

## Chief Executive Officer (CEO) Characteristics and Firm Value: Evidence from Malaysia

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### Abstract

Nowadays, the capabilities and competency of top managers such as CEOs are extremely crucial for each firm in order to emerge the business into the market. It is the determinants to a success or failure of a particular firm. The main purpose of this study is to examine the effects of CEO characteristics on firm value. The samples are annual reports from non-financial firms listed on the Bursa Malaysia during the period of 2013 to 2015. CEO characteristics of gender, age, education, ownership and network were developed based on the upper-echelon (UP), agency and resource dependence theories. The results imply that these CEO gender and networks are negatively significant to Malaysia firms and play an important role in determining firm value. The involvement of women is still rare in listed companies harm firm performance. When a CEO has a wider network, they tend to lost focus because of having too much commitment which resulting to decrease the firm value. In addition, the firm characteristics consisting firm age, firm size and firm leverage also found significant to firm value. This study would contribute to assist practitioners and policy maker about the various impacts of CEO characteristics to firm value. For future research, this study emphasizes other measurements CEO characteristics that could affect firm value.

**Keyword:** Top Managers, Firm Performance and Malaysia

### Introduction

The world nowadays have been through a lot of transformation from every aspects such as economic, political, social and technological changes which created the business world becomes more competitive to be the best in the industry. This is to catch the society's eyes especially the potential investors and also to remain the existing investors. The characteristics of top manager in context Chief Executive Officers (CEO) are one of the factors that investors will take in consideration to make decision before invest to any organization. As the agents for shareholders, CEO holds a big responsibility to maximize shareholders' wealth and increase their firm's value. The success or failure of firms is also depends on the capabilities

and competency of top managers including CEO in managing firms to compete in the market (Bialowas & Sitthipongpanich, 2014). As the importance of CEO mentioned above, it is really worth to investigate characteristics of CEO and which is the best that would give impact on the firm value.

This study will explore the importance and impact of CEO characteristics towards firm value. The CEO characteristics that will take as variables are classified into 3 categories which are CEO's biography, expertise and incentives. In CEO biography, gender and age has been identified as a traits that affecting firm value by (Martin et al., 2009). Previous study found that female CEOs are greater risk takers as compared to male CEOs.

For CEO expertise, it will consist of the qualifications of a CEO in term of educational background. CEO educational is reflected in the characteristics of their organizations (Orens and Reheul, 2013). CEO educational level indicates that CEO who majored in business degree such as management or financing could have managed firm ways better than others could. Based on the theory, higher educated CEOs are less risk averse, more open to new ideas, changes and investment opportunities.

The last category which are ownership and network argue that a well-networked CEOs have quicker access to relevant information from a network of contacts and it allows them to look for new business opportunities. However, most managerial decision-making is also influenced by the top manager's past experience, which will enhance their knowledge and understanding the execution of strategy in business market.

In Malaysia, the principles and best practices of good governance are identified and optimal corporate governance structures and internal processes have been described in Malaysian Code on Corporate Governance (Revised, 2007). It was issued after the Asian Financial Crisis 1997. Despite that board governance, CEO also plays as an important key to determine firm value of public listed firms in Malaysia. According to Gomez and Jomo (1997), Malaysia is an interesting setting and best for this investigation because stereotypes are widely held in the communities and in the corporate business world.

All of this 3 categories of CEO characteristics can be based on the upper-echelon theory, agency theory and resource dependence theory. According to upper-echelon theory (UET), managerial background traits or characteristics estimate organizational outcomes, planned choices and the performance levels. The theory suggests that the more complex a decision made, for example strategic planning, the more important the personal characteristics of the decisions makers, such as age, tenure and other specialization. The principle of the UET recognizes that top managers' different characteristics such as age or career experiences affect their decisions on strategy and structure and it will directly affect firm's strategic choice and organizational performance. Besides that, Agency theory argues the different of power for both which managers are responsible to utilize the firm's resources and maximize the shareholder's wealth. The resource dependency theory focused on firms attempt to utilize and control over their environment by facilitated the resources needed to survive. Top managers are the agents for the firms to create links with external environment.

