A Study of the Influence of the Professional Development and Work Context of the Chief Executive Officer in Australia, the United States and Hong Kong

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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July 2015
DECLARATION

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis/project is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and, ethics procedures and guidelines have been followed.

Christian Andre Taniman

July 2015
ACKNOWLEDGEMENT

I thank God for providing me with the opportunity to pursue this PhD study. It has been a long and challenging process to reach to this point and there are many people to whom I would like to thank for their assistance and support. First and foremost, I would like to express my deepest gratitude to my principal supervisor Dr Tim O’Sullivan for providing guidance, crucial feedback, advice, support, mentoring and encouragement. I would also like to thank my associate supervisor Dr Chris Christodoulou for providing valuable feedback and suggestions that help to polish the thesis. Their scholarly knowledge, committed supervision, patience and involvement at every crucial phase of the study have made the completion of this thesis possible.

I would like to thank the Graduate School of Business and Law (GSBL) for the facility and resources provided during the research study. I would like to thank colleagues at the GSBL, in particular Deputy Heads of Research—Prof Clive Morley and Prof Mark Leenders—and Higher Degree by Research Coordinators—Associate Prof Siva Muthaly and Dr Paul Gibson—for providing immense support throughout the candidature. I would like to thank certain professors at the College of Business for providing useful recommendations during the candidature milestone reviews. I am very grateful to the College of Business for awarding me with a Postgraduate Research Student Scholarship. I thank the school liaison librarian for providing some guidance during the data collection process of the study, the English Ready Centre at RMIT University, and Dr Sheila Cameron for her professional editorial work on some chapters of this thesis.

I shall always be indebted to my family for their devoted love and support. I would like to thank my wife Dina for her support and encouragement especially during difficult times, and for taking a good care of our toddler James. There have been lost evenings and
reduced weekends over the years of study and I thank my wife and son for always being very understanding and supportive. I would also like to thank my parents—Ridwan and Florencia—and my parents-in-law—Bambang and Mariani—for continuously giving a lot of support, prayers, love and care throughout these years.

There are other people who may have contributed to the completion of this thesis in some ways and although I could not put every name here, I sincerely thank them.
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<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>ASX</td>
<td>Australian Stock Exchange</td>
</tr>
<tr>
<td>ASXCGC</td>
<td>ASX Corporate Governance Council</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CG</td>
<td>Corporate Governance</td>
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<tr>
<td>DV</td>
<td>Dependent Variable</td>
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<tr>
<td>e.g.</td>
<td>For example</td>
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<td>et al.</td>
<td>And others</td>
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<td>GFC</td>
<td>Global Financial Crisis</td>
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<td>H</td>
<td>Hypothesis</td>
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<tr>
<td>HKEx</td>
<td>Hong Kong Exchanges and Clearing Limited</td>
</tr>
<tr>
<td>HKMA</td>
<td>Hong Kong Monetary Authority</td>
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<tr>
<td>ICGN</td>
<td>International Corporate Governance Network</td>
</tr>
<tr>
<td>i.e.</td>
<td>That is</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IV</td>
<td>Independent Variable</td>
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<tr>
<td>MBA</td>
<td>Master of Business Administration</td>
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<tr>
<td>MD</td>
<td>Managing Director</td>
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<tr>
<td>MV</td>
<td>Moderating Variable</td>
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<tr>
<td>NYSE</td>
<td>New York Stock Exchange</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>ROE</td>
<td>Return on Equity</td>
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<tr>
<td>RQ</td>
<td>Research Question</td>
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<tr>
<td>SEHK</td>
<td>Stock Exchange of Hong Kong</td>
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<tr>
<td>SFC</td>
<td>Securities and Futures Commission</td>
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<tr>
<td>TMT</td>
<td>Top Management Team</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
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Taniman, CA & O'Shannassy, TF 2015, 'Exploring the influence of chief executive officer professional development and work context on organisation performance: A multi-theoretic perspective', *Journal of Management & Organization*, vol. 21, no. 05, pp. 675-94.
ABSTRACT

This thesis examines cross-national differences and similarities of the influence of chief executive officer (CEO) professional development and work context on organisation performance between the legal jurisdictions of Australia, the United States and Hong Kong.

There is topical debate in the contemporary corporate governance literature arguing for the possibility of convergence of corporate governance practices around the world toward the Anglo-American model, which seeks to maximise shareholder wealth (Rasheed & Yoshikawa 2012). Convergence theorists, including Hansmann and Kraakman (2001), argue that the Anglo-American model ideally provides the required resource focus and efficiency to manage large corporations; consequently, other countries with other practices that reflect local business culture or regulatory systems will need to adopt this model. It is of note that leading organisations such as the Organisation for Economic Co-operation and Development (OECD) have pushed for the implementation of certain principles of guidance for sound practice in corporate governance that reflect the rights of shareholders and a role for key stakeholders. While these OECD principles provide some impetus for convergence, the OECD notes that specific circumstances in legal jurisdictions plus the size and complexity of companies can impact corporate governance practices. This provides scope for an alternative view argued by Branson (2001) that convergence theory proponents did not take into consideration the actual obstacles in attaining such convergence. The differences in culture and regulatory systems across various countries may prevent convergence from taking place. Further, the process of convergence may take a longer time (Yoshikawa & Rasheed 2009).

This thesis examines this tension between the convergence and divergence arguments, specifically in the context of the CEO professional development and work matters and their influence on organisation performance within the Australian, United States and Hong Kong
legal jurisdictions. These three countries have been intentionally selected to represent the Anglo, American and Asian practices and models of corporate governance.

This research study is informed by a blend of positivism and critical realism methodologies, favouring deduction on the deductive-inductive continuum. The sample includes the largest 200 publicly listed companies by market capitalisation from the Australian Stock Exchange; the Russell 200 Index (i.e., the New York Stock Exchange, the NASDAQ); and the Hong Kong Stock Exchange, respectively, as at 30th of September 2010. The total sample size is 600 companies. The data was collected from secondary publicly available sources such as annual reports over a three-year period from 2010 to 2012. The research also utilises reliable publicly available archival data (e.g. Morningstar DatAnalysis and BoardRoom Review) in the case where the information from the annual reports was insufficient. Quantitative analysis undertaken includes descriptive statistics, bivariate correlation statistics, analysis of variance (ANOVA), hierarchical multiple regression analysis and moderated regression analysis with the similarities and differences in results for the hypothesis tests giving benchmark insight into points of convergence and divergence in particular country practices.

The findings show a few areas of difference in the cross-sectional CEO work context data across the three countries, notably the relatively high cases of CEO duality seen in the United States context and the relatively high percentage of CEO share ownership in the Hong Kong context. Australia exhibits a low incidence of CEO duality compared with the United States and Hong Kong. There is an area of similarity in the positive prediction by a CEO with an output-oriented functional background of the dependent variable organisation performance in the three countries providing support for the convergence argument. Other points of convergence are as follows. In Australia and Hong Kong, CEO share ownership percentage has a positive effect on organisation performance; however, the non-executive director ratio
is negatively related to organisation performance. These findings provide support to the stewardship theory and may suggest that agency-based corporate governance structures, which embrace the importance of composing a board with a majority of non-executive directors, could be limited in providing a favourable effect on organisation performance. Instead, in Australia and Hong Kong stewardship-based company structures, which embrace the importance of remunerating the CEO with company shares or including a few skilful inside, executive directors on the board, should be considered. Further, there is an area of similarity in the positive prediction by an insider CEO of the dependent variable organisation performance between the United States and Hong Kong. In the United States only, a CEO with international work experience has a positive effect on firm performance. In Australia only, long CEO tenure alone does not predict better firm performance; however, the findings of the moderation hypothesis and the moderation plot suggest that long CEO tenure is associated with better firm performance when the non-executive director ratio is low.

This thesis contributes to theory development by integrating multiple theories such as the upper echelon theory and relevant corporate governance theories (e.g. agency theory, stewardship theory) in its development of research hypotheses. This research study critically assesses whether these theories can help to explain the relationship between the professional development and work context of the CEO and organisation performance in different national contexts. Understanding the value the right CEO selection and work choices can bring to an organisation is important for a range of stakeholders inside and outside the company. The findings will also assist practitioners in developing a CEO succession plan, training for senior managers and company policies.
CHAPTER 1 INTRODUCTION

1.1 Introduction

There is debate in the corporate governance community of academics, company directors, business executives, consultants and professional bodies—such as the Australian Institute of Company Directors—on the speed and extent of a trend to convergence of international corporate governance practices to the Anglo-American model (Clarke 2004a; Gordon & Roe 2004; Crossland & Hambrick 2007; Kiel, Nicholson, Tunny & Beck 2012; Rasheed & Yoshikawa 2012). The Anglo-American model is noted for its focus on maximisation of shareholder value and is supported by corporate law and securities regulation to protect shareholder interests (Nestor & Thompson 2001; Hansmann & Kraakman 2001; Yoshikawa & Rasheed 2009; Kiel et al. 2012). Asia is a key economic growth region on the globe (Galvin 2014) and is experiencing an increase in the number of listings and turnover on important stock markets such as the Japan Exchange Group, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Asian business has in the past been characterised by dominant shareholdings by family groups or a small group of majority shareholders and the use of personal connections (Clarke 2000). Following the Asian economic crisis of 1997 Asian corporations were encouraged by bodies such as the International Monetary Fund (IMF) and the Asian Development Bank to improve their governance practices (Clarke 2004b). Asian corporations seeking capital on United States and United Kingdom stock exchanges have also had to comply with local listing rules in those countries. This background provides the basis for a theory that has inspired this thesis, that there is a convergence of international corporate governance practices taking place to the Anglo-American approach. This thesis investigates this theory.
This introductory chapter will present an explanation of the background to the research, describe the research context and highlight the research problems and gaps in existing literature to explain the motivation for conducting the study. This chapter highlights the use of a multi-theoretic perspective in this thesis to provide a better explanation of the link between the professional development and work context of the chief executive officer (CEO) and organisation performance. This chapter will present the research objectives and research questions. The key variables used in the study will be defined. This chapter will also provide a brief overview of the methodology and methods for conducting the research. The outline of the thesis will be presented and the contributions of the study will be succinctly described.

1.2 Research Background

The introductory remarks note there is a debate in contemporary corporate governance research arguing that there is convergence of corporate governance practices toward the Anglo-American model that emphasises shareholder value maximisation (Hansmann & Kraakman 2001; Yoshikawa & Rasheed 2009; Rasheed & Yoshikawa 2012). Hansmann and Kraakman (2001) argued that the Anglo-American model provides the necessary efficiencies for the management of large companies with various owners in globally integrated markets. Global convergence may eventually develop when overseas companies willingly acquire United States, shareholder-based corporate governance practices for the purpose of obtaining access to United States investors and listing on American stock exchanges (Coffee 1999; Fiss & Zajac 2004). The corporate law and the securities regulations in this model put a priority on shareholder interests offering protection to both majority and minority investors (Nestor & Thompson 2001).

The Asian financial crisis that emerged in 1997 uncovered underlying weaknesses in Asian corporate governance systems, which are typically characterised by ownership of a
high concentration of shares by a dominant shareholder or family group or a small group of majority shareholders, and a lack of protection for minority shareholders (Clarke 2000; Miller & Le Breton-Miller 2006). There is also a lack of a clearly outlined role for non-executive directors and evidence of business leaders relying excessively on personal connections (Clarke 2000; Crawford 2001). The Asian crisis led to a trend toward reform of the disclosure requirements, governance standards and regulatory systems in the affected countries; more prescriptive approaches to corporate governance and the development of best practice codes were deemed to be essential (Clarke 2000). A wide range of external institutions including the IMF, the Organisation for Economic Co-operation and Development (OECD), the Asian Development Bank and the World Bank have been influential in encouraging and monitoring the reform process (Clarke 2004b).

It is of note that the OECD has pushed for the implementation of certain principles of guidance for sound practice in corporate governance that reflect the rights of shareholders and a role for key stakeholders (OECD 2004). While these OECD principles provide some impetus for convergence, the OECD notes that specific circumstances in legal jurisdictions plus the size and complexity of companies will impact corporate governance practices. This provides scope for an alternative view argued by Branson (2001) that convergence theory proponents do not take into consideration the actual obstacles in attaining such convergence. First, the process of convergence takes time (Yoshikawa & Rasheed 2009). Second, convergence theory has been largely based on the study of capitalism in the United States, Germany and the United Kingdom (Branson 2001). Third, the differences in culture and regulatory systems across various countries may prevent convergence from taking place (Branson 2001). Clarke (2000) argued that the assumption to think that what was required in East Asian countries after the crisis was simply an adoption of Anglo-American influenced governance system undervalues the unique cultural fundamentals of corporate governance
systems. There is tension between convergence and divergence arguments in the corporate governance literature across countries.

In the early 2000s the collapse of high profile corporations in the United States such as Enron Corporation and WorldCom, and in Australia HIH Insurance and One.Tel Limited broadly highlighted shortcomings in corporate ethics and corporate governance practices (Kiel, Nicholson & Barclay 2005; Dhir 2006; Kiel et al. 2012; Clarke 2014a). The scandals ‘shed new light on the convergence debate’ as they emerged at the time when convergence theory proponents claimed the Anglo-American model to be ideal in offering greatest efficiency in corporate governance; these scandals exposed some vulnerability in the Anglo-American model particularly in relation to director vigilance of audit practices (Gordon & Roe 2004, p. 5). Nevertheless, it has been argued that the United States regulatory response to the scandals might push forward convergence as new requirements that improve board responsibility such as CEO monitoring, disclosure and financial reporting were developed and also mostly applied to foreign firms which prefer to list on United States stock exchanges (Gordon & Roe 2004). The global financial crisis (GFC) that commenced in late 2007 only served to further highlight the importance of broadly improving corporate governance practices and in particular improving the prospect of the CEO in his or her performance having a positive effect on organisation performance (Smallman, McDonald & Mueller 2010).

Strategy scholars realised that a company’s competitive situation and economic environment alone cannot completely describe the nature of firm’s strategic decision and its performance results (Wiersema 1995). Strategy is created, reviewed and implemented by powerful individuals within an organisation and so there is an argument that researchers need to acknowledge the importance of the human element involved in running an organisation to properly understand strategy work (Finkelstein, Hambrick & Cannella 2009; Galvin & Arndt
As the head of the executive team, the CEO is the key organisational human resource, holding responsibility for organisation performance and providing an essential nexus or link between the top management team (TMT) and the board of directors (Carpenter, Sanders & Gregersen 2001; Hunter & O’Shannassy 2007; Finkelstein, Hambrick & Cannella 2009). The knowledge, educational qualifications, previous work experience and current work context of the CEO as the key executive member, usually with a seat on the board of directors, can be a key differentiating element in getting strong organisation performance (Carpenter, Sanders & Gregersen 2001). This is why this research focuses on the professional development and work context of the CEO and seeks to theoretically and practically understand when, where and how these considerations deliver better organisation performance.

The convergence debate has implications for corporate governance practice considerations in relation to CEO work context and professional development in Anglo, American and Asian countries. For instance in Australia there is wide practice of separation of the chairperson and CEO role (Kiel & Nicholson 2003a; O’Shannassy 2010; Fitzroy, Hulbert & Ghobadian 2012). However, in the United States the practice of CEO duality is still commonly encountered in major publicly listed companies (for example Exxon Mobil Corporation and General Electric Company) (Finkelstein, Hambrick & Cannella 2009). It is of note that in the United States activist shareholders have pushed for proposals to separate the chairperson and CEO positions at leading United States publicly listed companies (for example JP Morgan Chase and Company and News Corporation) (Krause, Semadeni & Cannella 2014). This provides some impetus for convergence of this particular CEO work issue in the United States toward the Anglo governance model. In Australia on the Australian Stock Exchange (ASX) Top 200, duality is practiced by less than ten per cent of companies and this has theoretical and empirical implications for research on CEO professional development and work context in Australia compared with the United States. For example in
approximately 70 per cent of Russell 200 companies (that is, the largest 200 companies on the New York Stock Exchange and the NASDAQ) in the United States a variable such as CEO tenure is usually measuring chairperson and CEO tenure compared with less than ten per cent of ASX Top 200 companies. ASX Top 200 companies will have a separate measure for chairperson tenure in more than 90 per cent of cases. In Hong Kong, a large percentage of publicly listed companies are owned by family groups; in family-controlled companies a family member usually holds the CEO position, and he or she will possess a high percentage of company shares giving some influence, control and power over the corporation and the board (Lam & Lee 2008). This type of variation between Anglo, American and Asian legal jurisdictions on key measures should influence corporate governance theory development and empirical findings in their respective research communities. There is need to explore similarities and differences in CEO professional development and work context matters across countries to understand whether these similarities and differences play a crucial role in influencing organisation performance in each respective country. Rigorous research in this area will ultimately contribute to the advancement of an international corporate governance theory (Kumar & Zattoni 2013a).

The research reported in this thesis focuses on three legal jurisdictions to provide Anglo-American and Asian contrast. The Australian legal system has emerged from the United Kingdom legal system, is representative of the Anglo corporate governance model and has high quality standards of corporate governance disclosure and financial reporting (Clarke 2004a; Kiel et al. 2012). A distinctive point of comparison between the Anglo-American corporate governance model and the Hong Kong model relates to the ownership and control structure of publicly listed companies. In the Anglo-American model, widely dispersed shareholders and in particular institutional investors in the United States dominate the ownership of the public listed companies (Farrar 2001; Keong 2002). The control of
many Australian and United States publicly listed companies is entrusted to the CEO and the board of directors of the respective companies. However, in Hong Kong families still dominate the ownership and control of the public listed companies (Stolt 2010). Databases have been prepared for Australia, the United States and Hong Kong.

1.3 Research Context

The Australian ASX Top 200 listed companies, the United States Russell Top 200 Index listed companies and Hong Kong Stock Exchange Top 200 listed companies have been chosen as the research context for this thesis to provide the Anglo-American Asian contrast required.

Australia represents an important country for corporate governance research internationally in that it is a country context in which there is prevalence of best practice in the business community (Higgs 2003; Kiel & Nicholson 2003a).

The United States stock exchange setting has been selected mainly because of its large economy and influence on the world economy with great companies such as Apple Inc. and General Electric listed on the NASDAQ and NYSE respectively. During the time of study, the United States as a nation was ranked first globally in terms of gross domestic product (Euromonitor International 2012). There is a proliferation of studies investigating the effect of CEO selection, tenure, duality, shareholding and other CEO attributes on a performance variable (for example Westphal & Zajac 1995; Walters, Kroll & Wright 2007) conducted in the United States context. These studies provide valuable background and insight for the development of hypotheses, research design choices and interpretation of results in this study (Galvin 2014).

Hong Kong provides an interesting context for the investigation of convergence in corporate governance. Prior to 30 June 1997 Hong Kong was a dependent colony of Britain and from then on China has resumed control of Hong Kong (Brewer 1997; Ho 2008).
Therefore, Hong Kong represents the ideal Asian country with a unique position that captures both Western and Eastern cultures. This has implications for businesses where some companies which are listed on the Hong Kong Stock Exchange are also listed on the Chinese Stock Exchange such as Shanghai Stock Exchange and Shenzhen Stock Exchange. Convergent trends such as Hong Kong’s observance of ‘liberal political-economic principles’ and Hong Kong’s globally ‘competitive financial services sector’ have reinforced the country’s status as ‘a Western-style financial centre in the Far East’ (Crawford 2001, p. 50). Nevertheless, Hong Kong companies are distinct from Anglo-American companies because they are characterised by family-oriented financial management systems and guanxi, which is ‘an informal, yet highly compelling and closely knit, system of reciprocity built upon familial and sub-ethnic connections’ (Crawford 2001, p. 47). Profit maximisation of companies in Hong Kong largely depends on connections, guanxi and trust (Crawford 2001). Hong Kong companies also provide an accessible level of disclosure for gathering data for this thesis (Cheng & Firth 2005).

The literature indicates that the three legal jurisdictions chosen for this study would vary in important ways. For example, the differences between Australia and the United States might be more related to the regulatory frameworks (Bonn, Yoshikawa & Phan 2004), such as being more about whether CEO and chairperson duality is common or allowed in the United States, or certain differences in reporting requirements (e.g. financial reporting requirements). In comparison, the differences between Australia and Hong Kong could be more in terms of context, such as a much higher proportion of the shares being held by individuals or families in Hong Kong (Stolt 2010). This has an important implication for the selection of the research context for this thesis and for the exploration of convergence in corporate governance.
In terms of market capitalisation the United States New York Stock Exchange (NYSE), the United States NASDAQ, the Hong Kong Stock Exchange and the Australian Stock Exchange were ranked the first, second, seventh and eleventh largest stock markets in the world, respectively in 2010 (World Federation of Exchanges 2011; 2012). This statistic signals the importance of these stock exchanges and the companies listed on them to the overall world economy with implications for both research and practice.

1.4 Motivation for the Study

We have seen that there has been an increased focus on corporate governance research that explores the link between the professional development and work context of the CEO and organisational outcomes over the last few decades in the United States (for example Hambrick & Mason 1984; Finkelstein 1992; Bigley & Wiersema 2002; Carpenter, Geletkanycz & Sanders 2004; Hambrick & Quigley 2014; Krause, Semadeni & Cannella 2014; Lin, Wang, Chiou & Huang 2014; Luo, Kanuri & Andrews 2014). However, there is limited research that explores this link in Australia and Hong Kong, or research that provides benchmark insight across Anglo-American and Asian countries. A further research opportunity is presented by the mixed findings of the United States research studies; there is an opportunity for clarification of some of the more contentious findings.

The research background section has identified the key debate on convergence in corporate governance toward the Anglo-American model. However, there is a lack of research being conducted worldwide to understand the convergence issue and trends in terms of the CEO professional development and work context between Anglo, American and Asian countries. Further studies that explore cross-country convergence of the influence of the CEO are needed to provide valued theoretical and practical insights into the current state of convergence in corporate governance and to identify whether CEOs in a particular country are more important in affecting organisation performance than CEOs in other countries.
In the recommendations section of the Crossland and Hambrick’s (2007) study, they discussed several possible analytical approaches that would provide guidance for future studies that look into exploring convergence trends. One possible approach is to determine whether the relationships between certain CEO attributes and organisational outcome variables will converge (or vary) statistically between countries. They did not take this particular approach since their study aimed to compare the overall influence of the CEOs on organisation performance between the United States, Germany and Japan. This provides a research opportunity.

Kumar and Zattoni (2013b) explain that results from a multi-country study will offer useful insight on whether the results are applicable to a specific corporate governance system or are applicable across various corporate governance systems. Upper echelon theory has been developed from the exploration of the American business context (Hambrick 2007). Many of the corporate governance theories including agency theory have been concentrated on the Anglo-American corporate context (Clarke 2014a). The generalisability of these theories to a wider range of corporate governance contexts such as Asia should be explored further. For example most of global corporate governance codes embrace agency theory by emphasising on the importance of independent, non-executive directors on the board (Clarke 2014b). But the separation of control and ownership may not be an issue in a business context where family ownership and control is prevalent (e.g. Hong Kong) (Zheng & Ho 2012), or perhaps in nearly all business contexts (Clarke 2014b). This prompts the need for a study that explores whether the recommendation from agency theory to include a majority of non-executive directors on the board would indeed predict better firm performance in different business settings. There is a research gap in the development of comparative corporate governance studies between countries (e.g. Australia, the United States and Hong Kong) with robust empirical samples (Zona, Zattoni & Minichilli 2013). There is specifically a gap in
studies that explore the similarities and differences in the influence of the professional development and work context of the CEO between Anglo, American and Asian countries. This provides the research opportunity for this thesis.

Corporate governance development in the Anglo-American countries focuses on optimising organisation performance through the proper check and management of the CEO (ASX 2010). The role of the board is important for monitoring the work of the CEO (Bonn & Pettigrew 2009). But research exploring the work relationship between the CEO and the board is still inadequate because many existing studies have included board characteristic measures (e.g. the outside director ratio) as control variables rather than as moderating variables to test joint effects (Boyd, Haynes & Zona 2011). This provides a research opportunity.

1.5 Theoretical Significance

This research uses agency theory, stewardship theory, managerial hegemony theory, resource dependence theory, convergence theory and upper echelon theory to inform the literature review and theory development with regard to the relationship between CEO professional development variables, CEO work context variables and organisation performance (Kiel & Nicholson 2003b; Clarke 2004a; Boyd, Haynes & Zona 2011). This gives this thesis a multi-theoretic perspective, and helps this thesis take a step forward from the over-dependence on agency theory seen in much of the corporate governance literature (Clarke 2014a). The moderating influence of CEO tenure and the non-executive director ratio jointly on organisation performance is also explored to better understand the value of agency theory, stewardship theory.

The need to integrate different theories has been emphasised in top management journals such as Academy of Management Journal (Mayer & Sparrowe 2013), Journal of Management (Boyd, Haynes, Hitt, Bergh & Ketchen 2012), Journal of Management Studies
(Boyd, Haynes & Zona 2011) and *Academy of Management Review* (Davis, Schoorman & Donaldson 1997). It is often inadequate to draw upon a single theory to find the answer to an intended research question (Mayer & Sparrowe 2013). The integration of theories together with the use of different independent variables but a common dependent variable will help to explain the same phenomenon under investigation from different points of view and thus generate useful understanding that will inform future research and eventually influence management practice (Mayer & Sparrowe 2013).

1.5.1 Upper Echelon Theory

Hambrick and Mason (1984) developed upper echelon theory, which provides valuable insight to inform this CEO study. The focus of upper echelon theory is on top executive cognition, perception and value and the influence this has on the process of strategic choice for the TMT (Hambrick & Mason 1984). This process of strategic choice has organisation performance consequences (Carpenter, Geletkanycz & Sanders 2004; Boyd, Haynes & Zona 2011). The CEO is the key TMT executive holding overall responsibility for the performance of a whole organisation (Finkelstein, Hambrick & Cannella 2009). During their daily work CEOs often face unknown conditions and they interpret these conditions and other issues through personal lenses, which are shaped by their individualised characteristics including observable characteristics (e.g. demography and professional experience) and unobservable attributes (e.g. personalities, perceptions, cognitions and values) (Carpenter, Geletkanycz & Sanders 2004; Hambrick 2007; Hambrick, Humphrey & Gupta 2014). Since the latter elements are hard to measure researchers use observable managerial attributes that are reasonable proxies for fundamental differences in executive values, cognitions and perceptions (Carpenter, Geletkanycz & Sanders 2004).

Variables including international work experience, functional background heterogeneity, educational heterogeneity and tenure heterogeneity have been used to better
understand TMT strategic choices (Hambrick & Mason 1984; Carpenter & Fredrickson 2001). This research stream has yielded inconsistent research findings to date (Carpenter & Fredrickson 2001). Moreover, the generalisability of upper echelon theory is quite limited, as many past upper echelon studies used United States data (Hambrick 2007). This thesis will complement the existing studies by exploring the influence of the CEO professional development variables and CEO work context variables in the United States and other legal jurisdictions including Australia and Hong Kong in order to assess the external validity of upper echelon theory. There is a relatively unexplored area of upper echelon research with regard to the relationship between the TMT—and (or) the CEO as the leader of the TMT—and the board (Boyd, Haynes & Zona 2011). This thesis will explore the relationship between CEO tenure and the non-executive director ratio, and how this joint relationship will affect firm performance.

1.5.2 Agency Theory, Stewardship Theory, Managerial Hegemony Theory and Resource Dependence Theory

Agency theory, stewardship theory and managerial hegemony theory focus on the issues of internal monitoring in corporate governance practice (Clarke 2004a). Agency theory explains the value of the board acting as the centre of corporate control for the organisation, while stewardship theory and managerial hegemony theory illustrate managerial control with the CEO as the most valuable employee at the centre of corporate control (Finkelstein, Hambrick & Cannella 2009). Agency theory views professional managers as individualistic and untrustworthy (Davis, Schoorman & Donaldson 1997). On the contrary stewardship theory argues that CEOs should be trusted to perform their job and are good stewards of the corporation (Donaldson & Davis 1991; Davis, Schoorman & Donaldson 1997). Many corporate governance studies have relied heavily on agency theory but this theory may not be applicable to all institutional settings (Boyd, Haynes & Zona 2011) or to all company
circumstances. There is tension between agency theory and stewardship theory that leads to the important questions of what constitutes an ideal board, when to have a vigilant board, and whether the CEO and the inclusion of executive directors on the board will contribute positively to the overall firm performance (Johnson, Daily & Ellstrand 1996). Managerial hegemony theory recognises the limitations of the board in deciding the future direction of the organisation, arguing that board decisions are to a great extent subject to TMT control and especially to that of a high-powered CEO (Mace 1971; Hendry & Kiel 2004). Agency theory and managerial hegemony theory lead to an increasing awareness of the need of the board and particularly non-executive directors to be actively monitoring and controlling the work of the CEO.

Resource dependence theory is concerned with the external relationships of the organisation and recognises the important role of non-executive directors on the board in providing a bridge between the firm and its external resources (Pfeffer & Salancik 1978; Dalton, Daily, Ellstrand & Johnson 1998; Clarke 2004a). Powerful actors who are external to the TMT working as non-executive directors may affect organisation performance and also affect how the CEO influences organisation performance (Carpenter, Geletkanycz & Sanders 2004). Board members and particularly non-executive directors can have a direct effect on organisation performance as they bring important external resources, information and legitimacy to the organisation (Geletkanycz & Hambrick 1997; Carpenter, Geletkanycz & Sanders 2004). Simultaneously, all board members—inside directors and outside directors—can have an indirect effect on organisation performance as they work closely with the CEO, offering advice to the CEO throughout the CEO’s tenure and holding the power to select, monitor and dismiss the CEO (Westphal & Fredrickson 2001; Carpenter, Geletkanycz & Sanders 2004).
Agency theory, stewardship theory and resource dependence theory also provide useful theoretical explanations of how the non-executive director ratio can influence organisation performance and also moderately affect the influence of CEO tenure on organisation performance.

1.5.3 Convergence Theory

Convergence theorists hold the view that corporate governance practice is converging toward the Anglo-American model that maximises shareholder value (Hansmann & Kraakman 2001; Yoshikawa & Rasheed 2009; Rasheed & Yoshikawa 2012). Convergence theorists argue that the Anglo-American corporate governance model of shareholder capitalism provides the required efficiency for the management of large corporations that have many widely distributed owners or shareholders (Hansmann & Kraakman 2001; Gordon & Roe 2004). The development and distribution of good governance codes by leading international organisations such as the OECD, and the standardisation of accounting regulations have all been regarded as adding to the growing convergence of corporate governance practices across different nations (Coffee 1999; Aguilera & Cuervo-Cazurra 2004; Yoshikawa & Rasheed 2009).

1.6 Research Objectives

Given the preceding discussion, this research has six main objectives.

The first research objective is to develop a review of the corporate governance literature in relation to CEO professional development and the CEO work context and organisation performance that provides a foundation on which to develop a series of convergence theory hypothesis for this study of large stock exchange listed companies in Australia, the United States and Hong Kong.
The second research objective is to build three corporate governance databases—one for each of Australia, the United States and Hong Kong to enable testing of the convergence theory hypotheses.

The third research objective is to use statistical analysis techniques to identify and benchmark similarity and difference in cross-sectional CEO professional development and CEO work context data variables from companies in Australia, the United States and Hong Kong.

The fourth research objective is to use statistical analysis techniques on the Australia, the United States and Hong Kong data to test a series of convergence theory hypotheses using the cross-sectional CEO professional development and CEO work context variables on the dependent variable organisation performance.

The fifth research objective is to explore using statistical analysis whether the influence of CEO tenure on organisation performance is moderated by the non-executive director ratio in Australia, the United States and Hong Kong.

The sixth research objective is to examine the results for areas of similarity and any areas of difference and discuss these similarities and differences and their implications in the context of the discussion in relation to convergence of corporate governance practice between Anglo-American and Asian corporations.

1.7 Research Questions

To achieve the above objectives, the following research questions (RQs) are proposed:

RQ1: Is there a theoretical basis for the argument that there is a trend to convergence of Anglo-American and Asian corporate governance practices in large stock exchange listed companies in relation to CEO professional development and the CEO work context that has an influence on organisation performance?
RQ2: Does the empirical evidence from large stock exchange listed companies in Australia, the United States and Hong Kong identify and benchmark areas of similarity in cross-sectional CEO professional development and CEO work context data?

RQ3: Does the empirical evidence from large stock exchange listed companies in Australia, the United States and Hong Kong identify areas of similarity in prediction by cross-sectional CEO professional development and CEO work context variables of the dependent variable organisation performance to support a convergence argument?

RQ4: Is the influence of CEO tenure on the dependent variable organisation performance moderated by the non-executive director ratio in Australia, the United States and Hong Kong respectively?

RQ5: Is there any empirical evidence of difference indicating divergence in relation to the influence of CEO professional development and CEO work context on organisation performance between Australia, the United States and Hong Kong?

1.8 Definition of Key Variables

To empirically test theory in relation to the influence of CEO professional development and CEO work context on the dependent variable organisation performance particular variables have been selected for use in this study informed by research practice in key corporate governance and upper echelon studies (e.g. Hambrick & Mason 1984; Finkelstein 1992; Bigley & Wiersema 2002; Carpenter, Geletkanycz & Sanders 2004).

1.8.1 CEO Professional Development Variables

After an extensive review of the upper echelon and corporate governance literature, CEO insider/outsider status, CEO functional background, CEO international work experience, CEO MBA education and CEO number of university degrees have been selected as the key CEO professional development variables.
**CEO insider/outsider status** explains whether the incumbent CEO was an employee of the firm or any of its subsidiaries prior to and at the time of appointment as CEO and reflects whether the knowledge, skills, values and work experience of the CEO were obtained from inside or outside the firm (Dalton & Kesner 1985; Kesner & Sebora 1994; Westphal & Zajac 1995; Bigley & Wiersema 2002; Shen & Cannella 2002a). **CEO functional background** refers to the functional areas that the CEO previously had direct experience in and can be considered to be an expert in those areas (Finkelstein 1992). It reflects the type of knowledge that the CEO possesses and the experience shapes the CEO’s beliefs, perspective and attitude (Chattopadhyay, Glick, Miller & Huber 1999; Bell, Villado, Lukasik, Belau & Briggs 2011). **CEO international work experience** reflects the ability of the CEO in handling global business operations as a result of successfully completing a past international work assignment or previously managing an international division (Herrmann 2002). **CEO with a Master of Business Administration (MBA) degree** reflects the CEO’s formal education, training and professional development obtained from a graduate business school that is likely to enhance his or her business acumen and assist in gaining important social capital (Bertrand & Schoar 2003; Lindorff & Jonson 2013). **CEO number of university degrees** indicates the extent of and level of CEO education that is often linked to better receptiveness to innovation as it reflects the CEO’s cognitive ability, particularly open-mindedness (Kimberly & Evanisko 1981).

### 1.8.2 CEO Work Context Variables

After an extensive review of the upper echelon and corporate governance literature, CEO and chairperson duality, CEO tenure and CEO share ownership percentage have been selected as the key CEO work context variables.

**CEO and chairperson duality** refers to the work condition of the CEO where there is a ‘dual board leadership structure’, i.e., the CEO also holds the position of chair of the board.
(Daily & Johnson 1997, p. 100; Peng 2004). CEO tenure refers to how long an individual has assumed the CEO position (Bigley & Wiersema 2002) and reflects the total number of years of experience in the CEO role (Luo, Kanuri & Andrews 2014). CEO share ownership percentage refers to the percentage of a company’s shares possessed by the CEO (Bigley & Wiersema 2002). CEO and chairperson duality, a long CEO tenure and a high percentage of CEO share ownership respectively has been linked to superior CEO power with implications for organisation performance (Finkelstein 1992; Daily & Johnson 1997).

1.8.3 Non-executive Director Ratio Variable

The non-executive director ratio has been selected as the moderating variable for this study and indicates the percentage of non-executive directors on the board (Zhang & Rajagopalan 2010). A high non-executive director ratio is related to superior board independence from the CEO and management (Westphal & Zajac 1995). The relationship between the CEO and the board is important to corporate governance practice (OECD 2004; Boyd, Haynes & Zona 2011). As a consequence, this research will also explore the joint effect of CEO tenure and the non-executive director ratio on organisation performance.

1.8.4 Organisation Performance Variable

This research uses an objective financial performance measure—specifically actual return on assets (ROA)—for the dependent variable. There is a tradition of measuring organisation performance as a dependent variable in management and corporate governance research (Bonn, Yoshikawa & Phan 2004; Richard, Devinney, Yip & Johnson 2009). Three types of organisational performance measures that are used frequently in the strategic management literature include objective financial performance, subjective financial performance and subjective non-financial performance (Newbert 2008). There is particularly a strong preference to use objective accounting measures, as they are readily available.
(Richard et al. 2009). ROA is ‘a very popular accounting measure’ of organisation performance that provides an indication of the efficiency of the TMT in using the firm assets to generate incomes (Richard et al. 2009, p. 729). ROA provides a more reliable organisation performance measure than a market performance measure (e.g. market-to-book ratio) for this study, which collected its data following the GFC, because the value of market-to-book ratio might have been overestimated after a stock market crash (Bonn, Yoshikawa & Phan 2004).

1.9 Overview of Methodology and Methods

This research blends positivism and critical realism, favouring deductive theory on the deductive-inductive continuum. There is a long tradition of studies in corporate governance and strategic management blending positivism and critical realism (Kwan & Tsang 2001).

Taking a positivist approach, information was extracted from databases and annual reports in relation to CEO professional development, CEO work context and organisation performance to facilitate the quantitative analysis presented in this thesis to test theory and create objective knowledge (Neuman 2011).

The critical study of management identifies and explores tensions between the actual reality of management and the validated representation of the reality using a set of objective techniques (Alvesson & Willmott 2012). Critical realists argue that a claim made by an existing theory can be tested and re-tested over time to verify that theory; also scholars should be cautious when generalising research findings from a particular context to another context (Kwan & Tsang 2001). Taking a critical realist view, this research will conduct and replicate the same test of convergence corporate governance theory on different populations of the Australian, the United States and Hong Kong companies in the databases prepared using similar measurements, techniques and analysis (Tsang & Kwan 1999). In doing so, this research will contribute to the development of theory by critically testing existing theory but
doing this across different business cultures. In this way this thesis will identify whether the existing theory plus the theory developed and tested here in this benchmark convergence study can be empirically generalised from one culture to another (Bhaskar 1975; Tsang & Kwan 1999).

This research uses quantitative methods to enable the objective analysis of the relationship between CEO professional development and CEO work context and organisation performance in the Australian, the United States and Hong Kong contexts respectively. There is much evidence of existing CEO studies in the corporate governance field that uses quantitative methods and statistical analysis techniques such as analysis of variance (ANOVA), descriptive statistics, bivariate correlation statistics, multiple regression and moderated multiple regression (Ketchen, Boyd & Bergh 2008). These techniques will be used in this research to identify similarities and differences in results for the hypothesis tests and hence areas of convergence and divergence in the CEO professional development and work context effect on organisation performance between Australia, the United States and Hong Kong.

1.10 Outline of the Thesis

Chapter one provides an introduction to the thesis, highlighting the research background, research context and motivation for conducting the study. Chapter two reviews the key literature in relation to the corporate governance models in the Australian, the United States and Hong Kong legal jurisdictions and the influence of the professional development and work context of the CEO. The use of a multi-theoretic perspective will be discussed further. Chapter three presents the conceptual framework and the development of hypotheses for the thesis. Chapter four describes the methodology and research design for the thesis.

Chapter five presents the results of the study including the results of analysis of variance (ANOVA), descriptive statistics, bivariate correlation statistics, multiple regression
analysis and moderated multiple regression analysis. Chapter six sets out the findings, discussion and the theoretical implications of the research findings. Chapter seven closes the thesis by discussing the strengths of the study, the practical implications of the findings, certain limitations of the study, future research possibilities and a conclusion.

1.11 Contributions of the Study

This study builds on the existing literature on the influence of the CEO on organisational outcomes and convergence theory in corporate governance. This study will contribute to a better understanding of upper echelon theory and multiple corporate governance theories by identifying which CEO professional backgrounds and work context issues matter most to organisation performance outcomes in the Australian, the United States and Hong Kong business contexts, respectively, in a benchmark study sampled shortly after the GFC. This study also contributes to the development of convergence theory by identifying evidence of areas of similarity and difference in the organisation performance consequences of key CEO professional development and work context choices and variables between the selected Anglo, American and Asian countries. This cross-country benchmark research study provides both contribution of theory (i.e. testing of the validated theories with the observed phenomena) and contribution to theory (i.e. improvement of the existing theories through the observed phenomena) (Whetten 2009). This research has developed three country specific corporate governance databases and developed a conceptual framework, which will open up an avenue of future research possibilities in relation to the convergence issues under investigation here. This cross-sectional study provides a benchmark for further study, which will allow replication and longitudinal aspects in this research area to be explored.
1.12 Conclusion

This chapter has introduced the thesis and identified there is an important debate on the topic of convergence theory in corporate governance. The next chapter will review the key literature in relation to the development, model and practices of corporate governance in the legal jurisdictions of Australia, the United States and Hong Kong. The use of upper echelon theory and other relevant corporate governance theories for explaining the relationships between CEO professional development and the CEO work context, plus the moderating influence of CEO tenure and the non-executive director ratio jointly, with the dependent variable organisation performance will be discussed further in the next chapter. The key literature in relation to the convergence debate and the influence of the professional development and work context of the CEO will be reviewed.
CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This chapter will review the literature in relation to contemporary corporate governance issues, the convergence debate in corporate governance research, and the influence of CEO professional development and the CEO work context on organisation performance.

The chapter commences with a definition of corporate governance and an explanation of the significance of corporate governance. Next a review of the literature in relation to the differences and similarities in the development, models and practices of corporate governance between Australia, the United States and Hong Kong will be presented. Agency theory, stewardship theory, managerial hegemony theory and resource dependence theory will be used in this research to explain the relationships between the professional development and work context of the CEO, the non-executive directors on the board and organisation performance. Despite the differences in corporate governance practices, convergence theory posits that the worldwide convergence of practices toward the Anglo-American model will occur. The convergence debate will be discussed further.

This chapter will discuss the roles of the CEO and the board, in particular non-executive directors, in influencing organisation performance. A review of the key literature with regard to CEO influence on organisation performance will be presented. Upper echelons theory will be discussed to explain the link between CEO professional development and the CEO work context and organisation performance. The final section will provide a conclusion and summary of the literature review to provide a basis for the Chapter Three Conceptual Framework.
2.2 Corporate Governance

2.2.1 Corporate Governance Definition

The etymology of the term *corporate governance* is derived from ancient Greek and Latin: ‘corporate’ comes from the Latin verb *corporare* meaning ‘to form into one body’ while ‘governance’ from the Latinised Greek *gubernatio* meaning ‘management or government’ or from the ancient Greek *kybernao* meaning ‘to steer, to drive, to guide, to act as a pilot’ (Clarke 2007, p. 1). The ASX Corporate Governance Council (ASX 2010, p. 3) defines corporate governance as ‘the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations’. Levitt (2002) explains that good corporate governance can be achieved when there is an open and honest relationship between the investors (i.e., the owners), the board of directors and the top management team.

