a comparison of all three types of relations shows the results that the linear fractional state shows the best result.

(Sariri, 2013) conducted a research entitled "Investigation of the effect of ownership structure and profit forecast by management on corporate risk." His findings showed that there is a direct and significant relationship between managerial ownership and company risk and there is an inverse and significant relationship between institutional ownership and company risk. But there is no significant relationship between family ownership and management's profit forecast with corporate risk. Also, managerial ownership, institutional ownership, and family ownership do not affect the relationship between management's forecast of earnings and corporate risk.

(Jafari Kloocheh, 2018) conducted a research entitled The effect of managers' behavioral bias on the risk of companies listed on the Tehran Stock Exchange. Research findings show that there is a positive and significant relationship between managers' behavioral bias and financial risk. The results also show that there is a positive and significant relationship between managers' behavioral bias and strategic risk management. Finally, the findings indicate that the behavioral bias of managers does not have a significant relationship with market risk.

(Dostiar, 2016) in a study investigated the effect of mass behavior of managers of investment companies on their risk-taking. The statistical population of the study includes all CEOs and managers related to investing in investment companies listed on the Tehran Stock Exchange and the sample size was calculated using the Cochran's formula of 196 people. To analyze the hypotheses presented in the conceptual model of the research was used the structural equation modeling method with the partial least squares approach. The results of the analyzes show the confirmation of the main hypothesis of the research and four related hypotheses. The results showed that there is an inverse relationship between risk-taking and mass behavior of investment company managers.

(Mansoori, 2015) conducted a study entitled The Impact of Board Members' Personality Types on Risk-Taking and Investment Decisions. Research findings show that risk-taking has no significant effect on investment decisions then, to investigate the moderation of the personality type variable, we entered the interaction with risk-taking model and we concluded that personality type receptivity has a moderating effect between investment decisions and risk-taking. (Ntim Collins, 2013) conducted a study on corporate governance and risk-taking of Japanese companies. He argued that companies that are family-controlled and have ownership concentrations have poor corporate governance and therefore higher risk. While companies that are under the supervision of banks and are controlled by banks have a lower risk.

(Barakat & Hussainey, 2011) conducted a research entitled Corporate Governance and Risk Reporting. They conclude that corporate governance mechanisms affect the quality of disclosure. They also concluded that the proportion of non-executive board members was related to the quality of operational risk disclosure.

(Suhardjanto & Rahmawati, 2012) conducted a research entitled "Investigating the role of the board of directors in exposing operational risk in Indonesian banks". The board is known as the size of the board, the composition of the independent board, the composition of the female board, the background and level of education of the directors, and the number of board meetings. In this study, the profitability and composition of the members of the independent audit committee are considered as control variables. The results showed that the board of directors is the core of corporate governance and is responsible for ensuring strategic leadership, oversight, management and accountability. The size of the board effects on the risk disclosure. Other variables, the composition of the board of directors, the composition of the female board of directors, the background and level of education of the managers and the number of board meetings are not good predictors of the level of operational risk disclosure.

(Sariri, 2013), in a research entitled "Ownership structure and risk-taking behavior of Islamic and conventional banks: countries in the Middle East and North Africa" examined the impact of bank ownership in two aspects of nature and its focus on banks' risk-taking. In this study, the risk-taking of three different types of banks in terms of ownership, namely private banks, corporate banks and state-owned banks in the years 2005 to 2011 in these countries were compared. The results of this study showed a negative relationship between ownership concentration and risk-taking. Also, different strata of shareholders are different in accepting risk. Private or family banks are more risk averse. In contrast, state-owned banks are more risk-averse and have a significant amount of non-economic lending compared to other banks.

(Ntim Collins, 2013) conducted a research entitled "Investigating the relationship between quality of corporate governance", the effect of corporate risk exposure. Following the study of the effect of corporate governance quality on corporate risk disclosure, in addition to the level of institutional ownership and major shareholders, other corporate governance variables, including board size and number of non-executive board, were also considered. Their findings showed that the size of the board and the number of boards have a positive relationship with the risk exposure of the company.