## Literature Review

### *CEO's Gender*

According to Rachagan et al (2014) stated that female CEO is positively related with the firm value and performance. Women are known for having a great understanding in particular information, conditions or knowledge that help them in making a more creative and high quality business decision (Smith et al., 2006). Nowadays, a lot of companies practice diversity in their organizational culture and more women tend to have high position in the management team such as top executives. The most effective management styles that suits the best in this dynamic business era is female leadership styles (Eagly & Johnson, 1990). Adam and Ferreira (2004) argue that diversity in gender will bring differences perspective that the person will perform in their work environment. Catalyst (2004) stated example from the Fortune 500 firms that compared firm with higher financial performance have greater number of female top executives. These large number of women power, will be a role model to encourage the career development of women in the whole world. According to Wei, Noor Azlinna Binti Azizan and Qian (2015), they found that female CEOs are high in risk takers as compared to male CEOs in Malaysia. Therefore:

***Hypothesis 1: Female CEOs are positively associated with firm value.***

### *CEO's Age*

Generally, age is classified as a measurable and demographic characteristic of a CEO. According to UET, age of top managers is important as it affect the managerial actions to turn determine the firm performance (Hambrick & Mason, 1984). As the CEO age increase, they tend to perceived more valuable knowledge and experience which will improve their intellectual capabilities over time (McKnight, Tomkins, Weir & Hobson, 2000). This shows that old CEO has better understanding of the firm and the industry as they have longer experience. Older CEO is more responsible in search and evaluates information more carefully and accurately. However, young CEO able to combine information while making decision and have higher confident with their decisions.

According to Stevens, Beyer and Trice (1978) older managers are likely to be more psychologically engaged to the company than younger managers. Hambrick and Mason (1984) argued that older CEO are more risk averse but less aggressive than younger CEO. Older CEOs are more efficient due to their longer experience, which helps them in the process of strategic decision-making (Bialowas & Sitthipongpanich, 2014). In this study, researcher assume the presence of older CEOs would give better effect on firm value because they have more experience which helps them to make effective decisions for company. Therefore:

***Hypothesis 2: Older CEOs are positively associated with firm value.***

### *CEO's Educational Level*

In this 20<sup>th</sup> century, education has been an essential in life and important to acknowledge a person's intellectual competencies. Manner (2010) stated that educational background effect the development of personal and cognitive value of a CEO. In management literature, educational level has been an indicator of an individual's various cognitive orientations. Educational level also related to tolerate of change, open mindedness and ability to assess strategic options (Herrman & Datta, 2002). Higher educated managers are more

capable of processing and analyzing information that they tend to execute strategies that emphasized products differentiation and innovation (Papadakis & Bourantas, 1998). According to Smith, Smith and Verner (2006), over these past 10 years the number of top managers with higher educational level has increase gradually. These evidences of increasing highly educated CEOs found that educational level are valuable to firm value. Therefore:

***Hypothesis 3:*** *CEOs with higher educational level (postgraduate) are positively associated with firm value.*

#### *CEO's Ownership*

Based on agency theory, when a CEO owns a higher percentage of corporate ownership, his or her interests will be more correspond with the shareholders (Jensen & Meckling, 1976). As managers have ownership, it would reduce the agency conflicts that happened in firms nowadays (Agrawal & Mandelker, 1987). Managerial stock and option holdings may influence the financing decisions and firm's investment. Past research shows that managerial ownership is positively associated to firm performance (Morck, Nakamura, & Shivdasani, 2000; Palia & Lichtenberg, 1999). If CEO has a high share ownership, they will have less intention to manipulate profits and tend to maximize the firm value. Therefore:

***Hypothesis 5:*** *CEO ownership is positively associated with firm value.*

#### *CEO's Network*

According to resource dependence theory, by having CEO that have a wide range of connections and networks might be useful to firms in obtaining external resources, access required information and find strategic and financial partners. According to Barney (1991), managers should utilize the corporate resources effectively in order to create a sustainable competitive advantage. Managers that have networks with firm's internal and external ties can easily gained new resources and different information and knowledge that can helps in the decision making process. When management team have networking abilities it would improve agenda setting and produce strategic choices (Kauer, Prinzessin zu Waldeck, & Schaffer, 2007). Well-networked CEOs have better access to required information from a network of contacts and it allows them to seek for new business opportunities (Hoang & Antoncic, 2003). Therefore:

***Hypothesis 6:*** *CEOs with network are positively associated with firm value.*

### **Methodology**

#### *Sampling and Data Collection*

Firstly, all the information about the background of CEO characteristics can be found in the firm's annual report that can be easily downloaded from Malaysia Stock Exchange. While the financial data for firm value and characteristics were collected from the data stream and firm's official websites.

The scope of sample used in this study was from the firms listed in the Malaysia Stock Exchange in the period of year 2013 until 2015 (3 years). As at 1 June 2017, the total number of firms listed in main market are 875 firms. Researcher had filtered the population of listed firms by taking non-financial listed firms only. Firms in banking and financial sector removed

from the sample because of their non-traditional financial statement and differences in the regulatory requirements and the characteristics of the financial reports from those of the non-financial firms (Alsaeed, 2006). There are some required information that is not available and the final sample become 336 samples with 1008 observations.

### Data Analysis and Data Measurement

This study used Regression Model and diagnostic checking. Hence, the function of the regression model in this study as shown below:

$$FV_{i,t} = \alpha_{i,t} + \beta_1 GEN_{i,t} + \beta_2 AGE_{i,t} + \beta_3 EDU_{i,t} + \beta_4 OWN_{i,t} + \beta_5 NET_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 FSIZ_{i,t} + \beta_8 FLEV_{i,t} + \varepsilon_{i,t}$$

Whereby

#### Dependent Variable

FV = Firm Value  
measured by Tobin's Q; market value of total assets (market capitalization) to book value of total assets

#### Independent Variables:

GEN = gender of CEO, 1 if CEO = Female, 0 otherwise  
AGE = age of CEO, 1 if CEO = more than 50 years, 0 otherwise  
EDU = educational level of CEO, 1 if CEO = postgraduate (master and above), 0 otherwise  
OWN = ownership of CEO measure as % of ownership held by a CEO  
NET = network of CEO, 1 if CEO = has worked in more than 3 companies before, 0 otherwise

#### Control Variables:

FAGE = firm age measured by total number of years since firm establishment  
FSIZ = firm size measured by natural logarithm of total sales  
FLEV = firm leverage measured by ratio of total debt to total assets

### Finding and Analysis

#### Results and Discussion

In this chapter, there are three sections divided to present the analysis of data and discussion of the results for this study. The first section includes the descriptive statistic information regarding the data collected. The second part explains the correlation of the variables and discussion of the result. In the last section will present the results of the multiple regression analysis regarding the impact of CEO characteristics on firm value followed by summary of this chapter. All of these analyses are running by the panel regression model.

#### Descriptive Statistics

Table 1 shows the descriptive statistics of the samples for independent variables, CEO characteristics, covered from 336 non-financial firms listed on Malaysia Stock Exchange in the

period of 2013 to 2015 (3 years). In total, there are 1008 firm-year observations in the sample. The first characteristic is CEO gender. As been analyzed, female CEOs are not common in any firms in Malaysia. There are only 4.27% of the sampled firms had appointed female CEOs. Next, it is found that the CEO who was older than 50 years are contributed as much as 66.23%. The standard deviation also lies on 47.31%. In addition, the mean of CEO that obtained a higher educational level of master or above is 31.35%.

Regarding the ownership of CEO, it is found that the average CEO holds were about 23.68% of total shareholdings from range minimum amount of 0% to maximum amount 74.71% of total shareholdings owned by CEO. Lastly is the CEO network with mean about 40.08% from range minimum of 0 person to maximum of 1 person who have broader network due to relation with other firms by past working experience, joint venture, shareholder, directorship and so on that are more than 5 organizations.

