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Article

The influence of the chairman and CEO effectiveness on operating performance: Evidence from Malaysia

Cogent Business & Management

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Suggested Citation: Sitraselvi Chandren; Qaderi, Sumaia Ayes; Ghaleb, Belal Ali Abdulraheem (2021) : The influence of the chairman and CEO effectiveness on operating performance: Evidence from Malaysia, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 8, Iss. 1, pp. 1-23,
<https://doi.org/10.1080/23311975.2021.1935189>

This Version is available at:

<https://hdl.handle.net/10419/245048>

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To cite this article: Sitraselvi Chandren, Sumaia Ayesh Qaderi & Belal Ali Abdulraheem Ghaleb | (2021) The influence of the chairman and CEO effectiveness on operating performance: Evidence from Malaysia, Cogent Business & Management, 8:1, 1935189, DOI: [10.1080/23311975.2021.1935189](https://doi.org/10.1080/23311975.2021.1935189)

To link to this article: <https://doi.org/10.1080/23311975.2021.1935189>



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Published online: 13 Jun 2021.



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Received: 17 March 2021
Accepted: 24 May 2021

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Reviewing editor:
Collins G. Ntim, Accounting,
University of Southampton, UNITED
KINGDOM

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

The influence of the chairman and CEO effectiveness on operating performance: Evidence from Malaysia

Sitraselvi Chandren¹, Sumaia Ayesh Qaderi^{1,2*} and Belal Ali Abdurraheem Ghaleb^{1,2}

Abstract: This study investigates the relationship between the Chairman's characteristics (age, title, tenure, and ownership) and the firm's operating performance (measured by profitability and liquidity), and whether the Chief Executive Officer's (CEO) effectiveness (a combination of non-duality, age, and tenure) strengthens or impairs this relationship. Based on a total sample of 267 observations, we use Ordinary Least Squares (OLS) regression to investigate the hypotheses established for the top 89 non-financial firms listed on the Malaysian Main Market during 2017 to 2019. The findings show that Chairman age is positively and significantly associated with the firm's profitability but not with liquidity. Conversely, Chairman ownership is positively and significantly associated with liquidity but not with profitability. These findings suggest that the age and ownership of the Chairman may significantly boost operating performance. However, Chairman tenure is negatively and significantly associated with operating performance (profitability and liquidity), suggesting that long-tenured Chairmen are associated with poor

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PUBLIC INTEREST STATEMENT

This paper investigates the Chairman influence on operating performance and how the CEO effectiveness comprises of non-duality, age and tenure affect the relationship between Chairman and operating performance. The results report that presence of significant relationship between Chairman (e.g., age, tenure, and ownership) with operating performance (profitability and liquidity) in Malaysian market. The result documents that CEO effectiveness combination of non-duality, age and tenure moderates the relationship between Chairman (e.g., title, tenure, and ownership) with operating performance. Indeed, the finding suggests that although the Chairman has significant influence in operating performance, for effective stewardship the Chairman empowers the CEO to exercise control in optimizing the resources for managing the operating performance. The outcome of this study creates awareness to regulators and stakeholders that the separating the roles between the Chairman and CEO gives privilege to CEO autonomy in managing the operating performance for nurturing good governance practices in firm operations.

operating performance. Chairman title is insignificantly related to operating performance. Importantly, the results also show that CEO effectiveness strengthens the relationship between Chairman tenure and liquidity. However, CEO effectiveness impairs the relationship between Chairman title and profitability and Chairman ownership and liquidity. Additional analysis is conducted to further check the validity of the main results and to avoid any possible effect of endogeneity issues. To our knowledge, this paper is the first to investigate the impact of Chairman characteristics on operating performance with the moderating effect of CEO effectiveness, specifically in a developing economy.

Subjects: Corporate Finance; Business, Management and Accounting; Auditing; Financial Accounting; Financial Statement Analysis; Management Accounting; Corporate Governance

Keywords: Chairman; CEO; corporate governance; operating performance; Malaysia

1. Introduction

Successful operating performance, through managing sales growth, inventory, operating expenses and effective working capital with strong liquidity, ensures the stability and position (Chandren et al., 2018). The relationship between corporate governance and a firm's operating performance is discussed in numerous studies, although largely confined to the board of directors and its sub-committees (Agyei-Mensah, 2021; Al Farooque et al., 2019). Performance is greatly influenced by corporate, foreign, dispersed, and managerial ownership (Ongore, 2011), reflected in the encouragement of shareholders. The involvement of corporate governance has been found to be significant in achieving sound operating performance, represented by strong management discharging its duties effectively in a positive direction for the firm's and shareholders' benefit (Chandren et al., 2017). Examples of good governance include gender diversity, which strengthens the board's monitoring role and enhances the financial reporting quality (Ghaleb et al., 2021); and the positive and significant link between corporate governance and return on assets (ROA) and return on equity (ROE) (Brown & Caylor, 2009; Dony et al., 2019; Khan et al., 2019). The reliability of corporate governance, led by the Chairman and under him/her the Chief Executive Officer (CEO), is vital in achieving positive operating performance and ensuring stakeholders', particularly investors' confidence (Amran et al., 2014). Overall, effectiveness in discharging the corporate governance roles is necessary in strengthening operating performance (Chandren et al., 2019) and in reducing any detrimental effect from investment (Al-Gamrh et al., 2020). Thus, the Chairman and CEO are important agents who lead, manage, and run the firm on behalf of the shareholders, to attain a promising operating performance.

The position of Chairman is considered to have a distinct influence on the vigorous role and contribution of the board, as well as on management supervision and support (Kakabadse & Kakabadse, 2007). The Chairman is recognized as the board leader, engaged with the shareholders and promoting healthy relationships among board members (Amran et al., 2014). The Chairman leads the board in promoting good corporate governance practices, and increasing stakeholders' confidence in the business system, performance, and position (Withers & Fitza, 2017). Thus, the Chairman's role in maintaining or improving operating performances is a key element in the sustainability framework, although the Chairman does require the support of the team of directors, including the CEO. The relationship between the Chairman and CEO is crucial for effective performance in the boardroom (Kakabadse et al., 2006). The CEO is in charge of the overall business operations including strategic, operating, and financial matters, taking a major role in the control and assurance of the firm's operations (Amran et al., 2014). The CEO thus influences the firm's policies, decisions, and results (Al-Dhamari et al., 2020). Generally, a change in the leadership structure from CEO duality to non-duality improves (Yasser et al., 2015): duality means that the

Chairman is also the CEO of the firm, and non-duality that the posts are held by different individuals (Lam & Lee, 2008). In addition, previous studies claim that the separation of these positions, and an older CEO with long tenure, are positive attributes enhancing operating performance (Dogan et al., 2013; Peni, 2014; Saleh et al., 2020). Consistently, the negative association between CEO duality and firm performance supports the agency theory assumption (Dogan et al., 2013). Peni (2014) opines that CEO age has a positive correlation with performance (e.g., ROA). In addition, an experienced CEO is less aggressive than a newcomer to the post (Jalbert et al., 2010). CEOs tend to become more conservative as their tenure increases, although fostering a more liberal attitude (Musteen et al., 2006). Thus, the CEO's effectiveness (a combination of non-duality, age and long tenured) enhances the leadership role to achieve a better operating performance. The principle of stewardship explains that joint administration responsibilities optimize shareholder interest (Donaldson & Davis, 1991). Thus, the joint administration of the Chairman and CEO are prominent in the corporate governance framework to influence the operating performance of the firm and ultimately national economic development. However, academic research has not focused on the effectiveness of the joint administrative roles of Chairman and CEO in influencing operating performance, a gap which the current study aims to fill.