Shleifer and Vishny (1997) note that corporate governance mainly looks at solving the problems between the principal and the agent that can arise as a result of the separation of corporate ownership and control. This definition basically captures the key issues of corporate governance particularly in the Anglo-American countries where the main purpose of the company is to maximise shareholders value (Letza, Sun & Kirkbride 2004). In certain legal jurisdictions such as Germany and Japan, corporate governance is not only concerned with the interests of the shareholders but also with the interests of the broader stakeholder groups including employees, corporate managers, regional societies and trading partners (Letza, Sun & Kirkbride 2004; Suto & Hashimoto 2006). In practice, Letza, Sun and Kirkbride (2004) and Lau and Young (2006) argue that there is an interconnection between a shareholder perspective and a stakeholder perspective because after all, shareholders are also
stakeholders themselves. A good relationship between the shareholders and the stakeholders will help to promote better organisation performance (Lau & Young 2006).

Corporate governance provides the foundation for the achievement of the objectives of the organisation and performance optimisation through the proper check and management of the CEO and the top management team (ASX 2010). The board of directors is an important element in corporate governance (Tricker 1994) ensuring sufficient monitoring and supervision of the management and behaviour of the CEO (De Wit & Meyer 2010). CEOs hold the key role in deciding the future direction of the company as the board entrusts them as agents with the task of developing strategy and making the crucial ‘day-to-day’ decisions for the organisation (Ocasio 1999).

There are several fundamental dimensions of corporate governance. The two most important elements which are captured in every governance code are the necessity for proper ‘checks and balances in the governance structure’ especially at the level of board of directors, and the demand for sufficient disclosure (Cadbury 2000, p. 9). Boards need to be able to apply independent and objective judgement in carrying out their duties (OECD 2004). Effective accountability is important to any corporate governance system (Cadbury 1992). The board needs to ensure both the accountability of employees to the firm and the accountability of board members to shareholders (Sternberg 2004; Roberts, McNulty & Stiles 2005). In addition, Huse (2005) emphasises the importance of CEO background, experience, tenure and characteristics as the contextual factors that can affect corporate governance (Clarke 2007). The other contextual factors include the distribution and structure of ownership; national, territorial and cultural variations; organisation structure and size; the market environment of the company and the industry; and lifecycle differences such as recurring crisis (Huse 2005).
2.2.2 Corporate Governance Significance

Corporate governance has an extensive history; however, there is a renewed interest in the practice of corporate governance since the mid-1980s (Clarke 2004b; Muthukumar 2009). Globalisation and the rise of global markets have provided new challenges to the corporate governance agenda (Cadbury 2000; Gordon & Roe 2004). Globalisation has opened up opportunities for CEOs from companies typically in developing countries to expand internationally for the pursuit of large amounts of capital and also to build good relationships with the investors and regulatory bodies from developed markets (La Porta, Lopez-de-Silanes, Shleifer & Vishny 2000; Li & Nair 2009). International organisations such as the OECD, the IMF, the World Bank, the International Corporate Governance Network (ICGN) and the United Nations (UN) believe that corporate governance influences the growth rate of developing countries (Gordon & Roe 2004). Since ‘[d]isclosure is the lifeblood of governance’ (Cadbury 2000, p. 9), companies that can exhibit transparent and good corporate governance practices are more likely to attract foreign investors and avoid their shares being devalued (La Porta et al. 2000; Li & Nair 2009). Share analysts have put more interest on companies with good disclosure since they can develop a more precise estimate of the company’s earnings (Useem 1998).

Corporate governance has become a topic of importance to researchers, managers, regulatory agencies and investors (Dowell, Shackell & Stuart 2011). The academic scholars in the various disciplines of finance, strategy, economics, law and psychology believe that corporate governance can provide a better understanding of the basic functions of existing organisations with the CEO and the board of directors providing an interesting context for this research (Hambrick, Werder & Zajac 2008). There is a renewed concern in the practice of corporate governance following recent corporate collapses and scandals with the GFC.
Consequently, a number of influential corporate governance reports, codes and regulations have been developed globally over the last few decades.

2.2.3 Corporate Governance Development and Models in Australia, the United States and Hong Kong

The key development in corporate governance reform is believed to have commenced in the United Kingdom with the formation of the Cadbury Committee in 1991 (Keasey, Thompson & Wright 2005). The Committee was initiated to respond to three key issues concerning the exercise of ‘creative accounting’ schemes, the fast increase of executive remuneration that is not clearly linked to better organisation performance, and the lack of control systems for CEOs (Keasey, Thompson & Wright 2005, p. 5). The Cadbury Report was developed and published in 1992 by the London Stock Exchange in response to the British recession and a series of high profile corporate failures (Aguilera & Cuervo-Cazurra 2004; Clarke 2007).

Carter and Lorsch (2004) stated that the practice of corporate governance is different between countries. Corporate governance models vary because different countries carry different economic circumstances and institutional effects (e.g. regulatory, legal and political systems) (Craswell, Taylor & Saywell 1997; Hanson, Dowling, Hitt, Ireland & Hoskisson 2002; Bonn, Yoshikawa & Phan 2004). Consequently, the companies in the United States may face different issues to the companies listed in other countries such as Australia and Hong Kong (Craswell, Taylor & Saywell 1997; Bonn, Yoshikawa & Phan 2004).

Mobius (2002a) explained the differences between doing business in the west and the east. In the west, there is a widely dispersed mix of people who have invested in the company and the board is accountable to the shareholders. In the litigious environment of the United States, the management and board are more vulnerable to the threat of legal action than in the east. In the west, share price performance is important, and shareholders demand CEOs get
access to capital on favourable terms in order for the company to stay competitive. While in the east, with the exception of Japan, a lot of companies are family owned, and most directors have controlling shareholdings. Corporate governance is often improved when funds need to be raised but the company may go back to its bad governance practices after obtaining access to the necessary capital (Mobius 2002a).

Despite the differences in corporate governance practices across countries, Crossland and Hambrick (2007) noted the importance of a series of global business research studies arguing that national practices are progressively getting more similar (e.g. Meyer, Boli, Thomas & Ramirez 1997) or more Americanised (e.g. Ritzer 2011). The Anglo-American system is based on deep-rooted regulatory institutions and laws and is well-known for its robustness, offering competitiveness and efficiency to large corporations (Clarke 2004a). International organisations such as the OECD, World Bank, Asian Development Bank, United Nations and the IMF all have initiated considerable steps to encourage corporate governance reform processes (Clarke 2000, 2004a). In 1999 following the Asian financial crisis the OECD developed and published the Principles of Corporate Governance, which have become an important foundation for the development of good corporate governance codes in various countries (Clarke 2004b; Aguilera & Cuervo-Cazurra 2009; Muthukumar 2009).

2.2.3.1 Australia

The corporate collapses of One.Tel, HIH Insurance, Ansett and Harris Scarfe in the beginning of the 21st century have restated the need for more enduring and resilient governance requirements in the Australian corporate context (Clarke 2004b; Farrar 2005). There are at least three key components to governance reform in Australia (Kiel et al. 2012). The first component is the establishment of the ASX Corporate Governance Council (ASXCGC) in August 2002 (Kiel et al. 2012). The ASXCGC is a diverse association which
combines together 21 investment, shareholder and business groups (ASX 2010). The Council released the Principles of Good Corporate Governance and Best Practice Recommendations in 2003 and revised its Principles in 2007 and 2010 (ASX 2010). The principles relate to the structure of the board, management oversight, fair remuneration, risk management, disclosure, integrity in financial reporting and ethical decision-making (ASX 2010). Kiel et al. (2012, p. 170) observed that these principles are ‘recommendations and not requirements’; hence, disclosing a firm’s compliance with the set Principles is an important element of corporate governance practice in Australia. The second component is the release of Good Governance Principles by Standards Australia in June 2003 (Kiel et al. 2012). These principles were released to provide guidance on board processes such as the work experience and skills exemplified on the board, the independence of the directors, and board structure (Kiel et al. 2012). The third component is the enactment of the Corporate Law Economic Reform Program (CLERP) 9 in July 2004 (Kiel et al. 2012). The CLERP 9 comprises amendments to the Corporations Act in particular with regard to accounting practices, auditor obligations and the needs of regulator authorities such as the Australian Prudential Regulation Authority (APRA) (Australian Securities and Investments Commission 2010; Kiel et al. 2012).

Corporate governance in the Anglo-American system is generally characterised by the low level of interconnecting shareholding among companies within an organisation group, liquid share markets and extensively distributed ownership concentration (Keong 2002). The corporate law in Australia and the United States puts priority on shareholder interests; the securities regulation offers protection to the minority investors; and there is an immense demand for disclosure (Nestor & Thompson 2001; Clarke 2004a). The length of a working contract can be shortened in the case where the company needs to adjust to any changes occurring in the markets or shareholders requirements because companies in the Anglo-
American countries have an advantage of acquiring better access to unrestricted markets for labour and capital (Weimer & Pape 1999). This may perhaps have an implication for the length of CEO tenure in Australia and the United States measured in this present study.

The remuneration of CEOs is often connected to organisation performance and many Australian companies provide CEOs a high base salary with additional bonuses (Psaros 2009). Compared to the United States, there were less local Australian institutions that owned equities in the Australian share market, while foreign investors held ‘31.7 per cent’ of Australian equities in 1998 (Farrar 2001, p. 321). Australia in recent years has had a larger proportion of non-executive directors on the board than the United States (Kiel & Nicholson 2003a). The board of directors in Australian publicly listed companies has a smaller size than in United States companies (Kiel & Nicholson 2003a). The separation of the roles of the chairperson and the CEO is an important element of corporate governance in Australia and so the companies that combine the CEO and chairperson positions are required to disclose their reasoning behind their decision (Investment and Financial Services Association 2009; ASX 2010). A powerful independent chairperson will present the proper check and balance on the board to offset CEO power and the risk of the principal-agent problem emerging (Investment and Financial Services Association 2009).

2.2.3.2 The United States

The national developments in corporate governance principles were most apparent in the United States following immediately from the corporate collapses and scandals of Enron and WorldCom (Mallin 2013). In 2002 the United States Congress rushed through the Accounting Industry Reform Act, which is widely known as the ‘Sarbanes-Oxley Act’ (Mallin 2013, p. 50). The Act was designed to safeguard the interest of shareholders by refining the trustworthiness and precision of company disclosures (Petra 2005; Muthukumar 2009). The Act was a significant reform in United States corporate governance, led to the
alteration of the NYSE listing regulations and had a considerable impact on corporate
governance practices around the globe including relevant Australian legislation (Farrar 2005;
Mallin 2013). The Commission on Public Trust and Private Enterprise which was formed in
2002 has listed some principles in relation to the board’s responsibilities, the relationship
between the management and board, share ownership and director qualifications (Mallin
2013). In 2003 the NYSE and the NASDAQ put forward and implemented new regulations
on corporate governance after acquiring approval from the Securities and Exchange
Commission (SEC) (Mallin 2013). The alterations on the requirements require firms to
include on their board with mostly outside, independent directors (Petra 2005). The NYSE
Commission which was formed in 2009 has published the principles of corporate governance
in 2010 (Mallin 2013).

The roots of United States corporate governance concepts lay in British law (Farrar
2001. The United States system is characterised by the active presence of share markets, the
separation of control and ownership, a high number of institutional investors owning the
corporation and the predilection for boards governed by the outside directors (Farrar 2001).
Banks regularly lend capital but founders often use the securities market to finance their
company growth or to provide them with an exit strategy when they desire to cash out,
diversify or finance mergers. In around eighty per cent of the United States publicly listed
companies, the same individual holds the two positions of CEO and chairperson (Lorsch &
MacIver 1989; Worrell, Nemec & Davidson 1997). In a study exploring the overall CEO
effect on organisation performance, Crossland and Hambrick (2007) found that CEOs in
United States companies have a stronger effect on organisation performance than CEOs in
German companies and Japanese companies. This may have implications for the prediction
by the CEO professional development and CEO work context variables of the dependent
variable organisation performance in the United States legal jurisdiction in this present study.
2.2.3.3 Hong Kong

The Asian financial crisis erupted in Thailand in June 1997 and rapidly had a substantial impact on other Asian countries like Singapore, Indonesia and South Korea (Clarke 2000). According to the Securities and Futures Commission of Hong Kong, China (2001), the crisis also affected growth of Hong Kong’s gross domestic product (GDP). Although Hong Kong did not face a catastrophic financial tremor, the crisis became a learning experience for the country that depends excessively on its financial sectors including its stock market (Mobius 2002b). Corporate governance reform was needed in Hong Kong to cope with the pressures of tough business competition mainly from Singapore and China (Crawford 2001; Mobius 2002b). The Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC) of Hong Kong are the principal regulators with an important role in improving corporate governance in Hong Kong (Mobius 2002b). The HKMA was established in April 1993 to regulate financial institutions, especially banks, and maintain Hong Kong’s status as a global financial hub (HKMA 2013). The HKMA released the Best Practice Guide on Financial Disclosure and imposed a requirement that the board of directors of banks should include at least three independent directors (Mobius 2002b). The SFC was established in 1989 and holds the power to oversee the laws regulating the securities and assisting the growth of the markets in Hong Kong (Deloitte 2013; SFC 2013).

The Hong Kong Exchanges and Clearing Limited (HKEx) forms a close working relationship with the SFC to manage and regulate the listed companies (HKEx 2013a). The HKEx was established as a result of the merger of the Stock Exchange of Hong Kong Limited (SEHK), the Hong Kong Futures Exchange Limited (HKFE) and the Hong Kong Securities Clearing Company Limited (HKSCC) (Mobius 2002b; HKEx 2011). The HKEx has been functional since March 2000 and emerged as a part of the reform to strengthen business productivity in Hong Kong and overcome the difficulties of competing on a global
market for capital (Mobius 2002b; HKEx 2011). The SEHK (or the HKEx after the year 2000) published the Code on corporate governance best practice and the corporate governance report (CGR) in November 2004 to improve corporate governance practices in Hong Kong (Deloitte 2013). The Code discusses the issues relating to directors, such as board meetings, the separation of the chairman and CEO role, board composition, the selection and removal of directors, and directors responsibilities and remuneration (HKEx 2013b). The CGR outlines the ‘mandatory disclosure requirements’ for the stock exchange listed companies such as the need to disclose information on directors securities, the period of appointment of non-executive directors, the separation of the position of chairman and CEO, board composition and the number of annual board meetings (HKEx 2013b, p. A14-25). The CGR also outlines the recommended disclosures on certain information such as the number of shares held by the senior management and the functions of management (HKEx 2013b).

Corporate governance in practice in Hong Kong has some distinctive characteristics compared to the Anglo-American model. The most apparent characteristic is the substantial number of family-controlled firms that would imply some deficiency in its corporate governance system (Stolt 2010). For instance Chinese families often hold a crucial role in managing businesses but they are often criticised because of their lack of professionalism and their reluctance to trust and delegate tasks to the non-family employees (Kriz & Keating 2010; Zheng & Ho 2012). Family controlled businesses are also often seen as suffering from exploitation of minority shareholders and harmful nepotism (Schulze, Lubatkin, Dino & Buccholtz 2001; Morck & Yeung 2003; Miller & Le Breton-Miller 2006). Hong Kong is an interesting country because it exhibits characteristics of the Anglo-American system with the presence of a liquid, free, transparent and open market (Brewer 1997). However, in reality the Hong Kong system displays a high level of interlocking shareholdings among companies in the same organisation group and a high level of share ownership concentration—that is,
the presence of one or several shareholders with a large percentage of shares (Brewer 1997; Keong 2002). There is also a high level of relationships between business networks in Hong Kong (Clarke 2004a).

With regard to company law, 'Hong Kong retains the British model of the joint stock company' whose fundamental architecture assumes that a wide base of shareholders and owners will entrust management of the company to a smaller number of key people including directors and the CEO (Brewer 1997, p. 77). Unlike Japan, the fund managers and banks in Hong Kong have little impact on the capital market and so it would appear that Hong Kong system is similar to the Anglo-American system (Brewer 1997). Nevertheless, the reality is contrasting; according to the information from the South China Morning Post, Brewer (1997, p. 77) informed that only one company from a total of 526 companies had not been ‘a controlled or dominated’ company while the others were controlled companies. From this observation, it can then be expected that many CEOs in Hong Kong publicly listed companies would possess a high percentage of company shares. This gives the CEOs greater power to use their discretion, and can have implications for organisation performance where the CEOs can either perform for their own personal agenda or for the good of the company. Hong Kong provides an interesting research context for the exploration of the CEO work context issues that may indeed be different to Australia or the United States.

**2.2.4 A Multi-theoretic Perspective in Corporate Governance Research**

Several researchers (Davis, Schoorman & Donaldson 1997; Daily, Dalton & Cannella 2003) explain the need for corporate governance research that exhibits a multi-theoretic approach for identifying the right board of director and top management team designs and systems to improve organisation performance. Roberts, McNulty and Stiles (2005, p. S8) similarly argue that ‘[t]heoretical pluralism’ instead of the replacement of one main theory by another is instrumental to the advancement of governance research.
A multi-theoretic approach to corporate governance research helps academics and practitioners to understand better the interactions that take place between the CEO and the directors on a company board (Boyd, Haynes & Zona 2011). Donaldson and Davis (1991) argue that the important matter is not whether one theory is more valid than another, for one theory may be effective for explaining a particular occurrence but not for other phenomena. Consequently, this research uses a multi-theoretic approach drawing on several corporate governance theories to explain the relationship between CEO professional development, the CEO work context, and the joint moderating influence of CEO tenure and the non-executive director ratio, on organisation performance in Australia, the United States and Hong Kong.

2.2.4.1 Agency Theory

The main discussion in corporate governance research has been on solving the principal-agent problem (Shleifer & Vishny 1997). The increasing size of the corporation has led to the separation of ownership and control between the agent and the principal (Berle & Means 1932; Jensen & Meckling 1976; Fama & Jensen 1983). The agent usually refers to the managers of the company while the principal is the owners or shareholders (Jensen & Meckling 1976). Although the owners would desire to manage and lead their own firms and obtain the maximum benefit for themselves, this is unfeasible considering the size by number of employees and high capital demands of contemporary corporations (Berle & Means 1932; Davis, Schoorman & Donaldson 1997). Consequently, an agency relationship develops and involves the transfer of decision-making power from the principal to the agent (Jensen & Meckling 1976; Psaros 2009).

Agency theory is grounded in economics and suggests a logically ‘opportunistic model of the agent’ (Boyd, Haynes & Zona 2011, p. 1896). The theory is concerned with the affairs of managers and owners within the organisation and assumes that managers are self-serving, opportunistic and individualistic (Davis, Schoorman & Donaldson 1997). The basic
Supposition of agency theory is that managers and CEOs maximise their own wealth and think about their own benefits above those of shareholders (Psaros 2009). The theory implies that sufficient control or monitoring systems should be developed to keep shareholders protected from management’s self-interest (Fama & Jensen 1983; Kiel & Nicholson 2003a). Agency theory is concerned with the reduction of agency cost which can be achieved by setting limitations on managerial discretion, reconciling the needs of different parties through the financial incentives arrangement, and monitoring and controlling management by the board (Fama & Jensen 1983; Burton 2000). The reasoning and assumptions of agency theory direct normative practice with 21st century corporate governance reforms moving toward more independent boards and board chairpersons in Australia and overseas (Dalton, Daily, Johnson & Ellstrand 1999; Kiel & Nicholson 2003a; Psaros 2009).

Agency theory has a long history from as early as the 18th century and has been debated by various eminent scholars including Smith (1776), Berle and Means (1932), Jensen and Meckling (1976), Fama (1980), and Fama and Jensen (1983). Smith (1776) in An Inquiry into the Nature and Causes of the Wealth of Nations had warned about the possible threats linked to the distribution of stocks resulting in the loss of motives for the managers and the owners to effectively manage and control their firm respectively (Kakabadse, Yang & Sanders 2010). Berle and Means (1932) in The Modern Corporation and Private Property described the increasing challenge of interest dissimilarities between owners and managers (Kakabadse, Yang & Sanders 2010). However, Clarke (2007) argues that agency theory does not clearly explain the complexity of what is in reality a double agency dilemma. Agency theory focuses on the main dilemma in the relationship between the principal and agent, but a second dilemma lies in the relationship between an agent (e.g. a director on the board) and another agent (e.g. CEO / management) (Clarke 2007).
In Australia the presence of non-executive directors on the board is deemed to provide the necessary control, supervision and evaluation of the CEO and the top management team performance (Kiel & Nicholson 2003a). Board composition in many Australian and United States public companies is characterised by a high number of non-executive directors compared to the number of executive directors and is therefore aligned with the recommendations on board structure from agency theorists (Dalton et al. 1998; Kiel & Nicholson 2003a). Lorsch and MacIver (1989) and Johnson, Daily & Ellstrand (1996) nonetheless argue that this type of board composition may not entirely solve the conflict of interest issue because many non-executive directors are themselves CEOs in other companies. It can be expected that the non-executive directors who also serve as top executives at other companies are normally busy and spend little time investigating further any issues they may arise from the reports given to them as directors (Mace 1971). In Hong Kong the presence of family-based model introduces a different type of conflict between the family-controlled shareholders and the outside shareholders (i.e., minority shareholders who do not have ties to the founding family) (Claessens, Djankov & Lang 2000; Cheng & Firth 2005; Ramdani & Witteloostuijn 2010). This conflict will result in possible agency cost (Morck & Yeung 2003; Miller & Le Breton-Miller 2006).

Although agency theory emerges as the key principle in a majority of corporate governance research, the theory has some theoretical limitations (Hirsch, Michaels & Friedman 1987; Donaldson & Davis 1991; Davis, Schoorman & Donaldson 1997). In reality, the disagreement of interest between principal and agent does not apply to all managers (Davis, Schoorman & Donaldson 1997). Stewardship theory holds that the merging of interest between the principal and agent is achievable by clearly understanding the characteristics of the managers and of the circumstances (Davis, Schoorman & Donaldson 1997).
2.2.4.2 Stewardship Theory

Donaldson and Davis (1991) introduced stewardship theory as a way of explaining relations from other behavioural perspectives. Stewardship theory has its foundation in psychology and sociology (Boyd, Haynes & Zona 2011). The theory recognises a bigger range of human motivations in particular selflessness, the dedication to produce useful work and the attitude required to achieve (Clarke 2004a). Stewardship theory describes the situation wherein managers are not driven by individual purposes but rather are dependable individuals and good ‘stewards of resources’ assigned to them (Donaldson & Davis 1991; Davis, Schoorman & Donaldson 1997; Kiel & Nicholson 2003a, p. 190). The theory implies that the shareholders can rely on the managers to improve organisation performance because the goals of many managers are generally aligned with the goals of the owners (Donaldson 1990; Shen 2003). Managers should be trusted with the authority to act since there is no inherent conflict between their interests and the interests of the owner(s) (Clarke 2004a).

Since stewardship theory is a relatively new theory compared to agency theory, Davis, Schoorman and Donaldson (1997, p. 21) explained the need for corporate governance research that ‘shows where stewardship theory fits in the theoretic landscape, in terms of a connection to agency theory, instead of opposed to it’. Such research could provide useful theoretical insights by improving understanding of the situations where stewardship theory would apply and other situations where agency theory applies, and reducing the over-reliance on one particular theory or ‘one-best-way thinking’, which is often found in earlier corporate governance research (Davis, Schoorman & Donaldson 1997, p. 21). In consideration of their advice and the importance of a multi-theoretic approach in corporate governance research, this thesis here will integrate different theories such as stewardship theory and agency theory in its development of research hypotheses.
Stewardship theory also has implications for board composition practice as this approach is not in agreement with agency theory arguments on the advantages of boards comprising a majority of outside, non-executive directors instead of specialist executive directors (Clarke 2004a). Rather, executive directors are a valuable organisation resource and one or more inside directors, and in certain cases a majority of inside directors (e.g. younger, more entrepreneurial companies), should be valued on the board and help achieve strong organisation performance (Johnson, Daily & Ellstrand 1996; Kroll, Walters & Le 2007).

2.2.4.3 Managerial Hegemony Theory

Managerial hegemony theory emerged when Mace (1971) discovered that there were differences between the described roles and the actual roles of the directors. In the 1960s after working with and spending some time on boards of directors, Mace (1971) revealed there was a big separation between the myth of the responsibilities and power of boards of directors and the reality of their poor performance. Mace (1971) argued that boards of directors in general did not carry out an effective job of evaluating the CEO’s performance because in the 1960s it was a common practice in the United States for the CEO to select the directors. Also, the directors assessed CEO performance mostly on reports and information prepared by the CEO himself or herself (Mace 1971). This has implications for the agency role of the board in carrying out an effective check and monitoring of the CEO (Clarke 2004a). Mace (1971) found that directors did not create goals, did not ask sufficiently probing questions, and did not appoint the CEO except under certain crisis situations. Managerial hegemony theory asserts that the board has less dominant power than the management team and is perceived as a ‘legal fiction’ playing a ‘passive’ function in strategy and the overall organisation performance (Hendry & Kiel 2004, p. 502). Management play the stronger role (Hendry & Kiel 2004).
Lorsch and MacIver (1989) outline the progression in the power of boards of directors in the United States. They explain two reasons for the power disparity, firstly being the dearth of board power and secondly being the abundance of management power. Management power has been argued to increase when the CEO also acts as the chairman of the board. This dual leadership structure is commonly encountered in the United States public companies (Lorsch & MacIver 1989). From the 1980s board processes and the issues of relative power between the management and the board of directors have been continuously discussed (Clarke 2004a). In the 1990s there were growing pressures from the public, institutional investors and regulatory bodies for more independent and active boards following the increasing event of prominent and costly corporate collapses (Clarke 2004a); this trend is evidenced in Australia and the United States. In Hong Kong large shareholders who are not connected to the founder or executive directors or founding family have the capability to suppress and balance managerial hegemony (David, Kochhar & Levitas 1998; Cheng & Firth 2005). Managerial hegemony theory has implications for the issues relating to CEO work context, the working relationship between CEO and the board, and the contemporary roles of the board in monitoring the CEO.

2.2.4.4 Resource Dependence Theory

Hillman and Dalziel (2003) integrate both agency theory and resource dependence theory to obtain a more complete understanding of how boards can affect organisation performance. Agency theory focuses on the agency role of the board that is to monitor the management team and govern the corporation. Resource dependence theory highlights the resource dependence role of the board that is to help to secure important resources for the organisation by means of the individual director’s connection with the external environment (Zald 1969; Pfeffer 1972; Boyd 1990; Boeker & Goodstein 1991; Johnson, Daily & Ellstrand 1996; Hillman, Cannella & Paetzold 2000). CEOs acting as a non-executive director in
various firms and also non-executive directors can bring important resources to their corporation and provide a significant connection between the corporation and the external environment (Pfeffer & Salancik 1978; Dalton et al. 1998). Resources may be offered in the forms of expertise, information, advice and access to crucial stakeholders such as suppliers, customers, decision makers, lobbyists and governmental groups (Pfeffer & Salancik 1978; Gales & Kesner 1994).

Resource dependence theory argues that corporate boards are an important medium for communicating information between the corporation and external organisations, administering external connections, and acquiring support from key external institutions (Pfeffer & Salancik 1978). The board can decrease uncertainty in relation to the external environment (Pfeffer 1972) and minimise transactional expenses related to environmental interdependency (Williamson 1984; Hillman, Cannella & Paetzold 2000). The board assists in giving the organisation legitimacy (Pfeffer & Salancik 1978; Daily & Dalton 1994; Gales & Kesner 1994) and improving the integrity and status of the firm (Hambrick & D’Aveni 1992; Daily & Schwenk 1996). Resource dependence theory predicts that the level of environmental dependency or environmental uncertainty of an organisation is positively related to board composition as measured by board size and the percentage of non-executive directors on the board (Hillman, Cannella & Paetzold 2000). The theory and research evidence (e.g. Pfeffer 1972; Pfeffer & Salancik 1978) suggest that a bigger board will be linked to better organisation performance (Dalton et al. 1999).

2.3 Convergence Theory and the Convergence Debate

Rasheed and Yoshikawa (2012) have indicated that an important debate in the modern corporate governance field is the possibility of worldwide convergence toward the Anglo-American model of corporate governance. In corporate governance, convergence relates to the growing ‘isomorphism in the governance practices of public corporations from different
countries’ (Rasheed & Yoshikawa 2012, p. 2). Convergence can be considered as ‘an ideal which nations and firms are moving towards or away’ (Rasheed & Yoshikawa 2012, p. 3).

The literature recognises different terminologies that are linked to convergence. Earlier researchers used the concept of hybridisation that refers to the detachment of cultural arrangements from current practices to merge with new arrangements in new practices (Rowe & Schelling 1991; Pieterse 1994). In the era of globalisation, overseas companies seeking to list on a United States stock exchange often willingly acquire shareholder based governance practices for the purpose of obtaining access to United States investors (Coffee 1999; Fiss & Zajac 2004). The companies may then apply the United States practices to their local conditions resulting in growing hybridisation (Pieterse 1994; Vogel 2003; Rasheed & Yoshikawa 2012). La Porta et al. (2000) and Gilson (2001) separated convergence into convergence in form and convergence in function. The former refers to the growing similarities in relation to the legal structures and systems; the latter implies that although various countries may have different regulations, they can perform the same function such as ensuring accountability by managers (Rasheed & Yoshikawa 2012). Functional convergence of corporate governance practices exist ‘at the firm level’ as a result of ‘market-driven changes’ and is considered more likely to occur than convergence in form (La Porta et al. 2000, p. 20; Rasheed & Yoshikawa 2012). In the convergence debate, Khanna, Kogan and Palepu (2006) explained the difference between de jure convergence and de facto convergence. The former is when various countries adopt similar laws of corporate governance while the latter refers to a convergence in the actual implementation of practices (Khanna, Kogan & Palepu 2006). Further, Fiss and Zajac (2004) explain decoupling can occur when certain countries claim to espouse a new practice however in reality they execute the practice differently or do not implement it. This condition denotes there is de jure convergence but no de facto convergence (Rasheed & Yoshikawa 2012).
Hansmann and Kraakman (2001) strongly established the case for convergence of corporate governance toward the shareholder value maximisation or the Anglo-American model on the normative level. The case was based on the evidence and general agreement demonstrating that managers should function only in the best interests of shareholders (Gordon & Roe 2004). The theory has been supported by some prominent organisations including the OECD, the Group of 7 (G7) and certain leading Western law and business schools (Clarke 2004a). Globalisation has opened up some important questions over whether certain corporate governance models present better competitive advantage (Gordon & Roe 2004). Globalisation has intensified business rivalry and promoted market integration resulting in a recognised demand to satisfy particular governance conditions (Clarke 2004a). Hansmann and Kraakman (2001) pointed out that the fundamental elements of corporate law and corporate governance law in developed legal and market jurisdictions have reached a high level of uniformity and so continuing convergence in corporate governance toward a particular, standard model is plausible. They strongly believe that convergence to the shareholder model is very likely because the model provides the necessary efficiencies for the Anglo-American countries in relation to the management of large firms with various owners. In this ideal model, stakeholders of the firm can receive considerable protection through regulatory and contractual methods such as labour contracts rather than through corporate governance recommendations or company law (Hansmann & Kraakman 2001; Gordon & Roe 2004). Hansmann and Kraakman (2001) concluded that the alternative models to the model of shareholder value maximisation such as the managerial-oriented, labour-oriented, state-oriented, and stakeholder models might undergo major changes as they failed to offer the same level of competitiveness in globally integrated markets (Yoshikawa & Rasheed 2009).
The topic of convergence in corporate governance practices between countries has brought controversy among corporate governance experts and is a matter of contention in a range of disciplines such as accounting, finance and strategic management (Yoshikawa & Rasheed 2009; Rasheed & Yoshikawa 2012). The opposing arguments to the convergence theory (Bebchuk & Roe 1999; Guillen 2000; Branson 2001; Gilson 2001) emphasise the actual obstacles in attaining such convergence. Branson (2001) argues convergence supporters hypothesised convergence based on their study of capitalism in the United States, Germany, Japan and the United Kingdom. However, these advocates excluded the world's remaining six billion people and the largest nations in the world including China, India and Indonesia. In these countries, cultural diversity may hinder convergence from taking place (Branson 2001). Resentment toward the United States corporate governance model also exists in some cultures and economies (Branson 2001).

The importance of exploring convergence has been raised in the leading international and interdisciplinary corporate governance journal such as Corporate Governance: An International Review (Yoshikawa & Rasheed 2009). Khanna, Kogan and Palepu (2006) highlighted the scarcity of empirical work into convergence in corporate governance models although there have been an increasing number of empirical articles on the topic of convergence emerging in journals in various fields (Yoshikawa & Rasheed 2009). A particular study conducted by Fiss and Zajac (2004) looks into the possibility of convergence of corporate governance practices in the biggest publicly listed German firms towards the Anglo-American model of shareholder wealth orientation. They investigated the impact of certain CEO characteristics—CEO age and CEO educational background—on the implementation of corporate governance practices that move away from the German model towards the Anglo-American model. They found that the selection of a CEO with an educational background in law or economics could increase the extent and the probability of
the implementation of corporate governance practices which are consistent with the Anglo-American governance approach. Notably, there is a gap in empirical research exploring the global convergence of the influence of CEO professional development and the CEO work context to the Anglo-American countries situation.

Convergence of Hong Kong corporate governance practice toward the Anglo-American model is likely considering British law has been used as the foundation for Hong Kong law (Brewer 1997). Corporate governance practice in Hong Kong has also been influenced by guidelines and reports from Anglo countries such as the United Kingdom (Cheng & Firth 2005). In the mid-1990s Canadian experts were engaged to conduct a thorough review of Hong Kong corporate law, looking in depth into other systems in countries including China, Australia, Asia and Continental Europe for insight (Brewer 1997).

Table 2.1 summarises representative studies exploring corporate governance issues including the CEO or board effect on organisation performance across different countries and convergence of corporate governance practices. Table 2.1 evidences a gap in the existing literature that explores CEO professional development and the CEO work context effect across Australia, the United States (US) and Hong Kong.
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crossland and Hambrick</td>
<td>2011</td>
<td>CEO effect, managerial discretion, national level institution, firm performance</td>
<td>10 year sample of 746 public firms in 15 countries (including Australia and the US)</td>
<td>Panel, fixed-effects regression analysis, partial least squares analysis, hierarchical linear modelling, Sobel test</td>
<td>There is a relationship between the level of CEOs managerial discretion and certain formal and informal national institutions. Managerial discretion was found to mediate the link between national institutions and CEO effects. CEOs in a country with a strong preference for individual accountability and initiative (e.g. the US) were found to possess more discretion than CEOs in a country with a strong preference for collectivism and consensus (e.g. Japan).</td>
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<tr>
<td>Ramdani and Witteloostuijn</td>
<td>2010</td>
<td>Board independence, CEO duality, firm performance</td>
<td>Stock exchange firms (66 from Indonesia, 75 Malaysia, 111 South Korea, 61 Thailand) between 2001 and 2002</td>
<td>Quantile regression analysis</td>
<td>The ideal design of CEO duality and board independence is dependent on initial organisation performance. Both variables have a positive impact on performance for average-performing organisations. There is a negative moderating influence of board size on the positive effect of CEO duality on organisation performance. Regulatory bodies should identify conditional best corporate governance practices rather than design stringent ‘one size fits all’ rules (p. 624).</td>
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Table 2.1: Representative Studies of Cross-Country Comparison and Convergence of Corporate Governance Practices (continued)

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<tr>
<th>Author(s)</th>
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<th>Sample Size</th>
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<tbody>
<tr>
<td>Crossland and Hambrick</td>
<td>2007</td>
<td>CEO effect, compensation, firm performance</td>
<td>15 year sample of 100 public US firms, 100 German firms and 100 Japanese firms</td>
<td>Variance components analysis</td>
<td>CEOs in various countries experience systematically a different level of restriction on their managerial discretion. This results in differences in how much influence they have on organisation performance. The effect of the CEOs on firm performance such as ROA, return on sales (ROS) and sales growth was found to be considerably larger in US corporations than in Japanese and German corporations.</td>
</tr>
<tr>
<td>Khanna, Kogan and Palepu</td>
<td>2006</td>
<td>Convergence of corporate governance practices, cross-country analysis</td>
<td>49 developing and developed nations</td>
<td>Dyadic, panel regression, probit regression, OLS regression, ANOVA, regression analysis</td>
<td>The study investigates whether globalisation is correlated with similarity in governance practice. There is similarity in governance however the similarity is not driven by convergence to the US standards. Globalisation may have led to the adoption of certain common corporate governance principles; however, the authors found little evidence that these principles have been put into practice.</td>
</tr>
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</table>
### Table 2.1: Representative Studies of Cross-Country Comparison and Convergence of Corporate Governance Practices (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khanna, Palepu and Srinivasan</td>
<td>2004</td>
<td>Disclosure practice, convergence</td>
<td>794 companies from 24 countries in Europe and Asia-Pacific</td>
<td>Descriptive statistics, univariate correlation, OLS, multivariate analysis</td>
<td>The interactions between different markets are related to similarities in governance practices in particular with regard to disclosure requirements.</td>
</tr>
<tr>
<td>Bonn, Yoshikawa and Phan</td>
<td>2004</td>
<td>Board structure, firm performance</td>
<td>Manufacturing firms (169 from the Nikkei 300 Index and 104 from the top 500 firms in Australia)</td>
<td>Bivariate analysis, multiple regression</td>
<td>In Japan directors age and board size were negatively related to organisation performance. In Australia the female director ratio and the outsider ratio were positively related to organisation performance.</td>
</tr>
<tr>
<td>Fiss and Zajac</td>
<td>2004</td>
<td>Corporate governance model, diffusion, convergence</td>
<td>112 biggest publicly listed German firms from 1990 to 2000</td>
<td>Pearson correlation, discrete time event, logistics regression model, negative binomial regression</td>
<td>The study shows that German companies participate in decoupling (i.e., they adopt a shareholder value position but do not implement it). The probability of decoupling decreases with the existence of more dedicated and powerful key actors such as the CEO.</td>
</tr>
</tbody>
</table>
Table 2.1: Representative Studies of Cross-Country Comparison and Convergence of Corporate Governance Practices (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
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<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aguilera and Jackson</td>
<td>2003</td>
<td>Diversity in corporate governance dimensions</td>
<td>N/A</td>
<td>Theoretical model development</td>
<td>Globalisation has not resulted in a rapid convergence on nationwide corporate governance models but often a hybridisation where the adaptation of the US practices to other countries creates a new hybrid structure of company organisation.</td>
</tr>
<tr>
<td>Kaplan</td>
<td>1994</td>
<td>Top executive compensation, firm performance</td>
<td>121 Japanese companies, 150 US companies</td>
<td>Panel, regression analysis, ordinary least squares (OLS)</td>
<td>In general, the relationship between top executive turnover, cash compensation and the firm performance measures is statistically similar between Japanese executives and the United States executives. There is a positive relationship between top executive cash compensation and the performance measures—change in earnings, negative earnings, stock performance and sales growth performance. However, there is a negative relationship between top executive turnover and these performance measures.</td>
</tr>
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2.4 Roles of the CEO and the Non-executive Directors

The role of the CEO and the board has long been an area of interest for corporate governance researchers (e.g. see Kiel & Nicholson 2003b; Kroll, Walters & Wright 2008; O’Shannassy 2010). Investors are increasingly holding directors responsible for organisation performance and failures (Kiel & Nicholson 2003b). The nature of business is ‘... confused, unsure and unpredictable’ (Hendry 2005, p. 58). The business environment has become more complex (Hamel 2009). Business competition has increased in recent years putting demand on organisations to be quicker and more adaptable to customers and markets (Ireland & Hitt 1999; Burgelman & Grove 2007; O’Shannassy 2010). O’Shannassy (2010) argues that these trends bring consequences for the relative roles of the CEO and corporate directors.

2.4.1 Roles of the CEO

A substantial portion of the study of corporate governance has been concentrated on the role of the CEO (Deutsch, Keil & Laamanen 2010). The work of a CEO is recognised ‘for its complexity, ambiguity and information overload’ (Mintzberg 1973; Kotter 1982; Hambrick & Fukutomi 1991, p. 721). CEOs coordinate the creation of strategy, take decisions and lead the development and implementation of values in their organisations (Ansoff 1965; Porter 1980; Finkelstein, Hambrick & Cannella 2009; Rumelt 2011; Hambrick & Quigley 2014). Traditionally the CEO has acted as the organisation commander and strategy was made at the top of the corporation structure with the support of top managers (De Wit & Meyer 2010; O’Shannassy 2010). Henri Fayol introduced the fundamental functions of a manager in 1916 (Mintzberg 1973). As the top manager, the CEO’s work is ‘to forecast and plan, to organize, to command, to co-ordinate and to control’ (Fayol 1967, p. 6). Luther Gulick extended Fayol’s work description of the CEO to include ‘planning’, ‘organizing’, ‘staffing’, ‘directing’, ‘coordinating’, ‘reporting’ and ‘budgeting’ (Mintzberg
As tenure increases, CEOs gain more knowledge of their company and build up a better work record (Simsek 2007). Mintzberg (1973) added that CEOs spend a lot of time gathering and processing information and also networking with a different range of internal and external stakeholders.

The modern role of the CEO is now more varied than the conventional commander role as the CEO is perceived as the ‘chief designer of the strategy process’ (O’Shannassy 2010, p. 284; De Wit & Meyer 2010). CEOs work together with the board to develop a vision and long-term strategy for the organisation, to develop and implement plans for mergers and acquisitions, and to implement the strategic vision and plan (Kiel et al. 2012). CEOs need to make sure that the strategic priorities of the TMT are communicated vigorously and openly to the board to avoid misunderstandings between the board and the TMT (Kiel et al. 2012). CEOs provide necessary guidance and mentoring to the TMT members and also contribute to developing an effective succession plan in coordination with the board (Kiel et al. 2012).