Table1

*Summary Statistics*

This table presents the summary statistics for the variables used in this study; dependent variable (Firm value), explanatory variables (CEO characteristics), and control variables (firm characteristics). The data was gathered from KLSE 336 listed firms from 2013-2015.

**Panel A: Descriptive Statistics of CEO Characteristics**

CEO Characteristics	Mean	Median	Standard Deviation	Min	Max
Female CEOs	0.0426	0	0.2021	0	1
CEO that are older than 50 years	0.6623	1	0.4731	0	1
CEO that obtained a master or above	0.3134	0	0.5356	0	1
Percentage of CEO shareholdings	23.6846	20.09	21.3695	0	74.71
CEO network	0.4007	0	0.4903	0	1

**Panel B: Descriptive Statistics of Firm Value and Firm Characteristics**

Firm Characteristics	Mean	Median	Standard Deviation	Min	Max
Firm Value (Tobin Q)	0.83	0.50	19.16	0.04	13.14
Firm Age (years)	28.37	24	0.67	1	187
Firm Size (RM'000)	1,933,865	383,519	6,471,007	8,592	89,039,200
Firm Leverage (%)	18.99	0.50	1.06	0	76.00

AS shown in Panel B, Table 1, the average value of Tobin Q (total market capitalization to total assets) is 0.83 from the range minimum value of 0.04 to maximum value 13.14 with standard deviation on 19.16. The average age of all the sampled firms is around 28 years from the range minimum of 1 year to maximum 187 years. While the mean value of firm total assets is approximately RM 1,933,865, the maximum and minimum value is RM 8,592,000 and RM

89,039,200,000 respectively. Lastly is the mean of firm leverage which is the ratio of total debts to total assets is almost 19%. The range of firm leverage is with minimum value of 0 to maximum value of 76%.

### Correlation Analysis

Table 2 summarizes the correlation analysis between the independent variables firm value (Tobin Q), control variables and the dependent variables. Its represents the CEO characteristics are gender, age, educational level, ownership of shareholdings, and network. The same goes to the firm characteristics, which are firm age, firm size and lastly the firm leverage.

Correlation analysis is the statistical tool that can be utilized to determine the level of association between two variables (Levin & Rubin, 1998). A correlation of  $\pm 1.0$  means there is a perfect positive or negative relationship (Hair et al., 2010). The values are interpreted between 0 (no relationship) and 1 (perfect relationship). Also, the relationship is considered small when  $r = \pm 0.1$  to  $\pm 0.29$ , while the relationship is considered medium when  $r = \pm 0.30$  to  $\pm 0.49$ , and when  $r$  is  $\pm 0.50$  and above, the relationship can be considered strong.

Thus as shown in the table, it was found that the correlation coefficient between the firm leverage and firm size is the highest value among the other pairs at  $-0.397$ . Even though firm leverage-firm size ( $-0.397$ ) is the highest correlation, but exceed  $\pm 0.50$  of correlation coefficient value only considered as high relationship. Moreover, the result also indicates its a negative correlation. On the other hand, the lowest correlation coefficient value is  $0.03$  which is between the ownership and gender variables. Since  $r < 0.1$ , thus the relationship between those two variables are considered small. However, it is a positive correlation between ownership and gender.

Based on the table, Tobin Q shows negative correlation with the all the other variables, but only have significant relationship with CEO gender at 10% level, CEO network at 5% level, firm age, firm size and firm leverage at 1% level of significance respectively.

Next is CEO gender which mostly has positive correlation among the variables except for CEO age and network. CEO gender has a negatively significant correlation with CEO age while also shows positive and significant correlation with firm age at 5% level.

Furthermore, all of the CEO age show positive relationships but only show significant correlation between CEO educational level, ownership, firm age at 5% level and firm size at 1% level.