This study focuses on Malaysia, examining the top listed firms from 2017 to 2019 for the following reasons. First, the Malaysian Code of Corporate Governance (MCCG) 2017 urges separation of the duties of Chairman and CEO to promote good governance and among the listed firms in Malaysia. Separating the positions of the Chairman and CEO encourage transparency and promotes the division of duties between them (Securities Commission Malaysia [SCM], 2017). In the US, regulators have consistently required companies to separate the two roles in order to reduce the agency cost and enhance performance (Brickley et al., 1997). Thus, non-duality strengthens the Chairman's role in improving operating performance, managing the board of directors through corporate governance systems consistent with the MCCG's 2017 key principles emphasize on board leadership and effectiveness in corporate governance. However, few previous studies have investigated the Chairman's role in operating performance (e.g., Amran et al., 2014; Peni, 2014; Withers & Fitza, 2017); this study aims fills the gap in the literature by investigating the nature of the relationship between the Chairman as board leader and operating performance.

Second, as the MCCG 2017 emphasizes separation of the roles of Chairman and CEO, we investigate cooperation between these two roles and the separation of duties for the benefit of the firm and stakeholders. The Chairman is the board leader who reports directly to all stakeholders by delegating authority to the board of directors including the CEO (Amran et al., 2014). The Chairman monitors one of the board's main roles, consulting and coaching respective CEOs (Chitayat, 1985). That is, the Chairman acts as coach and authorizes the CEO to manage operational and financial matters. To the best of our knowledge, no previous studies have considered the relationship between CEO effectiveness under the Chairman and firm performance, another motivation for conducting this study, and in the Malaysian context. Furthermore, the CEO's non-duality, age and tenure structure (Dogan et al., 2013; Peni, 2014; Saleh et al., 2020) may assist the Chairman in achieving the desired operating performance, empowering the CEO to encourage tolerance of risk, resilience, and determination to cooperate with the Chairman. Typically, in determining the board membership, the CEO's power should be considered for the shareholders' benefit (Combs et al., 2007). The CEO's primary tasks are to administer and control business operations and financial matters, while remaining accountable to the Chairman. Basically, the CEO is urged to provide support for the Chairman in managing the firm, showing the board of directors' accountability to all stakeholders. Thus, the CEO's effectiveness may interact with the Chairman to achieve the desired operating performance. This paper therefore uniquely investigates the CEO's effectiveness in moderating the relationship between the Chairman and operating performance. It considers whether the Chairman is directly involved in the firm's operating activities or delegates power to the CEO for operational and short-term financial matters.

Third, the stewardship theory considers collectivist behaviours (Davis et al., 1997) and puts the firm's interest first (Haniffa & Cooke, 2002). Hence, stewardship is performed jointly by the Chairman and CEO, encouraging stability in operating performance for sustainable growth and stakeholder engagement. Consequently, the outcome of the study may contribute to the practical and academic literature by acknowledging the influence of the CEO's effectiveness on the Chairman's to achievement of operating performance. Thus, our results will indicate the accountability and professionalism between the Chairman and the CEO for the benefits of stakeholders and the firm, in line with stewardship theory. That is, it will reveal the contribution of the Chairman and CEO's effectiveness in achieving a better operating performance. Hence, the first objective of this study is to investigate the Chairman's role in the operating performance, and the second is to explore the effect of the CEO's effectiveness as moderator of this relationship.

The results of this study will consequently make the following contributions. First, they will explain that age, ownership, and a short-tenured Chairman improve operating performance. Second, they will show that CEO's effectiveness moderates the association of Chairman title with profitability, Chairman tenure and ownership with liquidity. The results of the CEO's effectiveness indicates that in conformance with the regulations, the Chairman delegates authority for managing financial and operational matters to the CEO, particularly in firms with non-duality, and an older long-tenured CEO. Third, the outcome of joint administration supports the stewardship theory assumption of collectivism and best performance. This indicates that, in addition to leading the board and promoting a high level of corporate governance standards, the Chairman is responsible for supporting the CEO in achieving operating performance, fostering effective stewardship between Chairman and CEO for sustainability and stakeholder engagement.

This paper has the following implications. First, the Chairman's role is essential in achieving positive operating performance; a good leader will strive to safeguard the interest of shareholders and other stakeholders and enhance the firm's value through strong systems incorporating best corporate governance practice. Second, the CEO's promotion of effective and efficient business operations has a positive impact on the operational and financial performance of the firm. The delegation of authority by the Chairman to the CEO encourages the CEO to support to Chairman in managing the firm, showing the board of directors' accountability to all stakeholders. Thus, the CEO supports the Chairman in achieving the desired operating performance.

The rest of the study is structured as follows. Section 2 presents the background, and Sections 3 and 4 review the literature and theory, and develop the hypotheses. In Section 5, the research design and sample selection are addressed. The data and analytical findings, including robustness checks, are discussed in Section 6. The paper concludes in Section 7.

2. Background

Many Malaysian firms were affected by the Asian Financial Crisis of 1997 (Sufian, 2010), and other studies highlight that weak corporate governance aggravated the difficulties. Thus, firms with good governance practices were able to avoid or minimize the impact of the financial crisis (Darussamin et al., 2018). As a result, the Securities Commission of Malaysia introduced the MCCG in 2000 to promote a culture of good governance within the capital market. The MCCG is an important mechanism for corporate governance reform, adopting international standards and positively influencing firms' practice. The MCCG was revised in 2007 and 2012 to guarantee that it remains pertinent and in line with internationally recognized best practices and standards; the 2017 version overrides previous releases, adopting another strategy to promote preeminent internalization of a corporate governance culture (Securities Commission Malaysia [SCM], 2017). One of the key principles of good corporate governance is the emphasis on board leadership and the effectiveness of its head, the Chairman. The Chairman requires ensuring that the board members, including the CEO, are collectively accountable for achieving positive operating performance. From the business point of view, operating success requires good leadership in corporate governance from the Chairman promotes best practices in the business systems and operations with the

support of the CEO. The good leadership from the Chairman shall emphasize in high corporate governance standards that help in the enhancement of operating performance for the stakeholders' benefits and survival of the firms (Åberg & Shen, 2020; Amran et al., 2014). To achieve the operating performance goal, the CEO is urged to provide support for the Chairman in discharging his or her duties in managing the operating performance. Firms with positive operating performance signal the effectiveness of corporate governance led by the Chairman to achieve a promising business system to maximize the firm's value and shareholders' wealth. The relationship between the Chairman and CEO also affects the board's effectiveness (Kakabadse et al., 2006). Thus, the regulatory requirement to enhance the Chairman's leadership in corporate governance, has encouraged the current study's focus on the Chairman's influence on operating performance, with the support of the CEO.

3. Theoretical framework

3.1. Stewardship theory

Stakeholder theory sees subordinates as "collectivists, pro-organizational, and trustworthy" with sociological and psychological ways of governance (Davis et al., 1997). Stewardship theory emphasizes circumstances where the manager is not motivated by personal objectives but instead is a steward whose inspirations are aligned with the goals of the principal (Davis et al., 1997). It explains that the shared roles of administration maximize the shareholders' interest (Donaldson & Davis, 1991). Stewardship theory, with a lineage in psychology and sociology, is designed to investigate managers' stewardship motivated to function for the principal's best interest (Donaldson & Davis, 1991). Basically, stewardship theory emphasizes pro-organizational, collectivistic behaviours rather than individualistic, self-serving behaviours (Davis et al., 1997). The theory perspective sees the board of directors as guardians of the firm's assets, doing their best for the firm (Haniiffa & Cooke, 2002). It involves topics such as managers' trust, professionalism, uprightness, and willingness to consider others' needs, as well as dismissing the foundations of traditional issues that are claimed by agency theory (Keay, 2017). Further, board transparency is as important to the theory of stewardship as it is to the theory of agency (Keay, 2017). Thus, this study uses stewardship theory to investigate the Chairman's stewardship to attain better operating performance for the stakeholders, with the CEO's interactive role in supporting the Chairman for effective corporate governance practices.