(Dong et al., 2014) conducted a research entitled the structure of ownership and risk-taking of comparative evidence from private and government-controlled banks in China. For this purpose, they surveyed 108 banks during the period 2011-2003. Their results show that bank ownership is prudent and government-controlled banks are more risk-averse. In addition, their results showed that banks with more centralized ownership were more prudent and risk-averse because of their stronger and better control over the manager.

(Haider & Fang, 2017) conducted a research on CEO power, corporate risk-taking, and the role of centralized ownership. For this purpose, 1502 companies were surveyed during the period 2013-2008. Their findings showed that there is a negative and significant relationship between CEO power and risk-taking. They also showed that centralized ownership plays a significant role in the relationship between CEO power and corporate risk-taking, but does not change this negative relationship. In addition to the above, their findings showed that the impact of focused ownership on the relationship between CEO power and risk-taking in NGOs is stronger than in state-owned companies.

(Harper, 2020) conducted a research entitled the risk of falling stock prices and CEO power. For this purpose, 17816 years-companies (observation) were examined during the period 2001-2014. Their findings show that the risk of falling stock prices has a significant negative impact on CEO power. They showed that after the risk of falling stock prices, the CEO's power decreases significantly. These results are stronger for companies with little experience and female CEOs. In addition, the negative impact of stock price fall risk on CEO power is reduced for large companies.

Methodology

Research methods in the social sciences have undergone fundamental changes over the last three decades, these changes were due to a gradual evolution in the social sciences in Europe and the behavioral sciences movement in the United States. This trend led to increasing efforts in universities to apply scientific logic and quantitative methods. As a result, the application of these quantitative techniques in various fields of social sciences is fully developed.

Statistical Population and Sampling Method

All companies listed on the Tehran Stock Exchange constitute the statistical population of the present research, which must have the following characteristics: 1. Companies must be listed on the stock exchange from 2011 to 2016; 2. The companies in question are not among the banks and financial intermediaries, leasing and other investment companies; 3. Incomplete data. The time domain of this research covers from the beginning of 2011 to the end of 2016. According to the above restrictions, 140 companies were selected as a sample.

Hypotheses and Research Models

1- There is a significant relationship between the power of the CEO and the risk-taking of companies listed on the Tehran Stock Exchange.

2- There is a significant relationship between centralized ownership and risk-taking of companies listed on the Tehran Stock Exchange.

3- Ownership focused is effective on the relationship between CEO power and risk-taking in companies listed on the Tehran Stock Exchange.

Model (1) is related to testing hypotheses

$$id_{i,t} = \alpha_0 + \alpha_1 CEOP_{i,t} + \alpha_2 OC_{i,t} + \alpha_3 CEOP * OC_{i,t} + \alpha_4 BS_{i,t} + \alpha_5 ID_{i,t} + \alpha_6 MS_{i,t} + \alpha_7 ROA_{i,t} + \alpha_8 Lev_{i,t} + \alpha_9 FS_{i,t} + \alpha_{10} CAPEX_{i,t} + \alpha_{11} CF_{i,t} + \alpha_{12} MTB_{i,t} + \alpha_{13} FA_{i,t} + \varepsilon_{it}$$

Where:

Dependent Variable

Unsystematic risk (id): Systematic risk that is the result of economic, political, social and environmental changes in the capital market, which can be controlled (Pulchi, 2010). This variable is extracted directly from the rahavard novin.

Independent Variable

CEO Power (CEOP): In this study, according to Sheikh's research (2018), CEO power is a multidimensional structure that is measured from different sources of power. Dimensions used to measure the power of the CEO include the following dimensions:

Duality of the CEO: If the CEO is a member of the board, this dimension will be one and otherwise it will be zero.

Independence of the Board of Directors: If the ratio of independent managers in the Board of Directors is higher than the middle of the industry, this dimension will be one and otherwise it will be zero.