**CEO Duality: The Role of the CEO who is also the Chairperson of the Board**

In the instance of CEO duality, the CEO needs to perform the dual role of the CEO and the chairperson on the board. All the job responsibilities of the CEO have to be fulfilled in this duality setting. The additional role of the chairperson is equally critical, challenging and prominent as the job responsibilities of the CEO (Psaros 2009). Traditionally the chairperson’s role has been restricted to facilitating board meetings and checking on implementation of board meeting deliberations, plans and decisions (Kiel et al. 2012). The responsibilities of the chairperson have increased significantly in the contemporary business environment where they are required to be more proactive in making sure that the board functions efficiently and effectively in their roles as the ‘mind’ of the corporation (Kiel et al. 2012, p. 233). The chairperson takes the lead of the board and is responsible for the management of the board (ASX 2010). The chairperson plays a key role in director selection.
and holds the power to appraise the performance of the board and individual directors (Kiel et al. 2012). The chairperson should encourage the productive involvement of all directors in board meetings and ensure a productive interaction between the management team and the board (ASX 2010). The chairperson develops and drives the board agenda and is in control of ensuring the meetings operate according to the agenda with minimum dispute and maximum outcome, making sure that due process is obeyed during meetings (Psaros 2009; Kiel et al. 2012).

**CEO Separation: The Roles of the Chairperson who is not acting as the CEO of the Company**

There is very limited attention given in the literature to exploring the role of the independent chairperson and his/her influence on organisation performance (e.g. Kakabadse & Kakabadse 2007). The chairperson who does not serve as the CEO should work closely with the CEO to encourage the productive involvement of all directors (Investment and Financial Services Association 2009) and make sure that the strategies and performance of the management team are properly explained to the board (Naciri 2010). Chairpersons should offer guidance to the CEO on important matters, build an efficient board, question other directors, and devote time to developing and counselling colleagues (Naciri 2010). Chairpersons supervise the process of appointing, assessing, compensating and dismissing the CEO (Jensen 1993). Chairpersons should possess a sharp analytical capability (Dulewicz, Gay & Taylor 2008) and the necessary experience and business instinct to take the crucial advisory role in the organisation, making them the ideal mentors and confidants for the CEOs (Bosch 1995; O’Shannassy 2010; Kiel et al. 2012).
2.4.2 Roles of the Board of Directors and Non-executive Directors

Supporters of the managerial hegemony theory perspective (e.g. Mace 1971; Vance 1983) explain that boards traditionally made small contributions to organisational strategy (Hendry & Kiel 2004). Mace (1971) sees boards as ‘the creature of the CEO’ because the decisions made by the board are generally controlled by the management, particularly the CEO (Hendry & Kiel 2004). Herman (1981), Perham (1983) and Nader (1984) argued that boards functioned only as rubber stamps of managerial choices. Lorsch and MacIver (1989) found the board has a more advisory role in providing counsel, rather than initiating strategy.

Kiel and Nicholson (2003a) explain much theory development and empirical research in corporate governance has been aimed at better understanding and predicting a correlation between different board characteristics and organisation performance. For instance the agency relationship has resulted in an increasing emphasis on the role of non-executive directors on the board as they provide a moderating influence of the CEO on strategy development and ‘day-to-day’ management issues. The role of the board of directors has evolved over the last several decades especially in regard to monitoring CEO performance.

However with recent corporate scandals researchers have recognised a more active role of the board in monitoring organisation performance (Kiel & Nicholson 2003b). Corporate stakeholders have given more attention into the issues of how the board of directors could benefit organisation performance through its dealing with the CEO and corporate matters (Westphal 1999). The board of directors has legal duties to develop rational and informed decisions, to provide adequate supervision of the CEO and the company, and to act faithfully for the benefit of the firm (Clarke 2007).

From the legal perspective the board of directors is entrusted with a fiduciary duty to monitor the performance of the CEO and TMT for the benefit of the organisation (Bainbridge 1993; Cieri, Sullivan & Lennox 1994; Johnson, Daily & Ellstrand 1996). Johnson, Daily and
Ellstrand (1996) identify three director role and responsibilities: control, service, and resource dependence. Bonn and Pettigrew (2009) used a multi-theoretic approach from agency theory, resource dependence theory and decision-making theory to describe the three central roles of board. These roles include checking and overseeing the TMT, giving access to networks and resources, and participating in strategic decision-making (Bonn & Pettigrew 2009). The board is responsible for observing the performance of senior executives and implementing strategy (ASX 2010). The board now has more involvement in strategy formulation and approval and needs to work closely with the TMT to establish company goals (Kiel & Nicholson 2003b). The board plays an important role in appointing, invigilating, appraising, coaching, remunerating, and when necessary, dismissing the CEO (Kiel & Nicholson 2003b). The roles summarised above are interconnected in a way that one role impacts and is being impacted by the others (Pye 2002) because ‘board activity is an integrative and multi-functional activity’ (Hill 1995; Stiles & Taylor 2001; Bonn & Pettigrew 2009, p. 5).

Resource dependency theory (Pfeffer 1972) emphasises the institutional role of boards in helping the organisation to connect to its environment and secure access to critical resources (McNulty & Pettigrew 1999; O’Shannassy 2010). Non-executive directors can play a key role here, sharing access to their professional networks perhaps in the legal, audit or consulting professions or perhaps in the investment banking community to help to solve resource access challenges. Non-executive directors also provide a critical check and balance on the CEO and TMT when these non-executive directors are in a numerical and voting majority on the board, helping to ensure proper board process with presentation of board papers, proper board discussion, proper deliberation and voting.
2.5 CEO and Organisation Performance

2.5.1 The Influence of the CEO on Organisation Performance

The question of whether the CEO matters forms an important element of organisation studies (Crossland & Hambrick 2007; Fitz 2014). The CEOs normally receive a very high remuneration and so they are expected to bring an improvement in organisation performance. Superior CEOs like Steve Jobs, Lou Gestner and Jack Welch who are all famous in the business community have been praised for bringing a positive impact on organisation performance. On the other hand, certain CEOs of particular firms in corporate history (e.g. Kodak and Honeywell) have failed to perform at the level expected resulting in CEO dismissal by the boards (Muthukumar 2009).

There has been discussion in the upper echelons literature into the adequacy of exploring the effect of the CEO alone on organisation performance. Some scholars argue that a group of people such as the TMT might bring more impact on organisation performance than the CEO. Previous research findings suggest that study of TMTs may provide a better estimate of firm outcomes (Finkelstein, Hambrick & Cannella 2009). However, Dalton and Dalton (2005) recognised the lack of research focus on TMTs and oppositely the potential of CEO research. In a computer-assisted exploration of the ‘CEO’ and ‘TMT’ key words, they found ’15,136’ results for CEO compared with ‘174’ for TMT from various sources between 1989 and 2004 (Dalton & Dalton 2005, p. 252). This discrepancy shows the obvious preference among researchers for the potential of CEO study instead of that concentrating on TMTs (Dalton & Dalton 2005). Dalton and Dalton (2005) suggested that if a TMT is truly the key entity then the CEOs who have been appointed should demand relocation their upper employees with them when they shift to the new company. But in reality it is rare to see a
company hire the CEO and the whole TMT from another company except perhaps in the event of mergers and acquisitions (Dalton & Dalton 2005).

The issue of whether and how CEOs bring a great deal of influence on organisation performance is significant to a broad range of research agendas (Crossland & Hambrick 2007). Numerous studies have been conducted to investigate the question of whether the CEO influences firm performance (e.g. Lieberson & O’Connor 1972; Salancik & Pfeffer 1977; Weiner & Mahoney 1981; Smith, Carson & Alexander 1984; Thomas 1988; Thomas, Litschert & Ramaswamy 1991; Finkelstein & Boyd 1998; Papadakis & Barwise 2002; Bertrand & Schoar 2003; Henderson, Miller & Hambrick 2006; Mackey 2008; Crossland & Hambrick 2007, 2011; Blettner, Chaddad & Bettis 2012; Hambrick & Quigley 2014). While the key research question 'do the executives matter?' is commonly answered with a yes, there is another school of thought which claims that top executives in general have little influence on firm performance (e.g. Lieberson & O'Connor 1972; Salancik & Pfeffer 1977; Bertrand & Schoar 2003).

Lieberson and O'Connor (1972) investigated top executives in large corporations to examine the relative influence of leadership, organisational and environmental factors on corporate performance. Lieberson and O'Connor (1972, p. 124) measured performance variables in terms of sales, net earnings and profit margins and found that these variables were influenced 'by forces beyond a leader's immediate control...'. They concluded that top executives account for little variance in organisational performance. Salancik and Pfeffer (1977) studied the influence of city mayors on city budgets. Using a similar analysis to Lieberson and O'Connor’s (1972) study, Salancik and Pfeffer (1977, p. 492) concluded that leadership functioned ‘... within constraints deriving from internal structural and procedural factors and from external demands on the organisation’. A more recent study that points to a similar conclusion was conducted by Bertrand and Schoar (2003) who collected a thirty-year
sample of approximately 1,500 large public United States firms. They also found that very little percentage of variance in return of assets might be attributable to the top managers of a business.

On the other hand Finkelstein, Hambrick and Cannella (2009, p. 3) stated that ‘... the trajectories and fortunes of companies are often traceable to the actions (or inaction) of their top executives’. For example companies like IBM, Pearson, Nokia and General Electric performed well while companies like Enron, Tyco and Parmalat performed badly because of the choices made by their top executives (Finkelstein, Hambrick & Cannella 2009). Several studies have illustrated the limitations of Lieberson and O’Connor’s (1972) research design particularly in their selection of performance measures (Mackey 2008). Weiner (1978) replicated Lieberson and O’Connor’s (1972) study by randomly sampling 193 publicly listed manufacturing firms. Weiner (1978) discovered different outcomes when she used sequential analysis of variance and reversed the decomposition sequence (Mackey 2008). Weiner and Mahoney (1981) also replicated Lieberson and O’Connor’s (1972) study but specified causal variables at different levels and used simultaneous multivariate analysis to avoid the problem of sequentially considering each independent variable. They found that leadership accounts for 43.9 per cent of the variance in profitability of major firms.

Table 2.2 summarises key studies exploring the effect of the CEO on organisation performance. The most recent study conducted by Hambrick and Quigley (2014) found that the overall CEO effect on organisation performance is significantly greater than what was found on previous studies. They noted that CEOs could considerably change the direction of their company through their selection of daily leadership actions and strategic decisions. Although this research here does not intend to replicate the Lieberson and O’Connor (1972) study, the preceding discussion in this section provides useful background. There is recognition from researchers that CEOs do possess the capability to influence their
organisations (Fitza 2014). This ability is normally accumulated from the CEOs professional
development (e.g. functional background, work experience, educational background) and
work situation. This professional development and work situation shapes the CEOs cognitive
ability and values which will have implications for how they deal with daily business-related
problems and how they affect firm performance (Hambrick & Mason 1984; Bantel & Jackson
1989; Carpenter, Geletkanycz & Sanders 2004; Finkelstein, Hambrick & Cannella 2009). For
instance with regard to CEO educational background a past study from the United States
(Bertrand & Schoar 2003) found that CEOs who have been exposed to an MBA education
and successfully completed the MBA degree would be linked with higher ROA. Upper
echelons theory provides the fundamental explanation of the link between the professional
development and work context of the CEO and organisation performance and will be
discussed in the next section.
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hambrick and Quigley</td>
<td>2014</td>
<td>CEO effect, firm performance</td>
<td>Final sample of 315 firms in the US (830 CEOs, and 4,866 firm-years)</td>
<td>New CEO-in-context (CiC) method, generalised estimating equations (GEE)</td>
<td>Prior techniques such as ANOVA and multilevel modelling (MLM) indicate that CEOs are responsible for between 10 to 20 per cent of variation in profitability. The authors develop a new model namely the CiC model. This technique demonstrates a greater CEO effect on organisation performance: at 38.5 per cent (%) for ROA, 35.5% for ROS and 46.4% for market-to-book (MTB) value. It was found that CEOs could have a significant influence on their organisations’ performance and change the direction of their companies.</td>
</tr>
<tr>
<td>Mackey</td>
<td>2008</td>
<td>CEO effect, firm performance</td>
<td>51 companies in the US, 92 CEOs over 10 years</td>
<td>Simultaneous ANOVA</td>
<td>The CEO effect on firm performance (both corporate-parent performance and business-segment performance) is more substantial than the firm effect or the industry effect.</td>
</tr>
<tr>
<td>Bertrand and Schoar</td>
<td>2003</td>
<td>CEO effect, CEO education, firm performance</td>
<td>600 firms in the US from Forbes 800 (1969-1999) and Execucomp 1500 (1992-1999)</td>
<td>Fixed-effects panel regressions, F-tests, generalised least squares (GLS)</td>
<td>There is a positive relationship between a CEO with an MBA degree and firm performance. CEOs who hold an MBA are positively correlated with ROA.</td>
</tr>
</tbody>
</table>
Table 2.2: Representative Studies of the CEO Effect on Organisation Performance (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thomas</td>
<td>1988</td>
<td>CEO effect, firm performance</td>
<td>Largest 200 retailing firms in the United Kingdom (UK) in the Times 1000 from 1965 to 1984</td>
<td>Variance component analysis (VCA)</td>
<td>The author pointed out some of the weaknesses of the Lieberson and O’Connor’s (1972) study. He conducted identical analysis on a different sample of retail companies in a different national setting—that is, the UK. He concluded that individual leader differences do provide an explanation for the firm performance variations within companies.</td>
</tr>
<tr>
<td>Weiner and Mahoney</td>
<td>1981</td>
<td>CEO effect, firm performance</td>
<td>193 random manufacturing firms in the US from 1956 to 1974</td>
<td>Multiple regression analysis</td>
<td>The authors attempted to improve the Lieberson and O’Connor’s (1972) study by including some firm-specific control variables. They found that leadership or 'stewardship' differences account for 44 per cent of the variation of profitability and 47 per cent of the variation of share prices. Their findings are in contrast with the findings of Lieberson and O’Connor’s (1972) study.</td>
</tr>
<tr>
<td>Lieberson and O'Connor</td>
<td>1972</td>
<td>CEO effect, firm performance</td>
<td>167 large public firms in 13 different industries in the US between 1946 and 1965</td>
<td>VCA</td>
<td>The authors found that the effect of firm and industry on two firm performance measures (i.e., sales and net earnings) was more important than the effect of leadership. However, the effect of leadership on a particular firm performance measure (i.e., profit margins) was found to be stronger than either the firm effect or the industry effect.</td>
</tr>
</tbody>
</table>
2.5.2 Upper Echelons Theory

Upper echelons theory is grounded in the ‘study of behavioural decision making and bounded rationality’ (March & Simon 1958; Cyert & March 1963; Hambrick & Fukutomi 1991; Boyd, Haynes & Zona 2011, p. 1894). The theory that upper echelons characteristics have an important effect on organisational outcomes was developed by Hambrick and Mason (1984). Research in psychology (Mischel 1977) provides the key idea that individuals in general often bring what they already know into their decisions, especially when they are facing complicated and ambiguous situations (Hambrick 2007; Finkelstein, Hambrick & Cannella 2009). These circumstances are often not ‘objectively knowable but, rather, are merely interpretable’ (Mischel 1977, cited in Hambrick 2007, p. 334). Hambrick (2007) explains the need to consider the dispositions and predispositions of the most powerful actors in the organisation in order to understand why organisations perform and behave the way they do. Often the most powerful actors in an organisation are the upper echelon executives.

Hambrick and Fukutomi (1991, p. 721) argue ‘bounded rationality, bias, and limited search’ can take place because of a particular CEO’s inability to understand each related stimulant (March & Simon 1958; Cyert & March 1963). Some of the difficult decisions being made in the organisation are the result of ‘behavioural factors’ as opposed to ‘a mechanical quest for economic optimization’ (March & Simon 1958; Cyert & March 1963; Hambrick & Mason 1984, p. 194). However, these behavioural factors including values and cognition are not straightforward to observe, and so upper echelon theory suggests that noticeable managerial characteristics and demographic proxies such as education, functional background and age can be used as valid measures of the ‘unobservable psychological constructs’ (Hambrick & Mason 1984; Carpenter, Geletkanycz & Sanders 2004, p. 750). This growing awareness of the significance of the behavioural factors has directed researchers to study the observable work and professional development backgrounds of the top decision maker, in
particular the CEO who is mainly responsible for the performance of the whole organisation (Wiersema 1995).

2.5.3 The Influence of the CEO Professional Development and Work Context on Organisation Performance

Bantel and Jackson (1989) discovered two distinctive approaches that are commonly used by researchers to observe the connection between CEO characteristics and organisation performance. The first approach is to evaluate ‘the psychological attributes of decision makers’ and explore their connection to organisation performance (Bantel & Jackson 1989, p. 107). The second approach is to evaluate ‘demographic characteristics’ (e.g. education and age) assuming that these characteristics are linked to ‘cognitive abilities, attitudes and expertise’ (Bantel & Jackson 1989, p. 107). The three fundamental principles of the upper echelons perspective are summarised as follows (Carpenter, Geletkanycz & Sanders 2004). First, organisational outcomes are considered as ‘reflections of the values and cognitive bases of powerful actors’ in the corporation (Hambrick & Mason 1984, p. 193). These values and cognitive biases are a function of the actors’ observable characteristics such as education or work experience. Therefore, key organisational outcomes will be connected to the observable characteristics of the actors (Hambrick & Mason 1984; Carpenter, Geletkanycz & Sanders 2004).

The incumbent CEO represents his or her organisation in talking to and working with external stakeholders (Finkelstein, Hambrick & Cannella 2009). The work of the CEO is challenging because it is often conducted in unpredictable situations (Hambrick & Fukutomi 1991). In these uncertain and difficult situations, CEOs often need to interpret circumstances by reflecting back on their professional development and work context, relying on the familiar and making use of solutions that have succeeded previously (Cyert & March 1963; Hambrick & Mason 1984; Finkelstein, Hambrick & Cannella 2009). Applying upper echelon
theory CEOs professional development and work reflects their personality, cognition, experiences and values; this all has an impact on their understanding of the circumstances they face, the way they make choices and decisions for the firm, and ultimately this influences organisation performance (Carpenter, Geletkanycz & Sanders 2004; Hambrick 2007).

The representative studies summarised in Table 2.3 below suggest that certain variables in relation to CEO professional development and CEO work context will help to predict if a particular CEO will exert a favourable effect on organisation performance. Table 2.3 is a representative summary of what is a substantial literature and includes some of the most cited studies in the field relevant to the theory presented in this research. As mentioned much of this research has been conducted in the legal jurisdiction of the United States providing a research opportunity in other legal jurisdictions in developed economies such as Australia and Hong Kong. Table 2.3 evidences that in corporate governance research variables including CEO duality, CEO tenure and CEO share ownership percentage have been used to explore the CEO effect on organisation performance with some interesting and sometimes unexpected outcomes. Table 2.3 does indicate that this stream of research has not explored thoroughly issues in relation to CEO professional development including CEO origin (i.e., an inside selection or an outside the company selection), CEO functional background and CEO education background for their effect on organisation performance. This appraisal of the literature provides useful background for the development of the research hypotheses in the next chapter.
### Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Krause, Semadeni and Cannella</td>
<td>2014</td>
<td>CEO duality</td>
<td>Not Applicable (N/A)</td>
<td>Theory development</td>
<td>Review of empirical studies evidences separation on its own does not improve organisation performance. A wider, more holistic understanding of practice in this area is required. Institutional theory shows promise in explaining wider practice of separation.</td>
</tr>
<tr>
<td>Krause and Semadeni</td>
<td>2013</td>
<td>CEO and chairperson separation</td>
<td>1,053 companies from the Fortune 1000 and S&amp;P 1500 Indexes from 2002 to 2006</td>
<td>Fixed-effects logistic regression</td>
<td>Separation has a positive impact on future organisation performance after weak performance. Separation has a negative influence on future organisation performance after strong performance.</td>
</tr>
<tr>
<td>de Villiers, Naiker and van Staden</td>
<td>2011</td>
<td>Board characteristics, environmental performance</td>
<td>1,216 US publicly traded companies between 2003 and 2004 (2,151 observations)</td>
<td>Ordered logistic regression</td>
<td>A high non-executive director ratio has a positive influence on environmental performance. However, there was no significant relationship between CEO duality and environmental performance.</td>
</tr>
</tbody>
</table>
Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Focus of the Study</th>
<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dalton and Dalton</td>
<td>2011</td>
<td>CEO duality, board composition, financial performance</td>
<td>N/A</td>
<td>Editorial issue</td>
<td>There is no evidence of a relationship between the choice of CEO duality and financial performance and also between board composition and financial performance. This result may be associated with the lack of attention to multi-level analytical protocol in the existing research.</td>
</tr>
<tr>
<td>Zhang and Rajagopalan</td>
<td>2010</td>
<td>CEO origin, CEO tenure, firm performance</td>
<td>193 CEOs in 176 US public firms between 1993 and 1998</td>
<td>Pooled cross section, time series, generalised least squares (GLS) regression</td>
<td>There is an inverted U-shaped association between the level of strategic change and organisation performance. This relationship varies between companies led by insider CEOs and outsider CEOs. This difference between insider and outsider CEOs exists in the later stages of CEO tenure but not in the early CEO tenure.</td>
</tr>
</tbody>
</table>
Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

<table>
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<tr>
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<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simsek</td>
<td>2007</td>
<td>CEO tenure, firm performance</td>
<td>495 companies</td>
<td>Survey, structural equation modelling, confirmatory factor analysis</td>
<td>CEO tenure does have an indirect influence on performance through its direct influence on the risk-taking propensity of the TMT and company pursuit of entrepreneurial initiatives. A linear relationship between CEO tenure and TMT risk-taking propensity was supported.</td>
</tr>
<tr>
<td>Walters, Kroll and Wright</td>
<td>2007</td>
<td>CEO tenure, board of directors, acquisition performance</td>
<td>313 acquisitions of US publicly listed companies</td>
<td>Hierarchical regression analysis</td>
<td>Where the board is not vigilant CEO tenure is positively correlated to performance at low to middle levels of tenure; CEO tenure is negatively correlated to performance when tenure increases to high levels. Where the board is vigilant shareholder interests are advanced as CEO tenure increases.</td>
</tr>
<tr>
<td>Combs, Ketchen, Perryman and Donahue</td>
<td>2007</td>
<td>CEO power, board composition, organisation performance</td>
<td>73 US stock exchange listed companies</td>
<td>Event study, multiple regression, moderated multiple regression</td>
<td>CEO tenure and the proportion of outside, non-executive directors do not jointly correlate with a stock market measure of organisation performance.</td>
</tr>
</tbody>
</table>
Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
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<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiel and Nicholson</td>
<td>2003a</td>
<td>Board composition, firm performance</td>
<td>348 biggest ASX listed firms</td>
<td>Bivariate correlations, ANOVA, regression analysis</td>
<td>There is a significant, negative relationship between the proportion of outside, non-executive directors and market-based organisation performance (i.e., Tobin’s Q).</td>
</tr>
<tr>
<td>Bigley and Wiersema</td>
<td>2002</td>
<td>CEO power, heir apparent, corporate strategic refocusing</td>
<td>61 large US companies</td>
<td>Hierarchical moderated regression analysis</td>
<td>CEO heir apparent experience will moderate the influence of CEO compensation, CEO functional expertise and CEO elite education, respectively, on corporate strategic refocusing in a negative relationship. Heir apparent experience and the number of external boards a CEO sits on jointly correlate positively with firm strategic refocusing.</td>
</tr>
<tr>
<td>Carpenter, Sanders and Gregersen</td>
<td>2001</td>
<td>CEO international experience, CEO pay, firm performance</td>
<td>245 US multinational companies</td>
<td>Multiple regression, moderated multiple regression, two-staged least squares</td>
<td>Performance of multinational companies is better when a CEO has international work experience.</td>
</tr>
</tbody>
</table>


Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

<table>
<thead>
<tr>
<th>Author(s)</th>
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<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coles, McWilliams and Sen</td>
<td>2001</td>
<td>Governance mechanisms, firm performance</td>
<td>144 companies</td>
<td>Multiple regression, moderated multiple regression</td>
<td>Long CEO tenure and a high inside, executive director ratio jointly predict decreasing market performance. There is a negative relationship between the proportion of outside, non-executive directors and market value added.</td>
</tr>
<tr>
<td>Daily and Johnson</td>
<td>1997</td>
<td>CEO power, firm performance</td>
<td>100 random firms from Fortune 500 with no CEO succession from 1987 to 1990</td>
<td>Four-wave panel, structural equation model</td>
<td>A low proportion of independent directors do not predict lower organisation performance. CEOs with an elite educational background led to lower market performance in 1990. CEO duality did not influence organisation performance. The findings demonstrate that CEOs even in very large firms do influence organisation performance.</td>
</tr>
<tr>
<td>Zajac and Westphal</td>
<td>1996a</td>
<td>CEO-board power, board interlock</td>
<td>491 US largest firms</td>
<td>Poisson regression model, GLS model, negative binomial model</td>
<td>The authors suggest that powerful top executives attempt to continue their control by favouring directors with experience on passive boards and avoiding directors with experience on active boards.</td>
</tr>
</tbody>
</table>
Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

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<tr>
<th>Author(s)</th>
<th>Year</th>
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<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Westphal and Zajac</td>
<td>1995</td>
<td>CEO-board power, demographic similarity</td>
<td>413 firms</td>
<td>Bivariate correlations, logit, multiple regression, GLS regression</td>
<td>Powerful CEOs attempt to select new directors who have similar demography to them. CEOs may receive a higher level of compensation when there is high demographic similarity between the CEO and the board.</td>
</tr>
<tr>
<td>Finkelstein</td>
<td>1992</td>
<td>TMT power, strategic decision making</td>
<td>1,736 top managers, 102 companies; 172 respondents from questionnaires</td>
<td>Bivariate correlations, GLS regression</td>
<td>A set of dimensions in a questionnaire was presented to respondents to measure top executives power. The power dimensions include structural power, ownership power, expert power and prestige power. The study presents fundamental explanations of how the TMT power plays an important role in strategic choice.</td>
</tr>
<tr>
<td>Pearce and Zahra</td>
<td>1991</td>
<td>CEO, board power, firm performance</td>
<td>Interview: 87 firms. Survey: 139 firms</td>
<td>Multivariate analysis of variance, ANOVA</td>
<td>A powerful board is linked to better financial performance. Further, a participative board that embraces consensus among board members and TMT and displays the same, high level of power between the CEO and the directors is linked to the highest value of financial performance.</td>
</tr>
</tbody>
</table>
Table 2.3: Representative Studies of the CEO Professional Development and/or CEO Work Context Variables and Organisation Performance (continued)

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<tr>
<th>Author(s)</th>
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<th>Sample Size</th>
<th>Methods</th>
<th>Relevant Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zajac</td>
<td>1990</td>
<td>CEO origin</td>
<td>105 companies</td>
<td>Bivariate correlations, multiple regression</td>
<td>Companies with an insider CEO are more profitable. Companies with CEOs who perceive a strong attachment between their wealth and that of their employer are more profitable.</td>
</tr>
<tr>
<td>Hambrick and Mason</td>
<td>1984</td>
<td>TMT characteristics, firm outcomes</td>
<td>N/A</td>
<td>Upper echelons theory development</td>
<td>The authors expect top manager demographic characteristics or backgrounds can predict organisational outcomes (i.e., performance levels and strategic choices).</td>
</tr>
</tbody>
</table>
2.6 Conclusion

This chapter has reviewed the literature in relation to similarities and differences in the development and practices of corporate governance between Australia, the United States and Hong Kong. The key literature exploring the influence of CEO professional development and CEO work context has also been reviewed.

We have seen that an important distinction between the Anglo-American model and the Hong Kong model relates to the ownership and control structure of publicly listed companies. In the Anglo-American model, a wide range of shareholders dominate the ownership of the public listed companies (Farrar 2001; Keong 2002). The control of many Australian and United States publicly listed companies is entrusted to the CEO and the board of directors of the respective companies. However in the Hong Kong model, families still dominate the ownership and control of the public listed companies (Stolt 2010). The majority of the CEOs in Hong Kong publicly listed companies may possess a high percentage of company shares (Brewer 1997; Stolt 2010). The practice of CEO and chairman duality is less common in Australian companies compared with the United States companies (Kiel & Nicholson 2003a; Carter & Lorsch 2004; O’Shannassy 2010). Australia has a larger percentage of non-executive directors on the board than the United States (Kiel & Nicholson 2003a). Despite these differences in corporate governance practices, the convergence theory posits that the worldwide convergence of practices toward the Anglo-American model that emphasises shareholder value maximisation will occur (Yoshikawa & Rasheed 2009). This is due to intensified business rivalry in global markets, companies from locations such as Hong Kong seeking capital on international capital markets, and the development of global best practice by leading international organisations such as the OECD. Corporate law and securities regulations in the Anglo-American model offer protection to both majority and minority shareholders (Nestor & Thompson 2001). Convergence theory has implications for
the development of conceptual framework and hypotheses in the next chapter and the
analysis of data and results that follows later.

The CEO is the key focus of this study. The CEO holds crucial roles as the key TMT
executive and organisation strategist. Research evidence shows that CEOs do influence
organisation performance. Upper echelon theory provides the fundamental explanation of the
link between the professional development and work context of the CEO and organisation
performance. The literature also shows the increasing importance of the role of non-executive
directors on the board in contemporary corporate governance in both monitoring the CEO’s
work and providing valuable external resources to the firm. Using the fundamental arguments
from multiple theories discussed earlier, the next chapter will present the conceptual
framework and the development of hypotheses of this research here to describe the
relationship between CEO professional development, CEO work context, the non-executive
director ratio and organisation performance in Australia, the United States and Hong Kong.

We will see in the next chapter that the use of a multi-theoretic perspective in
corporate governance research assists development of deeper understanding of the
relationships between CEO professional development and CEO work context variables, the
interaction of CEO tenure and the non-executive director ratio jointly, and organisation
performance. To achieve this outcome this thesis draws on agency theory, stewardship
theory, managerial hegemony theory, resource dependence theory, upper echelons theory and
also convergence theory in the development of these hypotheses.
3.1 Introduction

The appraisal of the literature in the previous chapter provides useful background for the selection of certain variables in relation to CEO professional development and CEO work context to inform the development of the conceptual framework including the hypotheses in this chapter. This series of hypotheses have been developed to examine the influence of certain CEO professional development background matters including CEO insider/outsider status, CEO functional background, CEO international work experience, CEO MBA education and the number of university degrees that a CEO possesses respectively on organisation performance. A series of hypotheses have been developed to examine the influence of certain CEO work context issues including CEO duality, CEO tenure and CEO share ownership percentage respectively on organisation performance. This chapter will also present the development of a moderation hypothesis to explore the influence of CEO tenure and the non-executive director ratio jointly and organisation performance.

Taking a convergence theory perspective to theory development, most of the hypotheses developed in this chapter will apply to Australia, the United States and Hong Kong. However the literature has indicated a certain moment of divergence in relation to CEO duality practice between Australia, the United States and Hong Kong and therefore a hypothesis with regard to CEO duality has been developed for the United States and Hong Kong only. This approach will identify areas of similarity in corporate governance practice in the three legal jurisdictions in this benchmark study.
3.2 Conceptual Framework

The literature review has indicated that CEO professional development and the CEO work context can influence corporate governance practices (Huse 2005) and organisational outcomes (Hambrick & Mason 1984). Strategic management and corporate governance researchers consider that organisation performance is affected largely by the organisational choices and decisions developed by powerful actors from inside the company (Finkelstein, Hambrick & Cannella 2009). The CEO plays an important role in preparing and implementing organisational choices. It is unlikely for two CEOs to opt for the same options and to implement the choices in a similar way as CEOs often draw on their individual motivations, characteristics and experiences in making strategic decisions (Finkelstein, Hambrick & Cannella 2009). Ultimately the skills, experiences, biases and other human aspects of the top executives will have a significant influence on the direction of the organisation (Finkelstein, Hambrick & Cannella 2009). The organisation will become ‘a reflection of its top managers’ (Hambrick & Mason 1984, p. 193), especially of its CEO.

The appraisal of the literature in the previous chapter has provided useful guidance on the selection of measures for the CEO professional development and work context for this study here. Based on key studies related to CEO professional development (e.g. Carpenter, Sanders & Gregersen 2001; Zhang & Rajagopalan 2010; Buyl, Boone, Hendriks & MatthysSENS 2011; Jalbert, Furumo & Jalbert 2011; Chung & Luo 2013; Lindorff & Jonson 2013), the selected measures for CEO professional development are CEO insider/outsider status, CEO functional background, CEO international work experience, CEO MBA education and CEO number of university degrees. Based on key studies related to CEO work context (e.g. Coles, McWilliams & Sen 2001; Bigley & Wiersema 2002; Walters, Kroll & Wright 2007; Krause, Semadeni & Cannella 2014; Luo, Kanuri & Andrews 2014), the
selected measures here are CEO and chairperson duality, CEO tenure and CEO share ownership percentage.

Several scholars (e.g. Westphal & Zajac 1995; Zajac & Westphal 1996a; Zajac & Westphal 1996b; Boyd et al. 2012) have underlined the importance of a moderating variable. A moderating variable modifies the strength and/or orientation of the relationship between an independent variable and a dependent variable (Baron & Kenny 1986). The literature review has illustrated the changing roles of the board in contemporary corporate governance practice. The board holds the key organisational role in appointing a suitable CEO for the firm. The literature review highlights the importance of the board of directors in particular non-executive directors working with the CEO in influencing organisation performance. However, the literature review also recognises that the board of directors was not included in the original upper echelon model (Boyd, Haynes & Zona 2011). CEO work can be affected by organisational factors such as a demanding board (Hambrick 2007). In this scenario CEOs may opt for a particular action not due to ‘biased information processing’ as suggested by the original model, but instead because of the board’s preference for CEOs to manage the organisation in a certain way and to implement the board’s request for change (Hambrick 2007; Boyd, Haynes & Zona 2011, p. 1917). This research here will pick up the non-executive director ratio as the moderating variable to test a joint effect of the non-executive director ratio and an element of the CEO work context—CEO tenure—on organisation performance. In doing so, this research will extend the original upper echelon model and make a contribution to learning by improving our understanding of an issue here related to application of upper echelons theory, agency theory, stewardship theory and resource dependence theory.

The non-executive director ratio reflects the proportion of non-executive directors among all directors on the board (i.e., number of non-executive directors divided by the
number of directors). The literature review indicates that the presence of non-executive directors on the board will enable the agency role (i.e., monitoring of the CEO) and resource dependence role (securing external resources) in the organisation (Bonn & Pettigrew 2009). However, the inclusion of inside, executive directors can also bring value to the organisation through their attainment of firm-specific knowledge and expertise (Hillman & Dalziel 2003). The presence of several executive directors who are good stewards will assist the CEO in communicating essential management and operational issues in a board meeting and then implementing strategic choices agreed in the board meeting. A high or low non-executive director ratio therefore can affect how CEOs go about their work during their tenure. There is then a theoretical tension between agency theory, stewardship theory, resource dependence theory and upper echelon theory embedded in this moderation relationship. This moderating relationship will be further explored in this study.

Figure 3.1 exhibits the general conceptual framework of this thesis. The framework outlines the relationships between the independent variables (IV) related to certain CEO professional development and CEO work context variables, the moderating variable (MV) the non-executive director ratio, and the dependent variable (DV) organisation performance.
Figure 3.1: General Conceptual Framework—CEO Professional Development, CEO Work Context, the Non-executive Director Ratio and Organisation Performance

CEO Professional Development
- H1: Insider CEO
- H2: CEO output-oriented functional background
- H3: CEO with international work experience
- H4: CEO with an MBA degree
- H5: CEO with a large number of university degrees

CEO Work Context
- H6: Separation of the CEO and Chairperson role
- H7: High CEO tenure
- H8: High CEO share ownership percentage

Control Variables
- Major industry
- Second major industry
- Log10 of firm age
- Log10 of firm size
- Board size

Organisation Performance
- Average ROA 2011-2012

H9: Low non-executive director ratio
H10: High CEO tenure x low non-executive director ratio
3.2.1 CEO Professional Development and Organisation Performance

We have seen that in this thesis certain variables such as CEO insider/outsider status, CEO functional background, CEO international work experience, CEO MBA education and CEO number of university degrees have been selected as the variables for measuring the professional development of the CEO. The literature indicates much of the existing research has been conducted in the legal jurisdiction of the United States and has been limited in other legal jurisdictions in developed economies such as Australia and Hong Kong. The stream of existing research also has not explored comprehensively issues in relation to CEO professional development. The relationship between each CEO professional development variable and organisation performance is largely grounded in upper echelon theory although corporate governance theories such as agency theory, stewardship theory and resource dependence theory are also useful in providing a better understanding of the link between the CEO professional development variables and organisation performance. These connections will now be developed in more detail prior to presentation of hypotheses in section 3.3.

3.2.1.1 CEO Insider/Outsider Status

The issue of how CEO origin (i.e., an inside or outside the firm selection) can influence organisation performance is important to corporate governance research; existing studies have emerged typically from the United States legal jurisdiction (Zhang & Rajagopalan 2010). A promotion from inside the organisation has traditionally been the main origin for new CEOs amongst United States companies (Vancil 1987; Ocasio 1999). The promotion also helps to boost general employee morale and loyalty (Howard 2001; Zhang & Rajagopalan 2003). CEO succession has been regarded as a crucial process for the firm to adjust to the changing demands of its environment with implications for organisation performance (Finkelstein, Hambrick & Cannella 2009). CEO succession has particularly been
a critical issue in an environment where family businesses are prevalent such as in Hong Kong since the CEO with a family connection normally holds substantial power in making managerial decisions (Ting 2013). CEO succession and turnover is a recurring event in an organisation (Finkelstein, Hambrick & Cannella 2009). The departure of a former CEO is inevitable and can occur for several reasons such as illness, death, departure due to a more lucrative offer from another company, voluntary departure, early retirement due to private reasons, obligatory retirement or expulsion (Finkelstein, Hambrick & Cannella 2009). The literature has indicated both insider CEOs and outsider CEOs bring different types of work experience to the organisation (Harris & Helfat 1997; Zhang & Rajagopalan 2003, 2004, 2010). As part of their professional development, insider CEOs have normally gained firm-specific skills and knowledge from their earlier experiences with the organisation while outsider CEOs are more valued for their fresh, different ‘outside the firm’ set of skills and knowledge (Harris & Helfat 1997; Zhang & Rajagopalan 2003, 2004, 2010). This can have implications for organisation performance.

3.2.1.2 CEO Functional Background

Dearborn and Simon (1958, p. 142) argued that a top executive will recognise and better understand 'those aspects of a situation that relate' particularly to the goals and activities of his or her functional department. In Dearborn and Simon’s (1958) study, 23 middle managers representing a particular manufacturing firm were given a general company case problem. The case comprised an abundance of explanatory facts about a specific steel company and its industry, but an inadequate evaluation for the managers to make an interpretation. The managers were asked to assume the position of the chief executive to consider the most critical problem within the company. In general, Dearborn and Simon (1958) found these middle managers classified the most critical problem according to their functional area. The findings of Dearborn and Simon's (1958) study provide support to the
argument that functional background and past work experience can shape a CEO’s lens, and consequently, affect his or her way of perceiving a situation, solving daily business-related problems and influencing organisation performance (Finkelstein, Hambrick & Cannella 2009). Walsh (1988) conceptually expanded and replicated Dearborn and Simon’s (1958) work. Walsh (1988) collected data from 121 middle managers of various companies who were studying an executive master’s level programme in part-time mode. The managers were given a three-page document representing a poorly constructed circumstance of a company case and a random set of 50 cards containing various components linked to the organisational outcomes. Walsh (1988, p. 873) found that the managers in his study did not appear as ‘single-minded information processors’. Walsh (1988) recognised that conflicting results with Dearborn and Simon’s (1958) original study might occur due to differences in research design such as group sizes, the procedures used and the number of firms represented in every group. However, there were some similarities in the actual answers from each group of managers illustrating that ‘managers suffer from selective perception’ developed from their experiences in a specific functional area (Walsh 1998, p. 889). Waller, Huber and Glick (1995) found that functional background in general does influence the CEO’s perception of how effective their organisations are performing.

3.2.1.3 CEO International Work Experience

As globalisation escalated and global competition intensified in the past few decades, more attention has been given to the theme of CEO international work experience (Sambharya 1996). Many contemporary organisations have come to be multinational in nature (Chen & Stucker 1997). Executives particularly in multinational corporations face a more complex and challenging business environment (Prahalad 1990; Sanders & Carpenter 1998). Maruca (1994) found retiring CEOs are more inclined to select a CEO successor who has previously managed and worked in a foreign environment. A CEO with international
work experience can be expected to be a rare and valuable firm resource (Carpenter, Sanders & Gregersen 2001). The CEO will possess an increased understanding of various markets and business practices, both locally and globally (Chen & Stucker 1997). International work experience is associated with organisation performance in the way that it provides the CEO with more rounded executive development in terms of coordination of global tasks and knowledge interchange between the parent company and its affiliates, and amongst affiliates (Black, Gregersen & Mendenhall 1992; Sambharya 1996).

3.2.1.4 CEO Education

Formal education has been considered as an integral part of CEO professional development because it is associated with development of thinking processes (Gottesman & Morey 2010) and the ability to deal with cognitive complexity (Hitt & Tyler 1991; Wally & Baum 1994). CEO education may provide understanding of how the CEOs think and perform in their role (Gottesman & Morey 2010). There is evidence linking formal education to various organisational outcomes, such as innovation (Becker 1970; Kimberly & Evansiko 1981; Hambrick & Mason 1984), strategic portfolio changes (Norburn & Birley 1988) and strategic initiative (Hambrick, Cho & Chen 1996). However, there is a limited amount of literature exploring the direct influence of CEO education on organisation performance particularly in terms of return on assets. Hambrick, Cho and Chen (1996) studied the aviation industry and included education as a control variable. They found a significant positive correlation between educational level and organisation performance in terms of market share and profitability. An exploration into the number of educational degrees that a CEO possesses may provide valuable insights into the source of strategy-making skills and organisation performance outcomes (Useem & Karabel 1986; D’Aveni 1990; Finkelstein, Hambrick & Cannella 2009). Researchers have also paid attention to the influence of CEOs with a formal education in business administration on organisation performance. A Master of Business
Administration degree (MBA) is regarded as the most common type of professional executive training (Useem & Karabel 1986). In recent times, an MBA degree has become a popular educational background for CEOs of big corporations (Felicelli 2008; Lewis, Walls & Dowell 2014). Senior executives with an MBA education tend to apply more advanced techniques when evaluating the financial status of the organisation (Graham & Harvey 2001) and pursue more ‘aggressive strategies’ than executives without an MBA (Bertrand & Schoar 2003, p. 1173). Both CEO MBA education and number of university degrees can have implications for organisation performance.