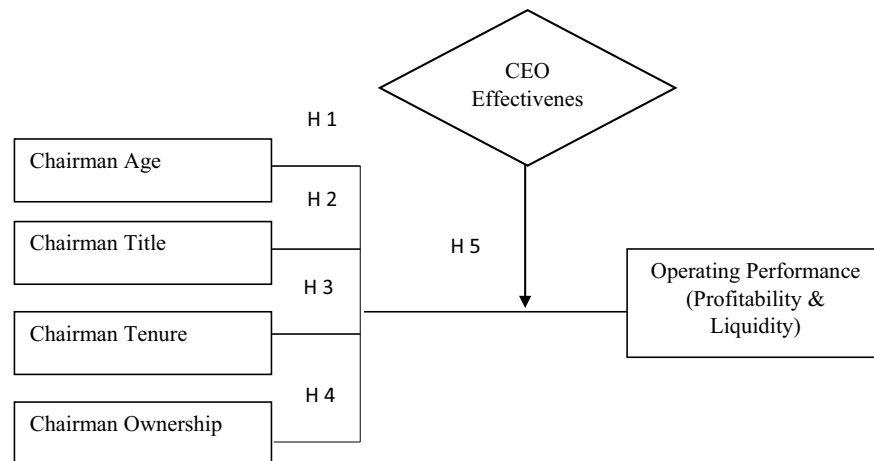
3.2. Corporate governance and operating performance

The involvement of management and corporate governance are essential for operating performance (Chandren et al., 2020). The corporate governance framework helps to match the priorities of management with those of stakeholders to improve firm performance (Fooladi & Nikzad Chaleshtori, 2011). The board's strategic orientation highlights the degree to which directors, including individuals, can control key results and their commitment to governance (Ingley & Van Der Walt, 2005). Firm performance indicates how financial resources are available to the firm to achieve its objectives and create potential for future opportunities (Yasser et al., 2011). The transformation and change of performance measurements depend on internal and external influences, process issues and transformational issues, for example, the degree of top-level support (Waggoner et al., 1999). This reflects that corporate governance support is significant for operating performance as corporate governance is determined by the top-level positions. Thus, the positive firm performance achievements and shareholders wealth protection are from the smooth firm operations under the responsibility of corporate governance (Chandren et al., 2019).

Corporate governance is an engine to design, manage and control the system of business through best practice mechanisms under the board of directors' management, led by the Chairman. It is recognized as the "ultimate driver" for the improvement of financial performance of the firm and business communities (Khan et al., 2019). Many studies have investigated the relationship between corporate governance and firm performance (e.g., Al-ahdal

Figure 1. Theoretical framework.

Source: Authors



et al., 2020; Arora & Sharma, 2016; Brown & Caylor, 2004; Al Farooque et al., 2019; Fooladi & Nikzad Chaleshtori, 2011; Khan et al., 2019; Vo & Phan, 2013; Yasser et al., 2011). Ahmed and Hamdan (2015) in Bahrain indicate that there is significant relationship between corporate governance and financial performance (represented by ROE) and operating performance (represented by ROA). Corporate governance is a system that builds up the relationships between different parties in the firm, for example, managers and shareholders, including investors, and assures the existence of appropriate provision of resources among the competing users (Al-ahdal et al., 2020). The important element in corporate governance is the board of directors, with a prominent role in monitoring and advisory services to management on vital strategic decisions (Masulis et al., 2012). The boards of directors' characteristics affect firm performance (Abdulsamad et al., 2018), and high-quality corporate governance has a positive effect on operating performance (Bhagat & Bolton, 2008). Similarly, the higher the standard corporate governance, the more successful is firm performance (Brown & Caylor, 2004; Enache & Hussainey, 2019). Thus, good corporate governance from the Chairman leading the board of directors' team will lead to a positive operating performance.

Management scholars have yet to explore the Chairman's role in the firm's operating performance. Good corporate governance practices, leadership and effectiveness of the board are under the responsibility of the Chairman (Securities Commission Malaysia [SCM], 2017). In general, the Chairman is the leader of the board with key responsibilities including leading discussions and meetings, developing and monitoring good governance practices, promoting effective communication with stakeholders, and communicating stakeholders' views to the board, ensuring that complete and accurate information is received in a timely manner by the board members, and handling relationships between the board and management (Åberg & Shen, 2020; Withers & Fitza, 2017). As the leader of the board, the Chairman is responsible to the firm and its stakeholders, as the role is essential in the achievement of a positive operating performance. Haniffa and Cooke (2002), in their study of disclosures of 167 listed firms in Malaysia, report the importance of the Chairman's position in board effectiveness. In addition, the CEO who is responsible for the day-to-day operation of the firm's activities reports directly to the Chairman. Therefore, the CEO urges to support the Chairman in achieving the desirable operating performance. Consistently, the involvement of both Chairman and CEO are essential for firm performance (Amran et al., 2014). Understandably, the CEO is a natural subject for study, as the most powerful and recognizable executive (Peni, 2014). Adams et al. (2005) discover that the stock returns of firms led by powerful CEOs are more volatile. Consequently, CEOs have an influence over firms due to their overt legal authority and "soft" power in controlling the firm's behaviour (Li et al., 2019). The involvement of the CEO is vital in assisting the Chairman to

achieve exceptional operating performance. Thus, this study investigates the Chairman's characteristics (age, title, tenure, and ownership) in relation to operating performance, moderated by CEO effectiveness (a combination of non-duality, age, and tenure). [Figure 1](#) presents the theoretical framework of the current study.

4. Literature review and hypothesis development

4.1. Chairman age and operating performance

The stewardship theory on collectivist behaviour considers the director's age in work-related matters; for example, age affects decision making (Davis et al., 1997). The firm and its operational capacity for reorganizing, accepting and adjusting to any new contingencies should encourage managerial characteristics of personal flexibility and energy related with youth; high-performance firms are influenced by environment, size, and technology (Child, 1975). Abdullah and Ku Ismail (2013) report that even with limited experience directors who are younger in age are dynamic and have rich ideas, while older directors help the executives with wisdom and advice. Abdullah and Ku Ismail (2013) find an insignificant relationship between firm performance and diversity of directors' ages. Generally, entrenched directors with more experience are widely recognized for their networking ability in business and government circles (Abdullah & Ku Ismail, 2013). Board experience measured by average age of the directors has a positive relationship with firm performance (Vo & Phan, 2013). Consistently, the older directors have more competitive advantage and working experience than younger directors (Peni, 2014). The positive relationship between CEO age and operating performance confirms that older directors are effective leaders in managing operating performance (Chandren et al., 2019). Board Chairman has a significantly positive relationship with firm performance (Amran et al., 2014), with the 51 to 70-year age band, recommended as a good combination of older Chairman and younger aggressive CEO for better firm performance.

Conversely, firm performance may weaken as the Chairman grows older, possibly leading to less productive cost structures (Waelchli & Zeller, 2013). The Chairman, like other individuals, becomes significantly slower, experiencing substantial changes in motivation and reduced cognitive abilities (Waelchli & Zeller, 2013). Further, the Chairman within the age 50 to 65 has a negative significant relationship with firm performance (Waelchli & Zeller, 2013). According to Koufopoulos et al. (2008), efficient firm performance does not rely on the Chairman's age as there is a negative relationship between age and firm performance. According to stewardship theory, at any age the Chairman will do his/her best for the firm and stakeholders. The first hypothesis is therefore:

H1: There is a relationship between Chairman age and operating performance.