Ownership of the CEO: If the ownership of the CEO shares is more than the middle of the industry, this dimension will be one and otherwise it will be zero.

CEO tenure: If the CEO tenure is longer than the middle of the industry, this dimension will be one and otherwise will be zero.

Finally, the values obtained from these four dimensions are added together to calculate the total amount of CEO power. The total amount of CEO power is a virtual variable that if the sum of the dimensions of the calculated CEO power sources is higher than the middle of the sample, the value is one, otherwise it is zero.

Modifying Variable

Centralized Ownership (OC): To measure centralized ownership according to (Haider & Fang, 2017) research is used the percentage of shares held by the five major shareholders.

Control Variables

Leverage: The ratio of total debt to total assets is used to measure this variable (Haider & Fang, 2017).

- Board size (BS): The total number of board members is used (Haider & Fang, 2017).

- Independence of the Board (ID): The ratio of non-executive members to the total number of board members is used (Haider & Fang, 2017).

- Management Ownership (MS): To measure this variable, following (Zarjosh, 2016) are used shares in the possession of managers (Haider & Fang, 2017).

-Return on Assets (ROA): The ratio of net profit to total assets is used to measure this variable (Haider & Fang, 2017).

- Firm size (FS): To measure this variable is used the natural logarithm of total capital (Haider & Fang, 2017).

Capital Expenditures (CAPEX): To measure this variable is used the ratio of total net fixed assets plus depreciation to total assets (Haider & Fang, 2017).

Operating Cash Flow (CF): The ratio of operating cash flow to total assets is used to measure this variable (Haider & Fang, 2017).

- Market to book value ratio (MTB): To measure this variable is used the ratio of market value of assets to book value of assets (Haider & Fang, 2017).

-Firm life (FA): To measure this variable is used the natural logarithm of the number of years of company establishment (Haider & Fang, 2017).

Data Analysis

After collecting the data required for the research, Office 2016 software will be used to calculate and prepare the variables and combined data will be used to test the hypotheses. Limer and Hausmann F tests are used to determine the type of combined data. Also, to test the overall significance of the fitted regression model, the Fisher (F) statistic at the 95% confidence level is used, and to test the significance of each of the variables independent of the Student (t) test. The Watson camera test will also be used to test for lack of correlation between model errors. EvIEWS 10 software is used also to analyze the above tests, correlation between variables and multivariate linear regression and other tests.

Findings

Descriptive Statistics

As can be seen in (Table 1), descriptive statistics include mean, median, minimum, maximum, standard deviation, skewness and elongation, which are the most famous and at the same time the most widely used descriptive statistics. Average shows the average of the data. The skewness and elongation of the data is an indicator of symmetry and indicates their status relative to the normal distribution. In the descriptive statistics table of this research has been calculated the average, minimum, maximum, standard deviation as follows:

Table 1. Descriptive statistics of model variables

Variables	Average	Standard deviation	Minimum	Maximum
CEO power (CEOP)	0.8417	0.36527	1	1
Unsystematic risk (Id)	0.1461	0.17114	0	4.27
Centralized ownership (OC)	0.7645	0.1716	0.11	1
Board size (BS)	5.019	0.22821	3	7
Independence of the Board of Directors (ID)	0.6631	0.19085	0.2	1
managerial ownership (MS)	0.6373	0.24877	0	1
asset returns (ROA)	0.112	0.13973	-0.4	0.63
financial leverage (Lev)	0.6033	0.21902	0.09	2.08
firm size (FS)	14.174	1.58319	10.35	19.15
capital expenditures (CAPEX)	0.2843	0.19122	0.01	0.89
operating cash flow (CF)	0.1205	0.13334	-0.46	0.64
Market to book value ratio (MTB)	1.6412	0.68489	0.59	6.53
firm life (FA)	3.5671	0.39192	2.3	4.19

The main central indicator is the mean, which represents the equilibrium point and center of gravity of the distribution, and is a good indicator of the centrality of the data. For example, the average value for a bank size is 14.174, which indicates that most of the data is centered around this point. Dispersion parameters are a criterion for determining the degree of dispersion from each other or their degree of dispersion relative to the mean. One of the most important scattering parameters is the standard deviation. Among the variables, the standard deviation of operating cash flow has the lowest and the variable of company size has the highest dispersion.