Considering the educational level of CEO, it shows negative correlation with ownership but have positive and significant correlation between firm age, firm size and firm leverage at 1% level. Next is the ownership that show negative and significant relation with network, firm size and firm leverage also at 1% level.

Besides that, network also has positive and significant correlation between all the control variables which are firm age, firm size and firm leverage. The same goes to firm age that shows positive and significant relation with firm leverage and firm size at level of 1%. Finally, firm size also indicates a positive and significant correlation between firm leverage.

Table 2

## Correlation Coefficient Analysis

The table 2 presents the correlation coefficient among all the variables including dependent variable (firm value, FV), explanatory variables (CEO Gender, GEN; CEO Age, AGE; CEO Educational level, EDUCEO Ownership, OWN; and CEO Network, NET) and control variables (Firm Age, FAGE; Firm Size, FSIZ ; and Firm Leverage, FLEV).

	FV	GEN	AGE	EDU	OWN	NET	FAGE	FSIZ	FLEV
<b>FV</b>	1								
<b>GEN</b>	-.049* .060								
<b>AGE</b>	-.015 .316	- .047* .070							
<b>EDU</b>	-.030 .175	.014 .329	.064* *						
<b>OWN</b>	-.008 .400	.003 .460	.068* *	-.035 .134					
<b>NET</b>	- .070**	-.022 .239	.036 .127	.047 .069	- .078** *				
<b>FAGE</b>	- .118** *	.069* *	.066* *	.092* **	-.021	.121* **			
	.000	.014	.019	.002	.251	.000			
<b>FSIZ</b>	- .084** *	.031	.151* **	.109* **	- .121** *	.246* **	.306** *		
	.004	.160	.000	.000	.000	.000	.000		
<b>FLEV</b>	- .281** *	.037	.004	.074* **	- .108** *	.092* **	.128** *	.397* **	1
	.000	.121	.450	.010	.000	.002	.000	.000	

\*. Correlation is significant at the 0.10 level (1-tailed).

\*\* . Correlation is significant at the 0.05 level (1-tailed).

\*\*\* . Correlation is significant at the 0.01 level (1-tailed).



Table 3

*Multiple Regression Results*

The table presents the regression result for the overall sample and the results by industries (industrial product, trading and services, technology, consumer product properties, plantation, and construction). Our regressions are based on the model:  $FV_{i,t} = \alpha_{i,t} + \beta_1 GEN_{i,t} + \beta_2 AGE_{i,t} + \beta_3 EDU_{i,t} + \beta_4 OWN_{i,t} + \beta_5 NET_{i,t} + \beta_6 FAGE_{i,t} + \beta_7 FSIZ_{i,t} + \beta_8 FLEV_{i,t} + \varepsilon_{i,t}$ , T statistics are reported in the parentheses and \*, \*\*, \*\*\* indicate significance at 10%, 5%, and 1% levels, respectively.

	Overall	Industr ial Produc t	Tradin g & Service s	Technol ogy	Consu mer Produc t	Propert ies	Plantati on	Construct ion
<b>C</b>	- 0.6081 *** (- 2.7300 )	- 0.2844 (1.365 1)	- 0.8180 *** (- 3.2940 )	0.3470 (1.0070)	- 0.7710* * (- 2.3700)	- 0.5061* * (- 2.1514)	- 0.7450* (- 1.7950)	-0.2956 (-0.9766)
<b>GEN</b>	- 0.1412 *** (- 2.7132 )	- 0.1219 (- 1.3724 )	- 0.1390 (1.025 0)	-0.2380* (- 1.9060)	- 0.2360* (- 1.5370)	-0.1146 (- 1.2688)	omitted	omitted
<b>AGE</b>	- 0.0007 (0.032 2)	- 0.0268 (0.634 7)	- 0.0210 (- 0.3410 )	0.0801* (1.4750)	-0.0667 (- 1.0930)	0.0292 (0.7195 )	- 0.1911* (- 1.8500)	0.0437 (0.4867)
<b>EDU</b>	- 0.0105 (- 0.4555 )	0.0824* (1.754 1)	0.0470 (0.735 0)	-0.0095 (- 0.1450)	- 0.2500* ** (- 4.3710)	-0.0469 (- 1.2400)	0.1635* (1.8878 )	-0.0094 (-0.1382)
<b>OWN</b>	- 0.0003 (0.587 1)	- 0.0002 (- 0.2765 )	0.0032* (1.853 0)	0.0003 (0.1340)	-0.0005 (- 0.3160)	-0.0003 (- 0.4341)	- 0.0054* ** (- 2.5800)	0.0002 (0.1029)
<b>NET</b>	- 0.0590 *** (- 2.6179 )	- 0.0486 (- 1.1086 )	- 0.0831 (- 1.2930 )	-0.0750 (- 1.3220)	- 0.1824* ** (- 2.7870)	-0.0386 (- 1.0497)	-0.0035 (- 0.0456)	0.0505 (0.8233)