4.2. Chairman title and operating performance

CEOs who have "titles" are regarded as more powerful (Al-Dhamari et al., 2020), despite stewardship theory (Haniffa & Cooke, 2002), and powerful leaders may play a vital role in enhancing operating performance. Titles like *Dato' Sri*, *Dato' Seri* or *Tan Sri* are the highest bestowed by the ruler on the most worthy recipients, who have made a significant contribution to Malaysia. The Chairman's title, conferred by the ruler, builds up the corporate image and makes the position more powerful and influential. It is a motivating factor for the Chairman to perform even better and to strengthen further the stewardship in enhancing operating performance. Based on stewardship theory and the literature, the second hypothesis is as follows:

H2: There is a relationship between Chairman title and operating performance.

4.3. Chairman tenure and operating performance

The Chairman tenure has influence to firm performance, for example, the CEO who has served longer in the firm is more familiar with the firm's affairs and establishing a good relationship with stakeholders, and is thus believed to render better performance than one with shorter service (Afrifa & Tauringana, 2015). This supports the stewardship theory postulation on professionalism, board transparency and care for others (Keay, 2017). It is expected that directors who have been in power for a lengthy period would do better than those who have been in office for a shorter period because the former are better acquainted with the company's affairs. Board tenure at an average peak of nine years is found to be effective due to the positive relationship with future stock returns, including the current and future firm value (Livnat et al., 2016). However, as time goes by, the board's effectiveness in advising and monitoring managers decreases, as up-to-date knowledge of operations is required (Livnat et al., 2016). Longer tenure also allows the CEO to develop good relationships with stakeholders and to prepare and adopt a long-term strategy that will boost performance (Afrifa & Tauringana, 2015). Thus, CEO tenure has a significantly positive relationship with firm performance (Afrifa & Tauringana, 2015). Overall, Chairman tenure has a positive relationship with firm performance (Koufopoulos et al., 2008).

Conversely, Waelchli and Zeller (2013) find no significant relationship between Chairman tenure and firm performance in Swiss corporate firms. Similarly, Arosa et al. (2013) report an insignificant negative relationship between CEO tenure and firm performance. CEO rotation may encourage efficiency in board functions as short tenure increases the capacity for monitoring, with new people with different attitudes and views on decisions or situations (Arosa et al., 2013). Vafeas (2003) opines that longer service on the board makes the director management friendly, at the cost of shareholders (the management friendliness hypothesis). Previous studies report on CEO life cycles, where the CEO has a fast learning pace during the initial time in service but gradually loses contact with the external environment (Henderson et al., 2006). For example, CEO tenure is positively related with firm performance, with an observed decrease in some CEO performance after 10–15 years (Henderson et al., 2006). The explanation of stewardship theory on professionalism makes it necessary to investigate Chairman tenure and operating performance. Thus, the third hypothesis is as follows:

H3: There is a relationship between Chairman tenure and operating performance.

4.4. Chairman ownership and operating performance

According to agency theory, the conflict between principal and agent is inversely related to director ownership (Conheady et al., 2015), while stewardship theory claims that the manager's objective is aligned with the principal's (Davis et al., 1997). The directors and shareholders may experience a conflict of interest by virtue of separation of ownership and control (Ozkan, 2011). Agency theory recommends that corporate governance reduce this conflict by separation of ownership and control between principal and agent in modern firms (Ozkan, 2011). Previous studies support the theory that through ownership the director is able to align interest with the shareholders' with less diversion of resources for firm value maximization by directors (Ozkan, 2011). The Chairman's share ownership has a positive association with firm performance (after-tax return on total assets) (Koufopoulos et al., 2008). Palia and Lichtenberg (1999) identify that modifications in managerial ownership are positively correlated to productivity changes in firms.

Mandacı and Gumus (2010) find that the relationship between managerial ownership and firm performance is significantly negative, and suggest reducing managerial ownership to improve performance. In addition, there is significant positive non-linear relationship between CEO ownership and firm performance, where firm performance is positive when CEO ownership is approximately 12 percent but decreases when it reaches 67 percent (Griffith et al., 2002). There is

a possibility of inadequate diversification within the CEO's own portfolio, and the CEO may take sub-optimal returns in order to mitigate firm-specific risk (Griffith et al., 2002). Managerial ownership has a significant negative relationship with firm performance where the outcome fails to support the agency theory that managerial ownership can alleviate agency cost (Dony et al., 2019). Conversely, a study of 87 listed Malaysian firms reports an insignificant relationship between director ownership and firm performance (Mohd Ghazali, 2010). The Chairman's stewardship may be challenged by the presence of Chairman ownership. Thus, the hypothesis is as follows:

H4: There is a relationship between Chairman ownership and operating performance.

4.5. CEO effectiveness, chairman and operating performance

With the support of stewardship theory, this study defines CEO effectiveness as a combination of CEO non-duality, age, and tenure, as these three variables are relevant for CEO optimism to positively cooperate and support the Chairman in achieving the goals of operating performance. The shared role of administration (Donaldson & Davis, 1991) avoiding self-serving behaviours (Davis et al., 1997) explains how the CEO and Chairman may work together for the benefit of the stakeholders. This study follows the structural power of the CEO as the senior executive in exerting influence and control over resources (Finkelstein, 1992). Thus, it emphasizes CEO non-duality, age, and tenure as the structural power of CEO effectiveness in supporting the Chairman role.

CEO duality is generally noticeable in firms where the most powerful individual is the biggest shareholder with the strongest motivation for personal involvement in the firm's governance and management (Tam & Tan, 2007). Thus, the non-duality is recommended, and large shareholders are willing to separate the roles of CEO and board Chairman as it increases the number of pyramid layers (Liu et al., 2019). Aktas et al. (2019) support agency theory and suggest that internal capital allocation strategy is a key channel through which CEO duality reduces diversified companies' value. Further, duality gives the CEO tremendous power that reduces the checks and balances and the board's monitoring role, which is counterproductive to improving performance (Rashid, 2013). That is, CEO duality increases agency cost. The separation of CEO and Chairman positions has a significant positive relationship with exceptional current and subsequent operating performance (Bhagat & Bolton, 2008). The positive influence on performance measured by ROA results from diluting the CEO's power and reducing CEO entrenchment, while strengthening monitoring and oversight (Lizares, 2020).

In a firm's decision making, age plays an important role (Tarus & Aime, 2014). Age is a positive factor in the emotional intelligence of the CEO as it improves the maturity and decision-making capacity in leading the senior management team, particularly during and after the introduction of new policies or business practices requiring changes to operations (Chandren et al., 2019). CEO age is correlated positively with company performance, as it improves the efficiency of management skills (Xiao et al., 2013). Younger executives with lack of experience have less of a competitive advantage relative to older executives (Peni, 2014). Older directors are better advisors in leading businesses, with greater experience, thereby facilitating the recruitment of older managers (Abdullah & Ku Ismail, 2013). CEO age suggests a positive direction towards financial efficiency, either in revenue growth or in the management of working assets (Chandren et al., 2019).

CEO tenure has a positive and linear correlation with the strength of the firm-employee relationship (Luo et al., 2014). This reflects that CEO tenure will support the Chairman's administrative duties in accordance with the stewardship theory. According to Antia et al. (2010), greater agency cost, lower company value and higher levels of knowledge risk are correlated with a shorter CEO horizon. The longer the term of the CEO, the higher is the performance of the firm, because long-serving CEOs can become specialists in all facets of the firm's activities and technicalities (Saleh et al., 2020).

Thus, from the findings of the previous studies, CEO effectiveness (non-duality, age, and tenure) influences operating performance. With the influence of structural power, CEO effectiveness is assumed to execute its stewardship in support of the Chairman. This study therefore investigates the influence of CEO effectiveness as moderator, either strengthening or impairing the Chairman's stewardship in managing the operating performance. Thus, we hypothesize that:

H5: There is a relationship between Chairman and operating performance moderated by CEO effectiveness.