Limer F and Hausman Test

Due to the fact that the data used in this study are combined (year-company) and the combined data are both panel and combined, so in order to choose between panel and combined data method in estimating the model was used the F-Limer test. The Hausman test is also used to choose between a model of random effects or fixed effects. A summary of the results of the F-Limer test and the Hausman test is presented in (Table 2) and (Table 3).

Table 2. Limer F test

Model	Limer F test		
	Result	probability	Statistics value
1	Panel data	0.000	1.8652

Source: Research Findings

As can be seen in (Table 2), the probability of statistical model 1 of the research is less than 0.05, therefore the panel data method is accepted.

As explained, the Hasman test is used to choose between a random effects model or a fixed effect model. The results of Hasman test for research models are described in (Table 3):

Table 3. Hasmann test results for choosing between fixed effects model and random effects

Test Result	Statistics χ^2	probability	Model
H0 is rejected (fixed effects method is suitable)	124.3775	0.000	1

The results of (Table 3) indicate that the fixed effects method should be used in this model.

Variance homogeneity test and lack of autocorrelation

To investigate the homogeneity of variance in this study, considering that the research model was estimated using panel data using the fixed effects method, the Pagan-Godfrey test was used. The Camera-Watson test was also used to test the autocorrelation between the residues. If the probability of the statistic is between 1.5 and 2.5, there is no correlation between the residuals. In case of autocorrelation by AR component and in case of variance mismatch, generalized least squares (GLS) method is used. A summary of the test results is presented in (Table 4).

Table 4. Test of variance homogeneity and lack of autocorrelation

Model	Model variance homogeneity test		
	Result	probability	Statistics amount
1	Inequality of variance	0.000	10.87066
1	Lack of residual autocorrelation		Camera - Watson Statistics: 2.2662

According to (Table 4), the probability of the statistic obtained for the variance heterogeneity test for model 1 of the study is 0.0000, which is less than the error level of 0.05. Therefore, the null hypothesis (existence of variance homogeneity) is rejected, which indicates that there is variance inequality. The generalized least squares (GLS) method has been used to eliminate the variance heterogeneity. Regarding the lack of residual autocorrelation according to the camera-watson statistics is in the confirmed range.

Test of research hypotheses

In this section are tested research hypotheses. Due to the nature of the data, the research hypotheses were tested at the composite data level. Before fitting the regression model and testing the research hypotheses, the classical hypotheses of the model were tested and according to the assumptions of the model were tested the research hypotheses. In the regression model, according to the probability values, it was decided whether or not to reject the null hypothesis.

Research Hypotheses

According to (Table 5), in this study, F statistic was used to test the significance of the whole model and t - statistic was used to test the significance of regression coefficients. The coefficient of determination R2 was also used to examine the relationship between independent and dependent variables. According to the regression model of the first to third hypotheses, if the probability of t-statistic for the variable (CEOP-OC-CEOP * OC) is less than the error level of 0.05 are confirmed the first to third hypotheses.

Table 5. Results of data analysis to test the first to third hypotheses

variables	Significant	t-statistic	standard error	Coefficients
C	0.0004	3.546371	0.150996	0.535488
CEOP	0.3605	0.915049	0.030926	0.028299
OC	0.0018	-3.131251	0.37627	-0.117820
CEOP*OC	0.4279	-0.793210	0.040693	-0.032278
BS	0.5670	0.572794	0.010809	0.006192
ID1	0.7718	-0.290092	0.013368	-0.003878
MS	0.0668	-1.836181	0.013908	-0.025538
ROA	0.0005	3.472163	0.029461	0.102294
LEV	0.0002	3.707488	0.020267	0.075138
FS	0.0117	2.528111	0.007617	0.019257
CAPEX	0.0011	3.282907	0.025096	0.082389
CF	0.6679	0.429229	0.017976	0.007716
MTB	0.0000	13.63021	0.004487	0.061157
FA	0.0000	-4.245943	0.050760	-0.215525
coefficient of determination	0.3853	Adjusted coefficient of determination		0.4967
F statistics	0.0000	F statistical significance		4.4605