<b>FAGE</b>	- 0.0017 ***	- 0.0047 ***	- 0.0034 ***	- 0.0059** *	- 0.0082* **	- 0.0053* **	- 0.0045* **	0.0006
	(- 2.9327 )	(- 3.8375 )	(- 2.6620 )	(- 2.0510 )	(3.9708 )	(- 5.0633 )	(2.8728 )	(0.2227)
<b>FSIZ</b>	1.0390 ***	0.9583 ***	1.1610 ***	0.9721** *	1.1171* **	1.0729* **	1.1233* **	1.0000***
	(53.87 - )	(74.05 - )	(75.51 - )	(14.0490 - )	(19.107 - )	(24.357 - )	(16.180 - )	(18.1400)
<b>FLEV</b>	0.0108 ***	0.0157 ***	0.0100 ***	0.0110** *	0.0106* **	0.0045* **	-0.0031	-0.0081***
	(- 14.464 2)	(- 11.998 0)	(- 4.4930 )	(- 5.9080 )	(- 6.0160 )	(- 3.0940 )	(- 1.0428 )	(-3.7250)
<b>R-square</b>	0.7944	0.7114	0.8208	0.6720	0.7646	0.8618	0.8927	0.8753
<b>Adjusted R-square</b>	0.7913	0.7031	0.8131	0.6490	0.7504	0.8529	0.8774	0.8610

Based on the result, it was found that most of the CEO characteristics are insignificant to the firm value. In overall analysis, CEO gender was found negative significant on the firm value. The result shows significant effects thus Hypothesis 1 is rejected. In addition to that, men mostly dominated firms in Malaysia and there are only a few numbers of females CEO. Thus, the results are not representing the whole CEO gender concept. Fauzi and Locke (2012) argued that the involvement of women is still rare in listed companies.

Age was found to have negative and insignificant effect on the firm value. The result shows insignificant effects thus Hypothesis 2 is rejected. The CEO getting older they are no longer having the same or consistent energy to manage firms. They would more thinking of short run as they will retire soon. This is consistent with Cornet, Marcus, Saunders and Tehranian (2012); Wolfers (2006), that found CEO age is not significant in relation either no different in term of firm operation and value. The same goes to the analysis by industries where it was found that none of CEO age from various industries has significant effect towards firm value for and age characteristics. CEO age in plantation industry have negative and significant effect on firm value at level of significance 5% while CEO age in technology industry has positive relationship with firm value. This study proves that in CEOs in technology industry are more efficient due to their longer experience which helps them in the process of strategic decision making (Bialowas & Sitthipongpanich).

Next is overall analysis of CEO educational level on firm value is also insignificant negative relationship. Although Bertrand & Schoar (2003) argue that a CEO's educational background (e.g. MBA degree) increases firm performance, in this findings show that the postgraduate degree of CEO does not have an impact on firm value for overall analysis. Considering the

educational level of CEO that have insignificant result imply that CEO with higher educational level above degree courses such master and doctor in philosophy, they CEO tend to narrowing and focusing their scope of view to his field only. Thus, Hypothesis 3 is also rejected. However, considering the CEO educational level by industry, while the other industries give insignificant effect on firm value, it shows that consumer industry give negative and significant relationship at the 0.01 level of significance effect to firm value. However, in industrial and plantation industry CEO educational is positively relationship with firm value.