### 3.2.2 CEO Work Context and Organisation Performance

In this research certain variables such as CEO and chairperson duality, CEO tenure and CEO share ownership percentage have been purposely selected as the variables for measuring the work context of the CEO. The influence of CEO duality and CEO tenure has been subject to debate in the existing United States literature (Krause, Semadeni & Cannella 2014; Luo, Kanuri & Andrews 2014). There is currently a limited amount of literature exploring the influence of CEO share ownership percentage on organisation performance. An integration of upper echelon theory with corporate governance theories including agency theory, stewardship theory, managerial hegemony theory and resource dependence theory will provide a better understanding of the link between CEO work context and organisation performance. These connections will be developed here prior to presentation of hypotheses in section 3.3.

The main criticism of agency theory relates to its limited consideration of managerial and CEO competence (Shen 2003). Stewardship theory provides a different point of view arguing that a long-tenured CEO will act as a good steward of the corporation. Based on managerial hegemony theory the presence of CEO duality, high CEO tenure and high CEO
share ownership percentage is associated with high CEO power (relative to board power) in the work context (Finkelstein 1992; Daily & Johnson 1997).

3.2.2.1 CEO Duality

CEO duality has become one of the most extensively studied corporate governance occurrences in the United States legal jurisdiction (Dalton, Hitt, Certo & Dalton 2007; Krause, Semadeni & Cannella 2014). CEO duality is ‘dichotomous in nature, as are the two key theories (agency and stewardship) that are brought to bear’ (Krause, Semadeni & Cannella 2014, p. 2). The preference towards separating the positions of CEO and board chairperson is mainly based on agency theory concerns with regard to the possibility of management control of the board (Dalton et al. 1998). Agency theorists argue CEO duality reduces board independence and reduces board effectiveness in monitoring the CEO (Lorsch & MacIver 1989; Jensen 1993; Finkelstein & D’Aveni 1994). There is empirical evidence from the United States showing separation predicts better financial performance (Rechner & Dalton 1991). The literature indicates some divergence in relation to this issue of the CEO duality option for companies between the selected Anglo, American and Asian countries. Many Anglo corporate governance reports and recommendations have pushed for the separation of the chair and CEO position; consequently, separation becomes prevalent amongst the Australian stock exchange listed firms (Kiel & Nicholson 2003a). On the contrary, practising CEOs in the United States argue there is benefit to the firm from combining the CEO and board chairperson positions (Dalton et al. 1998). Taking a stewardship theory perspective, the CEO-chairperson dual structure offers consolidated organisation leadership and eliminates uncertainty with regard to who is accountable and responsible for organisational outcomes (Anderson & Anthony 1986; Donaldson 1990; Dalton et al. 1998). In the 1990s the separation of the CEO and chairperson role occurred mostly during difficult periods or crisis for the organisation and for a short period of time
(Levy 1993; Dalton et al. 1998). CEO duality is very prevalent in the United States with approximately 80 per cent of Standard and Poor’s 500 firms practising the dual leadership structure, although this trend seems to be changing after the scandals of Enron and WorldCom and recent GFC (Carty & Weiss 2012). In Hong Kong several existing studies inform that 52 per cent of Hong Kong publicly listed firms practised CEO duality from 1995 to 1998 (Chen, Cheung, Stouraitis & Wong 2005) and 41 per cent in 2003 (Lam & Lee 2008). The exploration of the influence of CEO duality on organisation performance in different national contexts will improve our understanding of how agency theory, stewardship theory and convergence theory is applied in practice.

3.2.2.2 CEO Tenure

The effect of CEO tenure on organisation performance is a matter of some contention in the literature. There has been much research on this relationship in the stock exchange listed company scene in the United States where there is a high frequency of the practice of CEO-chairperson duality. There has been notably less research on this relationship in legal jurisdictions such as Australia where there is strong institutional pressure for corporate governance best practice and separation of the chairperson and CEO tenure role, with implications for the use and interpretation of the CEO tenure measure (Kiel & Nicholson 2003a; O’Shannassy 2010). One body of research argues for an inverted U or curvilinear relationship between CEO tenure and organisation performance in terms of average profit and return on sales (Miller & Shamsie 2001); profitability (Henderson, Miller & Hambrick 2006); and acquisition performance (Walters, Kroll & Wright 2007). This argument is based on the agency theory argument that long-tenured CEOs may become stagnant and outdated, defend the status quo, and lose interest in their work (Cyert & March 1963; Hambrick & Fukutomi 1991; Simsek 2007). However taking a stewardship theory perspective, another body of research argues that there is a linear relationship between CEO tenure and organisation
performance (Coles, McWilliams & Sen 2001). Waldman, Ramirez, House and Puranam (2001) found a positive correlation between CEO tenure and net profit margin. CEOs who hold their positions for a greater length of time ‘accumulate a track record, attain a deeper knowledge of the firm’s environment, and acquire firm- and job-specific skills’ (Simsek 2007, p. 654) and should be good stewards (Coles, McWilliams & Sen 2001). The CEOs leadership and power also develop (Hambrick & Fukutomi 1991; Shen 2003). This can have implications for organisation performance.

3.2.2.3 CEO Share Ownership Percentage

The literature with regard to agency theory indicates that top executives serving as the agents of owners can pursue a series of action in conflict with the priorities of owners (Jensen & Meckling 1976; Dalton, Daily, Certo & Roengpitya 2003). Substantial share ownership on the part of the top executives can act as an incentive to reduce agency problems (Jayaraman, Khorana, Nelling & Covin 2000). A high percentage of share ownership provides CEOs with bigger incentives to efficiently manage organisation performance and serve in the best interests of shareholders since their own wealth is linked directly with organisation performance (Jayaraman et al. 2000; Dalton et al. 2003). Integrating agency theory with stewardship theory, it is likely that CEOs with a high percentage of share ownership will have greater motivation to act as good stewards of the corporation, providing a positive impact on organisation performance. Further, CEOs who are also family-controlling owners and have a substantial share ownership will have greater capacity and incentives to monitor management, thereby decreasing the need to depend excessively on the board of directors for monitoring TMT (Desender, Aguilera, Crespi & Garcia-cestona 2013). This can have implications for organisation performance particularly in the Hong Kong context where family ownership and control is dominant.
3.2.3 The Non-executive Director Ratio and Organisation Performance

The theoretical literature suggests that an effective board will consist of a larger proportion of non-executive directors to executive directors (Lorsch & MacIver 1989; Zahra & Pearce 1989; Dalton et al. 1998). This argument is largely based on agency theory as we have seen which contends that the high percentage of non-executive directors on the board will result in greater board independence and hence ensure the proper monitoring and control of the CEO (Kiel & Nicholson 2003a). The resource dependence view strengthens the needs for having non-executive directors on a company board to provide the necessary connection between the organisation and access to external resources (Pfeffer & Salancik 1978; Dalton et al. 1998). However, the empirical evidence from the existing studies from the Anglo-American countries is mixed, showing that a high non-executive director ratio does not always necessarily lead to better organisation performance (Daily & Johnson 1997; Kiel & Nicholson 2003a). Managerial hegemony theorists have the view that boards especially non-executive directors lack firm knowledge and are reliant on top managers for information (Coles, McWilliams & Sen 2001). There is also evidence that the presence of non-executive directors on the board may not always provide the most effective means of monitoring of top managers (Baysinger & Hoskisson 1990; Coles, McWilliams & Sen 2001).

Clarke (2014b, p. 265) reviews the possibility of a limited effect of board independence on organisation performance and instead ‘stewardship-based corporate structures’ may affect positively on organisation performance in certain national contexts. The latter effect is even greater in the family business setting where the separation of control and ownership is not a major concern (Clarke 2014b). In this setting, the presence of too many independent, non-executive directors can be ‘perceived as a control mechanism and will lower the motivational levels of stewards’ (Garcia-Ramos & Garcia-Olalla 2014, p. 326). The knowledge and expertise presented by inside, executive directors to boards of directors is
essential for achieving better organisation performance in family businesses (Garcia-Ramos & Garcia-Olalla 2014). The resources, experience and knowledge of family directors will help to bring more effective performance to the advisory role of a board (Garcia-Ramos & Garcia-Olalla 2014). This preceding background and the sentiment of the literature may have implications for the relationship between the non-executive director ratio and organisation performance in a family business context such as Hong Kong, or in other market jurisdictions such as Australia and the United States with arguments being presented in section 3.3.9 below.

3.2.4 The Joint Effect of the Non-executive Director Ratio and CEO Tenure on Organisation Performance

The board of directors may have an indirect influence on organisation performance ‘through the quality of their managerial monitoring’ (Finkelstein, Hambrick & Cannella 2009, p. 270). Studies that explore the relationship between the CEO and board are still limited; board characteristics variables have usually been included as control variables but not as moderating variables in existing upper echelon studies (Boyd, Haynes & Zona 2011). There is limited empirical research that examines the moderating effect of the non-executive director ratio jointly with CEO tenure on the dependent variable organisation performance. Given the lack of empirical evidence plus the conflicting nature of corporate governance research findings (Dalton et al. 1998), the integration of multiple theoretical justifications will be used to develop this moderating hypothesis shortly.

Long-tenured CEOs have acquired an in-depth knowledge of the firm and well-developed networks (Simsek 2007), and thereby, they have the capacity to bring better organisation performance and maximise shareholder value. Taking a stewardship theory perspective, these CEOs with long tenure can be expected to serve as good stewards of their corporations (Coles, McWilliams & Sen 2001). Following this logic the agency role of the
non-executive directors can be minimised, as these CEOs who are good stewards can be trusted to perform their job competently (Donaldson & Davis 1991; Davis, Schoorman & Donaldson 1997). Resource dependence theory asserts that non-executive directors will bring valuable external resources to the company (Pfeffer & Salancik 1978); however, they also have limited access to internal firm resources and so they lack firm-specific knowledge and experience to provide the internal advisory role (Garcia-Ramos & Garcia-Olalla 2014). In the context where the majority of the board consists of non-executive directors such as in Australia, the CEO will generally be the inside, executive director and is referred to as the managing director (Kiel et al. 2012). The CEOs often are required to present any operational and managerial issues to the board as the only executive director. There is benefit to organisation performance of including executive directors on the board to work along with the long-tenured CEO. The presence of several executive directors in addition to the CEO on the board will strengthen the board expertise in dealing with daily tasks and solving the operational problems of the organisation (Mace 1971; Hermalin & Weisbach 1991) with implications for organisation performance (Boyd, Haynes & Zona 2011).

3.2.5 Convergence and Divergence: The Conceptual Frameworks Adapted for Australia, the United States and Hong Kong

The literature review discusses the trend to convergence of corporate governance practices toward the Anglo-American model. Keeping an open mind on this convergence issue and taking a convergence theory perspective, all hypotheses developed in this research will apply to Australia, the United States and Hong Kong. There is an exception for the hypothesis with regard to CEO duality where the literature has pointed out that in Australia the prevailing practice is to separate the CEO and chairperson position (Kiel & Nicholson 2003a). For this reason hypothesis six will not apply to Australia because of the large
presence of CEOs who do not hold the position of chairperson in the top ASX listed companies. Hypothesis six will apply to the United States and Hong Kong only.

Figure 3.2 shows the adapted conceptual framework for the Australian research context, exhibiting the relationships between the independent variables (IV) related to CEO professional development and CEO work context, the moderating variable (MV) the non-executive director ratio, and the dependent variable (DV) organisation performance in Australia. Figure 3.3 shows the adapted conceptual framework for the United States and Hong Kong research contexts.
Figure 3.2: Conceptual Framework—CEO Professional Development, CEO Work Context, the Non-executive Director Ratio and Organisation Performance—for Australia

Figure 3.3: Conceptual Framework—CEO Professional Development, CEO Work Context, the Non-executive Director Ratio and Organisation Performance—for the United States and Hong Kong
3.3 Development of Research Hypotheses

The following section will develop and present a series of hypotheses to explore the linkage between the professional development and work context of the CEO and organisation performance. A hypothesis will be developed to explore the linkage between the non-executive director ratio and organisation performance. A hypothesis will be developed to explore the linkage between CEO tenure x the non-executive director ratio and organisation performance. The literature has indicated there is convergence in corporate governance practices towards the Anglo-American practices. Keeping an open mind to the convergence theory perspective, all the developed hypotheses in this thesis will apply to Australia, the United States and Hong Kong, with an exception of the hypothesis with regard to CEO duality where it will apply to the United States and Hong Kong only.

3.3.1 CEO Insider/Outsider Status

In general new CEOs—inside the firm choices or outside choices—face a substantial increase in their responsibilities, tasks and skill requirements. Harris and Helfat (1997) argue that the challenges for outsider CEOs are often greater compared to the insider CEO. Outsider CEOs are often appointed when the organisation is experiencing a period of poor performance requiring the outside CEO to perform a business turnaround from poor performance to better performance (Zajac 1990; Cannella & Lubatkin 1993). Zhang and Rajagopalan (2010, p. 337) argue that outsider CEOs can bring ‘adaptive and…disruptive effects’ to a company; therefore, the outside CEOs can be an agent of change through their influence on strategy formulation and implementation. Although some key external and internal stakeholders may support these changes, outsider CEOs normally face a hostile attitude from senior executives, and these senior executives are typically from the organisation’s former regime (Boeker & Goodstein 1993; Zhang & Rajagopalan 2010). The
changes introduced by an outside CEO may also result in more pronounced cost, risk and organisational disturbance making the choice of an insider more appealing to the board of directors and management (Shen & Canella 2002a; Greiner, Cummings & Bhambri 2003). Outside CEOs will have less of a mastery of the organisation’s resource capabilities and gaps compared with an insider (Greiner, Cummings & Bhambri 2003; O’Shannassy 2011). They often face difficulties in selecting and creating the right strategy for improving organisation performance, resulting in a change program that deviates from existing organisation capabilities (Shen & Canella 2002a; Zhang & Rajagopalan 2010). Shen and Cannella (2002a, p. 1196) found outside CEOs increase the chance of ‘CEO dismissal followed by inside succession’ because ‘the high expectations the board and other stakeholders have toward outside CEOs make them more vulnerable when challenges from senior executives emerge’.

In contrast, well-performed and powerful retiring CEOs often have a strong influence over successor selection; they tend to desire insider successors who are similar to them (Zajac & Westphal 1996b). Part of the legacy of a successful CEO is one or more capable inside executives trained and suitably experienced to succeed them in the CEO role. The organisation will then have the fortunate situation where there are one or more capable internal candidates for the CEO position. An insider successor has the opportunity to build company and industry specific experience, plus a network of support within the company and also among key external stakeholders prior to their appointment in the CEO role. Therefore, stewardship theory and resource dependence theory related benefits are present when selecting an insider CEO, especially when the retiring CEO has performed well in the role. Given this background, it is predicted that in Australia, the United States and Hong Kong:

**H1: Selection of an insider CEO is associated with better organisation performance.**
3.3.2 CEO Functional Background

Companies also have a choice between selecting a CEO with an output-oriented functional background (i.e., sales, marketing, product research and development) or a throughput functional background (i.e., accounting, process engineering, production) (Hambrick & Mason 1984). Finkelstein (1992, p. 514) explains output is related to ‘demand conditions’ while throughput is related to ‘production processes’. Hambrick and Mason (1984) and Datta and Rajagopalan (1998) found that CEOs with output-oriented functional backgrounds will be preferred in organisations pursuing an innovation strategy or differentiation. On the contrary CEOs with a throughput-oriented functional background will be favoured in organisations pursuing non-differentiation or efficiency-oriented strategies (Datta & Rajagopalan 1998). Other research (Chaganti & Sambharya 1987; Thomas, Litschert & Ramaswamy 1991) also found a positive correlation between executives ‘output-related backgrounds and product differentiation strategies’ (Datta & Rajagopalan 1998, p. 838). Hambrick and Mason (1984, p. 199) posited that ‘in stable, commodity-like industries, throughput-function experience will be positively associated with profitability’; however, ‘in turbulent, differentiable industries, output function experience will be positively associated with profitability’.

In the 1990s and 2000s with developments in transport, information technology, telecommunications and media the business environment has become more challenging with strategy cycles getting shorter and shorter (Hamel 2000). These circumstances mean that companies need to innovate continuously to be able to cope with high levels of environmental uncertainty (Tushman & O’Reilly 1997). In these circumstances companies should then give preference to selection of a CEO with an output-oriented functional background who is a good steward of firm resources to increase the probability of strong performance (Ireland & Hitt 1999; Burgelman & Grove 2007; Hamel 2009; O’Shannassy 2010). Bringing together
these insights from upper echelon theory and stewardship theory, it is expected that in Australia, the United States and Hong Kong:

**H2**: Selection of a CEO who has a functional background in an output-oriented field is positively associated with organisation performance.

### 3.3.3 CEO International Work Experience

Harris and Helfat (1997) explain that CEOs improve their executive ability and capacity by means of previous work experience making them a better steward of firm resources. Every CEO may have experienced substantial responsibility possibly in their early careers (Cox & Cooper 1989). Some work experience may involve international assignments to ‘manage an overseas subsidiary’ and deal with the business environment in that setting (Cox & Cooper 1982, p. 242). These assignments can provide the future CEO with unique knowledge, professional contacts outside their organisation, valuable global experience and a different, broader world perspective that may help them to better manage the organisation, especially if the organisation is a multinational corporation (Maruca 1994; Athanassiou & Nigh 1999; Carpenter, Sanders & Gregersen 2001). This type of professional background can be a valuable firm resource over time whether the CEO’s employer is a national or a multinational business, though it should be noted that the requirement for this type of international experience is likely to be stronger for an organisation with international operations. Hence in Australia, the United States and Hong Kong:

**H3**: A CEO with international work experience is positively associated with organisation performance.

### 3.3.4 CEO MBA Education

Studies that link directly CEO MBA education to organisation performance are still limited, particularly in the Australian and Hong Kong contexts. Formal education and
training serve as important components of organisational development and learning processes (Baruch 2009). The MBA degree has become the most accredited and popular learning programme in management education; in the United States the economist claims that more than fifty per cent of the CEOs of large corporations hold an MBA (Baruch 2009). When the CEO receives an elite degree such as an MBA degree from an elite university, the prestige of the university can be transferred or extended, adding to executive status (D’Aveni 1990; Bigley & Wiersema 2002). The MBA education helps to build the future CEO’s social and human capital and also influences his or her approach in selecting and making decisions (Bertrand & Schoar 2003).

Hambrick, Black and Fredrickson (1992) found a positive correlation between CEOs with MBA degrees and profitability. They also found a positive correlation between a CEO with an MBA degree and organisation performance measured by return on assets. Similarly, Bertrand and Schoar (2003) found a positive relationship between CEOs with an MBA degree and return on assets (ROA). Hansen, Ibarra and Peyer’s (2010) study of approximately 2,000 CEOs of large companies around the globe found CEOs with an MBA on average ranked 40 places better in terms of organisation performance—measured by total shareholder return—than CEOs without an MBA. Elite degrees such as an MBA from an elite academic institution will increase the chance of the executive obtaining board appointments and enhance their social and business status, helping the CEO to build elite executive and company director networks (Useem & Karabel 1986; Westphal & Stern 2006). The CEO’s elite social and business networks can be a very useful resource for the organisation. Applying stewardship theory and resource dependence theory it is expected that in Australia, the United States and Hong Kong:

**H4:** The presence of a CEO with an MBA degree is positively associated with organisation performance.
3.3.5 CEO Number of University Degrees

Studies that link directly CEO education to organisation performance are still scarce. However, there is a strong relationship between education level, the capacity to identify, prioritise and process useful decision-making information, and the ability to engage in complex thinking, making the CEO a better steward of firm resources (Wally & Baum 1994). The formal education of a CEO is often related to better receptiveness to innovation as it reflects the CEO’s cognitive ability especially open-mindedness (Kimberly & Evanisko 1981). Past research also shows that there are strong positive relationships between executive education level, product differentiation and organisational innovation (Bantel & Jackson 1989; Thomas, Litschert & Ramaswamy 1991; Wiersema & Bantel 1992; Datta & Rajagopalan 1998). Innovation and differentiation have been correlated positively with organisation performance (Cottrell & Nault 2004; Nerkar & Roberts 2004; Nadkarni & Narayanan 2007). There is a limited amount of literature that explores the effect of the number of university degrees that a CEO possesses on organisation performance. Hambrick and Mason (1984) predicted a positive relationship between the number of formal degrees that the top management team members possess and organisational innovation. Past research (Kimberly & Evanisko 1981; Hambrick & Mason 1984; Gottesman & Morey 2010) found no correlation between the type of CEO education and organisation performance. However, Norburn and Birley (1988) found the number of university degrees that top executives possess would be positively correlated to financial performance and growth. Hence, it is expected that in Australia, the United States and Hong Kong:

\[ H_5: \text{There is a positive relationship between the number of university degrees that a CEO possesses and organisation performance.} \]
3.3.6 CEO and Chairperson Duality

CEO and chairperson duality has been argued to offer a distinct point of advantage in company leadership (Anderson & Anthony 1986; Iyengar & Zampelli 2009). This argument has been made particularly strongly in the United States, although Australian experts identify agency theory concerns with this approach. Duality does create an image of company stability, can increase confidence in company management and can improve communication between TMT and the board (Anderson & Anthony 1986; Donaldson & Davis 1991; Finkelstein & D’Aveni 1994; Iyengar & Zampelli 2009). However, Fama and Jensen (1983) and Jensen (1993) state that CEO duality is likely to result in the principal-agent problem occurring, and also hinder the board’s ability to monitor the CEO effectively. CEOs holding the position of the chairperson will widen their power base and weaken the board’s role of monitoring and evaluating the performance of the CEO (Coles & Hesterly 2000). This provides a bigger opportunity for the CEO to pursue their personal interest at the expense of shareholder wealth (Boyd 1995).

The empirical research exploring the impact of CEO duality on organisation performance evidences mixed results. Boyd (1995) found that CEO duality has a positive impact on subsequent firm performance. Yet Iyengar and Zampelli (2009) did not find evidence to support an argument that CEO duality is a leadership structure intentionally selected for optimising organisation performance. Rechner and Dalton (1991) have discovered a negative relationship between CEO and chairperson duality and organisation performance. They conducted a longitudinal analysis of 500 Fortune companies and found that companies with independent leadership structures constantly outperform those with a duality structure. In their study, organisation performance was measured as return on investment (ROI), return on equity (ROE) and profit margins. In the Hong Kong legal jurisdiction Chen et al. (2005) found a negative relationship between CEO duality and
organisation performance. Many Anglo corporate governance reports (e.g. Cadbury 1992; Bosch 1995; Higgs 2003; ASX 2010) recommend the roles of chair and CEO to be exercised by a different individual to avoid the principal-agent problem emerging. This choice is also widely accepted in practice by business and government in Australia and the United Kingdom (Stapledon & Lawrence 1996; Kiel & Nicholson 2003a; Kakabadse & Kakabadse 2007) and is a distinct point of difference to the prevailing United States practice of duality. Given the strong preference for separation in Australia (Kiel & Nicholson 2003a; Kakabadse & Kakabadse 2007), the hypothesis exploring the influence of CEO duality is not developed for Australia. Nevertheless, giving priority to agency theory it is expected that in the United States and Hong Kong:

\[ H_6: \text{Separation of the CEO and chairperson role is positively associated with organisation performance. CEO duality is negatively associated with organisation performance.} \]

3.3.7 CEO Tenure

The issue of the relationship between CEO tenure and organisation performance is a matter of some controversy in the literature. An agency theory view of the CEO tenure and organisation performance relationship is that early in the new CEO’s tenure organisation performance increases as the new CEO responds to his or her mandate from the board of directors or former CEO negotiated during the recruiting process (Hambrick & Fukutomi 1991). The new CEO establishes his or her enduring strategic contribution in these early years of tenure until organisation performance peaks, then organisation performance declines as the entrepreneurial instincts, risk-taking propensity and interest level of the CEO decline with time (Hambrick & Fukutomi 1991; Shen 2003). This results in the inverted U-shape in the CEO tenure and organisation performance relationship discussed in the agency theory literature (Hambrick & Fukutomi 1991; Miller & Shamsie 2001; Simsek 2007).
Coles, McWilliams and Sen (2001) discredited this agency theory argument noting that there is far more evidence in support of a linear relationship between CEO tenure and organisation performance reflecting the influence of a CEO who is a good steward of firm resources. Applying stewardship theory CEOs who hold their positions for a greater length of time are good stewards (Coles, McWilliams & Sen 2001); they survive in the role because they have generally gained the trust of the board and shareholders during their tenure. The CEO who is a good steward will have an alignment between his or her interests and those of the firm, internal and external stakeholders. A good steward will gain much personal, social and professional fulfilment from his or her executive role. This helps to sustain the CEO’s interest in the company for the long run. Applying resource dependence theory long tenure in the role will provide the CEO with opportunities to develop and nurture his or her professional network giving the CEO and the company access to a wider range of resources (Johnson, Daily & Ellstrand 1996). Given the preceding discussion and applying stewardship theory and resource dependence theory it is expected that in Australia, the United States and Hong Kong:

\[H_7: \text{There is a positive relationship between CEO tenure and organisation performance.}\]

### 3.3.8 CEO Share Ownership Percentage

Jayaraman et al. (2000) argue that a substantial CEO percentage share of ownership or equity ownership can serve as an effective means for reducing the different priorities that can emerge between the principal and the agent. In particular since their personal fortunes are linked to those of their organisations, it is expected that these CEOs invest more time in developing their managerial skills and work more diligently ultimately improving organisation performance (Jayaraman et al. 2000). Therefore, a substantial CEO share ownership percentage will encourage the CEO to act as a good steward. Grounded in agency theory, Buccholtz and Ribbens (1994) argued that substantial CEO share ownership provides
a continuing alignment between shareholder interests and top manager interests. This is achieved by reducing the probability of a targeted company's management team to resist any takeover attempts that could ultimately maximise the shareholders wealth (Buccholtz & Ribbens 1994). In this situation they argued that CEO share ownership can act as an important means for protecting shareholders' interests. Buccholtz and Ribbens (1994) conclude that CEO share ownership is an important means for protecting shareholders’ interests. CEOs who own a high percentage of company shares are more capable of determining the company’s direction (Allen 1981; Daily & Johnson 1997). Hence applying stewardship theory it is expected that in Australia, the United States and Hong Kong:

H₈: Higher CEO share ownership percentage is positively correlated to organisation performance.

3.3.9 Non-executive Director Ratio

The appropriate balance of inside, executive directors and outside, non-executive directors on a company board is another matter of contention in corporate governance research and practice. A high non-executive director ratio is positively associated with board independence (Zahra & Pearce 1989; Pearce & Zahra 1991). The agency theory view on board composition is that there should be a majority of non-executive directors to keep the influence of the CEO and any other executive directors in check. There has been some empirical backing for this view from Baysinger and Butler (1985) and Ezzamel and Watson (1993) and certainly the normative corporate governance recommendations in Australia and the United States support this agency theory prescription (Bosch 1995; Petra 2005). These recommendations are based on the view that non-executive directors are best placed to ensure the CEO and executive directors efficiently and prudently manage firm resources.

Resource dependence theory predicts that non-executive directors improve organisation performance as they often bring access to needed resources such as accounting,
legal and/or management consulting experts (Pfeffer 1972). However an alternative stewardship theory view with support in the empirical literature is that there is a need for an appropriate skill mix on a company board and this can require more executive directors and fewer non-executive directors on the board (Kiel & Nicholson 2003a; Kroll, Walters & Le 2007). Executive directors who are good stewards with sound entrepreneurial instincts can make a favourable difference to organisation performance as they can provide internal firm expertise, information and advice (Hillman & Dalziel 2003). These executive directors who are good stewards are likely to derive professional, personal and social fulfilment from their role and are likely to have similar goals and objectives as shareholders and other external stakeholders. They have worked closely with other board members and the CEO; in the event of CEO turnover the board will have an immediate option to select from one of these executive directors for the CEO role in succession, facilitating a smooth succession process (Mace 1971).

In the Hong Kong stock exchange listed companies, boards normally include the CEO and executive directors with considerable voting power although the SEHK has pushed to improve the importance and standing of non-executive directors in protecting minority shareholders’ interests (Cheng & Firth 2005). Boards consisting of executive directors and close kin or close friends of the CEO have been criticised and this situation has been connected to inferior organisational outcomes; however, Hillman and Dalziel (2003) argue that this criticism should be re-evaluated. Executive directors are involved deeply in the daily decision processes and so they have access to operational information that non-executive directors do not have; this information can be valuable for evaluating critical decisions that will decide the faith of the company (Baysinger & Hoskisson 1990). In the United States Daily and Johnson (1997) found a lower proportion of independent, non-executive directors relates negatively to future organisation performance, so a lower non-executive director ratio
does not predict lower organisation performance. This finding creates some intrigue, as ‘it is not supportive of the need for greater independence in the boardroom’ (Daily & Johnson 1997, p. 113). The most robust Australian evidence finds a negative correlation between the non-executive director ratio and organisation performance; this suggests inside, executive directors deliver better value and that stewardship theory prevails in application (Kiel & Nicholson 2003a). Given the preceding discussion it is expected that in Australia, the United States and Hong Kong:

\( H_0: \text{There is a negative association between the non-executive director ratio and organisation performance. A low non-executive director ratio correlates with better organisation performance.} \)

3.3.10 The Joint Effect of Long CEO Tenure and a Low Non-executive Director Ratio in a Moderation Test

The theory in this thesis argues that stewardship theory and resource dependence theory provide the basis for the view that high CEO tenure predicts better organisation performance and this theory is supported by robust research evidence (Coles, McWilliams & Sen 2001). Long-tenured CEOs do possess strong commitment to their chosen strategy paradigm, high task knowledge and high power (Hambrick & Fukutomi 1991). However, we have seen that the value to the organisation of outside, non-executive directors is a more contentious issue with the Australian and United States evidence showing a negative correlation between the non-executive director ratio and organisation performance, reflecting stewardship theory (Daily & Johnson 1997; Kiel & Nicholson 2003a). These insights create some intrigue on the matter of the joint effects of CEO tenure and the non-executive director ratio. Combs et al. (2007) tested but did not prove that CEO tenure and the non-executive director ratio jointly correlate with a stock market measure of organisation performance in the event that a company experiences the unexpected death of its CEO. It can be argued that
based on the available empirical research evidence the influence of a strong performing long-tenured CEO who is a good steward is maximised with a lower non-executive director ratio. Stewardship theory posits that long-tenured CEOs working in the best interests of the shareholders deliver long-term shareholder value. In this scenario a high non-executive director ratio would have the counter-productive effect of constraining the entrepreneurial instincts of a CEO who is a proven performer. An experienced CEO who is a proven performer is more valuable to the company than a high ratio of non-executive directors. Hence in Australia, the United States and Hong Kong:

**H10: The influence of CEO tenure on organisation performance is moderated by the non-executive director ratio, such that long CEO tenure and a low non-executive director ratio jointly predict better organisation performance.**

### 3.4 Conclusion

This chapter has presented the conceptual framework for this thesis to illustrate the relationships between the independent variables (i.e., measures related to CEO professional development and CEO work context), the moderating variable (non-executive director ratio) and the dependent variable (organisation performance).

Relevant theoretical arguments have been presented to explain the link between the professional development and work context of the CEO and organisation performance. The CEO and the board of directors are working jointly and closely in influencing organisation performance. The argument of how the non-executive director ratio can moderate the influence of certain element of the CEO work context (i.e., CEO tenure) on organisation performance has been presented. The upper echelon theory and corporate governance theories explained in Chapter 2 are fundamental to the development of hypotheses in this chapter.

Convergence theory posits that there is convergence in corporate governance practices around the world towards the Anglo-American practices. Drawing on convergence theory,
almost all hypotheses presented in this chapter will apply to Australia, the United States and Hong Kong with the exception of the hypothesis concerning CEO duality. The literature has indicated a notable difference in relation to the practice of CEO duality between Australia, the United States and Hong Kong. Therefore, a customised conceptual framework has been developed separately for Australia and another framework for the United States and Hong Kong to illustrate this difference. The next chapter will provide details on the selection of methodology and research design for the research.
CHAPTER 4 METHODOLOGY AND RESEARCH DESIGN

4.1 Introduction

The previous chapter presented the conceptual framework and a series of hypotheses for this research. This chapter will describe how the methodology and research design will enable a rigorous exploration of the relationships between the variables described in the conceptual framework.

The first section of this chapter will provide an overview of the epistemology, ontology and methodology used for this research. The second section will discuss the process of obtaining the sample of the Australian, the United States and Hong Kong companies for the purpose of analysis. The third section will describe the source of the data for this research. The fourth section will highlight the process of data collection of the Australian, United States and Hong Kong companies. The fifth section will explain the measures for the independent variables, moderating variable, dependent variables and control variables. The sixth section will discuss the methods for conducting the analysis. The final two sections provide a brief discussion with regard to privacy matters and a conclusion.

4.2 Research Methodology

The link between research methodology and research methods is often blurred in research (Crotty 1998). It is helpful to explain the terminology and choices made in this area for this thesis as the terminology used in research literature is often inconsistent (Crotty 1998). An appropriate and rigorous methodology should be prepared for justifying the data collection and analysis approach and coming up with solid and defendable conclusions (Scandura & Williams 2000; Ketchen, Boyd & Bergh 2008; 6 & Bellamy 2012). The choices
for research design with regard to data analysis and choice of measures may influence the
nature of the conclusions that are ultimately raised (Sackett & Larson 1990; Scandura &
Williams 2000). Miles and Huberman (1994, p. 5) argue there is not one study that complies
with ‘a standard methodology’ and so researchers are required to shape the methodology to
the particularity of the situation. Research projects that cross the corporate governance and
strategic management disciplines should be carefully situated when it comes to methodology
(O’Shannassy 2010).

Strategic management is a relatively young field of study although it has grown
rapidly since the late 1970s (Bowman, Singh & Thomas 2002; Ketchen, Boyd & Bergh
2008). Similarly, corporate governance is a fairly new area of research in the social sciences
(Clarke 1998) though there has been a proliferation of research on the topic over the past two
decades. The challenge for researchers presented by a young discipline involves ambiguity
about what key questions should be proposed and contention about how these questions
should be dealt with (Ketchen, Boyd & Bergh 2008). An immature discipline lacks
established paradigms (Kuhn 1996) and so researchers are often required to explore the
advancement of the paradigm by concentrating on the interaction of contending theories
(Ketchen, Boyd & Bergh 2008). The research in this thesis spanning the corporate
governance field and the strategic management field draws on a multi-theoretic perspective
and integrates contending theories (e.g. agency theory and stewardship theory) to obtain a
better understanding of the influence of the professional development and work context of the
CEO.

Robust methodologies and research methods contribute to the progression of a
discipline and provide reliable and valid data that can ultimately form knowledge and theory
(Ketchen, Boyd & Bergh 2008). In the strategic management discipline, the progression of
methods is evidenced from the evolution of empirical studies in the top-tier journals such as
especially more advanced quantitative techniques (Ketchen, Boyd & Bergh 2008). Over a 25-year time span (that is, 1980-2004), Ketchen, Boyd and Bergh (2008) discovered that on average there is a larger sample size and a more dominant use of archival sources (and less use of surveys) in more recent studies. They also discovered that there is a more dominant use of analysis of variance (ANOVA) and regression analysis compared to basic means, descriptive statistics and correlations, and an increasing use of interaction for moderation analysis. Ketchen, Boyd and Bergh’s (2008) discovery has an important implication on the selection of the research methods in this research here.

Theory building and testing can be approached deductively or inductively (Neuman 2011; 6 & Bellamy 2012). The research in this thesis here favours the deductive direction of theorising. The deductive approach commences with abstract ideas or theoretic propositions, and then moves on to observable empirical evidence (Neuman 2011). The propositions illustrate the relationship between concepts and in the research are turned by scholars into testable empirical hypotheses (Neuman 2011). In contrast, theorising with an inductive orientation starts with seeing the empirical world and then developing reflection on what is occurring, thinking takes a progressively more abstract direction (Neuman 2011).

Scientific research is grounded in research philosophies and the fundamental principles of ontological and epistemological assumptions (Neuman 2011). Ontology is defined as ‘the study of being’ and explains ‘what is’ (Crotty 1998, p. 10). It is mainly concerned with the basic nature of the real world (Neuman 2011). Epistemology describes ‘the theory of knowledge’ that is rooted in the theoretical perspective that will be applied in the research and in the methodology (Crotty 1998, p. 3; Gomm 2009). It offers a philosophical basis for determining what types of knowledge are sufficient, possible and valid (Maynard 1994) and explains ‘how we know what we know’ (Crotty 1998, p. 8). Both ontological matters and epistemological matters have the tendency to merge together (Crotty
There are several ontological assumptions including realism, critical realism, and nominalism (Neuman 2011). The research in this present thesis takes a blend of realism and critical realism ontological assumptions. Based on realist assumptions, the world and actualities occur ‘outside the mind’ (Crotty 1998, p. 10), separately from human beings and their interpretations of the real world (Neuman 2011). Humans see existing things and capture them to generate objective knowledge (Neuman 2011). Realism provides a basis for much established strategy research including aspects of organisation studies and corporate governance (Tsang & Kwan 1999; Kwan & Tsang 2001; O'Shannassy 2005). By contrast, nominalists consider human experience with the world is always happening through a scheme of internal subjectivity and interpretations or a lens formed by subjective beliefs, cultural worldview and personal experiences (Neuman 2011). A subcategory of realists is the critical realists who argue that capturing reality directly is not straightforward and that human enquiry into reality may easily become confused or distorted (Neuman 2011). Critical realism has largely emerged from the substantial work of Roy Bhaskar and Rom Harré (Tsang & Kwan 1999). Bhaskar’s (1975, p. 9) work attempted to synthesise two important strands in social science that call attention to the ‘social character’ of and the ‘stratification’ of science. He added that the fundamental principle of realism is simple; nonetheless, the complete exercise of this principle suggests ‘a radical account of the nature of causal laws, viz. as expressing tendencies of things, not conjunctions of events’ (Bhaskar 1975, p. 10). Human experience and perception of objects in the actual world is a useful basis for research; however, human senses can and often are deceptive (Saunders, Lewis & Thornhill 2007). Critical realists recognise that there are some limitations of humans and their senses that could undermine claims to objective knowledge (Miller & Tsang 2010).
Crotty (1998) defines a range of epistemologies including objectivism, constructionism and subjectivism. Objectivism epistemology argues that reality exists externally from the functioning of human consciousness (Crotty 1998). Fallibilism epistemology argues that scholarly knowledge of reality and the world is socially generated (Miller & Tsang 2010). Constructionism epistemology considers that ‘reality is not objective and exterior’, but is constructed and provided with meaning by the human mind (Crotty 1998; Easterby-Smith, Thorpe & Jackson 2012, p. 23). Under a constructionism view of knowledge, ‘meaning is not discovered’; each individual may construct meaning from the object in dissimilar ways in connection with the same occurrence (Crotty 1998, p. 9). Subjectivism epistemology holds that meaning does not emerge from an interaction between object and subject (Crotty 1998). Under subjectivism epistemology, the subject imposes the meaning on the object while the object does not contribute to the creation of meaning (Crotty 1998).

The theoretical perspective describes human’s view of the world and the grounded assumptions behind the selected methodology (Crotty 1998). Positivism perspective believers (Donaldson 1996; Wicks & Freeman 1998) see the world in an objective way (Easterby-Smith, Thorpe & Lowe 1991). They adopt ‘an objective reality’ and assume ‘a hypothetico-deductive approach’ in order to build and improve theories, find relationships amongst variables, arrange hypotheses, recognise empirical predictability and deduce causality (Gomm 2009; Tsang 2014, p. 175). A positivist normally attempts to develop ‘descriptive and predictive principles and rules for a reality that exists independently of an observer or participant’ (Hallebone & Priest 2009, p. 27). Concepts and variables are generally prepared by the use of precise quantitative data and analytical approaches such as surveys, experiments and statistics to test the hypotheses (Hallebone & Priest 2009; Neuman 2011).
Contrary to positivism, interpretivism views reality and meaning as socially constructed (Berger & Luckmann 1967; Tsang 2014) and focuses on how individuals get along and interact with one another (Neuman 2011). The actions and meanings of the actors are linguistically interpreted in accordance with their subjective framework of reference (Williams 2000). Qualitative methods involving case studies, thorough interviews and ethnographies are favoured to observe how people build meaning in their daily life (Neuman 2011; Tsang 2014). Post-positivism takes a humbler approach by no longer asserting an epistemologically favoured view but instead, recognising some level of subjective beliefs as opposed to objective certainties (Crotty 1998). There are inadequacies in the way humans know what they know, but ‘the limitation is ontological rather than epistemological’; it is not due to how humans know, but to how the realities are (Crotty 1998, p. 30). Critical inquiry is viewed as a ‘spiralling process’ of action and contemplation (Crotty 1998, p. 157). Critical realists assume an objective but stratified reality (Tsang 2014). Critical realists are satisfied with sufficient description of previous occurrences (Sayer 1992) and do not hold any particular preference for either qualitative methods or quantitative methods (Tsang 2014).

The methodology of research is informed by the ontological assumptions, epistemology and theoretical perspectives; it then guides the researchers to develop the appropriate selection of research methods in order to achieve the research objectives and obtain the desired outcomes (Crotty 1998). Figure 4.1 provides a general overview of the research design continuum in social science research and also the debate in the strategic management literature. Crotty (1998) summarises the four key elements of social research as epistemology, theoretical perspective, methodology and methods. Figure 4.1 illustrates that each key element informs one another, i.e., the selection of ontology will be informing the choice of epistemology, and so forth (Crotty 1998).
This present research favours the deductive direction of theorising on the deductive-inductive continuum. Following Crotty’s (1998) explanations, this research is informed by a blend of realism and critical realism ontological assumptions and also a blend of objectivism and fallibilism epistemology. This study takes a mix of positivist and critical inquiry theoretical perspectives. Both critical realism and positivism are considered among the most important ‘philosophies of science reflected in management studies’ (Miller & Tsang 2010, p. 141). There is a long tradition of studies in strategic management and corporate governance blending positivism and critical realism (Kwan & Tsang 2001).
This present research will collect and analyse archival, documented data from the public domain (Easterby-Smith, Thorpe & Jackson 2012). Grounded in positivism, this research here uses a large sample of the stock exchange listed companies and defines concepts in a way that allows realities to be measured in a quantitative way (Easterby-Smith, Thorpe & Jackson 2012). This research uses positivist tools such as statistical analysis, quantitative data, hypothesis testing and measurable variables (O’Shannassy 2005; Easterby-Smith, Thorpe & Jackson 2012). Taking a realist ontological assumption and a positivist perspective this research here explores the meaning that has existed on the professional development and work context of the CEOs and organisation performance. For example drawing on explanations from Crotty (1998) the university degree of a particular CEO is a university degree; it exists irrespective of whether anybody is conscious of its presence or not. When people recognise it as CEO education, ‘they are simply discovering a meaning that has been lying there in wait for them all along’ (Crotty 1998, p. 8). Taking an objectivist view and aligned with Crotty (1998), this research here objectifies values and understanding of the CEOs as the subject of the study in the pursuit of learning the objective truth. This research contributes by exploring the meaning of the linkage between the professional development and work context of the CEO and organisation performance.