4.6. Control variables

It is important to control the confounding variables to avoid any false rejection of hypotheses (Bartov et al., 2000). Control variables are included to reduce the possibility of omitted-variable bias (Afrifa & Taurigana, 2015). Thus, we control for firm size, asset tangibility, firm age and financial leverage, audit firm and board size (Abdul Rasheed et al., 2021; Afrifa & Taurigana, 2015). There is a significant negative relationship between firm size and performance (Dony et al., 2019). Conversely, Lizares (2020) shows a significant positive relationship between firm size and performance. The asset tangibility has a significantly negative relationship with firm performance (Afrifa & Taurigana, 2015). The firm age has negative significant relationship with firm performance (Khan et al., 2019). Financial leverage has a significant and negative relationship with firm performance (Chandren et al., 2020; Saleh et al., 2020). The audit firm has no significant influence on firm performance (Harymawan et al., 2019). The relationship between board size and firm performance is significantly positive (Al Farooque et al., 2019; Khan et al., 2019).

5. Research design

This study collected financial, Chairman's and board of directors' data manually from Thompson Reuters DataStream and from firms' annual reports available on the Bursa Malaysia website for 2017 to 2019. The sample firms are from the top 100 listed firms on Bursa Malaysia, based on market capitalization. As a result of differences in regulatory requirements, the financial and unit trust firms were omitted, and three firms with missing data were also excluded. Table 1 summarizes these figures, which represent 267 firm-year observations. As stated above, the years 2017 to 2019 were used in line with the MCCG 2017 requirement for the recognition of Chairman as the leader of the board of directors, and separation of the Chairman and CEO roles to strengthen the governance practices. The study focused on the top-listed firms as requirements for other firms may differ in the exercise of corporate governance practices.

The dependent variable for the regression analysis in Models 1 and 3 is the operating performance for profitability (OPP—operating profit margin). The dependent variable for Models 2 and 4 is operating performance for liquidity (OPL—operating cash flow ratio). That is, OPP represents firm profitability and OPL the short-term liquidity strength of the firm. The independent variables for all models are the Chairman variables age, title, tenure, and ownership. Similar to Abdul Rasheed et al. (2021), this study uses control variables for all the models: firm size, asset tangibility, firm age, financial leverage, audit firm and board size. Models 3 and 4 include CEO effectiveness as moderator of the relationship

Table 1. Sample of the study

Details	Number of Firms
Top listed firms	100
Minus:	
Financial and unit trust firms	8
Missing data firms	3
Sample firms	89

Table 2. Measurement of variables

Code	Variable	Definitions
Dependent variables		
OPP	Operating Performance-Profit	Measured by the operating profit margin (OPM) which is the ratio of net profit divided by turnover
OPL	Operating Performance-Liquidity	Measured by the operating cash flow ratio (OCF) which is the ratio of net cash flow from operating activities divided by current liabilities
Independent Variables		
CAG	Chairman Age	The natural log of Chairman age
CTI	Chairman Title	Dummy variable, which equals “1” if Chairman has titles, and “0” otherwise
CTE	Chairman Tenure	The number of years the Chairman has been in position
COW	Chairman Ownership	Percentage of shares held by Chairman
Moderator variable		
CEONDU	CEO Non-Duality	Dummy variable, which equals “1” if CEO and Chairman are separate positions and “0” if otherwise
CEOAGE	CEO Age	Age of the CEO at the end of each financial year
CEOTEN	CEO Tenure	Number of years that a CEO has been in position
CEOEFF	CEO Effectiveness	CEOEFF is a composite score of three variables: CEO non-duality, CEO age, CEO tenure. We dichotomized these three variables and summed the scores from the dummies. The values range from 0 to 3, with 3 indicating most effective and 0 above the least
Control variables		
FSIZ	Firm Size	The natural log of firms’ total assets
ATAN	Asset Tangibility	The ratio of non-current assets divided by lagged total assets
FAG	Firm Age	The natural log of the number of years since incorporation
LEV	Financial Leverage	The ratio of total debt as a percentage of lagged total assets
BIG4	Audit Firm	Dummy variable, which equals “1” if firm is audited by a BIG4 firm, and 0 otherwise
BSIZ	Board Size	Number of members of board of directors
ϵ		Error term

between operating performance, the dependent variable, and Chairman variables, the independent variables including the control variables. CEO effectiveness is a dichotomized combination of non-duality, age, and tenure, as follows: CEO non-duality is measured as a dummy variable, which equals “1” if CEO and Chairman hold separate positions, and “0” if otherwise; CEO tenure is the number of years a chief executive had been in office (Henderson et al., 2006; Kweh et al., 2019), a dummy variable equal to “1” if tenure is above the median and “0” otherwise; and CEO age is the age of the CEO at the end of each financial year (Kweh et al., 2019), a dummy variable equal to “1” if the age is above the median of the sample and “0” otherwise. Table 2 presents the detailed measurements for the variables used in the models. Ordinary Least Squares (OLS) regression was utilized to test the models. The models to test the hypotheses are as follows:

$$OPP_{it} = \beta_0 + \beta_1 CAG_{it} + \beta_2 CTI_{it} + \beta_3 CTE_{it} + \beta_4 COW_{it} + \beta_5 FSIZ_{it} + \beta_6 ATAN_{it} + \beta_7 FAG_{it} + \beta_8 LEV_{it} + \beta_9 BIG4_{it} + \beta_{10} BSIZ_{it} + \epsilon \quad (\text{Model1})$$

$$OPL_{it} = \beta_0 + \beta_1 CAG_{it} + \beta_2 CTI_{it} + \beta_3 CTE_{it} + \beta_4 COW_{it} + \beta_5 FSIZ_{it} + \beta_6 ATAN_{it} + \beta_7 FAG_{it} + \beta_8 LEV_{it} + \beta_9 BIG4_{it} + \beta_{10} BSIZ_{it} + \epsilon \quad (\text{Model2})$$

$$\begin{aligned}
 OPP_{it} = & \beta_0 + \beta_1 CAG_{it} + \beta_2 CTI_{it} + \beta_3 CTE_{it} + \beta_4 COW_{it} + \beta_5 CEOEFF_{it} \\
 & + \beta_6 CAG * CEOEFF_{it} + \beta_7 CTI * CEOEFF_{it} + \beta_8 CTE * CEOEFF_{it} \\
 & + \beta_9 COW * CEOEFF_{it} + \beta_{10} FSIZ_{it} + \beta_{11} ATAN_{it} + \beta_{12} FAG_{it} \\
 & + \beta_{13} LEV_{it} + \beta_{14} BIG4_{it} + \beta_{15} BSIZ_{it} + \varepsilon
 \end{aligned}
 \tag{Model3}$$

$$\begin{aligned}
 OPL_{it} = & \beta_0 + \beta_1 CAG_{it} + \beta_2 CTI_{it} + \beta_3 CTE_{it} + \beta_4 COW_{it} + \beta_5 CEOEFF_{it} \\
 & + \beta_6 CAG * CEOEFF_{it} + \beta_7 CTI * CEOEFF_{it} + \beta_8 CTE * CEOEFF_{it} \\
 & + \beta_9 COW * CEOEFF_{it} + \beta_{10} FSIZ_{it} + \beta_{11} ATAN_{it} + \beta_{12} FAG_{it} \\
 & + \beta_{13} LEV_{it} + \beta_{14} BIG4_{it} + \beta_{15} BSIZ_{it} + \varepsilon
 \end{aligned}
 \tag{Model4}$$

6. Data analysis and discussion

6.1. Descriptive statistics

Table 3 presents descriptive analysis results for the dependent, independent, and control variables. The mean (median) operating performance-profit (OPP) is 3.018 (0.109), indicating firms in a profitable position. The average (median) of operating performance-liquidity (OPL) is 0.573 (0.414), reflecting that firms are mostly in a positive operating cash flow position. In terms of the board Chairman statistics, the average of the natural log of age (CAG) is 4.214, and the majority of the Chairmen fall in the age category of 60+ years (mean: 68 years). Approximately 85% of sample firms have a Chairman who hold an honorific title (CTI). The Chairmen of our sample firms have an average tenure (CTE) of 9.877 years, indicating that firms wish to hire them for longer periods. The largest mean Chairman ownership (COW) is approximately 9.4%.