In overall analysis, the ownership of CEO shareholding was not a significant predictor of the firm value. Thus, hypothesis 4 cannot being accepted since it shows insignificant relationship. The result is consistent with Demsetz (1985) whom concluded that there is actually no relation between managerial ownership and firm performance because corporate compensation and incentive system with effective control will offset agency problem instead of managerial ownership. Other than that, at a high level of managerial ownership, managers will become entrenched which could lead to lower firm performance as managers act to achieve their own objectives at the price of other shareholders (DeAngelo & DeAngelo, 1985). Thus, Hypothesis 4 was not accepted. However, from the industry analysis, plantation industry shows that there was a negative significant effect on firm value at 0.05 level of significance. While trading and services industry shows a positive and significant effect at 0.10 level of significance.

CEO network in overall analysis was found to have a negative significant impact on the firm value at the 0.01 level of significance. This implies that if the CEO network increases by 1%, the firm value will decrease by about 5.9%. Thus, Hypothesis 5 is rejected and it is not consistent with findings by Bialowas and Sitthipongpanich (2014) that found CEO network and firm value does have relationship. However, since it has negative relation, it indicates that when CEO have too much network or relation with other organizations, CEO would lost his focus as they have too much commitment to give. Even though it was significant, this hypothesis of network was not accepted because of negative relation.

In addition, for the control variables which are firm age, firm size and firm leverage were also analyzed. As shown in Table 4.3, firm age was found have negative and significant relation to firm value at 0.01 level of significance in term of overall analysis with value. According to Haltiwanger, Jarmin, and Miranda (2012), young firms have a high exit rate and however since they are conditional on surviving in the industry make young firms have a higher growth rates than older firms. Therefore, this study found that the firm age was also negatively associated with firm value, implying that the older firms tend to have lower growth opportunity, thus leading to lower the firm value.

Next firm characteristics is firm size which in overall analysis shows that firm size positive and significant effect on firm value at significance of 0.01 level. The result indicates that when firm size increase by 1%, the firm value will increase by 11.97%. This is consistent with Bialowas & Sitthipongpanich (2014) that stated the larger the firms usually have lower information asymmetric problems which leads to better decision making thus enhance the firm value.

Finally the overall analysis of firm leverage has found that negatively significant to firm value with significant at 0.01 level. The coefficient of firm leverage implies that if there is an 1% increase in firm leverage, there will be a decrease in firm value by 2.05%. The firm leverage ratio was negatively associated to firm value as it indicates that the higher financial risk of debt financing deteriorates the firm value. According Bialowas & Sitthipongpanich, (2014), they found that the leverage ratio was negatively associated to firm value, resulted from higher financial risk of debt financing drop the firm value.

$R^2$  is the coefficient of determinant, which implies the degree of variation on the regression that can be explained by the variation in regressors. The value of  $R^2$  ranges between zero to one as the more the value is closer to one, the better will be the fit for a regression model (Gujarati & Porter, 2009). Based on Table 4.3, the overall result shows the value of  $R^2$  for this study is 0.094731. This indicates that there are 9.47% of the variation in firm value can be explained by the variation in the CEO gender, CEO age, CEO educational level, CEO ownership, CEO network, firm age, firm size and firm leverage. Thus, there is a low correlation between between the dependent, independent and control variables.

Lastly, is the adjusted- $R^2$  which is computed to take into account of more observations. From the results, the value of adjusted- $R^2$ , 0.791281 shows that there is 79.12% of the variation in firm value that can be explained by the variation in the CEO gender, CEO age, CEO educational level, CEO ownership, CEO network, firm age, firm size and firm leverage after the degree of freedom is taken into account.