Critical realism interconnects ontology and epistemology by postulating a realist ontology and concurrently carrying a fallibilist epistemology (Miller & Tsang 2010). A critical realist believes that ‘an entity can exist independently of our knowledge of it’ (Fleetwood 2005, p. 198). However, a critical realist also assumes that our knowledge of the real world is socially created and so the two claims from both the ontology and epistemology behind critical realism encourage the important needs for and the probability of critically assessing theories (Miller & Tsang 2010). Taking critical realist assumptions, this research here will critically evaluate upper echelon theory and the prevalent theories in the corporate
governance field. The merits of these theories will be assessed rationally and empirically and their knowledge claims may be challenged (Miller & Tsang 2010). The generalisability of the theories developed in one national context may not directly apply to other national contexts (Tsang & Kwan 1999). Upper echelon theory and corporate governance theories have been mostly developed to explain corporate governance phenomena in the United States legal jurisdiction and to some extent the Anglo legal jurisdiction. This thesis here will explore whether there is a relationship between the professional development and work context of the CEO and organisation performance in the Australian context, and further extend this exploration to the United States and Hong Kong contexts with the same measurement and analytical techniques. In doing so, this research contributes to the development of the existing theories by challenging the theories and assessing the empirical generalisation of the theories in different settings (Tsang & Kwan 1999). Taking a critical realist paradigm, this research will critically assess the existing theories and evaluate if the findings of the study can be generalised from one population to another population in what is a benchmark study (Tsang & Kwan 1999). The similarities and differences of the findings of the study between Australia, the United States and Hong Kong will also contribute to a better understanding of convergence theory.

Figure 4.2 provides an overview of the link between the key philosophical elements that inform the methodology for this present research.
4.3 Sample

The sample consists of the 200 largest companies by market capitalisation from the Australian Securities Exchange, the Russell 200 Index (i.e., the NYSE, the NASDAQ) and Hong Kong Stock Exchange as at the 30\textsuperscript{th} of September 2010. The total sample size is 600 firms. The market capitalisation value of each company was gathered from reliable, publicly available sources for validating the ranking of the companies in the respective country. These sources include the ASX website for the Australian companies; Yahoo Charts website and Form 10-K for the United States companies; and the HKSE website and Webb-Site website for the Hong Kong companies.
4.3.1 Australia

The Standard and Poor’s/Australian Securities Exchange (S&P/ASX) 200 constituent list as at the 30th of September 2010 was used to select the top 200 companies by market capitalisation from Australia. According to Standard and Poor’s Dow Jones Indices (2015), the companies in the S&P/ASX 200 Index cover around 80 per cent of equity market capitalisation in Australia. Of the original 200 Australian companies selected, 26 companies were excluded because they were either delisted from the ASX between October 2010 and September 2012, or were suspended by the ASX, or have incomplete financial reports. A total of 174 companies were retained and the other 26 leading companies by market capitalisation were selected from the next largest companies in the S&P/ASX 300 constituent list. Across the final sample of 200 Australian companies only 12 companies practiced duality of the chairperson and CEO role, 188 companies practiced separation.

4.3.2 The United States

The sample for the United States comes from the 200 largest companies listed on the NYSE or the NASDAQ. The majority of the largest United States companies were listed on the NYSE. However after looking extensively at the market capitalisation value of the United States companies, some of the largest firms particularly from the information technology industry (e.g. Apple, Microsoft) were listed on the NASDAQ. Hence both stock exchanges were considered when obtaining the largest United States companies by market capitalisation.

An index called the Russell Top 200 Index was mainly used to determine the top 200 United States companies. This index comprises the largest United States companies listed on the NYSE or the NASDAQ. The available Russell Top 200 Index constituent list is as at June 2012. Consequently, the information on the company market capitalisation value at the 30th of September 2010 was collected from the Yahoo Charts website to check whether these
companies were positioned in the top 200 United States companies by market capitalisation as at that date. Of the original 200 United States companies 177 companies were retained. The other companies were excluded mainly because they had been listed on their respective stock exchange after the 30th of September 2010. Also one company was excluded because the company was dual-listed on both the ASX and NASDAQ and had been included in the original sample of the ASX 200 companies. Further validation was done by scrutinising the NYSE 100 Index constituent list. The companies listed in the NYSE 100 Index were part of the Russell 200 Index, showing consistency between the NYSE 100 Index and the Russell 200 Index. Similarly the NASDAQ 100 Index constituent list and the market capitalisation of the companies listed in this index as at the 30th of September 2010 were obtained. The largest NASDAQ companies by market capitalisation in the NASDAQ 100 Index were part of the Russell 200 Index. The list of the top NYSE companies provided by the financial market website ADVFN was also obtained and examined. The other 23 leading companies by market capitalisation were selected from the next largest companies in the NASDAQ 100 Index and the top NYSE companies list provided by ADVFN. Out of these 23 companies, 15 companies were part of the Russell 1000 Index and eight companies were foreign companies listed either on the NYSE or the NASDAQ with notable, large market capitalisation. The final sample consisted of 162 companies listed on the NYSE and 38 on the NASDAQ.

4.3.3 Hong Kong

The Hong Kong Exchange Fact Book 2010 (HKEx 2010), the Webb-Site website, the Hang Seng Index constituent list and the China Securities Index Hong Kong 100 constituent list were used to determine the 200 largest Hong Kong companies by market capitalisation. The Fact Book provides the list of the top 50 Hong Kong companies in terms of market capitalisation and the largest companies by market capitalisation from different industrial sectors on the Hang Seng Index. Additionally, the Fact Book (HKEx 2010) provides the list
of the largest companies by market capitalisation for the ‘Hang Seng China Enterprises Index’ (p. 31) and ‘Hang Seng China-Affiliated Corporations Index’ (p. 32). The Webb-Site website was used as it provides a comprehensive list and rank of the Hong Kong companies based on their market values. The Hang Seng Index (HSI) and its constituent list were examined as the index has been instrumental to the measure of the performance of the Hong Kong share market (HSI 2013). The Hang Seng Mainland 25 Index, the Hang Seng Composite Index and the market capitalisation of the companies in both indexes were obtained and examined. The China Securities Hong Kong 100 Index was examined as the constituents of this Index covers approximately 80% of the Hong Kong market (China Securities Index 2013). The Webb-Site website provides information on the market capitalisation value of the Hong Kong stock exchange listed companies as at the 30th of September 2010. This information was used to ensure that the selected companies were positioned in the top 200 Hong Kong companies by market capitalisation as at that date. One company was excluded because it did not have a CEO; the role of the CEO was being conducted by the executive directors of that firm. Across the final sample of 200 Hong Kong companies, 36 companies were dual-listed on the Hong Kong Stock Exchange and a Chinese Stock Exchange (i.e., either Shanghai Stock Exchange or Shenzhen Stock Exchange).

4.3.4 CEO and Director Terminologies

Following on from remarks by Crossland and Hambrick (2007) in identifying the CEO it is helpful to learn about the similarity and difference in the terminology of the CEO job title used in Australia, the United States and Hong Kong. In general, the term CEO is used interchangeably in these three countries. Variations on the job title may include some Australian companies using the term managing director (MD) while some United States firms may use the term president instead of CEO. The term MD is also frequently utilised in Hong Kong (Cheng & Firth 2005). In a few cases the job title general manager (GM) may
apply to the person performing the CEO role. This particular situation was clearly notified in the respective company annual reports for the companies in the sample. In the United States it was quite common to encounter a CEO who also held the position of the chairperson of the board. While in Australia the majority of the CEOs were not acting as the chairperson of the board. The separation or the combination of the two roles of CEO and chairperson was clearly described in the company annual report. It was identified that in a few United States and Hong Kong companies the CEO was also acting as the Vice Chairman of the board.

In identifying job titles there are distinctions in the terminology used for the director positions between Australia, the United States and Hong Kong. The Australian and Hong Kong companies commonly use the term *executive director* while the American companies use the term *inside director*. Similarly the Australian and Hong Kong companies commonly use the term *non-executive director* while the American companies use the term *outside director*.

### 4.4 Data Sources

The data for this study was obtained from secondary, publicly available sources by downloading three years of annual reports by the end of fiscal year 2010, 2011 and 2012 from each respective company’s website and extracting the relevant information. For the United States firms, publicly available Form 10-K (or Form 20-F for the foreign companies that were listed on the NYSE or the NASDAQ) and Proxy Statement by the end of fiscal year 2010, 2011 and 2012 were also downloaded. Following Carpenter, Sanders and Gregersen (2001), the 2010 data was used for the independent variables, control variables and moderator variable. The 2011 and 2012 organisation performance data were used for the dependent variable.

A few additional types of publicly available archival databases such as *Morningstar DatAnalysis*, *BoardRoom Review*, *Company 360*, *BusinessWeek* website, *Webb-site* website,
published CEO biographies, company website and company news releases were used in the case where the information from the annual reports was insufficient.

4.5 Data Collection

During the process of data collection it became quickly apparent that this work provides an early insight into convergence and divergence of corporate governance practices. Initially the annual reports of the selected companies were downloaded and scrutinised for data availability. In general the top stock exchange listed companies in the Anglo-American countries (i.e., Australia and the United States) have developed transparent annual reports and disclosed sufficient information with regard to CEO background, board of director composition and financial records for the purpose of this research. Similarly, the leading stock exchange listed companies in Hong Kong in general have displayed a good level of transparency in terms of the annual reports disclosure compared to Anglo-American corporations. The extensiveness of the information disclosed in the annual reports specifically with regard to certain independent variables including identification of an insider CEO, CEO output functional background and CEO international work experience might vary between companies within one country and across different countries. For this reason and following key relevant studies (Zajac 1990; Datta & Rajagopalan 1998; Zhang & Rajagopalan 2010; Rodenbach & Brettel 2012) these variables were measured as dichotomous variables (i.e. one or zero) in this study here. The use of a dichotomous variable as opposed to a continuous variable enables the researcher to nominate with more confidence into which category a particular case would fall in the event that there was little variation of information that might lead to lack of data (Tabachnick & Fidell 2007). Additional reliable publicly available archival databases were also used in the case where the information from the annual reports was considered inadequate.
The annual reports of the sampled companies provide the required data by the fiscal year. During data collection it was identified that there was some variation with regard to the fiscal year between different companies in different countries. The end of fiscal year could vary from the 30th of March, 30th of June and 30th of September to the 31st of December between companies. The common fiscal year for the United States and Hong Kong stock exchange listed companies was the 31st of December. The differences in the end of fiscal year might affect the measurement of CEO share ownership percentage (independent variable), log of sales (control variable) and ROA (dependent variable) in a way that these data might ‘represent periods that differ by as much as six months’ (Weiner & Mahoney 1981, p. 461). The measurement of the other variables including CEO tenure, CEO duality, board size and the non-executive director ratio used in this research was based on the 30th of September 2010.

It is also worthwhile noting on this data collection matter that considerable thought went into selection of the largest companies Australia, the United States and Hong Kong as being most suitable for this research. In the beginning of the research project, the annual reports of several leading stock exchange listed companies across various Asian countries such as Japan, China, South Korea, India and Hong Kong were downloaded to examine their suitability for analysis. It was found that the selected small sample of stock exchange listed companies in the legal jurisdictions of Japan, China, South Korea and India did not disclose sufficient CEO information when compared with the Hong Kong stock exchange listed companies. With regard to the Japanese companies, further information might be available in the directors’ handbook but this handbook was not available in the English language, creating a challenge for the data collection. Hong Kong was considered as the most ideal Asian country for this study because of the availability of archival data for analysis. Hong Kong companies provide an accessible level of disclosure for gathering data (Cheng & Firth 2005).
The early stage of the data collection experience indicates that there were variations in the disclosure requirements between various Asian stock exchanges.

4.5.1 Australia

In general the annual reports of the ASX listed companies provided sufficient information on the CEO and the directors plus transparent disclosure of the financial figures. The information with regard to the CEO and the directors was found in the Director’s Report section of the annual report. There was a clear indication of the job title of the individual - whether he or she was the chairperson of the board, the CEO, the non-executive director or the executive director of the company. Biographical information about each individual made available for the public typically included age, education, the initial date of appointment to the position (normally both month and year were shown), previous work experience, functional background, directorships of other listed companies, CEO duality status and the number of shares owned. The Financial Report section of the annual report provided the necessary financial data with regard to the revenues, net profit and total assets of the firm. There were a few differences with regard to the level of disclosure among the ASX 200 companies. It was discovered that a few ASX listed firms might disclose less information on their CEOs and directors. The excluded information might include the time when a CEO first joined the company (i.e., the insider/outsider status) and information on international work experience. Published CEO biographies, the BusinessWeek website and a few additional types of publicly available archival databases in Australia including Morningstar DatAnalysis, BoardRoom Review and Company 360 were used to fill any information gaps in the annual report.
4.5.2 The United States

In the United States the Form 10-K (or Form 20-F for foreign company) and the Proxy Statement provide supporting information including biographies of the CEO and directors of the company, in addition to the annual report. The company annual report typically displayed a list of the names of the directors on the board and the CEO. The status of the outside or inside directors was observed from this list where the title and the originating company of the director were shown. Information about the CEO and the directors might also be disclosed in the Form 10-K under ‘Item 10 – Directors, Executive Officers and Corporate Governance’. More comprehensive information in relation to the CEO and directors is found in the Proxy Statement. The biographical information available from the annual reports, Form 10-K and Proxy Statement has a similar good level of transparency to that from the annual reports of the Australian companies. A few differences are found between Australian company annual reports and the United States company annual reports with regard to the information on the initial date of appointment to the CEO position. A few United States companies did not disclose this information up to the month (and date) of the appointment, i.e., only the year was shown. In this case the respective company website, the BusinessWeek website and any published CEO biographies were checked. In the case where the month and (or) the date of CEO appointment was not available, CEO tenure was measured from the year of appointment to the CEO position following previous key studies (e.g. Bigley & Wiersema 2002; Henderson, Miller & Hambrick 2006). The Financial Statements section of the Form 10-K and the annual report provided the necessary information with regard to the sales, net income and total assets of the firm.
4.5.3 Hong Kong

The annual reports of the Hong Kong companies provided adequate information on the CEOs and directors plus transparent disclosure on the financial figures. In general the level of information disclosed by the Hong Kong companies in the annual report was similar to that disclosed by the Australian companies. The Director’s Report section of the annual report provides biographical information on the CEO and the directors. The Financial Report section provides information on turnover (i.e. revenues), net profit and total assets of the firm.

4.6 Measures of Variables

4.6.1 Independent Variables

The literature review and the conceptual framework developed in this study identify a range of variables as suitable for inclusion as independent variables for the analysis in relation to the professional development and work context of the CEO. The selected variables for measuring the professional development of the CEO are: CEO insider/outsider status, CEO functional background, CEO international work experience, CEO MBA education and CEO number of university degrees. The selected variables for measuring the work context of the CEO are: CEO and chairperson duality, CEO tenure, and CEO share ownership percentage. Again, following Carpenter, Sanders and Gregersen (2001) 2010 data was used for the independent variables, control variables and moderator variable.

4.6.1.1 CEO Insider/Outsider Status

CEO insider/outsider status is a dichotomous variable. An insider CEO who has been in the organisation or any of its subsidiaries before and at the time of appointment as CEO was coded one, and zero otherwise (Luo, Kanuri & Andrews 2014). This data was taken from company annual reports. Publicly available Proxy Statements and the Form 10-K (or Form
20-F) were used for the United States corporations. In the case where the information was insufficient, published CEO biographies, company news releases, the Businessweek website, Morningstar DatAnalysis and BoardRoom Review were also utilised. Also in a very few cases, past company annual reports were downloaded to check if the individual had been working with the company (e.g. as a member of the top management team) prior to his or her CEO appointment.

4.6.1.2 CEO Functional Background

Following key relevant studies (Hambrick & Mason 1984; Michel & Hambrick 1992; Datta & Rajagopalan 1998; Herrmann & Datta 2005; Cho & Hambrick 2006; Tuggle, Schnatterly & Johnson 2010; Zhang & Rajagopalan 2010), CEOs who have been strongly oriented to functional backgrounds, such as marketing, sales, product research and development (R&D), merchandising, entrepreneurship and engineering are classified as possessing output functional backgrounds. CEOs who have strong work experience in other functional areas—including accounting, process research and development (R&D), operations and production—are classified as possessing non-output or throughput functional backgrounds (Miles & Snow 1978; Hambrick 1981; Finkelstein 1992; Datta & Rajagopalan 1998; Zhang & Rajagopalan 2010). A CEO who has a dominant functional background in an output-oriented field was coded one, and zero otherwise. This data was taken from company annual reports, the Businessweek website, published CEO biographies, the Form 10-K (or Form 20-F) and Proxy Statements for the United States firms.

4.6.1.3 CEO International Work Experience

Following key relevant studies (Sambharya 1996; Herrmann 2002; Slater & Dixon-Fowler 2009), CEO international work experience was measured as a categorical variable. CEO international work experience was coded one if the CEO had previously undertaken an
international work assignment or gained work experience in an international division or overseas, and zero otherwise (Herrmann 2002). The category was given based on evidence of international work assignments in company annual reports, the Form 10-K (or Form 20-F) and Proxy Statements for the United States corporations, and other publicly available sources including published CEO biographies, news releases, *Businessweek* website and company website (Slater & Dixon-Fowler 2009).

**4.6.1.4 CEO MBA Education**

CEO MBA education was measured by the completion and possession of an MBA degree. A CEO who has an MBA degree was coded one, and zero otherwise. This data was taken from company annual reports, the *Businessweek* website, the Form 10-K (or Form 20-F) and Proxy Statements for the United States firms.

**4.6.1.5 CEO Number of University Degrees**

The number of university degrees was measured by the total sum of university qualifications that the CEO had undertaken and completed. The type of university degree considered in this study ranges from a diploma degree, bachelor degree, master’s by coursework degree, master’s by research degree, doctor of philosophy (PhD) degree and a doctorate degree (e.g. Doctor of Business Administration and Juris Doctor). This data was taken from company annual reports, the *Businessweek* website, the Form 10-K (or Form 20-F) and Proxy Statements for the United States firms.

During data collection, it was identified that certain CEOs had completed an advanced management program from a top business school as part of their professional development. However, the program was offered only for a short period of time. Therefore, it was not classified as a university qualification in this present study. Also the data collection process identified a few CEOs who had been awarded an honorary doctorate degree or several
honorary doctorate degrees. A university usually awards the honorary doctorate degree to an individual who has made a substantial contribution to the business community or general society. However, the award of this degree did not require the CEOs to complete a set of courses, assignments, theses or examinations. Therefore, this degree was not considered as a formal university educational qualification in this present study.

4.6.1.6 CEO and Chairperson Duality

Following Westphal and Zajac (1995), CEO and chairperson duality was coded one if the CEO also held the position of the chairperson of the board, and zero otherwise. The categorisation was based on the information from company annual reports and also the Proxy Statements for the United States firms.

4.6.1.7 CEO Tenure

CEO tenure was measured in years, months and days from the day of appointment to the CEO position. In a few cases where only the year of the CEO appointment was shown, CEO tenure was measured by calculating the years a CEO had been in the position (Bigley & Wiersema 2002; Henderson, Miller & Hambrick 2006). The data was mainly taken from company annual reports. In addition, the DatAnalysis database and the BoardRoom database have been used for the Australian firms. For the United States corporations the Form 10-K (or Form 20-F) and Proxy Statements were used. For the Hong Kong firms the Webb-Site website was used. The Businessweek website was used in the case where the information from the annual reports for all jurisdictions was insufficient.

4.6.1.8 CEO Share Ownership Percentage

CEO share ownership percentage was measured as ‘the percentage of a firm’s shares owned by the CEO’ by dividing ‘the total number of shares owned by the CEO’ with ‘the total number of shares outstanding for the firm’ (Bigley & Wiersema 2002, p. 715). The data
was taken from company annual reports and also Proxy Statements for the United States firms.

### 4.6.2 Moderating Variable and Moderating Term

The moderator variable used in this study is the non-executive director ratio. It is measured as a ratio by dividing the number of non-executive directors—or outside directors in the instance of the United States corporations—with the total board size (Bonn, Yoshikawa & Phan 2004). The data was taken from company annual reports, the Form 10-K (or Form 20-F) and Proxy Statements for the United States firms. The non-executive director ratio has been commonly used in the corporate governance literature as a measure of board composition, board balance or board independence (Westphal & Zajac 1995; Zajac & Westphal 1995; Zhang & Rajagopalan 2010). The presence of non-executive directors on the board has been argued to exert a direct influence on organisation performance (Geletkanycz & Hambrick 1997). Resource dependence theory highlights the benefit of non-executive directors in securing external resources (Pfeffer & Salancik 1978; Dalton et al. 1998).

Taking an agency theory perspective a high percentage of non-executive directors on the board will provide strong monitoring of the long-tenured CEO. Hypothesis 10 suggests that the influence of CEO tenure on organisation performance is moderated by the non-executive director ratio, such that a low non-executive director ratio and high CEO tenure jointly predict better organisation performance. Hypothesis 10 is a moderated relationship where there is a relationship between two variables jointly and a third. After centring CEO tenure and the non-executive director ratio respectively the moderation term $CEO\ \text{tenure} \times \text{the non-executive director ratio}$ was prepared (Aiken & West 1991). Moderated multiple regression analysis is later used to test the relationship of the moderation term with the dependent variable organisation performance.
4.6.3 Dependent Variable

The dependent variable for this research is organisation performance. There is a tradition of measuring organisation performance as a dependent variable in business and management research (Richard et al. 2009). The measure for organisation performance in this study is company average return on assets (ROA) (Zajac & Westphal 1996b; Bigley & Wiersema 2002) for the 2011 and 2012 financial years—two years data. ROA is one of the most popular organisational performance measures in the studies of CEO professional development and work context effect and has been used regularly in the strategic management and corporate governance literature (Bonn, Yoshikawa & Phan 2004; Newbert 2008; Richard et al. 2009). To ensure that the measurement of ROA is consistent across the three countries, the value of ROA was not obtained from financial databases but instead was calculated by dividing net income by total assets (Erhardt, Werbel & Shrader 2003; Quigley & Hambrick 2012). ROA was documented for each company financial year (Quigley & Hambrick 2012). The data on both net income and total assets was obtained from the financial statements section of the annual reports and the Form 10-K (or Form 20-F) for the United States firms.

4.6.4 Control Variables

A number of matters may impact organisation performance either in a negative way or positive way (Bonn, Yoshikawa & Phan 2004) in the CEO professional development and work context through their effect on managerial discretion (Shen & Cannella 2002b; Finkelstein, Hambrick & Cannella 2009). Therefore, several control variables have been included for this research here with the selection informed by prior corporate governance studies. Firm industry classification (i.e., major industry and second major industry), firm age, firm size and board size were controlled in this study here to help identify the specific
effect of the CEO professional development and CEO work context on organisation performance.

4.6.4.1 Industry Classification

Dummy variables were developed for different industrial sectors. The industrial sectors were classified as mining and metals, information technology (IT) or telecommunications, financial services, industrial materials (excluding mining and metals), consumers and services, health care, and energy or utilities sectors based on the Global Industry Classification Standard (GICS). The GICS is used in this present study as it is a global standard of industry classification for many Standard and Poor’s companies in Australia and other countries (ASX 2013). The data was obtained from websites of the respective stock exchanges (i.e., ASX, NYSE, NASDAQ and HKSE) and also Webb-Site website for the Hong Kong firms. The two major industries (i.e., major industry and second major industry) in the Australian, United States and Hong Kong sample respectively were included as control variables.

4.6.4.2 Firm Age

Firm age was controlled in this study because it can affect organisation performance positively or negatively. For example an older company is more likely to maintain a bigger network of relations, which can assist the company to gain access to a wider variety of resources (Bonn, Yoshikawa & Phan 2004); alternately an older company may have a more inflexible organisational structure and this can impact negatively on organisation performance (Bonn, Yoshikawa & Phan 2004). Firm age was measured as the number of years, months and days since the firm was listed on the stock exchange. Due to variation in the number of years listed on the stock exchange among the companies in the sample and since bivariate correlations and linear regressions are intended to discover linear
relationships, a common logarithm transformation was used to normalise the skewed distribution and to reduce the impact of the outlying variables (Tabachnick & Fidell 2007; Kiel & Nicholson 2003a). Therefore, the firm age in this present study is measured as the common logarithm of the number of years since the company was originally listed on its respective stock exchange. The data was obtained from the ASX website and the DatAnalysis database for the Australian firms. For the United States firms the NYSE website and the NASDAQ website was used. For the Hong Kong firms the HKSE website and Webb-Site website was used. Where required the respective company website was also a data source.

4.6.4.3 Firm Size

Firm size was controlled in this research here because it is related to organisation performance differences (Roth 1995) and also the challenge of the information processing demands and complexity of the CEO work (Henderson & Fredrickson 1996; Carpenter & Sanders 2002). Following past key studies (Westphal & Zajac 1995; Carpenter, Sanders & Gregersen 2001; Kiel & Nicholson 2003a; Chhaochharia & Grinstein 2009), company annual sales were used to measure firm size. Firm sales mainly provide an indicator of the company size (Hambrick & Mason 1984). Similar to firm age, due to variation in the sales figures among the top 200 companies, a common logarithm transformation was used to normalise the skewed distribution (Tabachnick & Fidell 2007). Therefore the firm size in this study here was measured as the common logarithm of sales in 2010 (Westphal & Zajac 1995; Carpenter, Sanders & Gregersen 2001; Carpenter & Sanders 2002). The data was taken from the financial statements section of company annual reports and also the Form 10-K (or Form 20-F) for the United States firms.
4.6.4.4 Board Size

Board size was also controlled in this study as it could bring either a positive or negative impact on organisation performance. Large board size can increase the chance of having more experts on the board bringing a positive effect on organisation performance but the alternative view is that it may lead to ineffective monitoring from a large number of non-executive directors resulting in a negative effect on organisation performance (Lipton & Lorsch 1992; Jensen 1993; Hermalin & Weisbach 2003; Jalal & Prezas 2012). Board size was measured as ‘the total number of directors on the board’ (Zhang & Rajagopal 2010, p. 338). The data was obtained from company annual reports plus the Form 10-K (or Form 20-F) and Proxy Statements for the United States firms.

4.6.5 Summary of Measures

Table 4.1 has been prepared to provide a summary of the measures that were used in this study.

Table 4.1: Summary of Measures

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry classification</td>
<td>Dummy variable (i.e., one or zero). The classification was based on the GICS for the major industry and second major industry in Australia, the United States and Hong Kong respectively.</td>
</tr>
<tr>
<td>Firm age</td>
<td>Log of years of the company since it was listed on the respective stock exchange.</td>
</tr>
<tr>
<td>Firm size</td>
<td>Log of sales 2010.</td>
</tr>
<tr>
<td>Board size</td>
<td>Total number of directors on the board.</td>
</tr>
<tr>
<td>CEO insider</td>
<td>One if the individual has been in the organisation</td>
</tr>
<tr>
<td>Variable</td>
<td>Description</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>CEO output-oriented functional background</td>
<td>One if the individual predominantly worked in the functional areas of marketing, sales, merchandising, product R &amp; D, entrepreneurship and/or engineering before the time of appointment as CEO, and zero otherwise.</td>
</tr>
<tr>
<td>CEO international work experience</td>
<td>One if the CEO had previously undertaken an international work assignment, and zero otherwise.</td>
</tr>
<tr>
<td>CEO MBA education</td>
<td>One if the CEO had completed an MBA degree, and zero otherwise.</td>
</tr>
<tr>
<td>CEO number of university degrees</td>
<td>Total number of formal university degrees that the CEO holds.</td>
</tr>
<tr>
<td>CEO duality</td>
<td>One if the CEO also holds the position of the chairperson, and zero otherwise.</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>Total length of tenure since the day of appointment to the CEO position.</td>
</tr>
<tr>
<td>CEO share ownership percentage</td>
<td>Total number of shares owned by the CEO divided by total number of shares outstanding for the company calculated as a percentage.</td>
</tr>
<tr>
<td>Non-executive director ratio</td>
<td>The number of non-executive directors on the board divided by board size.</td>
</tr>
<tr>
<td>Organisation performance</td>
<td>The average of ROA 2011 and ROA 2012. ROA was calculated by dividing net income by total assets.</td>
</tr>
</tbody>
</table>
4.7 Methods and Analytic Procedures

4.7.1 Preliminary Analysis

Preliminary analysis was carried out to assess the data accuracy, missing data and other issues in relation to normality and outliers. The information entered into the data file was proofread against the respective company annual reports and available archival databases for accuracy. The data was obtained from accurate, robust and reliable company annual reports and publicly available archival databases. The descriptive statistics including the means and range were examined to screen for accuracy.

With regard to missing data, for Australia 26 companies of the original 200 ASX companies were excluded because they had missing data in relation to the financial performance ranging between 2011 and 2012. The other 26 largest companies by market capitalisation were selected from the next largest companies in the S&P/ASX 300 constituent list. For Hong Kong there was one company with a missing value of Average ROA 2011-2012; the company had not submitted its annual reports by the end of financial years 2011 and 2012 at the time when data collection for this research was completed. The missing data was treated and excluded from the analysis by the SPSS software by selecting the *exclude cases pairwise* choice.

The descriptive statistics for Australia, the United States and Hong Kong are presented in Table 4.2, Table 4.3 and Table 4.4, respectively. The values of mean, standard deviation, skewness and kurtosis were noted for each variable. Normality of the variables was checked by statistical methods from the value of skewness and kurtosis obtained from SPSS (Tabachnick & Fidell 2007). The value of skewness and kurtosis provides an indication of the symmetry and the peakedness of the distribution, respectively (Tabachnick & Fidell 2007).
### Table 4.2: Descriptive Statistics for the Australian Sample

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Skewness Statistic</th>
<th>Standard Error</th>
<th>Kurtosis Statistic</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials industry</td>
<td>0.21</td>
<td>0.41</td>
<td>1.44</td>
<td>0.17</td>
<td>0.06</td>
<td>0.34</td>
</tr>
<tr>
<td>Mining industry</td>
<td>0.20</td>
<td>0.40</td>
<td>1.51</td>
<td>0.17</td>
<td>0.29</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of firm age</td>
<td>1.08</td>
<td>0.38</td>
<td>-0.43</td>
<td>0.17</td>
<td>0.88</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of sales</td>
<td>8.83</td>
<td>0.99</td>
<td>-0.82</td>
<td>0.17</td>
<td>1.18</td>
<td>0.34</td>
</tr>
<tr>
<td>Board size</td>
<td>7.37</td>
<td>2.17</td>
<td>0.97</td>
<td>0.17</td>
<td>1.83</td>
<td>0.34</td>
</tr>
<tr>
<td>Insider CEO</td>
<td>0.65</td>
<td>0.48</td>
<td>-0.63</td>
<td>0.17</td>
<td>-1.62</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO output-oriented functional background</td>
<td>0.42</td>
<td>0.50</td>
<td>0.33</td>
<td>0.17</td>
<td>-1.91</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO international work experience</td>
<td>0.66</td>
<td>0.48</td>
<td>-0.66</td>
<td>0.17</td>
<td>-1.58</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO MBA degree</td>
<td>0.19</td>
<td>0.39</td>
<td>1.59</td>
<td>0.17</td>
<td>0.54</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO number of university degrees</td>
<td>1.37</td>
<td>0.81</td>
<td>0.09</td>
<td>0.17</td>
<td>-0.48</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO duality</td>
<td>0.06</td>
<td>0.24</td>
<td>3.73</td>
<td>0.17</td>
<td>12.06</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>5.80</td>
<td>5.59</td>
<td>1.86</td>
<td>0.17</td>
<td>4.34</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO share ownership percentage</td>
<td>2.51</td>
<td>7.51</td>
<td>4.78</td>
<td>0.17</td>
<td>25.46</td>
<td>0.34</td>
</tr>
<tr>
<td>NED ratio</td>
<td>0.80</td>
<td>0.11</td>
<td>-1.02</td>
<td>0.17</td>
<td>0.82</td>
<td>0.34</td>
</tr>
<tr>
<td>Average ROA 2011-2012</td>
<td>3.64</td>
<td>11.52</td>
<td>-0.96</td>
<td>0.17</td>
<td>8.23</td>
<td>0.34</td>
</tr>
</tbody>
</table>
### Table 4.3: Descriptive Statistics for the United States Sample

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Skewness Statistic</th>
<th>Skewness Standard Error</th>
<th>Kurtosis Statistic</th>
<th>Kurtosis Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer industry</td>
<td>0.25</td>
<td>0.43</td>
<td>1.16</td>
<td>0.17</td>
<td>-0.65</td>
<td>0.34</td>
</tr>
<tr>
<td>IT/telecom industry</td>
<td>0.16</td>
<td>0.36</td>
<td>1.92</td>
<td>0.17</td>
<td>1.71</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of firm age</td>
<td>1.35</td>
<td>0.46</td>
<td>-1.06</td>
<td>0.17</td>
<td>1.11</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of sales</td>
<td>10.29</td>
<td>0.47</td>
<td>0.08</td>
<td>0.17</td>
<td>-0.06</td>
<td>0.34</td>
</tr>
<tr>
<td>Board size</td>
<td>11.43</td>
<td>2.59</td>
<td>2.14</td>
<td>0.17</td>
<td>15.35</td>
<td>0.34</td>
</tr>
<tr>
<td>Insider CEO</td>
<td>0.86</td>
<td>0.35</td>
<td>-2.09</td>
<td>0.17</td>
<td>2.40</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO output-oriented functional background</td>
<td>0.43</td>
<td>0.50</td>
<td>0.26</td>
<td>0.17</td>
<td>-1.95</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO international work experience</td>
<td>0.61</td>
<td>0.49</td>
<td>-0.45</td>
<td>0.17</td>
<td>-1.81</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO MBA degree</td>
<td>0.39</td>
<td>0.49</td>
<td>0.45</td>
<td>0.17</td>
<td>-1.81</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO number of university degrees</td>
<td>1.76</td>
<td>0.79</td>
<td>0.03</td>
<td>0.17</td>
<td>0.27</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO duality</td>
<td>0.68</td>
<td>0.47</td>
<td>-0.75</td>
<td>0.17</td>
<td>-1.45</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>6.81</td>
<td>5.91</td>
<td>2.36</td>
<td>0.17</td>
<td>8.44</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO share ownership percentage</td>
<td>1.40</td>
<td>4.42</td>
<td>5.25</td>
<td>0.17</td>
<td>30.60</td>
<td>0.34</td>
</tr>
<tr>
<td>NED ratio</td>
<td>0.88</td>
<td>0.06</td>
<td>-1.52</td>
<td>0.17</td>
<td>1.62</td>
<td>0.34</td>
</tr>
<tr>
<td>Average ROA 2011-2012</td>
<td>7.79</td>
<td>6.14</td>
<td>1.20</td>
<td>0.17</td>
<td>3.08</td>
<td>0.34</td>
</tr>
</tbody>
</table>
Table 4.4: Descriptive Statistics for the Hong Kong Sample

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Skewness Statistic</th>
<th>Standard Error</th>
<th>Kurtosis Statistic</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer industry</td>
<td>0.33</td>
<td>0.47</td>
<td>0.75</td>
<td>0.17</td>
<td>-1.45</td>
<td>0.34</td>
</tr>
<tr>
<td>Financial industry</td>
<td>0.32</td>
<td>0.47</td>
<td>0.78</td>
<td>0.17</td>
<td>-1.41</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of firm age</td>
<td>0.88</td>
<td>0.53</td>
<td>-0.57</td>
<td>0.17</td>
<td>0.54</td>
<td>0.34</td>
</tr>
<tr>
<td>Log of sales</td>
<td>9.43</td>
<td>0.75</td>
<td>-0.57</td>
<td>0.17</td>
<td>3.88</td>
<td>0.34</td>
</tr>
<tr>
<td>Board size</td>
<td>11.25</td>
<td>3.31</td>
<td>0.69</td>
<td>0.17</td>
<td>0.08</td>
<td>0.34</td>
</tr>
<tr>
<td>Insider CEO</td>
<td>0.86</td>
<td>0.35</td>
<td>-2.03</td>
<td>0.17</td>
<td>2.15</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO output-oriented functional background</td>
<td>0.50</td>
<td>0.50</td>
<td>0.02</td>
<td>0.17</td>
<td>-2.02</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO international work experience</td>
<td>0.37</td>
<td>0.48</td>
<td>0.57</td>
<td>0.17</td>
<td>-1.70</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO MBA degree</td>
<td>0.39</td>
<td>0.49</td>
<td>0.48</td>
<td>0.17</td>
<td>-1.79</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO number of university degrees</td>
<td>1.60</td>
<td>0.88</td>
<td>0.07</td>
<td>0.17</td>
<td>-0.14</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO duality</td>
<td>0.25</td>
<td>0.43</td>
<td>1.20</td>
<td>0.17</td>
<td>-0.58</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO tenure</td>
<td>5.91</td>
<td>6.15</td>
<td>2.00</td>
<td>0.17</td>
<td>4.57</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO share ownership percentage</td>
<td>11.35</td>
<td>23.22</td>
<td>1.94</td>
<td>0.17</td>
<td>2.41</td>
<td>0.34</td>
</tr>
<tr>
<td>NED ratio</td>
<td>0.58</td>
<td>0.18</td>
<td>-0.02</td>
<td>0.17</td>
<td>-0.93</td>
<td>0.34</td>
</tr>
<tr>
<td>Average ROA 2011-2012</td>
<td>5.86</td>
<td>6.27</td>
<td>0.49</td>
<td>0.17</td>
<td>3.85</td>
<td>0.34</td>
</tr>
</tbody>
</table>
In Australia, Table 4.2 identifies a positive skew and positive kurtosis in the number of CEO duality cases although this CEO duality variable is not included in the bivariate correlations and moderated regression analysis in this research. The mean value of this variable shows that the percentage of CEO who also holds the chair position is below 10 per cent (i.e., six per cent). The requirement for a dichotomous variable to be included in the analysis is that there be a minimum 90 per cent and 10 per cent split between groups, or more (Tabachnick & Fidell 2007). There is a positive skew and positive kurtosis in the percentage of CEO share ownership. The CEO share ownership percentage ranges from 0 to 57 per cent; the mean value of the CEO share ownership is 2.5 per cent, while the median value is 0.2. In the United States, Table 4.3 identifies a positive skew and positive kurtosis in the percentage of CEO share ownership. The CEO share ownership percentage ranges from 0 to 36 per cent; the mean value of the CEO share ownership is 1.4 per cent, while the median value is 0.3. In Hong Kong, Table 4.4 identifies a positive skew and positive kurtosis in the length of CEO tenure. The length of the CEO tenure ranges from 0.04 to 34.7 years; the mean value of the CEO tenure is 5.9 years, while the median value is 4.1 years. Since this present study uses a relatively large sample size of 200 companies for each country, variables which indicate a positive or negative skew normally would not move away enough from normality to have a crucial impact on the analysis (Tabachnick & Fidell 2007). Also, the impact of deviation from zero kurtosis reduces in the case where there is a large sample size (Tabachnick & Fidell 2007). Taking this point into consideration and following the measures of the CEO tenure variable and the CEO share ownership variable used in the previous studies (Simsek 2007; Walters, Kroll & Wright 2007), these variables were not transformed in this present research.

Nevertheless, the presence of outliers or extreme values in the variables was examined for the CEO professional development analysis for each of Australia, the United
States and Hong Kong as they can distort the statistics results by affecting the values of the regression coefficients in the regression analysis (Tabachnick & Fidell 2007). In a similar way, the presence of outliers in the variables was examined for the CEO work context analysis for each of Australia, the United States and Hong Kong. The Casewise Diagnostics analysis on the SPSS Statistical Package software was used to identify the outliers in the multiple regression analysis and the moderated regression analysis. The Casewise Diagnostics identified the outliers outside three standard deviations, such as the companies that have an extremely high or low value of ROA. It is noted that these companies come from various industry classifications including financial industry, IT and telecommunication industry, mining and metals industry, energy industry, and consumer industry. ROA can be affected by various factors; it should be noted that a few outliers identified in this study were due to one or more factors, such as acquisition, joint ventures, increasing market demand, high operating costs, impairment expenses, volatile markets and (or) challenging global economy conditions.

Tabachnick and Fidell (2007) advised that a few number of cases with an extreme value—compared to all the other cases—should be deleted. Following their advice, a few number of outliers identified in the Casewise Diagnostics in the multiple regression analysis for CEO professional development and the dependent variable organisation performance were adjusted and deleted for each of Australia, the United States and Hong Kong. Similarly, a few number of outliers identified in the Casewise Diagnostics in the moderated regression analysis for CEO work context and the dependent variable organisation performance were adjusted and deleted for each of Australia, the United States and Hong Kong. Remarks on the deletion of outliers will be presented in the hypothesis test section of Chapter 5 Results.
4.7.2 Methods

Research methods outline the activities, procedures and techniques for collecting and analysing data connected to the research question and hypotheses (Crotty 1998). The methods of the data collection in this research have been described in the preceding sections leading to databases prepared for each of Australia, the United States and Hong Kong. After conducting the preliminary analysis to check for missing data, outliers, skewness and kurtosis, a one-way ANOVA was conducted on SPSS to identify areas of similarity and difference in the cross-sectional CEO professional development and CEO work context data between Australia, the United States and Hong Kong.

In the ANOVA, the country variable representing three different country groups—Australia, the United States and Hong Kong—was selected as the independent variable on SPSS. Each of the CEO professional development variables including the insider CEO variable, the CEO output-oriented functional background variable, the CEO international work experience variable, the CEO MBA degree variable and the CEO number of university degrees variable was selected as the dependent variable in the ANOVA. Then, each of the CEO work context variables including the CEO duality variable, the CEO tenure variable and the CEO share ownership percentage variable was selected as the dependent variable in the ANOVA. The one-way ANOVA was run separately for each of the CEO professional development and CEO work context variables with the country variable on SPSS to identify where convergence is occurring in the Australian, United States and Hong Kong data sets. The F-ratio value was noted for every ANOVA test. An additional post-hoc test specifically the Tukey’s test was performed on SPSS in the case where the ANOVA results discovered a relatively high F ratio value and a significant difference in the CEO professional development and CEO work context data between the three country groups. The Tukey’s test identifies how significant the difference in the CEO professional development and CEO work context
data is between pairs of country groups—i.e., between Australia and the United States, Australia and Hong Kong, and the United States and Hong Kong. The Tukey’s test assumes equal group sample sizes and provides a superior ‘protection against type I errors’ (Stevens 2012, p. 184). It is one of the most commonly used post-hoc analysis techniques and allows researchers to ‘control the experimentwise type I error rate’; however, ‘such control comes at a cost in statistical power’ (Ruxton & Beauchamp 2008, p. 691). The limitation of the Tukey’s test relates to the loss of statistical power—when more comparisons are conducted—in order to maintain a certain level of control (Ruxton & Beauchamp 2008).