Table 3. Descriptive statistics of variables (N = 267)

Variables	Mean	Std. Dev.	Median	Min.	Max.
OPM	3.018	29.937	0.109	-179.576	391.222
OPL	0.573	0.688	0.414	-2.085	4.841
CAG	68.213	8.687	69.000	42.000	89.000
CAG (ln)	4.214	0.132	4.234	3.738	4.489
CTI	0.846	0.361	1.000	0.000	1.000
CTE	9.877	10.022	6.431	0.474	41.248
COW	0.094	0.186	0.000	0.000	0.763
CEONDU	0.963	0.190	1.000	0.000	1.000
CEOAGE	56.363	8.673	56.000	30.000	79.000
CEOTEN	9.745	10.143	5.500	0.490	45.749
CEOEFF	2.060	0.788	2.000	1.000	3.000
FSIZ	15.731	1.341	15.665	12.880	19.001
ATAN	0.647	0.215	0.667	0.151	1.245
FAG	3.269	0.799	3.380	0.326	4.625
LEV	26.121	16.399	25.910	0.000	63.190
BIG4	0.846	0.361	1.000	0.000	1.000
BSIZ	8.764	2.004	9.000	5.000	13.000

Statistics regarding the moderating variables (CEO effectiveness) show that the average of the CEO non-duality (CEONDU) is 96.3%, suggesting that most firms' CEOs are in a non-duality position. This could be because of the new regulation that firms should separate the Chairman and CEO positions (Securities Commission Malaysia [SCM], 2017). The average CEO age (CEOAGE)

is 56.363, and the mean value for tenure, CEOTEN, is 9.745. The mean value of CEO effectiveness (CEOEFF), based on the three variables above, is 2.06 with a minimum of 0 and a maximum of 3. For the control variables, the mean for the natural log of total assets (FSIZ) is 15.731%, the average asset tangibility (ATAN) is 0.647, the average for the natural log of firm age (FAG) is appropriately 3.269, high mean financial leverage (LEV) is 26.121% and about 84.6% of the firms in the sample were audited by BIG4 firms. Finally, the mean value of board size (BSIZ) is 8.764 members, ranging from a minimum value of 5 to a maximum of 13.

6.1.1. Diagnostic tests

The study uses the OLS regressions to test the research hypotheses. To check the OLS assumptions, we apply two tests. First, the Breusch-Pagan/Cook-Weisberg test detects any linear form of heteroscedasticity among the data. The results show a significant p-value (0.0000) at the 1 per cent level in Models 1 and 2. This result rejects the null hypothesis, thus indicating the data suffer from heteroscedasticity. Second, the Durbin-Watson test examines autocorrelation of the error terms, and the values of 0.735 (OPP) and 0.275 (OPL) suggest a high likelihood of the presence of serial correlation in our models. To address these two problems of heteroscedasticity and autocorrelation in the data, this study employed OLS regression with robust standard errors (AlQadasi & Abidin, 2018; Ghaleb et al., 2020). Further, to reduce the effect of outliers, all variables with extreme values are winsorized at the top and bottom 1 percent of the distribution.

6.2. Correlation analysis

This study used Pearson correlation test to explore the relationship between the Chairman variables and firm operating performance, as shown in Table 4. Gujarati and Porter (2009) indicate that when the correlation coefficient results between the explanatory variables is larger than 0.80, there is proof of multicollinearity problems. Table 4 shows that the explanatory variables have lower correlation coefficient values; thus, multicollinearity cannot be a problem in interpreting the regression results. Further, the study analyzed the result of multicollinearity between the explanatory variables employing the analysis of variance inflation factor (VIF). The values of VIF range from 1.06 to 1.64, which are all smaller than 10. Hair et al. (2014) point out that VIF values lower than 10 suggest that the impact of multicollinearity among explanatory variables is not significant in the regression model. Therefore, the multicollinearity problem is absent from our results.

6.3. Regression analysis

Table 5 presents the regression results for Models 1 and 2, the direct relationship between Chairman characteristics and operating performance. Table 6 presents the regression results for Models 3 and 4 for the moderating role of CEO effectiveness on the relationship between Chairman characteristics and operating performance.

Table 5 shows that in Model 1 Chairman age (CAG) has a significant positive association with operating performance-profit (OPP) at 5 percent ($\beta = 0.126$, t-value: 2.33, p-value: 0.021) but in Model 2 a positively insignificant relationship with operating performance-liquidity (OPL) ($\beta = 0.091$, t-value: 0.26, p-value: 0.795). Consistent with the results of Amran et al. (2014), the first hypothesis (H1) is accepted, supporting the stewardship theory that a Chairman above 60 years of age is a responsible steward in managing the firm. The senior in age director, even older Chairman is an asset to a firm where their wisdom and experience would play an important role to improve operating performance. There is a negative insignificant relationship between operating performance and Chairman title (CTI) (Model 1: $\beta = -0.028$, t-value: -1.56, p-value: 0.119; Model 2: $\beta = -0.084$, t-value: -0.89, p-value: 0.377), which fails to support the second hypothesis (H2). That is, honorary titles do not enhance operating performance. The coefficient for Chairman tenure (CTE) for the third hypothesis (H3) is negative and statistically significant, with operating performance at 5 percent (Model 1: $\beta = -0.002$, t-value: -2.37, p-value: 0.019; Model 2: $\beta = -0.012$, t-value: -2.31, p-value: 0.022). That is, a Chairman with shorter tenure appears to be more dynamic and challenging in displaying stewardship to achieve positive operating performance. These results support Arosa et al. (2013), who recommended CEO rotation for board efficiency, and

Table 4. Pearson correlation for the study variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
VIF													
(1) OPM	1.000												
(2) OPL	-0.116*	1.000											
(3) CAG	0.030	-0.137**	1.000										1.35
(4) CTI	0.013	-0.094	0.170***	1.000									1.06
(5) CTE	-0.017	-0.030	0.363***	0.038	1.000								1.70
(6) COW	-0.046	-0.055	0.008	-0.007	0.351***	1.000							1.33
(7) CEOEFF	0.029	-0.071	0.204***	0.046	0.203***	0.075	1.000						1.13
(8) FSIZ	-0.110*	-0.115*	0.071	0.120**	-0.024	0.140**	0.105*	1.000					1.62
(9) ATAN	-0.208***	0.043	0.074	0.054	-0.095	0.106*	0.065	0.509***	1.000				1.54
(10) FAG	-0.054	0.132**	-0.084	-0.039	0.301***	-0.061	-0.142**	-0.082	-0.223***	1.000			1.41
(11) LEV	-0.001	-0.275***	0.111*	0.162***	-0.088	0.060	0.060	0.500***	0.477***	1.000			1.58
(12) BIG4	0.023	0.127**	-0.141**	0.020	-0.057	-0.218***	-0.073	0.088	0.036	0.247***	1.000		1.17
(13) BSIZ	0.006	-0.105*	-0.052	0.064	-0.064	-0.030	0.114*	0.265***	0.222***	0.268***	0.048	1.000	1.14

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 5. Regression results for the relationship between Chairman and operating performance