## **Conclusion**

CEO gender and age was found to have negative significant on the firm value. Men mostly dominated firms in Malaysia and there are only a few numbers of females CEO. The result is not representing the whole CEO gender concept. Fauzi and Locke (2012) argued that the involvement of women is still rare in listed firms harm firm performance.

The results also show the negative significant effect of CEO network on firm value. Well-networked CEOs should have better access to required information from a network of contacts and it allows them to seek for new business opportunities (Hoang & Antoncic, 2003). Furthermore, the result of this study also supports the idea that networks are one of the key institutional characteristics of CEO in emerging markets. Since it has negative relation, it indicates that when CEO have too much network or relation with other organizations, CEO would lost his focus as they have too much commitment to give.

Considering the other CEO characteristics, it shows that the rest were negatively insignificant to firm value. The presence of CEO age, CEO educational level and CEO ownership was found not associated or give impact to firm value. The entire variable still have relationship within industries.

Regarding the effects of control variable, firm characteristics, it was found that there were all have significant factors determining firm value. Specifically, only the relationship between firm size and firm value was positively associated. The larger the firms usually have lower information asymmetric problems. Therefore, they are more valuable to investors. According to (Salsiah Mohd Ali et al. 2008), they found that managerial ownership of CEO is

less important in large-sized firms compared to small-sized firms. This is because large-sized firms practices better corporate governance mechanisms due to higher agency conflicts, thus less managerial ownership is required for control.

However, the firm leverage ratio was negatively associated to firm value, which indicates that the higher financial risk of debt financing deteriorates the firm value. According (Bialowas & Sitthipongpanich, 2014), they found that the leverage ratio was negatively associated to firm value, resulted from higher financial risk of debt financing drop the firm value.

Prior studies have found have significant relation between firm age and wages (e.g., Brown and Medoff, 2003), firm age and growth (e.g., Ouimet and Zarutskie, 2014) but there are no empirical studies in explaining the relation between firm age and CEO characteristics. Therefore, this study found that the firm age was also negatively associated with firm value, implying that the older firms tend to have lower growth opportunity, thus leading to lower the firm value.

Under the Upper-Echelon Theory (UET), managerial background traits or characteristics influence the organizational outcomes, planned choices and the performance levels. Other than that, resource dependency theory mentions that firm can utilize and control over their environment by facilitating the resources needed to survive. Top managers such as CEOs are the agents for the firms to create links with external environment. The study has proved that overall firm value is influenced of the gender and network of the CEOs. Other CEO characteristics such as CEO age, CEO educational level and CEO ownership were found associated to firm value within certain industries.

### **Implication of Study and Recommendation**

Specifically, the value of this study comes from its focus on the firms listed on the Bursa Malaysia to investigate the relationship between CEO characteristics and firm value. This study is one of the very few studies that have been conducted. By conducting a research of CEO in a developing country such as Malaysia that have unique business environment, it provides the business owners as well as investors some insights on the important contributions to the behavioral research in strategic level management. There are various crucial implications, contributions and insights to corporate policymaker, Security Commission Malaysia, shareholders, investors and board of directors.

The result of this study should be guidance in assisting shareholders and board of directors firms in their decision making to appoint CEO. During their searches for CEO, the characteristics of the CEO itself are what matters. The boards should not limit involvement of woman in managerial task that can lead harmful financial performance in Malaysia. The Board should also make sure to select CEO with broader network and working experience, while eliminating those who have non-execution related characteristics. These basic standard in decision making will contribute to the firm business maximize the firm value. Thus, finding of this study might be used by investors as a guideline for their future investment decision since it provide a mindset for investors as CEO with quality characteristics produce more value to the firm.

Future researchers are recommended to make investigation on the CEO characteristics such as education background, directorships, quality and ethnics towards firm value by using the multi-countries analysis. By this way, the future researcher is able to identify and make comparison of the multiple effect of different corporate cultural structure on CEO characteristics in various countries.

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