Source: Research Findings

Given the value of probability obtained for the F-statistic, which is less than 0.05, the hypothesis H₀ is rejected, indicating that not all regression coefficients are zero at the same time. Therefore, at the 95% confidence level is significant in this model. The value of the model determination coefficient is equal to 0.4677 which shows 49.67% of the changes of the dependent variable (risk-taking) by the independent and control variable.

According to (Table 5), the coefficient of the CEO power variable is equal to 0.0282 which is positive and the probability of t-statistic for the CEOP power variable is equal to 0.3605. This value is more likely than the error level of 0.05. Therefore, the null hypothesis is accepted. Therefore, there is no significant relationship between the power of the CEO and the risk-taking of companies listed on the Tehran Stock Exchange. As a result, the first hypothesis of the research is rejected at the 95% confidence level.

According to (Table 5), the coefficient of centralized ownership variable is -0.1178 which is negative and the probability of t-statistic for OC centralized ownership variable is 0.0018. This value is less than the error level of 0.05. Therefore, is rejected the null hypothesis. Therefore, there is a significant relationship between centralized ownership and risk-taking of companies listed on the Tehran Stock Exchange. As a result, the second research hypothesis is accepted at the 95% confidence level.

According to (Table 5), the coefficient of variable power of the CEO in centralized ownership is equal to 0.0322 which is positive and the probability of t-statistic for the variable of CEO power in centralized ownership is equal to 0.47979. This value is more likely than the error level of 0.05. Therefore, is confirmed the null hypothesis. Therefore, ownership focused on the relationship between CEO power and risk-taking in companies listed on the Tehran Stock Exchange is not affected. As a result, the third hypothesis of the research is rejected at the 95% confidence level.

According to (Table 5), among the control variables of the research there is a significant relationship between the variables of asset return, financial leverage, company size, capital expenditure, ratio of market currency to book value and company life and risk-taking of companies listed on the Tehran Stock Exchange.

Discussion and Conclusion

The risk process will be successful if it is in line with the goals of the company's developed plans. Therefore, people in the company should be responsible for risk management who are familiar with the goals and strategies of

the company and have sufficient experience and skills in the field of risk management. Various factors have contributed to the importance of corporate governance regulations. One of these factors is risk management, which, if done properly, can improve the company's performance. Therefore, the existence of corporate governance regulations creates security for investors and prevents the creation of moral hazards, and also improves the management of companies. The main focus of this research is in line with the above issues. In fact, in this study, the relationship between CEO power and risk-taking with respect to centralized ownership was examined. In order to test the research hypotheses, a sample of 140 companies was selected from the companies listed on the Tehran Stock Exchange during 2016-2011. Findings showed that there is no significant relationship between CEO power and risk-taking. But there is a significant negative relationship between ownership concentration and risk-taking. On the other hand, the findings showed that centralized ownership causes a negative relationship between CEO power and risk-taking, although it was not statistically significant but it can be argued that the role of focus is effective as a regulatory role. Johnson et al (2000) showed that when investors are best protected against the arbitrary decisions of managers, the concentration of ownership has little effect on the value of the company, because shareholders do not need to concentrate ownership to protect their rights. However, when the conflict of interests between minority shareholders and major shareholders becomes more salient, the concentration of ownership increases the potential risk and expropriation of minor shareholders and the loss of their rights. In this regard, as the decision-making power of major shareholders increases, they can affect the company's risk-taking depending on the circumstances (risk aversion or risk-taking) and according to the benefits.

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