After conducting the ANOVA, the research hypothesis tests were performed using bivariate correlations and hierarchical regression analysis by country in the order of Australia, the United States and Hong Kong. The bivariate correlation statistic (Pearson’s correlations) was carried out to examine the correlation between each of the selected variables. A number of significant relationships were noted in the bivariate correlation statistics at this early stage of analysis which helps later with the hypothesis tests reported in Chapter 5. Before performing the regression analysis, the variables were examined for multicollinearity from the bivariate correlation tables. The data did not indicate multicollinearity issues which normally involve the two variables with a correlation of the order of approximately 0.70 or more in the same bivariate correlation analysis (Tabachnick & Fidell 2007).

Before proceeding it should be noted following on remarks from Bonn, Yoshikawa and Phan (2004) that some of the data in this study were not directly comparable due to accounting differences between Australia, the United States and Hong Kong. The general accounting standards used in Australia, the United States and Hong Kong are the Australian Accounting Standards (AAS), the Generally Accepted Accounting Principles (GAAP) and the Hong Kong Financial Reporting Standards (Australian Trade Commission 2014; Institute
of Chartered Accountants in England and Wales 2014; Hong Kong Institute of Certified Public Accountants 2014), respectively. The AAS comply with the requirements of the International Financial Reporting Standards (IFRS) (Australian Trade Commission 2014). According to the IFRS (2014), the United States Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have been collaborating for over a decade to attain convergence of the United States GAAP toward the IFRS. Given this preceding background and following Bonn, Yoshikawa and Phan’s (2004) cross-country comparative study, multiple regression analyses and moderated regression analyses in this study here were tested separately for the Australian, United States and Hong Kong companies.

The conceptual framework incorporates variables for the CEO professional development, the CEO work context, the non-executive director ratio and the organisation performance. A total of six hierarchical regression models were prepared. Three models were prepared for CEO professional development and the dependent variable organisation performance in each of Australia, the United States and Hong Kong. Three models were then prepared for CEO work context and the dependent variable organisation performance in each of Australia, the United States and Hong Kong.

Model one for the conceptual framework incorporating variables for CEO professional development and the organisation performance examined the linear relationships between the control variables and the dependent variable organisation performance only. In model two, the control variables were entered in step one then the independent variables such as insider CEO, CEO output-oriented functional background, CEO international work experience, CEO MBA degree and CEO number of university degrees were entered in step two. With these variables included in model two the tests for hypotheses H1, H2, H3, H4 and
H5 were completed. Both model one and model two will be presented in Chapter 5 in Table
5.17 for Australia, Table 5.20 for the United States and Table 5.23 for Hong Kong.

Model one for the conceptual framework incorporating variables for CEO work context, the non-executive director ratio and the organisation performance examined the linear relationships between the control variables and the dependent variable organisation performance. In model two, the control variables were re-entered and the independent variables such as CEO duality, CEO tenure and CEO share ownership percentage as well as the moderating variable the non-executive director ratio were entered. The linear relationships between these independent variables and organisation performance were examined to test hypotheses H6, H7, H8 and H9. The independent variable CEO duality was not included in model two (and also model three) specifically for Australia because of the low incidence of CEO duality in the top 200 ASX companies. In model three, moderated regression analysis was carried out by entering the control variables, independent variables, moderating variable, and the interactive term CEO tenure x the non-executive director ratio for the purpose of testing H10. Model one, model two and model three will be presented in the next chapter in Table 5.18 for Australia, Table 5.21 for the United States and Table 5.24 for Hong Kong.

In each of the multiple regression and moderated regression analyses the variable inflation factor (VIF) index was measured to see the impact of the ‘other independent variables on a regression coefficient’ (Cooper & Schindler 2003, p. 617). All the values of the VIF index were checked to ensure they are far below 10 for all the models indicating there is no multicollinearity issue (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007). The value of R-squared and adjusted R-squared was noted for each regression model to provide a general overview of how much the independent variable would explain the sample variation in the selected dependent variable and the goodness of fit of the regression model (Wooldridge
A t-test statistic was conducted on SPSS to test each hypothesis and to identify if each of the independent variables has a statistically significant relationship with the dependent variable (Wooldridge 2009). The values of the unstandardised coefficient (B) and its standard error were obtained from SPSS and will be reported in the regression analysis results. The p-values that indicate ‘the smallest significance level at which the null hypothesis would be rejected’ were obtained from SPSS for the t-tests (Wooldridge 2009, p. 133). An F-test statistic was conducted on SPSS to determine the significance of the multiple regression models and the moderated multiple regression models (Wooldridge 2009); the F-value was noted for each regression model. The simple regression slope for the significant interactive term was plotted to provide a better interpretation of the results (Tabachnick & Fidell 2007). Since an interactive term was used, all variables except the dependent variable were centred accordingly to avoid the problems of multicollinearity (Aiken & West 1991).

### 4.7.3 Robustness of the Analysis

Steps have been employed in the research design of this study to manage the possible risk of endogeneity bias. First, it should be emphasised that many existing studies have chosen multiple regression analysis (e.g. Kiel & Nicholson 2003a; Bonn, Yoshikawa & Phan 2004) and moderation regression analysis (e.g. Walters, Kroll & Wright 2007; Zona, Zattoni & Minichilli 2013; Garcia-Ramos & Garcia-Olalla 2014) as the most robust methods for exploring the relationship between CEO attributes or board characteristics and firm performance. It has also been discussed previously that there has been an increasing use of techniques such as ANOVA, multiple regression analysis and moderated regression analysis in recent studies (Ketchen, Boyd & Bergh 2008). The use of regression models has been well recommended in the literature particularly for analysing moderation effects (Aiken & West 1991; Garcia-Ramos & Garcia-Olalla 2014). Second, this study has carefully considered including a number of control variables such as firm control variables and board size variable...
that could possibly affect the CEO’s discretion in influencing organisation performance (Shen & Cannella 2002b; Finkelstein, Hambrick & Cannella 2009). The control variables have been included in both the multiple regression analysis and the moderated multiple regression analysis to reduce the probability of these other variables external from the focus of the study influencing the results. Third, the design of this present research has set out to include a number of independent variables that capture important aspects of the CEO professional development and work context. This reduces the risk of endogeneity problems that can arise from omitting some key variables (Wooldridge 2009). Fourth, robustness tests were performed for checking the correlation between the independent variables and the error terms of the CEO professional development model and the CEO work context model for each of Australia, the United States and Hong Kong and for confirming that the endogeneity issues have been attended to (Wooldridge 2009; Situmeang, Leenders & Wijnberg 2014). The outcomes of the tests, which will be discussed further in the next chapter in section 5.5, do not indicate any issues with endogeneity providing a strong support for the use of the multiple and moderated regression analysis as the most appropriate methods for this present research.

4.8 Privacy

This research collected secondary data from publicly available sources for the purpose of the research analysis and finding. The personal data of CEOs and directors and the data on organisation performance have been extracted from publicly available annual reports and publicly available databases. The data would be prepared and stored only for the purpose of research. The results of the analysis were provided in aggregate form ensuring the identity and confidentiality of each individual and each company.
4.9 Conclusion

This chapter has discussed the methodology and research design for the thesis. This research blends positivism and critical realism, favouring deductive theory testing on the deductive-inductive continuum. There is a long tradition of studies in corporate governance and strategic management blending positivism and critical realism (Kwan & Tsang 2001). The sample consists of the 200 largest companies by market capitalisation from the Australian Stock Exchange, the Russell 200 Index (the NYSE, the NASDAQ), and the Hong Kong Stock Exchange, respectively, as at the 30\textsuperscript{th} of September 2010. The total sample size is 600 firms. The data for this study was obtained from secondary, publicly available sources by downloading three years of company annual reports as at the end of fiscal year 2010, 2011 and 2012 and extracting the relevant information. A few additional types of publicly available archival databases such as MorningStar DatAnalysis, BoardRoom Review, Company 360, BusinessWeek website, Webb-Site website, company news releases and published CEO biographies were used in the case where the information from the annual report was insufficient. The measures of the selected variables and the quantitative methods for conducting the analysis have been explained in this chapter. Chapter 5 next will present the results of the study.
CHAPTER 5  RESULTS

5.1 Introduction

The previous chapter discussed the methodology and research design for conducting the research. This chapter will present the results of the study prepared using techniques including analysis of variance (ANOVA), bivariate correlations, multiple regression analysis and moderated regression analysis.

The results of ANOVA tests will be initially presented to provide an appraisal of areas of similarity and difference in cross-sectional CEO professional development and CEO work context variables between the Australian, the United States and Hong Kong data samples. This statistical technique provides an interesting overall insight into the convergence debate prior to conducting the hypothesis tests.

Next the chapter will then present the research hypothesis tests by country in the order of Australia, the United States and Hong Kong. The results of the one-way bivariate correlations will be set out and then followed by presentation of the results of hierarchical multiple regression analysis and moderated multiple regression analysis. The moderated regression plot for the statistically significant interaction term will be presented to provide a better interpretation of the findings.

The final two sections of the chapter will discuss the results of a robustness test for mitigating the risk of endogeneity bias, and a summary table highlighting areas of similarity or convergence in results for the hypothesis tests across Australia, the United States and Hong Kong. The descriptive statistics reported in Chapter 4 indicate no concerns in relation to missing data, skewness or kurtosis in the three data sets, providing an appropriate basis to take the analysis forward.
5.2 Analysis of Variance (ANOVA)

The results of ANOVA have been prepared to show the areas of difference and similarity in each of the cross-sectional CEO professional development and CEO work context data between Australia, the United States and Hong Kong. As noted previously it provides an interesting overall insight into where convergence is occurring in the Australian, United States and Hong Kong data sets prior to conducting the hypothesis tests.

5.2.1 Insider CEO

The ANOVA results presented in Table 5.1 below show that the cross-sectional insider CEO data differed significantly (i.e., p < 0.001) between Australia, the United States and Hong Kong. The relatively high F ratio value indicates that there was a higher variance between the country groups than the variance within each country group (Pallant 2013).

Table 5.1: ANOVA Results for the Insider CEO Variable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insider CEO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>5.743</td>
<td>2</td>
<td>2.872</td>
<td>18.166</td>
<td>0.000</td>
</tr>
<tr>
<td>Within groups</td>
<td>94.375</td>
<td>597</td>
<td>0.158</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100.118</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The difference in the insider CEO data between the country groups was found to be significant and therefore Tukey’s test was performed. Tukey’s test results presented in Table 5.2 suggest an area of significant difference or divergence in the cross-sectional insider CEO data: firstly between Australia and the United States, and secondly between Australia and Hong Kong.
Table 5.2: The Tukey’s Test Results for the Insider CEO Variable

<table>
<thead>
<tr>
<th>Country Group</th>
<th>Country Group</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insider CEO</td>
<td>Australia</td>
<td>-0.210*</td>
<td>0.040</td>
<td>0.000</td>
<td>-0.30 -0.12</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>-0.205*</td>
<td>0.040</td>
<td>0.000</td>
<td>-0.30 -0.11</td>
</tr>
<tr>
<td></td>
<td>HK</td>
<td>0.210*</td>
<td>0.040</td>
<td>0.000</td>
<td>0.12 0.30</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>0.005</td>
<td>0.040</td>
<td>0.991</td>
<td>-0.09 0.10</td>
</tr>
<tr>
<td></td>
<td>HK</td>
<td>0.205*</td>
<td>0.040</td>
<td>0.000</td>
<td>0.11 0.30</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>-0.005</td>
<td>0.040</td>
<td>0.991</td>
<td>-0.10 0.09</td>
</tr>
</tbody>
</table>

Note: The star (*) denotes that the mean difference is significant at the 0.05 level.

5.2.2 CEO Output-oriented Functional Background

The ANOVA results in Table 5.3 show that there is no significant difference in the cross-sectional CEO output-oriented functional background data between Australia, the United States and Hong Kong. The low F ratio value indicates that the variance between the country groups was similar to the variance within each of the country groups (Pallant 2013).

Table 5.3: ANOVA Results for the CEO Output Functional Background Variable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO output</td>
<td>Between groups</td>
<td>0.630</td>
<td>2</td>
<td>0.315</td>
<td>1.272</td>
</tr>
<tr>
<td></td>
<td>Within groups</td>
<td>147.870</td>
<td>597</td>
<td>0.248</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>148.500</td>
<td>599</td>
<td>0.248</td>
<td></td>
</tr>
</tbody>
</table>

Tukey’s test was not performed since there was no significant difference in the CEO output-oriented functional background data between the country groups. The findings suggest an area of similarity or convergence in the cross-sectional CEO output-oriented functional background data between Australia, the United States and Hong Kong.
5.2.3 CEO International Work Experience

The ANOVA results presented in Table 5.4 below show that the cross-sectional CEO international work experience data differed significantly between Australia, the United States and Hong Kong. The relatively high F ratio value indicates a higher variability between the country groups than the variability within each group (Pallant 2013).

Table 5.4: ANOVA Results for the CEO International Work Experience Variable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO international work experience</td>
<td>9.743</td>
<td>2</td>
<td>4.872</td>
<td>20.904</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>139.130</td>
<td>597</td>
<td>0.233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>148.873</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Tukey’s test results presented in Table 5.5 below suggest an area of significant difference or divergence in the cross-sectional CEO international work experience data: firstly between Australia and Hong Kong, and secondly between the United States and Hong Kong.

Table 5.5: The Tukey’s Test Results for the CEO International Work Experience Variable

<table>
<thead>
<tr>
<th>(I) Country Group</th>
<th>(J) Country Group</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval Lower Bound</th>
<th>95% Confidence Interval Upper Bound</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>US</td>
<td>0.045</td>
<td>0.048</td>
<td>0.620</td>
<td>-0.07</td>
<td>0.16</td>
</tr>
<tr>
<td>HK</td>
<td></td>
<td>0.290*</td>
<td>0.048</td>
<td>0.000</td>
<td>0.18</td>
<td>0.40</td>
</tr>
<tr>
<td>US</td>
<td>Australia</td>
<td>-0.045</td>
<td>0.048</td>
<td>0.620</td>
<td>-0.16</td>
<td>0.07</td>
</tr>
<tr>
<td>HK</td>
<td></td>
<td>0.245*</td>
<td>0.048</td>
<td>0.000</td>
<td>0.13</td>
<td>0.36</td>
</tr>
<tr>
<td>HK</td>
<td>Australia</td>
<td>-0.290*</td>
<td>0.048</td>
<td>0.000</td>
<td>-0.40</td>
<td>-0.18</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td>-0.245*</td>
<td>0.048</td>
<td>0.000</td>
<td>-0.36</td>
<td>-0.13</td>
</tr>
</tbody>
</table>

Note: The star (*) denotes that the mean difference is significant at the 0.05 level.
### 5.2.4 CEO MBA Education

The ANOVA results presented in Table 5.6 below show that the cross-sectional CEO MBA education data differed significantly between Australia, the United States and Hong Kong. The relatively high F ratio value indicates a higher variance between the country groups than the variance within each group (Pallant 2013).

**Table 5.6: ANOVA Results for the CEO MBA Education Variable**

<table>
<thead>
<tr>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CEO MBA education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>5.203</td>
<td>2</td>
<td>2.602</td>
<td>12.355</td>
</tr>
<tr>
<td>Within groups</td>
<td>125.715</td>
<td>597</td>
<td>0.211</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>130.918</td>
<td>599</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Tukey’s test results presented in Table 5.7 below suggest an area of significant difference or divergence in the cross-sectional CEO MBA education data: firstly between Australia and the United States, and secondly between Australia and Hong Kong.

**Table 5.7: The Tukey’s Test Results for the CEO MBA Education Variable**

<table>
<thead>
<tr>
<th>(I) Country Group</th>
<th>(J) Country Group</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO MBA education</td>
<td>Australia</td>
<td>US</td>
<td>-0.200*</td>
<td>0.046</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>HK</td>
<td>-0.195*</td>
<td>0.046</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>HK</td>
<td>0.200*</td>
<td>0.046</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>HK</td>
<td>Australia</td>
<td>0.005</td>
<td>0.046</td>
<td>0.993</td>
</tr>
<tr>
<td></td>
<td>HK</td>
<td>US</td>
<td>0.195*</td>
<td>0.046</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>Australia</td>
<td>-0.005</td>
<td>0.046</td>
<td>0.993</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>HK</td>
<td>0.005</td>
<td>0.046</td>
<td>0.993</td>
</tr>
</tbody>
</table>

**Note:** The star (*) denotes that the mean difference is significant at the 0.05 level.
5.2.5 CEO Number of University Degrees

The ANOVA results in Table 5.8 show that the cross-sectional data in relation to the number of university degrees a CEO possesses differed significantly between Australia, the United States and Hong Kong. The relatively high F ratio value explains a higher variance between the country groups than the variance within each group (Pallant 2013).

Table 5.8: ANOVA Results for the CEO Number of University Degrees Variable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO number of university</td>
<td>Between groups</td>
<td>2</td>
<td>7.687</td>
<td>11.217</td>
<td>0.000</td>
</tr>
<tr>
<td>degrees</td>
<td>Within groups</td>
<td>597</td>
<td>0.685</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Tukey’s test results presented in Table 5.9 below suggest an area of significant difference or divergence in the cross-sectional data in relation to the number of university degrees a CEO possesses: firstly between Australia and the United States, and secondly between Australia and Hong Kong.

Table 5.9: The Tukey’s Test Results for the CEO Number of University Degrees Variable

<table>
<thead>
<tr>
<th>(I) Country Group</th>
<th>(J) Country Group</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>US</td>
<td>-0.390*</td>
<td>0.083</td>
<td>0.000</td>
<td>-0.58 -0.20</td>
</tr>
<tr>
<td>HK</td>
<td></td>
<td>-0.230*</td>
<td>0.083</td>
<td>0.016</td>
<td>-0.42 -0.04</td>
</tr>
<tr>
<td>US</td>
<td>Australia</td>
<td>0.390*</td>
<td>0.083</td>
<td>0.000</td>
<td>0.20 0.58</td>
</tr>
<tr>
<td>HK</td>
<td></td>
<td>0.160</td>
<td>0.083</td>
<td>0.130</td>
<td>-0.03 0.35</td>
</tr>
<tr>
<td>HK</td>
<td>Australia</td>
<td>0.230*</td>
<td>0.083</td>
<td>0.016</td>
<td>0.04 0.42</td>
</tr>
<tr>
<td>US</td>
<td></td>
<td>-0.160</td>
<td>0.083</td>
<td>0.130</td>
<td>-0.35 0.03</td>
</tr>
</tbody>
</table>

Note: The star (*) denotes that the mean difference is significant at the 0.05 level.
5.2.6 CEO Duality

The ANOVA results presented in Table 5.10 below show that the cross-sectional CEO duality data differed significantly between Australia, the United States and Hong Kong. The extremely high F ratio value indicates a very high variability between the country groups than the variability within each group (Pallant 2013).

Table 5.10: ANOVA Results for the CEO Duality Variable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>39.823</td>
<td>2</td>
<td>19.912</td>
<td>128.999</td>
<td>0.000</td>
</tr>
<tr>
<td>Within groups</td>
<td>92.150</td>
<td>597</td>
<td>0.154</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>131.973</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Tukey’s test results presented in Table 5.11 below show that the cross-sectional CEO duality data differed significantly: firstly between Australia and the United States, secondly between Australia and Hong Kong, and thirdly between the United States and Hong Kong. This suggests an area of significant difference or divergence in the cross-sectional CEO duality data between Australia, the United States and Hong Kong.

Table 5.11: The Tukey’s Test Results for the CEO Duality Variable

<table>
<thead>
<tr>
<th>(I) Country Group</th>
<th>(J) Country Group</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO duality</td>
<td>Australia US</td>
<td>-0.615*</td>
<td>0.039</td>
<td>0.000</td>
<td>-0.71 -0.52</td>
</tr>
<tr>
<td></td>
<td>Australia HK</td>
<td>-0.185*</td>
<td>0.039</td>
<td>0.000</td>
<td>-0.28 -0.09</td>
</tr>
<tr>
<td></td>
<td>US Australia</td>
<td>0.615*</td>
<td>0.039</td>
<td>0.000</td>
<td>0.52 0.71</td>
</tr>
<tr>
<td></td>
<td>US HK</td>
<td>0.430*</td>
<td>0.039</td>
<td>0.000</td>
<td>0.34 0.52</td>
</tr>
<tr>
<td></td>
<td>HK Australia</td>
<td>0.185*</td>
<td>0.039</td>
<td>0.000</td>
<td>0.09 0.28</td>
</tr>
<tr>
<td></td>
<td>HK US</td>
<td>-0.430*</td>
<td>0.039</td>
<td>0.000</td>
<td>-0.52 -0.34</td>
</tr>
</tbody>
</table>

Note: The star (*) denotes that the mean difference is significant at the 0.05 level.
5.2.7 CEO Tenure

The ANOVA results presented in Table 5.12 below show no significant difference in the cross-sectional CEO tenure data across Australia, the United States and Hong Kong. The low F ratio value indicates the variance between the different country groups was similar to that within each of the country groups (Pallant 2013).

**Table 5.12: ANOVA Results for the CEO Tenure Variable**

<table>
<thead>
<tr>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO tenure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between groups</td>
<td>121.494</td>
<td>2</td>
<td>60.747</td>
<td>1.753</td>
</tr>
<tr>
<td>Within groups</td>
<td>20687.384</td>
<td>597</td>
<td>34.652</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>20808.878</td>
<td>599</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Since there was no significant difference between the country groups, the Tukey’s test was not performed for the CEO tenure variable. The findings suggest an area of similarity or convergence in the cross-sectional CEO tenure data between Australia, the United States and Hong Kong.
5.2.8 CEO Share Ownership Percentage

The ANOVA results presented in Table 5.13 show that the cross-sectional CEO share ownership percentage data differed significantly between Australia, the United States and Hong Kong. The high F ratio value shows that there is a higher variance between the country groups than the variance within each group (Pallant 2013).

Table 5.13: ANOVA Results for the CEO Share Ownership Percentage Variable

<table>
<thead>
<tr>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO share ownership</td>
<td>Between groups</td>
<td>11887.812</td>
<td>2</td>
<td>5943.906</td>
</tr>
<tr>
<td>Within groups</td>
<td>122452.739</td>
<td>597</td>
<td>205.113</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>134340.550</td>
<td>599</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Tukey’s test results presented in Table 5.14 suggest an area of significant difference or divergence in the cross-sectional CEO share ownership percentage data away from Australia and the United States in Hong Kong.

Table 5.14: The Tukey’s Test Results for the CEO Share Ownership Percentage Variable

<table>
<thead>
<tr>
<th>(I)</th>
<th>(J)</th>
<th>Mean Difference (I-J)</th>
<th>Standard Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Country Group</td>
<td>Country Group</td>
<td></td>
<td></td>
<td>Lower Bound</td>
</tr>
<tr>
<td>CEO share ownership</td>
<td>Australia</td>
<td>US</td>
<td>1.107</td>
<td>1.432</td>
<td>0.720</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HK</td>
<td>-8.840*</td>
<td>1.432</td>
<td>0.000</td>
</tr>
<tr>
<td>percentage</td>
<td>US</td>
<td>Australia</td>
<td>-1.107</td>
<td>1.432</td>
<td>0.720</td>
</tr>
<tr>
<td></td>
<td></td>
<td>HK</td>
<td>-9.947*</td>
<td>1.432</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>HK</td>
<td>Australia</td>
<td>8.840*</td>
<td>1.432</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>US</td>
<td>9.947*</td>
<td>1.432</td>
<td>0.000</td>
<td>6.58</td>
</tr>
</tbody>
</table>

Note: The star (*) denotes that the mean difference is significant at the 0.05 level.
5.2.9 Summary of Similarities and Differences in the CEO Professional Development and Work Context between Countries

Table 5.15 below summarises the ANOVA results and provides an important indication of the areas of convergence and divergence in the cross-sectional CEO professional development and CEO work context data between Australia, the United States and Hong Kong. The results provide evidence of a moment of convergence in the cross-sectional CEO output-oriented functional background data and the CEO tenure data, separately, in Australia, the United States and Hong Kong data sets. The dark-green boxes in Table 5.15 highlight these areas of convergence. However, the results also evidence a moment of divergence in the cross-sectional CEO duality data between Australia, the United States and Hong Kong. The red box in Table 5.15 highlights this area of divergence.

Table 5.15: Summary of ANOVA Results Highlighting Areas of Convergence and Divergence in the Cross-Sectional CEO Professional Development and CEO Work Context Data between Australia (AUS), the United States (US) and Hong Kong (HK)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Insider CEO</td>
<td>Divergence</td>
<td>Divergence</td>
<td>Convergence</td>
</tr>
<tr>
<td>CEO output-oriented functional background</td>
<td>Convergence across AUS, US and HK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO international work experience</td>
<td>Convergence</td>
<td>Divergence</td>
<td>Divergence</td>
</tr>
<tr>
<td>CEO MBA education</td>
<td>Divergence</td>
<td>Divergence</td>
<td>Convergence</td>
</tr>
<tr>
<td>CEO number of university degrees</td>
<td>Divergence</td>
<td>Divergence</td>
<td>Convergence</td>
</tr>
<tr>
<td>CEO and chairperson duality</td>
<td>Divergence across AUS, US and HK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO tenure</td>
<td>Convergence across AUS, US and HK</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO share ownership percentage</td>
<td>Convergence</td>
<td>Divergence</td>
<td>Divergence</td>
</tr>
</tbody>
</table>
Table 5.15 also highlights a few additional pockets of convergence in certain CEO professional development and CEO work context data between Australia and the United States, and between the United States and Hong Kong. The light-green boxes in Table 5.15 highlight these additional areas of convergence. There are also a few additional areas of divergence in certain CEO professional development and CEO work context data between Australia and the United States, between Australia and Hong Kong, and between the United States and Hong Kong. The orange boxes in Table 5.15 highlight these additional areas of divergence.
5.3 Hypothesis Test

5.3.1 Australia

Table 5.16 in the following page presents the descriptive statistics and bivariate correlation results for the Australian companies. The bivariate correlation results show that there are no multicollinearity issues, as there are no two variables with a correlation approaching 0.70 or more in the same bivariate correlation analysis that will be used in the regression models presenting the results of the hypothesis tests in Table 5.17 and Table 5.18 (Tabachnick & Fidell 2007).

Table 5.17 below has been prepared to present the hierarchical multiple regression results highlighting the relationships between each of the control variables and the dependent variable (DV)—organisation performance, and between the independent variables—the CEO professional development variables—and the organisation performance variable for Australia. The reported multiple regression results presented in Table 5.17 are based on the Australian sample after deleting three extreme cases identified using Casewise Diagnostics in SPSS.

In the regression analysis, model 1 includes the control variables only. The model 1 F statistic and F Change statistic (F Change) in Table 5.17 was not significant for Australia. In step 1 of model 1 for Australia, there were no significant correlations between the control variables and the DV average return on assets as shown in Table 5.17. After entry of the step 2 variables the overall model in the ANOVA table was not significant for Australia; however, the F Change value for model 2 was marginally significant for Australia at p < 0.1 level as shown in Table 5.17. In step 1 of model 2, there were no significant correlations between the control variables and average return on assets for Australia in Table 5.17. Step 2 of model 2 will next be explained in the context of the hypotheses.
Table 5.16: Descriptive Statistics and Bivariate Correlation Statistic Results for Australia

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Major industry (materials)</td>
<td>0.21</td>
<td>0.41</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Second major industry (mining and metals)</td>
<td>0.20</td>
<td>0.40</td>
<td>-0.26**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Log of firm age</td>
<td>1.08</td>
<td>0.38</td>
<td>0.03</td>
<td>0.09</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Log of sales 2010</td>
<td>8.83</td>
<td>0.99</td>
<td>0.16*</td>
<td>-0.37**</td>
<td>0.19**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Board of director size</td>
<td>7.37</td>
<td>2.17</td>
<td>0.01</td>
<td>-0.15*</td>
<td>0.10</td>
<td>0.55**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Insider CEO</td>
<td>0.65</td>
<td>0.48</td>
<td>0.07</td>
<td>-0.13*</td>
<td>-0.29**</td>
<td>0.08</td>
<td>0.05</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 CEO output functional background</td>
<td>0.42</td>
<td>0.50</td>
<td>0.21**</td>
<td>0.01</td>
<td>0.13*</td>
<td>0.07</td>
<td>0.08</td>
<td>-0.16*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 CEO international work experience</td>
<td>0.66</td>
<td>0.48</td>
<td>-0.04</td>
<td>0.10</td>
<td>0.09</td>
<td>-0.04</td>
<td>0.04</td>
<td>-0.14*</td>
<td>0.04</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 CEO MBA degree</td>
<td>0.19</td>
<td>0.39</td>
<td>0.06</td>
<td>-0.05</td>
<td>0.04</td>
<td>-0.02</td>
<td>0.01</td>
<td>-0.13*</td>
<td>0.05</td>
<td>0.06</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 CEO number of university degrees</td>
<td>1.37</td>
<td>0.81</td>
<td>0.07</td>
<td>0.03</td>
<td>-0.06</td>
<td>0.08</td>
<td>0.11</td>
<td>-0.05</td>
<td>0.04</td>
<td>0.02</td>
<td>0.47**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 CEO tenure</td>
<td>5.80</td>
<td>5.59</td>
<td>0.07</td>
<td>-0.03</td>
<td>0.09</td>
<td>0.00</td>
<td>0.09</td>
<td>0.10</td>
<td>0.14*</td>
<td>-0.00</td>
<td>-0.17**</td>
<td>-0.08</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 CEO share ownership percentage</td>
<td>2.51</td>
<td>7.51</td>
<td>-0.07</td>
<td>-0.05</td>
<td>-0.13*</td>
<td>-0.15*</td>
<td>-0.17**</td>
<td>0.18**</td>
<td>0.04</td>
<td>0.03</td>
<td>-0.14*</td>
<td>-0.17**</td>
<td>0.26**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Non-executive director ratio</td>
<td>0.80</td>
<td>0.11</td>
<td>0.11</td>
<td>-0.17**</td>
<td>0.11</td>
<td>0.32**</td>
<td>0.22**</td>
<td>-0.15*</td>
<td>0.07</td>
<td>0.01</td>
<td>0.12</td>
<td>0.06</td>
<td>-0.17**</td>
<td>-0.28**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>14 Average ROA 2011-2012</td>
<td>3.64</td>
<td>11.52</td>
<td>-0.02</td>
<td>-0.09</td>
<td>-0.05</td>
<td>0.10</td>
<td>0.05</td>
<td>0.07</td>
<td>0.08</td>
<td>-0.04</td>
<td>0.02</td>
<td>-0.01</td>
<td>0.10</td>
<td>0.23**</td>
<td>-0.20**</td>
<td>1</td>
</tr>
</tbody>
</table>

N = 200. + p < .1, * p < .05, ** p < .01, *** p < .001 (one-tailed).
Table 5.17: Hierarchical Multiple Regression Analysis Results: Associations of CEO Professional Development Variables with Organisation Performance for Australia

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Organisation Performance</th>
<th>Model 2 Organisation Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B (s.e.)</td>
<td>B (s.e.)</td>
</tr>
<tr>
<td><strong>Controls</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>3.94 (0.69)**</td>
<td>3.96 (0.68)**</td>
</tr>
<tr>
<td>Materials</td>
<td>0.08 (1.77)</td>
<td>-0.99 (1.80)</td>
</tr>
<tr>
<td>Mining and Metals</td>
<td>-2.84 (1.94)</td>
<td>-2.79 (1.96)</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>-0.03 (1.90)</td>
<td>0.06 (1.99)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>0.25 (0.94)</td>
<td>0.16 (0.94)</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>-0.05 (0.39)</td>
<td>-0.09 (0.38)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insider CEO</td>
<td>1.42 (1.55)</td>
<td></td>
</tr>
<tr>
<td>CEO Output Background</td>
<td>4.15 (1.45)**</td>
<td></td>
</tr>
<tr>
<td>CEO International Work</td>
<td>-1.64 (1.45)</td>
<td></td>
</tr>
<tr>
<td>CEO MBA Degree</td>
<td>0.73 (2.01)</td>
<td></td>
</tr>
<tr>
<td>CEO Number of Uni Degrees</td>
<td>-0.55 (0.99)</td>
<td></td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.02</td>
<td>0.07</td>
</tr>
<tr>
<td>F</td>
<td>0.64</td>
<td>1.34</td>
</tr>
<tr>
<td>F Change</td>
<td>0.64</td>
<td>2.01+</td>
</tr>
<tr>
<td>Adjusted ( R^2 )</td>
<td>-0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>df</td>
<td>5, 191</td>
<td>10, 186</td>
</tr>
</tbody>
</table>

N = 197. + p < .1, * p < .05, ** p < .01, *** p < .001.

Hypothesis one (H\(_1\)) predicts that the selection of an insider CEO is associated with better organisation performance. In the bivariate correlation statistics presented in Table 5.16, there was no significant correlation between an insider CEO and average return on assets for Australia. Similarly, in the regression analysis in step 2 of model 2 there was no correlation between an insider CEO and average return on assets as shown in Table 5.17. Both the
outcomes of the bivariate correlation statistics and multiple regression analysis do not support H₁ in Australia.

Hypothesis two (H₂) predicts that the selection of a CEO who has a functional background in an output-oriented field is positively associated with organisation performance. In the bivariate correlation statistics presented in Table 5.16, there was no significant correlation between a CEO with an output-oriented functional background and average return on assets for Australia. This outcome of the bivariate correlation statistic does not support H₂ in Australia. However, in the regression analysis in step 2 of model 2 for Australia there was a highly significant positive correlation between a CEO with an output-oriented functional background and average return on assets as presented in Table 5.17 after removing the respective outliers recommended by SPSS. The outcome of the multiple regression analysis provides support for H₂ in Australia.

Hypothesis three (H₃) predicts that a CEO with international work experience is positively associated with organisation performance. In the bivariate correlation statistics shown in Table 5.16, there was no significant correlation between a CEO with international work experience and average return on assets for Australia. Similarly, in the regression analysis in step 2 of model 2 for Australia there was no significant correlation between a CEO with international work experience and average return on assets as shown in Table 5.17. Both the outcomes of the bivariate correlation statistics and multiple regression analysis do not support H₃ in Australia.

Hypothesis four (H₄) predicts that the presence of a CEO with an MBA degree is positively associated with organisation performance. In the bivariate correlation statistics presented in Table 5.16, there was no significant correlation between a CEO with an MBA degree and average return on assets for Australia. Similarly, in the regression analysis in step 2 of model 2 there was no significant correlation between a CEO with an MBA degree and
average return on assets in Table 5.17. Both the outcomes of the bivariate correlation and multiple regression analysis do not support H₄ in Australia.

Hypothesis five (H₅) predicts that there is a positive relationship between the number of university degrees that a CEO possesses and organisation performance. In the bivariate correlation statistics shown in Table 5.16, there was no significant correlation between the number of university degrees that a CEO possesses and average return on assets for Australia. Similarly, in the regression analysis in step 2 of model 2 there was no significant correlation between the number of university degrees that a CEO possesses and average return on assets in Table 5.17. Both the outcomes of the bivariate correlation and multiple regression analysis do not support H₅ in Australia.

In model 1 R² explains 2 per cent of the variance in the DV and a further increment in model 2 of 5 per cent; this gives a total R² in model 2 of 7 per cent. The highest variance inflation factor (VIF) value in model 1 and model 2 is 1.8. This value is far below 10 and complements the bivariate correlation results that there are no issues with regard to multicollinearity (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

Table 5.18 in the following page presents the second set of hierarchical moderated multiple regression results for Australia highlighting the relationships between each of the control variables, the independent variables—the CEO work context variables, the moderating variable and the moderator term, and the dependent variable organisation performance. The reported moderated regression results presented in Table 5.18 were based on the Australian sample after deleting three extreme cases identified using Casewise Diagnostics in SPSS. It should be noted that the deleted extreme cases in the moderated regression analysis here are slightly different to the deleted outliers in the multiple regression analysis (Table 5.17). Consequently, there is a small variation between the final sample in Table 5.17 and the final sample in Table 5.18, resulting in a slight difference in the values in
the control models in Tables 5.17 and 5.18 but not in the significant and non-significant variables.

**Table 5.18: Hierarchical Moderated Regression Analysis Results: Associations of CEO Work Context Variables and Non-executive Director Ratio with Organisation Performance for Australia**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Organisation Performance B (s.e.)</th>
<th>Model 2 Organisation Performance B (s.e.)</th>
<th>Model 3 Organisation Performance B (s.e.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controls</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>3.96 (0.70)***</td>
<td>3.92 (0.67)***</td>
<td>3.60 (0.67)***</td>
</tr>
<tr>
<td>Materials</td>
<td>0.08 (1.80)</td>
<td>0.75 (1.73)</td>
<td>1.25 (1.72)</td>
</tr>
<tr>
<td>Mining and Metals</td>
<td>-0.60 (1.98)</td>
<td>-0.29 (1.91)</td>
<td>-0.18 (1.88)</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>-0.09 (1.96)</td>
<td>0.86 (1.90)</td>
<td>0.56 (1.87)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>1.78 (0.93)+</td>
<td>2.43 (0.91)**</td>
<td>2.47 (0.90)**</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>-0.57 (0.40)</td>
<td>-0.35 (0.38)</td>
<td>-0.42 (0.38)</td>
</tr>
<tr>
<td>Independent Variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Tenure</td>
<td>-0.05 (0.13)</td>
<td>-0.04 (0.13)</td>
<td></td>
</tr>
<tr>
<td>CEO Share Ownership</td>
<td>0.31 (0.10)**</td>
<td>0.28 (0.10)**</td>
<td></td>
</tr>
<tr>
<td>Moderator Variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NED Ratio</td>
<td>-17.59 (6.98)*</td>
<td>-15.80 (6.91)*</td>
<td></td>
</tr>
<tr>
<td>Moderator Term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Tenure x NED Ratio</td>
<td></td>
<td></td>
<td>-3.31 (1.27)*</td>
</tr>
<tr>
<td>R²</td>
<td>0.03</td>
<td>0.13</td>
<td>0.16</td>
</tr>
<tr>
<td>F</td>
<td>1.01</td>
<td>3.38**</td>
<td>3.85***</td>
</tr>
<tr>
<td>F Change</td>
<td>1.01</td>
<td>7.16***</td>
<td>6.79*</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.00</td>
<td>0.09</td>
<td>0.12</td>
</tr>
<tr>
<td>df</td>
<td>5, 191</td>
<td>8, 188</td>
<td>9, 187</td>
</tr>
</tbody>
</table>

N = 197. + p < .1, * p < .05, ** p < .01, *** p < .001.
In the regression analysis, model 1 includes the control variables only. In this model, the F statistic and F Change statistic (F Change) in Table 5.18 was not significant for Australia. In Australia in the controls, there was a marginally significant positive correlation between the logarithm of sales for 2010 and the DV average return on assets as shown in Table 5.18. Model 2 adds the independent variables. Model 3 will be interpreted for each of the hypothesis tests when the presence of the moderation term is included (Edwards 2008). In the regression analysis, after entry of the step 3 variables the overall model in the ANOVA table was highly significant (p < 0.001) for Australia and the F Change value for model 3 was significant (p < 0.05) for Australia as shown in Table 5.18. In step 1 of model 3 the logarithm of sales for 2010 was positively significant for Australia in Table 5.18. Steps 2 and 3 of model 3 will now be explained in the context of the hypotheses.

Hypothesis six, which posits that there is a negative relationship between CEO duality and organisation performance, was not tested for Australia. The reason for this is because across the final sample of 200 Australian publicly listed companies only six per cent practiced CEO duality and the other 94 per cent separated the role of CEO and chairperson. Rummel (1970) and Tabachnick and Fidell (2007) recommended removing the dichotomous variable from the analysis in these circumstances; the requirement for a dichotomous variable is that there be a minimum 90 per cent and 10 per cent split between groups, or more. The first reason relates to the truncated correlation coefficients between the dichotomous variables and other variables (Tabachnick & Fidell 2007). The second reason is because the 'scores for the cases in the small category are more influential than those in the category with numerous cases' (Tabachnick & Fidell 2007, p. 73).

Hypothesis seven (H7) predicts that there is a positive relationship between CEO tenure and organisation performance. In the bivariate correlations presented in Table 5.16, there was no significant correlation between CEO tenure and average return on assets for
Australia. Similarly, in the moderated multiple regression analysis in step 2 of model 3 there was no significant correlation between CEO tenure and average on assets for Australia in Table 5.18. Both the outcomes of the bivariate correlation statistics and moderated multiple regression analysis do not support H7 in Australia.

Hypothesis eight (H8) predicts that higher CEO share ownership percentage is positively correlated to organisation performance. In the bivariate correlation statistics presented in Table 5.16, there was a highly significant positive correlation between CEO share ownership percentage and average return on assets for Australia. Similarly, in the moderated multiple regression analysis in step 2 of model 3 CEO share ownership percentage was highly significant with a positive correlation in Table 5.18. Both the outcomes of the bivariate correlation and moderated multiple regression analysis support H8 in Australia.

Hypothesis nine (H9) predicts that there is a negative association between the non-executive director ratio and organisation performance. In the bivariate correlation statistics presented in Table 5.16, there was a highly significant negative correlation between the non-executive director ratio and average return on assets for Australia. Similarly, in the moderated multiple regression analysis in step 2 of model 3 there was a significant negative correlation between the non-executive director ratio and average return on assets for Australia as shown in Table 5.18. The outcomes of both the bivariate correlations and moderated multiple regression analysis support H9 in Australia.

Hypothesis 10 (H10) posits that the influence of CEO tenure on organisation performance is moderated by the non-executive director ratio, such that high CEO tenure and a low non-executive director ratio jointly predict better organisation performance. In the moderated multiple regression analysis in step 3 of model 3, the moderator term between CEO tenure and the non-executive director ratio was significant in a negative relationship with average return on assets in Australia in Table 5.18. The outcome of the moderated
multiple regression analysis provides support for H_{10} in Australia; the moderation plot will be presented and interpreted in section 5.4 below.

In Table 5.18 in model 1 R^{2} explains 3 per cent of the variance in the DV, there is then an increment in model 2 of 10 per cent in R^{2}, and a further increment in model 3 of 3 per cent; this gives a total R^{2} in model 3 of 16 per cent. The highest VIF value in model 1, model 2 and model 3 is 1.8. This value is well below 10 and complements the bivariate correlation results that there are no issues with regard to multicollinearity (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

5.3.2 The United States

Table 5.19 in the following page presents the bivariate correlation results for the United States companies. The bivariate correlation results show that there are no multicollinearity issues for the multiple regression analysis, as there are no two variables with a correlation approaching 0.70 in the same bivariate correlation analysis (Tabachnick & Fidell 2007).