Variables	Model (1) OPP			Model (2) OPL		
	Coef.	t-value	p-value	Coef.	t-value	p-value
CAG	0.126**	2.33	0.021	0.091	0.26	0.795
CTI	−0.028	−1.56	0.119	−0.084	−0.89	0.377
CTE	−0.002**	−2.37	0.019	−0.012**	−2.31	0.022
COW	0.053	1.43	0.155	0.412**	2.42	0.016
FSIZ	−0.030***	−4.60	0.000	−0.032	−0.87	0.385
ATAN	0.100	1.54	0.125	0.099	0.44	0.657
FAG	−0.007	−0.61	0.544	0.105**	2.00	0.047
LEV	−0.001	−1.57	0.117	−0.014***	−4.04	0.000
BIG4	−0.076***	−3.08	0.002	0.280***	3.68	0.000
BSIZ	−0.010***	−2.94	0.004	−0.011	−0.57	0.566
Constant	0.302	1.08	0.283	0.095	0.06	0.955
Year	YES			YES		
Industry	YES			YES		
Obs.	267			267		
R-squared	0.4986			0.386		
Prob > F	0.000***			0.000***		

*** $p < .01$, ** $p < .05$, * $p < .1$. Variables definitions are presented in [Table 2](#)

Vafeas (2003) whose study elaborates the management friendliness hypothesis from a longer-serving board. The fourth hypothesis (H4) reports the Chairman ownership (COW) regression results in a positive but insignificant association with operating performance in Model 1 ($\beta = 0.053$, t-value:1.43, p-value:0.155); and in Model 2 a statistically positive significant relationship at 5 percent with operating performance ($\beta = 0.412$, t-value: 2.42, p-value 0.016). The outcome from Model 2 supports Ozkan (2011), who reports that director ownership can align the interest of directors with shareholders, resulting in less duplication of resources to increase firm value. Thus, COW with the operating performance-liquidity (OPL) relationship supports the agency theory that Chairman ownership is aligned with shareholder interest to enhance operating performance. This outcome also suggests that the Chairman position is significant in leading the board to build a good rapport with stakeholders. The Chairman position and characteristics are described, with sections on culture, politics, individuals, the business, and the action priorities (Parker, 1990). The Chairman accountability in achieving the operating performance links with the stewardship theory explaining Chairman's role as the leader of the board in doing the best for the firms and stakeholders.

For control variables, firm size (FSIZ) has a significant negative association with operating performance (profitability) in Model 1 and an insignificantly negative relationship with operating performance (liquidity) in Model 2. The negative relationship results for FSIZ support the findings of Dony et al. (2019). That is, larger firms contribute less to operating performance than smaller firms. Asset tangibility (ATAN) has no relationship with operating performance in Model 1 (p-value: 0.125) or Model 2 (p-value: 0.657). Firm age (FAG) is not significant in Model 1 (p-value of 0.544), although it has a positive and significant relationship with operating performance (liquidity) in Model 2. Our negative results in relation to leverage (LEV) and operating performance are similar to those of Mandacı and Gumus (2010) and Chandren et al. (2020), where lower leverage firms have better operating performance (OPL). Audit firm (BIG4) has a negatively significant relationship with profitability operating performance at 1 percent and a positively significant relationship with liquidity operating performance at 1 percent, indicating BIG4 audit firms have significant relationships with operating performance but in different directions. The board size regression results, as

Table 6. Regression results for the moderating effect of CEO effectiveness on the relationship between Chairman and operating performance

Variables	Model (3) OPP			Model (4) OPL		
	Coef.	t-value	p-value	Coef.	t-value	p-value
CAG	0.2119	1.17	0.243	-0.7847	-0.73	0.469
CTI	-0.2272***	-3.63	0.000	-0.1545	-0.51	0.611
CTE	-0.0006	-0.28	0.777	0.0117	1.09	0.277
COW	0.0106	0.08	0.939	1.2935**	2.50	0.013
CEOEFF	0.0345	0.12	0.903	-1.3415	-0.81	0.420
CEOEFF*CAG	-0.0281	-0.40	0.691	0.3325	0.82	0.416
CEOEFF*CTI	0.0971***	3.71	0.000	0.0490	0.41	0.685
CEOEFF*CTE	-0.0003	-0.43	0.666	-0.0096***	-2.72	0.007
CEOEFF*COW	0.0031	0.06	0.950	-0.4058**	-2.15	0.032
FSIZE	-0.0284***	-4.43	0.000	-0.0335	-0.93	0.355
ASSTAN	0.0787	1.17	0.243	0.0094	0.04	0.967
LnFAGE	-0.0091	-0.73	0.468	0.0838	1.52	0.130
LEVE	-0.0011*	-1.67	0.096	-0.0130***	-3.65	0.000
BIG4	-0.0871***	-3.57	0.000	0.3096***	3.83	0.000
BSIZE	-0.0104***	-2.92	0.004	-0.0070	-0.37	0.710
Constant	0.1022	0.14	0.890	3.6625	0.81	0.417
Year	YES			YES		
Industry	YES			YES		
Obs.	267			267		
R-squared	0.529			0.410		
Prob > F	0.0000			0.0000		

*** $p < .01$, ** $p < .05$, * $p < .1$

expected, show a significant coefficient value of -0.010 with profitability operating performance (Model 1) and an insignificant coefficient value of -0.011 with liquidity operating performance (Model 2), reflecting that smaller boards contribute to positive operating performance (OPP).

The results in Table 6 present the results for the fifth hypothesis (H5) on CEO effectiveness (CEOEFF) moderating the relationship between Chairman characteristics and operating performance (OPP and OPL). CEOEFF has a positive but insignificant moderating effect on the relationship with OPP in Model 3 ($\beta = 0.0345$, t-value: 0.12, p-value: 0.903) but a negative one on the relationship with OPL in Model 4 ($\beta = -1.3415$, t-value: -0.81 , p-value: 0.420). This regression result suggests no significant influence of CEO effectiveness on either operating performance (OPP or OPL), inconsistent with previous findings (Lizares, 2020; Saleh et al., 2020; Xiao et al., 2013). However, Lafley (2009) suggests that the CEO is responsible for the company's success, outcomes and for those diverse and sometimes competing external stakeholders.

For Chairman age (CAG), the CEOEFF*CAG shows insignificant negative interaction regression results with OPP in Model 3 ($\beta = -0.0281$, t-value: -0.40 , p-value: 0.691) and positive interaction regression results with OPL in Model 4 ($\beta = 0.3325$, t-value: 0.82, p-value: 0.416). This outcome explains that CEO involvement interacts insignificantly with the relationship between Chairman age and operating performance. For Chairman title (CTI), CEOEFF*CTI results indicate a statistically positive significant relationship with OPP (Model 3: $\beta = 0.0971$, t-value: 3.71, p-value: 0.000) and a positive insignificant relationship with OPL (Model 4: $\beta = 0.0490$, t-value: 0.41, p-value: 0.685). CEOEFF thus significantly undermines the relationship between CTI and operating performance

Table 7. Regression results for the relationship between Chairman and firm operating performance (alternative measurement for Chairman age)

Variables	Model (1) OPP			Model (2) OPL		
	Coef.	t-value	p-value	Coef.	t-value	p-value
CAG	0.049***	3.26	0.001	0.024	0.37	0.714
CTI	−0.028	−1.53	0.127	−0.083	−0.87	0.385
CTE	−0.002**	−2.35	0.020	−0.011**	−2.28	0.023
COW	0.041	1.18	0.240	0.400**	2.49	0.013
FSIZ	−0.028***	−4.08	0.000	−0.03	−0.84	0.401
ASSTAN	0.095	1.49	0.139	0.099	0.47	0.640
LnFAGE	−0.006	−0.61	0.543	0.104**	2.02	0.045
LEV	−0.001	−1.45	0.149	−0.014***	−3.97	0.000
BIG4	−0.072***	−2.90	0.004	0.281***	3.67	0.000
BSIZ	−0.010***	−2.92	0.004	−0.011	−0.59	0.556
Constant	0.751***	6.32	0.000	0.444	0.83	0.406
Year	YES			YES		
Industry	YES			YES		
Obs.	267			267		
R-squared	0.515			0.386		
Prob > F	0.0000			0.0000		