Table 5.20 below has been prepared to present the hierarchical multiple regression analysis results highlighting the relationships between each of the control variables, the CEO professional development independent variables and the dependent variable organisation performance for the United States. The reported multiple regression results presented in Table 5.20 were based on the United States sample after deleting three extreme cases identified using Casewise Diagnostics in SPSS.
<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>S.D.</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Major industry (consumer)</td>
<td>0.25</td>
<td>0.43</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Second major industry (IT/telecom)</td>
<td>0.16</td>
<td>0.36</td>
<td>-0.25**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Log of firm age</td>
<td>1.35</td>
<td>0.46</td>
<td>-0.07</td>
<td>-0.03</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Log of sales 2010</td>
<td>10.29</td>
<td>0.47</td>
<td>0.14*</td>
<td>-0.09</td>
<td>0.31**</td>
<td>1</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Board of directors size</td>
<td>11.43</td>
<td>2.59</td>
<td>-0.06</td>
<td>-0.20**</td>
<td>0.18**</td>
<td>0.21**</td>
<td>1</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Insider CEO</td>
<td>0.86</td>
<td>0.35</td>
<td>0.00</td>
<td>-0.07</td>
<td>0.10</td>
<td>0.04</td>
<td>0.06</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 CEO output functional background</td>
<td>0.43</td>
<td>0.50</td>
<td>-0.02</td>
<td>0.27**</td>
<td>-0.11</td>
<td>-0.12*</td>
<td>-0.12*</td>
<td>-0.17**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 CEO international work experience</td>
<td>0.61</td>
<td>0.49</td>
<td>0.04</td>
<td>0.03</td>
<td>0.09</td>
<td>0.09</td>
<td>0.06</td>
<td>-0.09</td>
<td>0.10</td>
<td>1</td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 CEO MBA degree</td>
<td>0.39</td>
<td>0.49</td>
<td>-0.08</td>
<td>-0.00</td>
<td>-0.06</td>
<td>0.14*</td>
<td>0.06</td>
<td>-0.19**</td>
<td>-0.01</td>
<td>1</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>10 CEO number of university degrees</td>
<td>1.76</td>
<td>0.79</td>
<td>-0.12*</td>
<td>-0.03</td>
<td>0.01</td>
<td>-0.05</td>
<td>0.19**</td>
<td>-0.12*</td>
<td>0.04</td>
<td>-0.01</td>
<td>0.48**</td>
<td>1</td>
<td></td>
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</tr>
<tr>
<td>11 CEO duality</td>
<td>0.68</td>
<td>0.47</td>
<td>0.03</td>
<td>-0.20**</td>
<td>0.09</td>
<td>0.22**</td>
<td>0.06</td>
<td>-0.00</td>
<td>-0.04</td>
<td>-0.07</td>
<td>0.12*</td>
<td>0.07</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 CEO tenure</td>
<td>6.81</td>
<td>5.91</td>
<td>-0.04</td>
<td>0.11</td>
<td>-0.07</td>
<td>0.03</td>
<td>0.03</td>
<td>0.10</td>
<td>0.17**</td>
<td>-0.13*</td>
<td>-0.03</td>
<td>-0.14*</td>
<td>0.22**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 CEO share ownership percentage</td>
<td>1.40</td>
<td>4.42</td>
<td>0.10</td>
<td>0.11</td>
<td>-0.11</td>
<td>-0.11</td>
<td>-0.13*</td>
<td>0.10</td>
<td>0.10</td>
<td>-0.02</td>
<td>-0.13*</td>
<td>-0.31**</td>
<td>0.06</td>
<td>0.46**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Non-executive director ratio</td>
<td>0.88</td>
<td>0.06</td>
<td>-0.07</td>
<td>-0.16*</td>
<td>0.15*</td>
<td>0.16*</td>
<td>0.24**</td>
<td>-0.03</td>
<td>-0.08</td>
<td>0.00</td>
<td>0.07</td>
<td>0.10</td>
<td>0.32**</td>
<td>-0.16*</td>
<td>-0.30**</td>
<td>1</td>
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</tr>
<tr>
<td>15 Average ROA 2011-2012</td>
<td>7.79</td>
<td>6.14</td>
<td>0.25**</td>
<td>0.11</td>
<td>-0.09</td>
<td>-0.23**</td>
<td>-0.29**</td>
<td>0.03</td>
<td>0.19**</td>
<td>0.11</td>
<td>-0.11</td>
<td>-0.13*</td>
<td>-0.11</td>
<td>0.00</td>
<td>0.04</td>
<td>-0.19**</td>
<td>1</td>
</tr>
</tbody>
</table>

N = 200. + p < .1, * p < .05, ** p < .01, *** p < .001 (one-tailed).
Table 5.20: Hierarchical Multiple Regression Analysis Results: Associations of CEO Professional Development Variables with Organisation Performance for the United States

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Organisation Performance B (s.e.)</th>
<th>Model 2 Organisation Performance B (s.e.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>7.65 (0.36)***</td>
<td>7.63 (0.34)***</td>
</tr>
<tr>
<td>Consumer</td>
<td>3.39 (0.89)***</td>
<td>2.90 (0.86)**</td>
</tr>
<tr>
<td>IT and Telecom</td>
<td>2.22 (1.04)*</td>
<td>1.59 (1.03)</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>0.62 (0.85)</td>
<td>0.37 (0.82)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>-2.58 (0.83)**</td>
<td>-2.63 (0.80)**</td>
</tr>
<tr>
<td>Board of Director Size</td>
<td>-0.38 (0.15)*</td>
<td>-0.34 (0.14)*</td>
</tr>
<tr>
<td>Independent Variables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insider CEO</td>
<td>2.44 (1.04)*</td>
<td></td>
</tr>
<tr>
<td>CEO Output Background</td>
<td>1.62 (0.75)*</td>
<td></td>
</tr>
<tr>
<td>CEO International Work</td>
<td>2.29 (0.72)**</td>
<td></td>
</tr>
<tr>
<td>CEO MBA Degree</td>
<td>-0.95 (0.84)</td>
<td></td>
</tr>
<tr>
<td>CEO Number of Uni Degrees</td>
<td>-0.38 (0.51)</td>
<td></td>
</tr>
<tr>
<td>(R^2)</td>
<td>0.16</td>
<td>0.26</td>
</tr>
<tr>
<td>(F)</td>
<td>7.47***</td>
<td>6.52***</td>
</tr>
<tr>
<td>(F) Change</td>
<td>7.47***</td>
<td>4.82***</td>
</tr>
<tr>
<td>Adjusted (R^2)</td>
<td>0.14</td>
<td>0.22</td>
</tr>
<tr>
<td>df</td>
<td>5, 191</td>
<td>10, 186</td>
</tr>
</tbody>
</table>

\(N = 197. \ + p < .1, * p < .05, ** p < .01, *** p < .001.\)

In the regression analysis, the model 1 \(F\) statistic and \(F\) Change statistic (\(F\) Change) in the Model Summary Table was highly significant for the United States as shown in Table 5.20. In step 1 of model 1 for the United States, Table 5.20 shows that in the controls there was a highly significant positive correlation between the major industry (i.e., the consumer industry) and average return on assets. The second major industry (i.e., the IT and telecom
industry) was significant (p < 0.05) with a positive correlation. The logarithm of sales for 2010 was negatively significant. Board of director size was significant with a negative correlation. After entry of the step 2 variables the overall model in the ANOVA table was highly significant for the United States and the F Change value for model 2 was highly significant. Table 5.20 shows that in step 1 of model 2 for the United States, the major industry in the United States (i.e., the consumer industry) was positively significant. The logarithm of sales for 2010 was negatively significant. Board of director size was negatively significant. Step 2 of model 2 will now be explained in the context of the hypotheses.

Hypothesis one (H₁) predicts that the selection of an insider CEO is associated with better organisation performance. In the bivariate correlation statistics presented in Table 5.19, there was no significant correlation between an insider CEO and average return on assets for the United States. This outcome of the bivariate correlation does not support H₁ in the United States. However, in the regression analysis in step 2 of model 2 for the United States there was a significant positive correlation between an insider CEO and average return on assets as displayed in Table 5.20 after removing the respective outliers recommended by SPSS. The outcome of the multiple regression analysis provides support for H₁ in the United States.

Hypothesis two (H₂) predicts that the selection of a CEO who has a functional background in an output-oriented field is positively associated with organisation performance. In the bivariate correlation statistic presented in Table 5.19, there was a highly significant positive correlation between a CEO with an output-oriented functional background and average return on assets for the United States. Similarly, in the regression analysis in step 2 of model 2 for the United States, there was a significant positive correlation between a CEO with an output-oriented functional background and average return on assets in Table 5.20. Both the outcomes of the bivariate correlation and multiple regression analysis provide support for H₂ in the United States.
Hypothesis three (H₃) predicts that a CEO with international work experience is positively associated with organisation performance. In the bivariate correlation statistic presented in Table 5.19, there was no significant correlation between a CEO with international work experience and average return on assets for the United States. This outcome of the bivariate correlation does not support H₃ in the United States. However, in the regression analysis in step 2 of model 2 there was a significant positive correlation between a CEO with international work experience and average return on assets in Table 5.20 after removing the respective outliers recommended by SPSS. The outcome of the regression analysis supports H₃ in the United States.

Hypothesis four (H₄) predicts that the presence of a CEO with an MBA degree is positively associated with organisation performance. In the bivariate correlation statistic presented in Table 5.19, there was no significant correlation between a CEO with an MBA degree and average return on assets for the United States. Similarly, in the regression analysis in step 2 of model 2 there was no significant correlation between a CEO with an MBA degree and average return on assets in Table 5.20. Both the outcome of the bivariate correlation and multiple regression analysis do not support H₄ in the United States.

Hypothesis five (H₅) predicts that there is a positive relationship between the number of university degrees that a CEO possesses and organisation performance. In the bivariate correlation statistic presented in Table 5.19, there was a significant negative correlation between the number of university degrees that a CEO possesses and average return on assets for the United States. This outcome of the bivariate correlation does not support H₅ in the United States. In the regression analysis in step 2 of model 2 for the United States there was no significant correlation between the number of university degrees that a CEO possesses and average return on assets in Table 5.20. The outcome of the regression analysis does not support H₅ in the United States.
In Table 5.20 in model 1 $R^2$ explains 16 per cent of the variance in the DV; after an increment in model 2 of 10 per cent for the United States the overall $R^2$ in model 2 is 26 per cent. The highest VIF value in model 1 and model 2 is 1.4. This value is far below 10 and complements the bivariate correlation results that indicate there are no issues with regard to multicollinearity with use of these variables in multiple regression (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

Table 5.21 in the next page presents the hierarchical moderated multiple regression analysis results highlighting the relationships between each of the control variables, the CEO work context independent variables, the moderating variable and the moderator term, with the dependent variable organisation performance for the United States. The reported moderated regression results presented in Table 5.21 were based on the United States sample after deleting two extreme cases identified using Casewise Diagnostics in SPSS.

In the regression analysis, the model 1 F statistic and F Change statistic (F Change) in Table 5.21 was highly significant ($p < 0.001$) for the United States. In the United States in the controls only in model 1, there was a highly significant positive correlation between the major industry (i.e., the consumer industry) and average return on assets. The second major industry in the United States (i.e., the IT and telecom industry) was significant with a positive correlation. The logarithm of sales for 2010 was negatively significant. Board of director size was significant with a negative correlation. Model 2 adds the independent variables. The model 3 variables will be interpreted for the hypothesis tests (Edwards 2008).

In the regression analysis after entry of the step 3 variables, the overall model in the ANOVA table was highly significant for the United States, but the F Change value for model 3 was not significant. In step 1 of model 3 for the United States, the major industry (i.e., the consumer industry) was highly significant with a positive correlation as shown in Table 5.21.
Table 5.21: Hierarchical Moderated Regression Analysis Results: Associations of CEO Work Context Variables and Non-executive Director Ratio with Organisation Performance for the United States

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Organisation Performance B (s.e.)</th>
<th>Model 2 Organisation Performance B (s.e.)</th>
<th>Model 3 Organisation Performance B (s.e.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Controls</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>7.57 (0.37)***</td>
<td>7.57 (0.37)***</td>
<td>7.55 (0.37)***</td>
</tr>
<tr>
<td>Consumer</td>
<td>3.55 (0.90)***</td>
<td>3.52 (0.92)***</td>
<td>3.55 (0.92)***</td>
</tr>
<tr>
<td>IT and Telecom</td>
<td>2.37 (1.06)*</td>
<td>2.05 (1.10)+</td>
<td>2.07 (1.10)+</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>1.05 (0.86)</td>
<td>1.15 (0.86)</td>
<td>1.15 (0.86)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>-2.59 (0.85)**</td>
<td>-2.44 (0.87)**</td>
<td>-2.50 (0.89)**</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>-0.38 (0.15)*</td>
<td>-0.36 (0.15)*</td>
<td>-0.36 (0.15)*</td>
</tr>
<tr>
<td>Independent Variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>-0.60 (0.89)</td>
<td>-0.58 (0.89)</td>
<td></td>
</tr>
<tr>
<td>CEO Tenure</td>
<td>0.04 (0.07)</td>
<td>0.03 (0.08)</td>
<td></td>
</tr>
<tr>
<td>CEO Share Ownership</td>
<td>-0.10 (0.10)</td>
<td>-0.11 (0.10)</td>
<td></td>
</tr>
<tr>
<td>Moderator Variable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NED Ratio</td>
<td>-9.94 (7.07)</td>
<td>-9.55 (7.13)</td>
<td></td>
</tr>
<tr>
<td>Moderator Term</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Tenure x NED Ratio</td>
<td></td>
<td></td>
<td>-0.50 (1.03)</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.16</td>
<td>0.18</td>
<td>0.18</td>
</tr>
<tr>
<td>F</td>
<td>7.41***</td>
<td>4.57***</td>
<td>4.12***</td>
</tr>
<tr>
<td>F Change</td>
<td>7.41***</td>
<td>1.03</td>
<td>0.24</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.14</td>
<td>0.14</td>
<td>0.14</td>
</tr>
<tr>
<td>df</td>
<td>5, 192</td>
<td>9, 188</td>
<td>10, 187</td>
</tr>
</tbody>
</table>

$N = 198. + p < .1, * p < .05, ** p < .01, *** p < .001.$

The second major industry (i.e., the IT and telecommunication industry) was marginally significant with a positive correlation. The logarithm of sales for 2010 was negatively
significant. Board of director size was negatively significant. Steps 2 and 3 of model 3 will now be explained in the context of the hypotheses.

Hypothesis six (H₆) predicts that there is a negative relationship between CEO duality and organisation performance. In the bivariate correlation presented in Table 5.19, there was no significant correlation between CEO duality and average return on assets for the United States. Similarly, in the regression analysis in step 2 of model 3 there was no significant correlation between CEO duality and average return on assets as shown in Table 5.21. Both the outcomes of the bivariate correlation and moderated multiple regression analysis do not support H₆ in the United States.

Hypothesis seven (H₇) predicts that there is a positive relationship between CEO tenure and organisation performance. In the bivariate correlation presented in Table 5.19, there was no significant correlation between CEO tenure and average return on assets for the United States. Similarly, in the regression analysis in step 2 of model 3 there was no significant correlation between CEO tenure and average return on assets as shown in Table 5.21. Both the outcomes of the bivariate correlation and moderated multiple regression analysis do not provide support for H₇ in the United States.

Hypothesis eight (H₈) predicts that higher CEO share ownership percentage is positively correlated to organisation performance. In the bivariate correlation presented in Table 5.19, there was no significant correlation between CEO share ownership percentage and average return on assets for the United States. Similarly, in the regression analysis in step 2 of model 3 there was no significant correlation between CEO share ownership percentage and average return on assets in Table 5.21. Both the outcomes of the bivariate correlation and moderated multiple regression analysis do not provide support for H₈ in the United States.

Hypothesis nine (H₉) predicts that there is a negative association between the non-executive director ratio and organisation performance. In the bivariate correlation presented
in Table 5.19, there was a highly significant negative correlation between the non-executive director ratio and average return on assets for the United States. This outcome of the bivariate correlation provides support for H₉ in the United States. However, in the regression analysis in step 2 of model 3 there was no significant relationship between the non-executive director ratio and average return on assets as shown in Table 5.21. The outcome of the moderated multiple regression analysis does not provide support for H₉ in the United States.

Hypothesis 10 (H₁₀) posits that the influence of CEO tenure on organisation performance is moderated by the non-executive director ratio, such that high CEO tenure and a low non-executive director ratio jointly predict better organisation performance. In the regression analysis in step 3 of model 3, the moderator term between CEO tenure and the non-executive director ratio was not significant in the United States as shown in Table 5.21. The outcome of the moderated multiple regression analysis does not support H₁₀ in the United States.

In Table 5.21 the model 1 R² explains 16 per cent of the variance in the DV; there is an increment in model 2 of 2 per cent taking R² to 18 per cent and no further increment in model 3 for the United States. The highest VIF value in model 1, model 2 and model 3 is 1.6. This value is well below 10 and complements the bivariate correlation results indicating that there are no issues with regard to multicollinearity in the data for use in multiple regression (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

5.3.3 Hong Kong

Table 5.22 in the following page presents the bivariate correlation results for the Hong Kong companies. The bivariate correlation results show that there are no multicollinearity issues, as there are no two variables with a correlation approaching 0.70 or more in the same bivariate correlation analysis (Tabachnick & Fidell 2007). The variables are suitable for multiple regression (Tabachnick & Fidell 2007).
### Table 5.22: Descriptive Statistics and Bivariate Correlation Statistic Results for Hong Kong

| Variable                          | Mean | S.D. | 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8    | 9    | 10   | 11   | 12   | 13   | 14   | 15   |
|-----------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| 1. Major industry (consumer)      | 0.33 | 0.47 | 1    |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 2. Second major industry (financial) | 0.32 | 0.47 | -0.48** | 1    |      |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 3. Log of firm age                | 0.88 | 0.53 | -0.09 | 0.11 | 1    |      |      |      |      |      |      |      |      |      |      |      |      |      |
| 4. Log of sales 2010              | 9.43 | 0.75 | -0.14* | 0.07 | -0.10 | 1    |      |      |      |      |      |      |      |      |      |      |      |      |
| 5. Board size                     | 11.25 | 3.31 | -0.18** | 0.24** | 0.13* | 0.33** | 1    |      |      |      |      |      |      |      |      |      |      |      |
| 6. Insider CEO                    | 0.86 | 0.35 | 0.07 | -0.05 | -0.08 | 0.06 | 0.00 | 1    |      |      |      |      |      |      |      |      |      |      |
| 7. CEO output functional background | 0.50 | 0.50 | 0.10 | -0.32** | -0.08 | 0.05 | -0.06 | 0.10 | 1    |      |      |      |      |      |      |      |      |      |
| 8. CEO international work experience | 0.37 | 0.48 | 0.14* | 0.10 | 0.27** | -0.11 | 0.03 | -0.10 | -0.11 | 1    |      |      |      |      |      |      |      |      |
| 9. CEO MBA degree                 | 0.39 | 0.49 | -0.00 | -0.06 | 0.06 | -0.12 | -0.01 | -0.11 | -0.00 | -0.05 | 1    |      |      |      |      |      |      |      |
| 10. CEO number of university degrees | 1.60 | 0.88 | -0.20** | 0.03 | 0.21** | 0.19** | 0.21** | -0.09 | -0.04 | -0.02 | 0.50** | 1    |      |      |      |      |      |      |
| 11. CEO duality                   | 0.25 | 0.43 | 0.03 | -0.06 | -0.09 | -0.15* | 0.14* | 0.13* | -0.07 | -0.21** | -0.15* | 1    |      |      |      |      |      |      |
| 12. CEO tenure                    | 5.91 | 6.15 | -0.04 | 0.14* | 0.35** | -0.05 | 0.16* | 0.10 | 0.05 | 0.10 | -0.12* | 0.02 | 0.25** | 1    |      |      |      |      |
| 13. CEO share ownership percentage | 11.35 | 23.22 | 0.12* | -0.01 | -0.16* | -0.18** | -0.19** | 0.16* | 0.17** | -0.05 | -0.11 | -0.21** | 0.51** | 0.17** | 1    |      |      |      |
| 14. Non-executive director ratio  | 0.58 | 0.18 | -0.07 | 0.12 | -0.05 | 0.17** | 0.10 | -0.06 | -0.18** | 0.20** | -0.05 | 0.11 | -0.07 | -0.02 | -0.10 | 1    |      |      |
| 15. Average ROA 2011-2012         | 5.86 | 6.27 | 0.22** | -0.16* | -0.04 | -0.11 | -0.11 | 0.25** | 0.19** | 0.05 | -0.06 | -0.15* | 0.10 | 0.05 | 0.19** | -0.20** | 1    |      |

*N = 200. N for Average ROA 2011-2012 = 199. + p < .1, * p < .05, ** p < .01, *** p < .001 (one-tailed).*
Table 5.23 below has been prepared to present the hierarchical multiple regression results highlighting the relationships between each of the control variables and the CEO professional development independent variables with the dependent variable organisation performance for Hong Kong.

Table 5.23: Hierarchical Multiple Regression Analysis Results: Associations of CEO Professional Development Variables with Organisation Performance for Hong Kong

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organisation Performance</td>
<td>Organisation Performance</td>
</tr>
<tr>
<td></td>
<td>B (s.e.)</td>
<td>B (s.e.)</td>
</tr>
<tr>
<td><strong>Controls</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>5.94 (0.40)***</td>
<td>5.94 (0.38)***</td>
</tr>
<tr>
<td>Consumer</td>
<td>1.31 (0.97)</td>
<td>0.90 (0.97)</td>
</tr>
<tr>
<td>Financial</td>
<td>-1.44 (0.98)</td>
<td>-0.89 (1.01)</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>0.29 (0.77)</td>
<td>0.21 (0.78)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>-1.74 (0.62)**</td>
<td>-1.85 (0.62)**</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>-0.05 (0.13)</td>
<td>-0.05 (0.13)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insider CEO</td>
<td></td>
<td>3.07 (1.10)**</td>
</tr>
<tr>
<td>CEO Output Background</td>
<td></td>
<td>2.24 (0.81)**</td>
</tr>
<tr>
<td>CEO International Work</td>
<td></td>
<td>1.38 (0.85)</td>
</tr>
<tr>
<td>CEO MBA Degree</td>
<td></td>
<td>-0.19 (0.93)</td>
</tr>
<tr>
<td>CEO Number of Uni Degrees</td>
<td></td>
<td>-0.11 (0.55)</td>
</tr>
</tbody>
</table>

R²                               | 0.10             | 0.18             |
F                                 | 4.12**           | 4.15***          |
F Change                          | 4.12**           | 3.86**           |
Adjusted R²                       | 0.07             | 0.14             |
df                                | 5, 191           | 10, 186          |

N = 197. * p < .1, ** p < .05, *** p < .01, **** p < .001.
The reported multiple regression results presented in Table 5.23 are based on the Hong Kong sample after deleting two extreme cases identified using Casewise Diagnostics in SPSS and excluding one case with a missing value. In the regression analysis, the model 1 F statistic and F Change statistic (F Change) was highly significant for Hong Kong as shown in Table 5.23. In step 1 of model 1 for Hong Kong, Table 5.23 shows that in the controls only the logarithm of sales for 2010 was negatively significant. After entry of the step 2 variables the overall model in the ANOVA table was highly significant for Hong Kong and the F Change value for model 2 was highly significant as shown in Table 5.23. In step 1 of model 2 for Hong Kong, the logarithm of sales for 2010 was negatively significant as displayed in Table 5.23. Step 2 of model 2 will now be explained in the context of the hypotheses.

Hypothesis one (H₁) predicts that the selection of an insider CEO is associated with better organisation performance. In the bivariate correlation presented in Table 5.22, there was a highly significant positive correlation between an insider CEO and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 2 there was a highly significant positive correlation between an insider CEO and average return on assets as displayed in Table 5.23. Both the outcomes of the bivariate correlation and multiple regression analysis provide support for H₁ in Hong Kong.

Hypothesis two (H₂) predicts that the selection of a CEO who has a functional background in an output-oriented field is positively associated with organisation performance. In the bivariate correlation statistic presented in Table 5.22, there was a highly significant positive correlation between a CEO with an output-oriented functional background and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 2, there was a highly significant positive correlation between a CEO with an output-oriented functional background and average return on assets as displayed in Table
5.23. Both the outcomes of the bivariate correlation and multiple regression analysis provide support for H₂ in Hong Kong.

Hypothesis three (H₃) predicts that a CEO with international work experience is positively associated with organisation performance. In the bivariate correlation shown in Table 5.22, there was no significant correlation between a CEO with international work experience and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 2 there was no significant correlation between a CEO with international work experience and average return on assets as shown in Table 5.23. It should be noted here that the p value is 0.11 indicating that the correlation is close to being marginally significant at the 10 per cent level in a positive direction. Both the outcomes of the bivariate correlation and multiple regression analysis do not support H₃ in Hong Kong.

Hypothesis four (H₄) predicts that the presence of a CEO with an MBA degree is positively associated with organisation performance. In the bivariate correlation presented in Table 5.22, there was no significant correlation between a CEO with an MBA degree and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 2 there was no significant correlation between a CEO with an MBA degree and average return on assets in Table 5.23. Both the outcomes of the bivariate correlation and multiple regression analysis do not support H₄ in Hong Kong.

Hypothesis five (H₅) predicts that there is a positive relationship between the number of university degrees that a CEO possesses and organisation performance. In the bivariate correlation statistic presented in Table 5.22, there was a significant correlation between the number of university degrees that a CEO possesses and average return on assets for Hong Kong in a negative direction. This outcome of the bivariate correlation statistic does not support H₅ in Hong Kong. In the regression analysis in step 2 of model 2 there was no significant correlation between the number of university degrees that a CEO possesses and
average return on assets in Table 5.23. The outcome of the multiple regression analysis does not support H$_5$ in Hong Kong.

In model 1 $R^2$ explains 10 per cent of the variance in the DV; there is an increment in the model 2 $R^2$ of 8 per cent for Hong Kong giving a total $R^2$ of 18 per cent. The highest VIF value in model 1 and model 2 is 1.6. This value is far below 10 and complements the bivariate correlation results that there are no issues with regard to multicollinearity (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

Table 5.24 in the following page presents the hierarchical moderated multiple regression results highlighting the relationships between each of the control variables, the CEO work context independent variables, the moderating variable and the moderator term, and the dependent variable organisation performance for Hong Kong.

The reported moderated regression results presented in Table 5.24 are based on the Hong Kong sample after deleting one extreme case identified using Casewise Diagnostics in SPSS and excluding one case with a missing value. In the regression analysis, the model 1 F statistic and F Change statistic (F Change) was marginally significant ($p < 0.1$) for Hong Kong as shown in Table 5.24. In Hong Kong in the controls only the major industry (i.e., the consumer industry) was marginally significant with a positive correlation in Table 5.24. After entry of the step 2 variables the overall model in the ANOVA table was highly significant for Hong Kong and the F Change value for model 2 was highly significant as shown in Table 5.24. Model 2 adds the independent variables. Model 3 will be interpreted for the hypothesis tests with the moderator term present (Edwards 2008). In the regression analysis after entry of the step 3 variables the overall model in the ANOVA table was highly significant for Hong Kong, but the F Change value for model 3 was not significant as presented in Table 5.24. In step 1 of model 3 for Hong Kong, there were no significant correlations between the control
variables and average return on assets in Table 5.24; steps 2 and 3 of this model will now be explained in the context of the hypotheses.

**Table 5.24: Hierarchical Moderated Regression Analysis Results: Associations of CEO Work Context Variables and Non-executive Director Ratio with Organisation Performance for Hong Kong**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1 Organisation Performance B (s.e.)</th>
<th>Model 2 Organisation Performance B (s.e.)</th>
<th>Model 3 Organisation Performance B (s.e.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controls</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>5.75 (0.42)***</td>
<td>5.74 (0.41)***</td>
<td>5.73 (0.41)***</td>
</tr>
<tr>
<td>Consumer</td>
<td>1.96 (1.03)+</td>
<td>1.65 (1.01)</td>
<td>1.65 (1.01)</td>
</tr>
<tr>
<td>Financial</td>
<td>-0.91 (1.05)</td>
<td>-0.93 (1.03)</td>
<td>-0.93 (1.03)</td>
</tr>
<tr>
<td>Log of Firm Age</td>
<td>0.06 (0.82)</td>
<td>0.06 (0.87)</td>
<td>0.06 (0.87)</td>
</tr>
<tr>
<td>Log of Sales 2010</td>
<td>-0.66 (0.61)</td>
<td>-0.22 (0.61)</td>
<td>-0.22 (0.61)</td>
</tr>
<tr>
<td>Board of Directors Size</td>
<td>-0.06 (0.14)</td>
<td>-0.03 (0.14)</td>
<td>-0.03 (0.14)</td>
</tr>
<tr>
<td><strong>Independent Variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Duality</td>
<td>-0.85 (1.14)</td>
<td>-0.85 (1.15)</td>
<td></td>
</tr>
<tr>
<td>CEO Tenure</td>
<td>0.06 (0.08)</td>
<td>0.06 (0.08)</td>
<td></td>
</tr>
<tr>
<td>CEO Share Ownership</td>
<td>0.05 (0.02)*</td>
<td>0.05 (0.02)*</td>
<td></td>
</tr>
<tr>
<td><strong>Moderator Variable</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NED Ratio</td>
<td>-6.35 (2.41)**</td>
<td>-6.35 (2.42)**</td>
<td></td>
</tr>
<tr>
<td><strong>Moderator Term</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CEO Tenure x NED Ratio</td>
<td>-0.02 (0.37)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- $R^2$: 0.06, 0.12, 0.12
- F: 2.25+, 2.93**, 2.62**
- F Change: 2.25+, 3.62**, 0.00
- Adjusted $R^2$: 0.03, 0.08, 0.08
- df: 5, 192, 9, 188, 10, 187

$N = 198$. + p < .1, * p < .05, ** p < .01, *** p < .001.
Hypothesis six (H₆) predicts that there is a negative relationship between CEO duality and organisation performance. In the bivariate correlation presented in Table 5.22, there was no significant correlation between CEO duality and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 3 there was no significant correlation between CEO duality and average return on assets for Hong Kong in Table 5.24. Both the outcomes of the bivariate correlation and moderated multiple regression analysis do not support H₆ in Hong Kong.

Hypothesis seven (H₇) predicts that there is a positive relationship between CEO tenure and organisation performance. In the bivariate correlation statistic presented in Table 5.22, there was no significant correlation between CEO tenure and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 3 there was no significant correlation between CEO tenure and average return on assets for Hong Kong in Table 5.24. Both the outcomes of the bivariate correlation and moderated multiple regression analysis do not provide support for H₇ in Hong Kong.

Hypothesis eight (H₈) predicts that higher CEO share ownership percentage is positively correlated to organisation performance. In the bivariate correlation presented in Table 5.22, there was a highly significant positive correlation between CEO share ownership percentage and average return on assets for Hong Kong. Similarly, in the regression analysis in step 2 of model 3 CEO share ownership percentage was significant with a positive correlation in Table 5.24. Both the outcomes of the bivariate correlation and moderated multiple regression analysis provide support for H₈ in Hong Kong.

Hypothesis nine (H₉) predicts that there is a negative association between the non-executive director ratio and organisation performance. In the bivariate correlation presented in Table 5.22, there was a highly significant negative correlation between the non-executive director ratio and average return on assets for Hong Kong. Similarly, in the moderated
regression analysis in step 2 of model 3 there was a significant negative correlation between the non-executive director ratio and average return on assets for Hong Kong as shown in Table 5.24. Both the outcomes of the bivariate correlation and the moderated multiple regression analysis support $H_9$ in Hong Kong.

Hypothesis 10 ($H_{10}$) posits that the influence of CEO tenure on organisation performance is moderated by the non-executive director ratio, such that high CEO tenure and a low non-executive director ratio jointly predict better organisation performance. In the moderated multiple regression analysis in step 3 of model 3 the moderator term between CEO tenure and the non-executive director ratio was not significant in Hong Kong in Table 5.24. The outcome of the moderated multiple regression analysis does not support $H_{10}$ in Hong Kong.

In model 1 $R^2$ explains 6 per cent of the variance in the DV; there is an increment in model 2 of 6 per cent and no increment in model 3 for Hong Kong giving an overall $R^2$ of 12 per cent. The highest VIF value in model 1, model 2 and model 3 is 1.5. This value is far below 10 and complements the bivariate correlation results that there are no issues in relation to multicollinearity (Myers 1990; Ryan 1997; Tabachnick & Fidell 2007).

5.4 Moderated Regression Plot

The interaction term between CEO tenure and the non-executive director (NED) ratio tested in hypothesis 10 proved to be statistically significant in predicting organisation performance for Australia. It is useful to plot interaction terms which are statistically significant to provide a clearer interpretation of the results (Tabachnick & Fidell 2007). For this reason, the interaction term between CEO tenure and the non-executive director ratio was plotted for the dependent variable average return on assets. The moderation plot is presented in Figure 5.1 in the following page.
Figure 5.1: The Interaction Term Plot between CEO Tenure and the Non-executive Director Ratio for the Dependent Variable Average Return On Assets for Australia

The simple regression slope was plotted for one standard deviation above the mean of the NED ratio (in red colour) and one standard deviation below the mean of the NED ratio (in green colour). The plot reveals at high levels of CEO tenure and a low non-executive director ratio, average return on assets evidences its highest value. Average return on assets is lowest where CEO tenure and the non-executive director ratio is high.

5.5 Robustness of the Analysis

Section 4.7.3 in the previous chapter explained several steps that have been taken in the research design of this study to manage the risk of endogeneity bias. There is a wide range of approaches to addressing the issue of endogeneity in corporate governance research from randomised controlled experiments to logical argument, with a variety of approaches
and techniques in between (Aguinis & Edwards 2014). In the first instance in the analysis this study makes use of a number of control variables that give insight into the influence of industry, organisation size, maturity of the business and management, and board of director expertise on the dependent variable. These control variables help to minimise the chance of some other independent variable not included in this study predicting the dependent variable, though we do not exclude the chance that there is another variable or variables not included in this study that may influence the dependent variable. We have demonstrated logical arguments in support of the direction of causality in the theory development for the hypotheses and there is a history of studies taking a similar theoretical position in relation to causality.

With no particular variable in the study suspected of being endogenous a series of tests were performed on multiple explanatory variables in the Australian, United States and Hong Kong data, separately. The residual of each of the independent variables in each of these data sets was obtained by regressing a particular variable on all other independent and presumed at this point exogenous variables used in the study (Wooldridge 2009). A residual was obtained for each independent variable. Then, using an F-test, a test for joint significance was made in the relevant multiple regression model (Wooldridge 2009). No concerns emerged in the two models for each of Australia, the United States and Hong Kong respectively, leading to the conclusion that there are no concerns with endogeneity bias in this study (Wooldridge 2009). This creates a strong case for use of the more efficient multiple regression analysis employed in this study here, in contrast with the less efficient two stage least squares alternative that can generate quite large standard errors (Wooldridge 2009).
5.6 Summary and Comparison of Results between Australia, the United States and Hong Kong

Table 5.25 below presents a table of summary highlighting the similarities and differences in results for the hypothesis tests. The significant results are indicated by the green boxes. The table highlights an area of similarity in prediction by the cross-sectional CEO output-oriented functional background of the dependent variable organisation performance across Australia, the United States and Hong Kong.

Table 5.25 also highlights other areas of similarity in prediction by certain CEO professional development and CEO work context variables of the dependent variable organisation performance between any two of these countries as follows. Between Australia and Hong Kong, there is a significant relationship between CEO share ownership percentage and organisation performance in a positive direction. Between Australia and Hong Kong, there is a significant relationship between the non-executive director ratio and organisation performance in a negative direction. Between the United States and Hong Kong, there is a significant relationship between an insider CEO and organisation performance in a positive direction.
Table 5.25: Comparison between the Expected Results, Bivariate Correlation Statistic Results, Multiple Regression Analysis Results and Moderated Regression Analysis Results across Australia, the United States and Hong Kong

<table>
<thead>
<tr>
<th>Hypothesis (H)</th>
<th>Australia Expected Results</th>
<th>Australia Bivariate Correlation Results</th>
<th>Australia Multiple / Moderated Regression Results</th>
<th>The United States Bivariate Correlation Results</th>
<th>The United States Multiple / Moderated Regression Results</th>
<th>Hong Kong Bivariate Correlation Results</th>
<th>Hong Kong Multiple / Moderated Regression Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Insider CEO</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>H2: CEO output-oriented functional background</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>H3: CEO with international work experience</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>H4: CEO with an MBA degree</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>H5: CEO number of university degrees</td>
<td>+</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>H6: CEO and chairperson duality</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>H7: CEO tenure</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>H8: CEO share ownership percentage</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>H9: Non-executive director ratio</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>H10: CEO tenure x non-executive director ratio</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>-</td>
<td>N/A</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes: The green boxes indicate significant results with a significant correlation at p < 0.05 or better. Hypothesis six for Australia was not tested and is not applicable (N/A) because across the final sample of 200 ASX companies only six per cent combined the CEO and chairperson position. The moderator term between CEO tenure and the non-executive director ratio was included only in the moderated regression analysis for testing hypothesis 10.
5.7 Conclusion

This chapter has presented the results of the study. The ANOVA results highlight areas of similarity in the cross-sectional CEO output functional background and CEO tenure data respectively across Australia, the United States and Hong Kong. However, the ANOVA results also highlight a continuing moment of divergence in the cross-sectional CEO duality data across Australia, the United States and Hong Kong, and in the cross-sectional CEO share ownership percentage data between Hong Kong and the Anglo-American countries studied here. Interestingly, only six per cent of the Australian companies practised CEO and chairperson duality; however, 68 per cent and 25 per cent of the United States and the Hong Kong companies respectively still practised duality. The Australian CEOs, United States CEOs and Hong Kong CEOs on average possessed 2.5, 1.4 and 11.4 per cent of company shares respectively.

The results of a one-way bivariate correlation statistic have been presented for Australia, the United States and Hong Kong in this chapter. Significant multiple regression results after removing the respective outliers recommended by SPSS are as follows. Across Australia, the United States and Hong Kong, a CEO who has a dominant functional background in an output-oriented field has a positive effect on firm performance. Both in Australia and Hong Kong, CEO share ownership percentage has a positive effect on firm performance, while the non-executive director ratio has a negative effect on organisation performance. Both in the United States and Hong Kong, an insider CEO has a positive influence on organisation performance. In the United States, a CEO with international work experience has a positive effect on organisation performance. The moderated regression results and the moderation plot indicate that long CEO tenure and a low non-executive director ratio are jointly associated with better ROA for Australia. The next chapter will discuss the results and the theoretical implications of the research findings.
CHAPTER 6  FINDINGS AND DISCUSSION

6.1 Introduction

The previous chapter presented the results of the study. An overarching finding from the results chapter is evidence of continuing divergence in terms of the CEO duality issue across Australia, the United States and Hong Kong. The findings also highlight an area of convergence in prediction by the CEO output-oriented functional background variable of the dependent variable, organisation performance, across the three countries. This chapter will set out the research findings and the discussions that are directed to answering the five research questions.

We have seen in the introduction in Chapter 1 that contributions of theory come from testing the validated theories with the observed phenomena; contributions to theory come from improving the existing theories through the observed phenomena (Whetten 2009). The theoretical contributions and implications of the research findings will be discussed in this chapter in consideration of the Whetten (2009) remarks. This chapter will discuss any useful insights from investigating the data for the control variables, the moderating variable, the dependent variable and the bivariate correlation statistic results across these three countries.

6.2 Research Question One

The first research question asks whether there is a theoretical basis for the argument that there is a trend to convergence of Anglo-American and Asian corporate governance practices—in large stock exchange listed companies—in relation to CEO professional development and the CEO work context that has an effect on organisation performance. Australia, the United States and Hong Kong have been selected to represent the Anglo, American and Asian corporate governance models, respectively, in this study.
An extensive review of the corporate governance literature has been conducted and presented in the literature review in Chapter 2. It has been shown that convergence theory provides a fundamental theoretical basis for the argument that there is a trend of convergence of corporate governance practices toward the Anglo-American model that maximises shareholder value (Hansmann & Kraakman 2001; Yoshikawa & Rasheed 2009; Rasheed & Yoshikawa 2012). Convergence theory should have implications for the differences in CEO practices between countries. If convergence occurs, then there will be evidence of similarity—first in the cross-sectional CEO professional development and work context data, and second in the relationship between the professional development and work context of the CEO and organisation performance in Australia, the United States and Hong Kong.

To gain a better understanding of such a convergence trend, this study has purposely built three corporate governance databases—one for each country—to enable testing of a series of convergence theory hypotheses. This is to establish a benchmark for understanding similarities and differences, and to achieve the second research objective. In doing so, this cross-country comparative research will provide a contribution of convergence theory by critically testing the theory with the observed CEO professional development data, the CEO work context data, and the analysis of the effect of the professional development and work context of the CEO within and between the three countries (Whetten 2009). This research provides a contribution to convergence theory by examining the observed phenomena and linking them back again to critically assess and improve convergence theory (Whetten 2009).

6.3 Research Question Two

This section will address the second research question by discussing the ANOVA results to identify and benchmark areas of similarity in cross-sectional CEO professional development and CEO work context data between large stock exchange listed companies in Australia, the United States and Hong Kong.
6.3.1 CEO Professional Development

The strongest area of convergence in the cross-sectional CEO professional development data between the three countries was evidenced in terms of CEO functional background. There is empirical evidence from the big stock exchange listed companies in all three countries that indicates an area of similarity in the cross-sectional CEO output-oriented functional background data. This finding indicates that there is a similar percentage of CEOs with an output-dominated functional background in the largest 200 stock exchange companies by market capitalisation from all three countries. This study found an area of similarity in the cross-sectional insider CEO data between the United States and Hong Kong. This implies that the leading United States and Hong Kong stock exchange listed companies were more inclined to select the CEO, in succession, from inside the company than were those in Australia. Further, there is an area of similarity in the cross-sectional CEO international work experience data between the large Australian and United States stock exchange listed companies. This implies that the international work assignment has become a common and integral part of managerial development in large United States and Australian stock exchange listed companies.

This study found an area of similarity in the cross-sectional CEO MBA education data between the United States and Hong Kong. The leading United States and Hong Kong stock exchange listed companies were more inclined to select a CEO with an MBA than were those in Australia. This finding supports the research findings in the literature that an MBA education influences the choice of CEO in the United States (Baruch 2009) and Hong Kong, notwithstanding the limited literature available. There is an area of similarity in the cross-sectional data between the United States and Hong Kong in terms of the number of university degrees held by a CEO. This finding indicates that, in general, the United States and Hong
Kong stock exchange listed companies have a slight preference for selecting a CEO with a higher educational level than the Australian companies have.