*** $p < .01$, ** $p < .05$, * $p < .1$

proxied by OPP at 1 percent level. As for Chairman tenure (CTE), the results suggest that CEOEFF does not significantly influence the relationship between CTE and operating performance (OPP) in Model 3 ($\beta = -0.0003$, t-value: -0.43 , p-value: 0.666). However, for Model 4, the result implies that the CEOEFF strengthens the negative relationship between CTE and OPL ($\beta = -0.0096$, t-value: -2.72 , p-value: 0.007). The regression result in Model 3 shows that CEOEFF insignificantly strengthens the relationship of Chairman ownership (COW) with operating performance represented by profitability in ($\beta = 0.0031$, t-value: 0.06 , p-value: 0.950). Conversely, at the 5 percent level CEOFF significantly weakens this relationship with operating performance represented by liquidity in Model 4 ($\beta = -0.4058$, t-value: -2.15 , p-value: 0.032).

Overall, the moderating results in Table 6 support the hypothesis that the CEO effectiveness blend of non-duality position, senior age CEO and long-tenured CEO significantly moderates in one way or another the relationship with operating performance for Chairman title, tenure, and ownership (impairs CTI with OPP; strengthens CTE with OPL; and impairs COW with OPL). The moderating outcomes of CEO effectiveness between the relationship Chairman and operating performance indicate the existence of the Chairman's delegation of authority to the CEO to control operating performance (both profitability and liquidity). That is, the CEO role is directly responsible for managing operational matters (Amran et al., 2014). The separation of the Chairman and CEO roles improves firm independence and accountability and supports agency theory (Abels & Martelli, 2013). In addition, older CEOs with longer tenure have a positive association with firm performance (Saleh et al., 2020; Xiao et al., 2013). This confirms the CEO effectiveness interface with stewardship theory, where the CEO acts in the best interests of the company in managing operating performance on behalf of the Chairman, who can monitor the CEO's performance.

6.4. Robustness analysis

Further analysis is carried out to assess the robustness of the main Models 1 and 2. We re-estimated the data measurement for Chairman age (CAG) as a dummy variable of "1" if the average age of the Chairman is higher than the sample median, and "0" otherwise. The regression

Table 8. Regression results for the relationship between Chairman and firm operating performance (Based on the lagged variables for Chairman variables)

Variables	Model (1) OPP			Model (2) OPL		
	Coef.	t-value	p-value	Coef.	t-value	p-value
CAG _{t-1}	0.0021***	2.81	0.005	0.0023	0.48	0.632
CTIT _{t-1}	-0.0067	-0.41	0.682	-0.1177	-1.38	0.170
CTENT _{t-1}	-0.0024***	-3.50	0.001	-0.0101**	-2.28	0.023
COWN _{t-1}	0.0677**	2.06	0.041	0.2125	1.40	0.162
FSIZE	-0.0307***	-4.51	0.000	-0.0254	-0.70	0.483
ATAN	0.0939	1.47	0.142	0.1082	0.49	0.626
FAGE	-0.0001	-0.83	0.408	0.0024**	2.45	0.015
LEVE	-0.0011*	-1.76	0.080	-0.0135***	-4.06	0.000
BIG ₄	-0.0725***	-2.87	0.004	0.2337***	3.03	0.003
BSIZE	-0.0103***	-2.89	0.004	-0.0093	-0.49	0.623
Constant	0.6567***	5.40	0.000	0.5597	0.88	0.380
Year	YES			YES		
Industry	YES			YES		
Obs.	267			267		
R-squared	0.5018			0.3862		
Prob > F	0.0000			0.0000		

*** $p < .01$, ** $p < .05$, * $p < .1$

results in Table 7 show that CAG has a significant and positive relationship with OPP but not with OPL. There is no significant relationship between CTI and OPP or OPL. CTE has a significantly negative relationship with OPP and OPL. The relationship between COW and OPL is significant and positive but for the COW and OPP relationship it is insignificant. The results reported in Table 7 are almost identical to those reported in the main analysis in Table 5.

6.5. Testing for endogeneity

This section describes the tests conducted to determine whether any endogeneity contradicted the results. Re-estimating the regression model using the lagged value of independent variables can be used to monitor potential endogenous problems caused by a theoretical reverse causality problem (Al-Absy et al., 2019; Alves et al., 2015). In using this technique, we re-examine our main analysis by regressing the one-year lagged value of all independent variables on firm operating performance (the dependent variable). Al-Absy et al. (2019) report that similar regression outcome reflects the endogenous issues from potential reverse causality do not appear to be a concern. The results in Table 8 support the main findings in Table 5 for Models 1 and 2, as the hypothesized relationships virtually remained significant in the same direction, suggesting that reverse causality is not an issue here.

7. Conclusion

Firms aim to meet their objective of enhancing operating performance (profitability and liquidity) for an effective return on shareholders' investment. Those with a good track record of operating performance add value to for all stakeholders. A Chairman with the support of the CEO promotes good corporate governance practices and stewardship, strengthening stakeholder confidence in the firm. However, few studies have investigated the relationship between the Chairman and operating performance. Further, with the influence of CEO effectiveness (a combination of non-duality, age, and tenure), this study is the first to examine the effect of Chairman on operating performance moderated by CEO effectiveness. The hypotheses were based on stewardship theory

of handling business operations effectively on the grounds of accountability and consideration of the needs of others, in this case both stakeholders and the firm.

This study empirically reveals that Chairman age, tenure and ownership have a significant impact on operating performance, increasing the importance of the Chairman's stewardship in discharging the duties at the highest level for the prosperity of both firm and stakeholders. Further, we find that CEO effectiveness has a significant interaction with the relationships between Chairman title and profitability, tenure and liquidity, and ownership and liquidity. Although the Chairman has considerable influence over operational performance, the findings indicate that for effective stewardship, the Chairman empowers the CEO to exercise control over resource optimization for managing performance.

The current study has the following significant implications. First, besides confirming the Chairman's role in leading the board and setting high standards of governance, this study also proposes that the Chairman has ultimate responsibility for operating performance under CEO management. Second, firms with non-duality, more senior in age and long tenured CEOs are encouraged by the empowerment assigned to CEOs to manage business operations and achieve the desired operating performance under the leadership of the Chairman. That is, the Chairman delegates the responsibility for managing the operating performance to the CEO, in the best interest of both the firm and stakeholders. Our findings have repercussions for regulators, academics, shareholders, and practitioners, to encourage the CEO's non-duality position and nurture stewardship. In general, the Chairman and CEO need to wear their own hats in managing and controlling firms. Further, this outcome is line with the MCCG 2017 requirement for separating the Chairman and CEO roles, to promote effective corporate governance and close the door to any corporate abuse of power with established line of authority, in consideration of the firm's and stakeholders' well-being.

A limitation of this study is, first, that it focuses on top-listed companies because of the requirement for CEO non-duality, and this limits generalization of the outcome to all listed companies. Secondly, the study was conducted in the Malaysian business environment. Researchers might carry out similar studies in other developing countries, for comparison with our results. Finally, they might use other corporate governance characteristics, for example, the audit committee, in moderating the relationship between Chairman and operating performance.

Funding

The authors received no direct funding for this research.

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Citation information

Cite this article as: The influence of the chairman and CEO effectiveness on operating performance: Evidence from Malaysia, Sitraselvi Chandren, Sumaia Ayesh Qaderi & Belal Ali Abdurraheem Ghaleb, *Cogent Business & Management* (2021), 8: 1935189.

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