6.3.2 CEO Work Context

The strongest trend of divergence in the cross-sectional CEO work context data between Australia, the United States and Hong Kong was evidenced in terms of CEO duality. The findings with regard to a significant area of difference in the cross-sectional CEO duality data between Australia and the United States implies that there is still variation in certain practices of corporate governance regarding CEO duality within the Anglo-American corporate governance system. The area of difference in the CEO duality data was also evidenced between Australia and Hong Kong, and between the United States and Hong Kong. Across the final sample of 200 stock exchange listed companies for each country, only six per cent of the large Australian stock exchange listed companies practised CEO duality in comparison with 68 per cent and 25 per cent of the United States and Hong Kong companies, respectively. The Sarbanes-Oxley Act which was introduced in 2002 has the potential to essentially change the governance of the board of directors in the United States (Krause, Semadeni & Cannella 2014). The change might affect the practice of CEO duality, however the research here found that a large proportion of the leading United States stock exchange listed companies were still practising CEO duality in 2010. Consequently, the process of convergence in the CEO duality practice from Australia to the United States may take longer; further studies are needed to explore the changing trend of United States CEO duality practice over time. It is likely that the full convergence of this may not take place after all, as the need to combine the CEO and chairperson positions may vary between United States companies.

There is an area of similarity in the cross-sectional CEO tenure data between large stock exchange listed companies in the three countries. This study found that, on average, the
United States stock exchange listed companies had the longest tenure for a serving CEO in office (6.8 years) compared to those in Hong Kong (5.9 years), and those in Australia (5.8 years). This study found an area of similarity in the cross-sectional CEO share ownership percentage data between Australia and the United States, but also an area of difference in the cross-sectional CEO share ownership data between these two countries and Hong Kong. The descriptive statistic results suggest that on average the CEOs of the stock exchange listed companies in Hong Kong possessed a relatively higher percentage of shares than did the CEOs of the Australian and United States companies. This study found that across the final sample of 200 Hong Kong companies, 25 CEOs possessed more than 50 per cent of the shares of the company. In contrast, only one CEO in the Australian sample and none of the CEOs in the United States sample possessed more than 50 per cent of the company shares. This finding strengthens an argument in the literature that the strong distinction between the Hong Kong corporate governance system and the Anglo-American system relates to the ownership structure of publicly listed companies.

6.3.3 Theoretical Implications

The findings provide a contribution to the development of convergence theory. This is achieved by identifying and benchmarking areas of similarity for 2010 in the cross-sectional CEO output-oriented functional background data and the cross-sectional CEO tenure data, respectively, across the largest 200 stock exchange listed companies by market capitalisation in each country—Australia, the United States, and Hong Kong.

Nevertheless, this research found evidence of divergence in the cross-sectional CEO share ownership percentage data in Hong Kong, away from Australia and the United States, as highlighted in the ANOVA results and the descriptive statistic results. On average, the CEOs of these Hong Kong companies possessed a higher percentage of company shares than did the CEOs of the Australian and United States companies; this is likely to be related to the
prevalence of family ownership in Hong Kong’s corporate governance setting. Another apparent point of divergence relates to CEO duality; this was strongly evidenced in Australia and the United States. Further, the descriptive statistics show evidence of divergence in the cross-sectional data for the non-executive director ratio in Hong Kong away from Australia and the United States. On average, the company board of the leading stock exchange listed companies in Hong Kong consisted of a smaller percentage of non-executive directors than in Australia or the United States. The findings of divergence provide a contribution to convergence theory by highlighting evidence of areas of difference between countries in certain CEO professional development and CEO work context data. The findings provide support for the argument in corporate governance research that recognises that ‘one size does not fit all’ (Clarke 2007, p. 57). United States corporate governance reports—such as the NACD Blue Ribbon Commission Report—recommended separating the CEO and chairperson positions (Kiel & Nicholson 2003a). In reality, a large number of the leading United States stock exchange listed companies still have not implemented the report’s recommendation.

6.4 Research Question Three

This section will address the third research question by discussing the results of hierarchical multiple regression analysis and moderated multiple regression analysis. These analyses were undertaken to identify areas of similarity in prediction of the dependent variable, organisation performance, by cross-sectional CEO professional development and CEO work context variables, which would support a convergence argument.

6.4.1 Significant Relationship across Australia, the United States and Hong Kong

Hypothesis two predicts that the selection of a CEO who has a functional background in an output-oriented area is positively associated with organisation performance. The
empirical evidence from Australia, the United States and Hong Kong shows an area of similarity in the positive prediction by the cross-sectional CEO output-oriented functional background variable of the dependent variable, organisation performance, across the three countries; the evidence supports the convergence argument. The finding thus provides support for hypothesis two in all three countries.

6.4.1.1 CEO Output-oriented Functional Background and Organisation Performance

The literature that explores the relationship between the CEO output-oriented functional background and organisation performance in Australia and Hong Kong is limited. Existing research in relation to upper echelons’ functional background has usually been conducted for the United States. However, it should be noted that a limited number of studies explored the main relationship between a CEO with an output-oriented functional background and ROA. Perhaps the closest study to this present study was conducted by Tuggle, Schnatterly and Johnson (2010). From their bivariate correlation analysis, they did not find a significant relationship between the percentage of directors with an output-oriented functional background on the board and the ROA. Therefore, this present study contributes to the development of upper echelon theory and research by filling this gap in the literature.

Past research has discussed the value of selecting a successor CEO with an output-oriented functional background, particularly in a high-growth industry that gives emphasis to change and innovation (Datta & Rajagopalan 1998). CEOs often need to deal with the less controllable factors in a high-growth environment; work experience in an output-oriented functional area—such as sales and marketing—has been argued to provide the CEOs with the required abilities to manage difficult and unpredictable situations (Datta & Rajagopalan 1998). The finding of the research here shows that selection of a CEO who has an output-oriented functional background, and who puts a strong focus on products and innovation will benefit large stock exchange listed companies in all three countries. This is an important
finding for the corporate governance field, with implications for research and practice. This research here is likely to be the first to provide comprehensive empirical evidence that the upper echelon theory view that predicts a relationship between CEO functional background and organisation performance is empirically supported across large Australian, United States, and Hong Kong corporate settings. Therefore, this view is not only generally applicable to the United States corporate setting, but also to the Australian and Hong Kong settings. The abilities and experience gained from working in output functional areas will help the CEO to direct the company in a positive way and to deal with a contemporary business environment, which is often characterised by uncertainty, fast product cycle and tough competition (Tushman & O’Reilly 1997; Hamel 2000).

The bivariate correlation result for the United States shows a significant positive relationship between CEO output-oriented functional background and the information technology (IT) and telecommunication industry. This finding supports the Buyl et al. (2011) finding. They found that a CEO who can promote fast product-innovation and time-to-market is very important in an innovative, unpredictable and dynamic industry such as IT. A strong commitment to functional areas—in particular sales and marketing—at the highest level, such as the CEO, is likely to speed up the time for innovative products to reach the market (Cooper & Kleinschmidt 1994; Buyl et al. 2011). Innovation can then be promoted according to the accessible resources and abilities of the organisation (Atuahene-Gima 1996).

CEOs with an output-oriented functional background tend to focus their attention on growth and the pursuit of new opportunities, and they continuously observe markets and products (Hambrick & Mason 1984). In general, CEOs who come from output functional departments, such as sales and marketing, have a strong awareness of customers’ needs (Webster, Malter & Ganesan 2005). They have an ability to bundle various key information items into closely targeted product offerings (Buyl et al. 2011). These CEOs are committed to
engage in understanding their customers’ view and, therefore, they will add value to the company, especially during the process of developing new product offerings (Webster, Malter & Ganesan 2005).

In the Hong Kong context—which upholds the importance of family businesses, entrepreneurship and business networks—selecting a CEO with a strong entrepreneurial mindset or substantial work experience in an output functional department is beneficial to organisation performance. The literature (see for example Cho & Hambrick 2006; Tuggle, Schnatterly & Johnson 2010) indicates that upper echelons with an output-oriented functional background focus more on products and entrepreneurial matters than do those with a throughput functional background. These upper echelons are engaged in assessing product-market matters, and consequently, they will be more likely to concentrate on entrepreneurial-related stimuli and matters related to new business development (Hambrick 1981; Cho & Hambrick 2006; Tuggle, Schnatterly & Johnson 2010). CEOs who come from output-oriented functional areas such as entrepreneurship, marketing and sales have built a strong relationship and network with various key stakeholders, in particular with their suppliers and customers. They are more likely to develop and implement strategies that are tied closely to the revenues and profits of the company. This will ultimately result in better organisation performance in terms of ROA.

6.4.2 Significant Relationship across the United States and Hong Kong

Hypothesis one predicts that selection of an insider CEO is positively associated with organisation performance. The empirical evidence from Australia, the United States and Hong Kong identifies an area of similarity in the positive prediction by the cross-sectional insider CEO variable of the dependent variable, organisation performance, across the United States and Hong Kong. This finding supports hypothesis one, but only for the United States and Hong Kong.
6.4.2.1 Insider CEO and Organisation Performance

The finding from the United States is in agreement with the Zajac (1990) study of the largest United States companies. It found a positive relationship between an insider CEO and average ROA in the bivariate correlation and multiple regression analysis results. Insider CEOs benefit from acquiring company-specific and industry-specific skills and knowledge from their previous work experience within the company (Zhang & Rajagopalan 2010; Jalal & Prezas 2012). In general, insider and outsider CEOs bring different varieties of skill, knowledge, experience and network resources; thereby, the main stakeholders of the company may perceive an insider CEO differently to an outsider CEO (Chung & Luo 2013). It is expected that insider CEOs will need less time to learn about their new job (Jalal & Prezas 2012). They will have a better perception of the company’s capabilities and weaknesses in their early tenure than outsider CEOs will have (Zhang & Rajagopalan 2010). Therefore, it can be expected that they will face less difficulty in adapting to their new role and in selecting the most suitable changes for the organisation (Shen & Cannella 2002b). Insider CEOs tend to introduce and execute changes that build on existing organisational competencies; such changes could ultimately improve organisation performance in a fairly ‘incremental but continuous way’ (Zhang & Rajagopalan 2010, p. 343). The chance of a business failure is reduced, as these changes normally do not incorporate completely new strategies or competencies that are untested within the company (Zhang & Rajagopalan 2010). Consequently, insider CEOs would gain respect and mutual trust from the board of directors and the TMT.

The trend of the positive relationship between an insider CEO and organisation performance was also evidenced in Hong Kong. The literature review highlighted the importance of family ownership in the Hong Kong context. CEO succession has been an especially important matter in an environment where family businesses are prevalent (Ting
2013), as they are in Hong Kong. From 171 insider CEOs out of 200 CEOs in the leading
Hong Kong publicly listed companies, this present study identified 41 CEOs as either the
founder of the corporation who had been in their respective firm since the company’s
inception, or who was a close kin of the company founder. In the family-business
environment, an insider CEO who is likewise the principal of the corporation will possess
considerable power (Ting 2013). That allows him or her greater scope to develop strategies
and make decisions affecting organisational outcomes when compared to an outsider CEO
(Ting 2013). It is less likely for CEOs who are promoted from inside the organisation to be
regarded as competitors for power; therefore, these CEOs usually present less threat to the
remaining stakeholders (Shen & Cannella 2002b; Chung & Luo 2013). The effect of this
situation could be a smoother CEO transition process (Shen & Cannella 2002b; Chung & Luo
2013). Agency theorists contend that agents will act opportunistically and they need to be
closely incentivised and carefully monitored for them to perform in the best interests of the
shareholders (Jensen & Meckling 1976; Fama & Jensen 1983). In family-controlled
companies, it can be expected that insider CEOs—who are a family member and a major
shareholder of the company—act as an agent and as a principal of the corporation. They can
decrease agency costs because their interests will be aligned with the interests of other
principals (Fama & Jensen 1983; Miller, Le Breton-Miller, Minichilli, Corbeta & Pittino
2014). Consequently, the insider CEO can be expected to perform better than an outsider
CEO who is merely an agent and, therefore, is at a distance from the principals (Miller et al.
2014).

6.4.3 Significant Relationships across Australia and Hong Kong

Hypothesis eight predicts that there is a positive relationship between CEO share
ownership percentage and organisation performance. The empirical evidence from Australia,
the United States and Hong Kong identifies an area of similarity in the positive prediction of
the dependent variable, organisation performance, by the cross-sectional CEO share ownership percentage variable for Australia and for Hong Kong; however, the percentage of CEO share ownership does not have a crucial impact on organisation performance in the United States. This finding thus provides support for hypothesis eight, but just for Australia and Hong Kong. It is of note that there is also an area of similarity in the negative prediction by the cross-sectional non-executive director ratio variable of this dependent variable for Australia and for Hong Kong. This finding provides support for hypothesis nine—which predicts that there is a negative association between the non-executive director ratio and organisation performance—for these two countries. The integration of these two findings suggests that for Australia and Hong Kong, corporate governance structures that remunerate a CEO with substantial share ownership will be positively associated with organisation performance. However, corporate governance structures that simply focus on maintaining superior board independence by means of having a majority of non-executive directors on the board will be negatively associated with organisation performance.

6.4.3.1 CEO Share Ownership Percentage and Organisation Performance

The finding of this study showing a positive relationship between the CEO share ownership percentage and organisation performance in Australia and Hong Kong provides support for stewardship theory. Agency theory and managerial hegemony theory proponents raised concerns regarding the CEOs who own a high percentage of company shares, as these CEOs will gain more power and, consequently, may perform in a way to satisfy their personal agendas (Daily & Johnson 1997). Taking a managerial hegemony perspective, CEOs with a high percentage of share ownership possess greater discretion and voting power leading to a power disparity between the CEO and the board of directors. However, the effect of this situation is not as predicted by agency theorists; in fact, these CEOs will act more carefully in making key organisational decisions because their personal wealth is closely tied
to that of the company (Jayaraman et al. 2000; Dalton et al. 2003). The literature has indicated that substantial CEO share ownership can help to reduce agency problems (Jayaraman et al. 2000) and, accordingly, can serve to protect shareholders’ interests (Buchholtz & Ribbens 1994). The findings imply that share ownership may serve as an incentive mechanism for the CEOs to develop better managerial skills and to perform more diligently (Jayaraman et al. 2000). Stewardship theory applies, as the finding indicates that share ownership can motivate the CEO to become a better steward of a firm in the Australian legal jurisdiction. The substantial power that derives from possessing a high percentage of shares will enable the CEOs—based on their judgements and experience from dealing with daily managerial and operational issues—to express, and address, concerns of the company.

The same trend of a positive effect of CEO share ownership percentage can be seen in Hong Kong. Similar to the Australian case, the Hong Kong finding provides support for stewardship theory. It indicates that CEOs with substantial share ownership can be trusted to bring a positive impact to organisation performance; they are an important steward and human resource of the company. They possess substantial power, and so they have more discretion in executing strategic decisions and in gaining access to key resources and networks. This study found that across the 200 in the final Hong Kong sample, 25 CEOs owned more than 50 per cent of the company shares. Across these 25 CEOs, 16 were identified as either the founder of the corporation or a close relative of the company founder. In family-controlled companies, it is likely that CEOs with substantial share ownership—including founder CEOs and CEOs with a close tie to the founding family—will have more power than the board. Consequently, a managerial hegemony situation may occur, where the board acts as a rubber stamp on a CEO’s choices (Herman 1981; Hendry & Kiel 2004). However, further studies are needed to explore the tension between CEO power and board power in publicly listed companies in Hong Kong.
The trend of a significant positive relationship between CEO share ownership percentage and organisation performance was not seen in the United States. This finding is in agreement with the Bigley and Wiersema (2002) study of large United States companies. They found from their bivariate correlation analysis no significant relationship between CEO stock ownership and average ROA. This finding is aligned with the finding of Dalton et al. (2003). Utilising meta-analytic techniques, they did not find full support for a positive relationship between insider executive equity ownership (including CEO equity) and financial performance in large United States companies drawn from various indexes, including the S&P 500, the Fortune 500 and the Forbes 500.

6.4.3.2 Non-executive Director Ratio and Organisation Performance

The literature indicates that Australian companies have implemented world best practice with regard to board composition (Kiel & Nicholson 2003a). Australian reports such as the ASX Corporate Governance Principles and Recommendations and the Bosch Report recommend that a company board should comprise a majority of outside, non-executive directors (Bosch 1995; Kiel & Nicholson 2003a; ASX 2010). These recommendations were followed by a large number of the leading ASX companies, as evidenced in the data underlying the research here. Across the final sample of 200, 129 ASX companies had only one inside, executive director on the board, and seven ASX company boards did not include an executive director—that is, the CEO was not a member of the board. Therefore, a total of 68 per cent of the leading 200 ASX companies had an extremely high non-executive director ratio (that is, a ratio of either one or very close to one). Grounded in agency theory, a high non-executive director ratio, it was argued, would promote superior board independence from management (Zahra & Pearce 1989; Pearce & Zahra 1991). However, the finding of this present research suggests that the prevalence of a high non-executive director ratio in the Australian corporate setting will not directly lead to better ROA of organisation performance.
Instead, the empirical evidence shows that a high non-executive director ratio predicts poorer organisation performance.

This finding has several implications for corporate governance practices and research in Australia. First, the finding does not give empirical support to agency theory and resource dependence theory but, rather, favours stewardship theory. The finding may imply that stock exchange listed companies in Australia should consider the possible benefits of including capable inside, executive directors on the board, rather than being too concerned with the issues of board independence, the monitoring of the CEO, and the provision of external resources. Second, the finding raises questions over the effectiveness of a board that consists only of non-executive directors. The presence of some inside, executive directors on the board can enhance board processes in making well-informed decisions, as executive directors possess firm-specific expertise and experience gained from managing daily operational issues (Hillman & Dalziel 2003; Kiel et al. 2012). Aside from the agency role and the resource dependence role, the literature has indicated that the board does make an important contribution to the process of strategic decision-making (Bonn & Pettigrew 2009). The effectiveness of the roles of the board in providing key relevant advice to the TMT and participating in strategic decision-making may be reduced if the board mainly consists of non-executive directors.

A similar trend of a negative influence from the non-executive director ratio was also evidenced in the Hong Kong setting. The literature has indicated that there has been a push toward including more non-executive directors on Hong Kong company boards (Cheng & Firth 2005). However, there are questions of whether the strategy to recruit outside, non-executive directors can provide the best return for the company (Au, Peng & Wang 2000). The finding of the present research supports the Garcia-Ramos and Garcia-Olalla (2014) finding in that in the family-business setting, agency theory is only supported when there is a
low percentage of non-executive directors on the board. The finding gives support to stewardship theory, in which case the presence of a majority of inside, executive directors on the board will predict better organisation performance (Garcia-Ramos & Garcia-Olalla 2014). For Hong Kong, the literature points out that including too many non-executive directors on the board is often regarded as a mechanism to control the senior executives or the inside, family directors (Garcia-Ramos & Garcia-Olalla 2014). This can result in a loss of motivation among the key stewards (Garcia-Ramos & Garcia-Olalla 2014). The literature has indicated that the corporate governance system in Hong Kong is characterised by a close relationship between business networks (Crawford 2001), and a high level of interlocking shareholdings among companies (Brewer 1997; Keong 2002). Consequently, it is challenging to obtain completely ‘independent board members in a small corporate market’, such as Hong Kong (Chen et al. 2005, p. 442). Further, the inclusion of inside, executive directors will help to promote better organisation performance in family businesses especially, since they possess key knowledge, resources, expertise and experience that the non-executive directors normally do not possess (Garcia-Ramos & Garcia-Olalla 2014).

The findings with regard to the negative influence of the non-executive director ratio provide empirical evidence that supports the observation in Clarke (2014b) in relation to the possibility of a limited effect of board independence on organisation performance. The research here shows that the limited effect of board independence was not only evidenced in Hong Kong, but in Australia and the United States as well. This research found a negative relationship between the non-executive director ratio and organisation performance in the United States, although this relationship is not statistically significant. This non-significant United States finding is aligned with the finding of Dalton et al. (1998). Using a meta-analysis technique, they found no significant relationship between board composition—as measured by the non-executive director ratio—and financial performance.
6.4.4 Non-significant Findings across Australia, the United States and Hong Kong

Hambrick and Mason (1984, p. 204) have talked about ‘the possibility of non-findings’ in research on upper echelon theory; that is, the possibility of obtaining no significant results. The results of the study here indicate that some observable CEO professional development and work context variables do not yield a reliable representation of CEOs’ ‘makeup’ (Hambrick & Mason 1984, p. 204). Specifically, it was found that CEO MBA education, the number of university degrees that a CEO possesses, or CEO tenure did not influence organisation performance in Australia, the United States, or Hong Kong. Further, there was no significant relationship between CEO duality and organisation performance in the United States or Hong Kong. Geletkanycz and Tepper (2012) explain that the unsupported hypotheses are in themselves informative. Therefore, this section will discuss useful insights from the results that lack significance to establish a better understanding of the upper echelon, agency, stewardship, managerial hegemony, and resource dependence theories.

6.4.4.1 CEO MBA Education and Organisation Performance

Hypothesis four—which predicts that the presence of a CEO with an MBA degree is positively associated with organisation performance—was not supported for Australia, the United States, or Hong Kong. Empirical evidence that explores the relationship between a CEO with an MBA education and organisation performance is limited in the United States, and is even more limited in Australia and Hong Kong. The finding of this study fills that gap. Although the results are not significant, the unstandardised coefficient values—or the B values—in the multiple regression results inform the direction of the relationship between a CEO with an MBA degree and organisation performance: it is positive in Australia (see Table
5.17), but negative in the United States (Table 5.20) and Hong Kong (Table 5.23). The finding from Australia is somewhat aligned with the finding of a Lindorff and Jonson (2013) study of Australian companies. They found no relationship between CEO MBA qualification and organisation performance, although they used return to shareholders as their performance measure. They acknowledged that there are differences in each individual’s career path, skills, intelligence and experience and, moreover, that the MBA education is likely to produce a different set of results for different individuals. CEOs with an MBA will differ in the ways in which they apply the skills and knowledge from the degree to their decisions and actions.

There are a few possible explanations for this non-significant finding. Organisation performance may be attributable to CEO skills or knowledge that are not taught in the MBA courses, and are thus not captured in the analysis (Lindorff & Jonson 2013). In general, when they are appointed CEOs are many years beyond their MBA graduation; it is likely that subsequently the skills, learning and experience that they obtained from their degree will not have a crucial impact on organisation performance (Finkelstein, Hambrick & Cannella 2009). The MBA curricula are constantly subject to revision to meet contemporary business needs. Thus, executives would need to update their business-management knowledge continuously, well beyond their MBA graduation date. The MBA education provides executives with general business skills, and executives need to adjust what they learned from the MBA to cater for the specific needs of their company. There are professional development programs run by other providers, and it is likely that an MBA education does not give a unique advantage to CEOs (Lindorff & Jonson 2013). The findings suggest that a CEO with an MBA education will not provide value-added benefits to the performance of leading Australian, United States and Hong Kong publicly listed companies.
Some studies in the United States (for example Finkelstein 1992; Bigley & Wiersema 2002) have highlighted the benefit of selecting a CEO with an MBA degree from an elite university. Such a CEO is likely to have opportunities to access invaluable social networks, and the prestige of the elite university can be transferred to the CEO (D’Aveni 1990; Bigley & Wiersema 2002). This could be the focus of future research, particularly in the national settings of Australia and Hong Kong where there is a recognised gap in this research area. Researchers are cautioned to check data availability beforehand. During data collection for the present research, it was discovered that some companies did not disclose information regarding the name of the university conferring their CEO’s MBA.

6.4.4.2 CEO Number of University Degrees and Organisation Performance

The prediction from hypothesis five that there is a positive relationship between the number of university degrees that a CEO possesses and organisation performance was not supported for Australia, the United States, or Hong Kong. Previous studies have typically linked formal education to cognitive complexity (Wally & Baum 1994), innovation (Barker & Mueller 2002), and growth (Norburn & Birley 1988). However, the effect of the CEO educational level on organisational performance—such as profitability and ROA—has not been as widely explored (Finkelstein, Hambrick & Cannella 2009). This present research fills this gap. No evidence was found of a significant relationship between the number of the CEOs’ university degrees and organisation performance across the three countries. Possibly, the reason for this non-significant result is similar to the arguments related to the non-significant relationship between a CEO with an MBA education and organisation performance: CEOs are usually well beyond their university education. CEOs’ university education is less likely to be a crucial factor for their decisions that ultimately affect organisation performance (Finkelstein, Hambrick & Cannella 2009). It was noted that across the final sample of 200 CEOs for each country, seven Australian CEOs, nine United States
CEOs and 19 Hong Kong CEOs had a Doctor of Philosophy (PhD). Across this same final CEO sample of 600, there were 174 Australian CEOs, 190 United States CEOs, and 179 Hong Kong CEOs who possess at least one university degree. This implies that the majority of the top stock exchange companies in these countries—especially in the United States—are inclined to select a CEO with at least one university degree.

The bivariate correlation results show a significant negative correlation between the number of university degrees held by a CEO and firm performance in the United States and Hong Kong. In Australia, this correlation was negative but not statistically significant. Although the multiple regression results show no significant relationship between the number of the CEOs’ university degrees and organisation performance, the bivariate correlation results add to our understanding that the educational level of the CEO may be associated with a negative impact on organisation performance. In a related study of United States companies, Jalbert, Rao and Jalbert (2011) found that CEOs without a degree outperformed CEOs with a degree. It is possible that CEOs with a greater number of university degrees may have a tendency to screen for and analyse risk more carefully and thoroughly before making business decisions. This can lead to a higher risk-avoidance propensity, which may affect firm performance negatively. Studies based on qualitative interviews are needed to explore the value to organisation performance of the university education of senior executives, particularly CEOs.

6.4.4.3 CEO Duality and Organisation Performance

Hypothesis six—which predicts that CEO duality would have a negative relationship with organisation performance—was not supported for the United States or Hong Kong. The moderated multiple regression results suggest that although CEO duality is related to lower organisation performance in the United States and Hong Kong, its influence is weak and not statistically significant.
This finding is aligned with some existing studies conducted in the United States and Hong Kong (Rechner & Dalton 1989; Daily & Dalton 1992, 1993; Dalton et al. 1998; Lam & Lee 2008), which did not find a significant relationship between CEO duality and organisation performance. A possible reason for this non-significant finding is that neither stewardship, upper echelon, nor agency theory can sufficiently predict the effect of CEO duality. This is because it may have a positive influence under specific settings—for example a particular industry or ownership structure—and a negative influence under other settings (Boyd 1995; Kiel & Nicholson 2003a). Lam and Lee (2008) found that the relationship between CEO duality and organisation performance in Hong Kong is dependent on the ownership structure (family or non-family) of the firm. Future research could consider the use of moderating variables when exploring the effect of CEO duality on organisation performance.

6.4.4.4 CEO Tenure and Organisation Performance

Hypothesis seven—which predicts that long CEO tenure would have a positive relationship with organisation performance—was not supported for Australia, the United States, or Hong Kong. Some existing studies (Boone, Brabander & Van Witteloostuijn 1996; Iaquinto & Fredrickson 1997; Balkin, Markman & Gomez-Mejia 2000) found no relationship between CEO tenure and organisation performance. Balkin, Markman and Gomez-Mejia (2000) conducted a study of the United States companies listed in the Forbes 1994–1995 special issues. They used CEO tenure as one of the control variables. In the bivariate correlation results, they found no significant correlation between CEO tenure and ROA.

Iaquinto and Fredrickson (1997) conducted a study of 65 United States companies in two separate industries and found no significant correlation between top management tenure and ROA in the bivariate correlation and multiple regression results. Boone, Brabander and Van Witteloostuijn (1996) studied small Belgium companies and did not find a significant
correlation between CEO tenure and organisation performance in either their bivariate correlation or multiple regression results. The study here found no relationship between CEO tenure and organisation performance in the three countries studied. Similar to the argument related to the non-significant effect of CEO duality, it is possible that the stewardship, resource dependence, upper echelon, and agency theories cannot sufficiently predict the influence of CEO tenure on organisation performance. It is likely that CEO tenure may have a positive influence in certain settings—for example a small-to-medium enterprise—and a negative influence in others. This leads to an opportunity to consider the use of moderating variables (other than the non-executive director ratio that has been used in the present research) to explore under which conditions long CEO tenure can provide a benefit to organisation performance.

6.4.5 Theoretical Implications

The previous sections identified significant results and non-significant results. The trend of the significant results across different countries enhances the external validity of the theories that are implied in the respective hypotheses. Hambrick (2007) recognises that the majority of previous empirical studies on upper echelons have typically used a sample of United States companies. Prevalent corporate governance theories, including agency theory and managerial hegemony theory, have been largely developed to gain a better understanding of the key corporate governance issues arising in the Anglo-American context (Boyd, Haynes & Zona 2011). In Australia, research focusing on the influence of the CEO on organisation performance is limited, but is developing (O’Shannassy 2010). As corporate governance practices evolve and develop around the world, an understanding of the influence of the CEO in empirical research continues to evolve as well. It has been evidenced in the literature review and in the development of hypotheses that there is now a wide corporate governance literature, which includes a strong and rigorous body of United States research conducted in a
business community where, traditionally, there has been extensive practice of CEO duality. There is an opportunity to complement these completed studies by building research knowledge on other countries, especially countries with strong corporate governance institutional leanings to best practice, such as Australia (Kiel & Nicholson 2003a).

The exploration of the Australian companies improves understanding of how the views from upper echelon theory and corporate governance theories can explain corporate governance phenomena in the Anglo corporate setting. Hong Kong companies operate in a unique business environment, mixing Chinese (that is, Eastern) tradition with British (that is, Western) influence (Au, Peng & Wang 2000). The exploration of the Hong Kong companies contributes to theory by discovering ‘whether predictions based on findings from the West hold with firms in Hong Kong’ (Au, Peng & Wang 2000, p. 30). In doing so, this research seeks to recognise the boundaries of current theories when the theories are applied in an Asian setting (Au, Peng & Wang 2000).

6.4.5.1 Contribution to Upper Echelon Theory

The findings of this thesis provide a better understanding of how upper echelon theory can (or cannot) be applied to explain the relationship between the professional development and work context of the CEO and organisation performance in Australia, the United States, and Hong Kong. Typically, existing upper echelon research (for example Hutzschenreuter & Horstkotte 2013; Nielsen & Nielsen 2013; Qian, Cao & Takeuchi 2013) focused on investigating the effect of TMT composition on organisational outcomes. The existing stream of research found that organisational outcomes, at the minimum, are dependent on the TMT composition and TMT processes (Hambrick 2007). Although the exploration of the executive teams may produce better results to explain firm outcomes, upper echelon theory does not always require an emphasis on the TMT; indeed, various important contributions have come from exploring the effect of individual CEOs on organisational outcomes (Hambrick 2007).
This thesis provides a contribution of upper echelon theory by applying some of the theory’s assumptions and then testing to establish whether they apply to the Australian, United States and Hong Kong corporate settings (Whetten 2009). This research found that the influence of certain CEO professional development and work context variables could vary from one country to another. The findings from Australia provide empirical support for upper echelon theory, which indicates that better firm performance can be predicted by the selection of a CEO with an output-oriented functional background, or a high percentage of CEO share ownership. The findings from Hong Kong provide empirical support for upper echelon theory, indicating that better firm performance can be predicted by selecting an insider CEO or a CEO with an output-oriented functional background, or a high percentage of CEO share ownership. The findings from the United States provide empirical support for upper echelon theory, indicating that better organisation performance can be predicted by selecting an insider CEO, a CEO with an output-oriented functional background, or a CEO with international work experience. However, the findings that the CEO work context variables do not have any crucial impact on organisation performance in the United States do not provide empirical support for upper echelon theory. This is an interesting discovery, considering that the United States data have been argued to yield a higher probability of producing results that provide support for upper echelon theory (Hambrick 2007). The present research provides a contribution to upper echelon theory by showing that in the United States, the CEO professional development backgrounds (with the exception of the CEO education) matter more to organisation performance in terms of ROA than do the CEO work context issues. Future research for the United States should focus more on exploring the effect of the CEO professional development background than on the effect of the CEO work context issues.

It is of note that a previous study conducted by Crossland and Hambrick (2007) discovered that the overall influence of CEOs in the United States was considerably higher
than it is in other developed economies such as Germany and Japan. In a more recent study, they explored the differences in CEO discretion across 15 countries, including Australia and the United States, but not Hong Kong (Crossland & Hambrick 2011). They found that the overall CEO effect on ROA was greater in Australia than in the United States. However, their study indicated that the overall CEO effects on other organisation performance measures in the United States—such as return on sales, market to book ratio and return on investment capital—were bigger than those in Australia. The study here has limited the measure of organisation performance to average ROA. For the United States, it is possible that an exploration of the influence of the CEO work context variables on organisation performance measures other than ROA might provide some support for upper echelon theory. This should be explored further in future research.

Upper echelon theory builds on the assumptions that every individual CEO is different and that the strategic options accessible to them differ (Hambrick 2007). The assumptions of upper echelon theory may have considerably greater validity in certain legal jurisdictions or societies than in others (Hambrick 2007). Consequently, the effect of CEO professional development and work context may vary across different national contexts. The study here contributes to the development of global corporate governance research by identifying areas of similarity and difference in the predictions from the cross-sectional CEO professional development and CEO work context variables of the dependent variable, organisation performance, between Australia, the United States and Hong Kong. The use of multiple countries may offset the possible risk from generalising (Zona, Zattoni & Minichilli 2013).

An important contribution to upper echelon theory comes from discovering which CEO professional background and CEO work context issues matter most to organisation performance and the ones that do not (Crossland & Hambrick 2007) for the three countries.
In the post-GFC period, after controlling for industry, firm size, firm age and board size there is agreement that selection of a CEO with an output-oriented functional background would positively influence organisation performance across the leading stock exchange listed companies in all three countries. CEOs with an output-dominated background are especially valued in a turbulent business environment (Hambrick & Mason 1984; Datta & Rajagopalan 1998). In the period shortly after the GFC, CEOs often needed to face an even greater number of unpredictable situations than before, and the finding suggests that CEOs who are product-focused would provide better value to their organisation than those who are process-focused. This finding contributes to upper echelon theory by providing empirical evidence and support to its argument that in all three countries, under demanding and stressful conditions, CEOs can be expected to reflect on their own functional background when developing key organisational decisions (Hambrick & Mason 1984; Qian, Cao & Takeuchi 2013).

The non-significant findings provide a contribution to upper echelon theory by clarifying that across the three countries, organisation performance does not seem to benefit from the presence of a CEO with an MBA degree, a CEO who holds a greater number of university degrees, or a CEO with long tenure. This research shows that CEO duality by itself is not a significant CEO work context predictor of the dependent variable organisation performance in the United States and Hong Kong. In discussing the non-significant findings, it is helpful to consider the possible ‘floor effects’ in many of these CEO professional development and CEO work context measures. For example, it is possible that there is a baseline number of university degrees—or a floor—for a CEO to get his or her early job and succeed in that job. Every CEO would have all the fundamental attributes from the completion of his or her university study and other things would matter more. In this sense, the university degrees might be a strong predictor of a CEO’s overall success, but it is not a
strong predictor of organisation performance in the CEO’s daily jobs. Indeed, this research evidences other CEO professional development and work context factors would matter more to organisation performance.

In their original upper echelon study, Hambrick and Mason (1984) argued that formal education to some extent provides an indication of a CEO’s skill foundation and knowledge; professional management education—such as an MBA—promotes a tendency for administrative complexity. The question remains of whether a CEO with an MBA will provide unique value-added benefit to firm performance. The study here contributes to upper echelon theory by discovering that there is no relationship between a CEO with an MBA and organisation performance, at least in terms of ROA, in the large stock exchange listed companies in the three countries studied. Lindorff and Jonson (2013) explain the possibilities that high organisation performance is associated more with good leadership practice or in the presence of a charismatic leader. They also argue that organisation performance may be predicted by CEO characteristics which are hard to develop externally, although the present study did find the value to firm performance of certain observable CEO characteristics. In terms of professional development, CEOs may obtain the necessary skills, experience and knowledge that help to improve organisation performance from sources other than an MBA education (Lindorff & Jonson 2013).

The literature from the discipline of business education informs of the deficiencies of the MBA curriculum (Mintzberg 2004; Navarro 2008). Navarro (2008) found that the MBA programs of the leading United States business schools lack focus in multidisciplinary integration and practical elements. Many Australian and United States business schools possess a similar type of accreditation for their MBA programs that is through the Association to Advance Collegiate Schools of Business (AACSB), the Association of MBAs (AMBA), or the European Quality Improvement System (EQUIS) (Lindorff & Jonson 2013).
Therefore, criticisms of Australian MBAs are as relevant there as they are of MBAs in other countries (Lindorff & Jonson 2013). From a different point of view, Pfeffer (2005) argued that MBA students learn differently from their education and that the majority of them are buying a credential to advance their career or salaries, as opposed to acquiring an education with intrinsic value. This discussion brings a recommendation for further studies that would, ideally, interview or survey CEOs who possess an MBA degree. This should enable researchers to gain more insight into CEO perception of whether the MBA learning experience that they have undertaken contributes to their decision-making processes and, ultimately, to organisation performance. The present study found that CEO educational level is not a CEO professional development predictor of organisation performance in large stock exchange listed companies in the three countries. This finding provides empirical support for the Hambrick and Mason (1984) view expressed in their early piece of research on upper echelon theory. They posited that the number of university degrees of a management group had no effect on organisation performance.

6.4.5.2 Contribution to Convergence Theory

This thesis develops and extends convergence theory by discovering a new area of convergence in the cross-sectional CEO output-oriented functional background data, and in the positive relationship found between CEO output-oriented functional background and organisation performance across Australia, the United States and Hong Kong. This finding provides support for the convergence argument. There is an opportunity for further studies to discover whether there is also a positive influence of a CEO with an output-oriented functional background on organisation performance in leading stock exchange listed companies in other countries. Additionally, a study that explores the effect of CEOs who have a strong background in entrepreneurship, and sales or marketing on the performance of small-to-medium enterprises in Australia, the United States and Hong Kong could provide
novel and interesting insights. Ultimately, such insights would probably contribute to a better understanding of upper echelon theory and convergence theory.

The present research extends convergence theory by discovering a few other areas of convergence in its results as follows. Between Australia and Hong Kong, there were two moments of convergence (that is, similarity): first in the positive relationship between CEO share ownership percentage and organisation performance, and second in a negative relationship between the non-executive director ratio and organisation performance. Between the United States and Hong Kong, there was a moment of convergence in terms of the positive relationship between an insider CEO and organisation performance.

**6.4.5.3 Contribution to a Multi-theoretic Perspective**

The research reported here contributes to theory by linking the upper echelon, agency, stewardship, managerial hegemony, resource dependence, and convergence theories as being relevant to the development of a series of research hypotheses (Johnson, Daily & Ellstrand 1996). This gives the thesis a multi-theoretic perspective. The research hypotheses taken together make a contribution to theory by identifying the link between the CEO professional development variables, the CEO work context variables, and the organisation performance variable. The research provides a more complete understanding of the applicability of the when, how, and where of upper echelon, convergence, agency, stewardship, managerial hegemony, and resource dependence theories. The use of a multi-theoretic perspective provides a better understanding of the relationship between the professional development and work context of the CEOs and organisation performance, and the interactions that take place on the board of directors of stock exchange listed companies (Boyd, Haynes & Zona 2011). This research has considered and selected the CEO professional development and CEO work context variables that are most relevant to the corporate governance field and which have implications for theory development (Whetten 1989).
The findings show that upper echelon theory and the corporate governance theories implied in the respective hypothesis (for example agency theory and stewardship theory) cannot sufficiently predict the influence of a CEO with an MBA, the number of university degrees possessed, or CEO tenure in the three countries. In addition, the upper echelon, agency, and stewardship theories have limitations in predicting the link between CEO duality and organisation performance in the United States and Hong Kong. It is likely that these CEO professional development or CEO work context variables may have a positive influence on organisation performance under particular settings, and a negative influence under other settings. Further study should look at the effect of the contextual factors in moderating the relationship between these variables and organisation performance. This should extend an understanding about the conditions under which these variables will matter to organisation performance.

There has been much research attention given to the influence of CEO tenure on organisation performance, especially in a legal jurisdiction such as the United States with its wide practice of duality (Fitzroy, Hulbert & Ghobadian 2012). Sharper insight into CEO tenure and organisation performance in a legal jurisdiction where the prevailing practice is separation—such as in Australia—is useful, especially given the debate as to whether this relationship is linear positive, linear negative, or a quadratic (that is, the inverted U shape), or indeed, whether there is any relationship at all. Stewardship theory and resource dependence theory provide theoretical support for the argument that long-tenured CEOs who are good stewards with sound access to useful resources are likely to work for organisations that perform strongly over time. The Waldman et al. (2001) study of the Fortune 500 companies found a positive relationship between CEO tenure and net profit margin in their hierarchical regression result. The relationship between CEO tenure and organisation performance was not significant in the results for all three countries studied here. This finding implies that long
CEO tenure alone does not matter to organisation performance in a legal jurisdiction where there is either a wide practice of duality—such as the United States—or a wide practice of separation—such as Australia. This research did discover that in Australia CEO tenure is related to organisation performance, depending on the non-executive director ratio. There is a possibility that CEO tenure is related to organisation performance, depending on other board work context variables (for example average board tenure and average board share ownership percentage). This could be explored in future research.

6.4.5.4 Contribution to Australian Corporate Governance

The literature suggests that the Australian corporate governance system has been largely influenced by agency theorists’ recommendations (Kiel & Nicholson 2003a). This is reflected in the data of this research that shows, on average, a small number of CEO duality cases, a very low CEO share ownership percentage, and a very high non-executive director ratio among the largest Australian stock exchange listed companies by market capitalisation. This suggests a low managerial hegemony situation in the Australian context, where the board seems to hold considerable power in monitoring the CEO. However, the findings show that a high percentage of CEO share ownership has a positive impact on organisation performance, whereas a high non-executive director ratio has a negative impact on it. Taking the multi-theoretic perspective of the agency, stewardship, and managerial hegemony theories, a high percentage of CEO share ownership will increase CEO power (Finkelstein 1992). However, remunerating the CEO with share ownership seems to benefit firm performance, as it can ultimately reduce principal-agent problems (Jayaraman et al. 2000). In this situation, a CEO should be trusted to perform more attentively and diligently to bringing higher returns to the company, as his or her personal fortune is closely linked to the organisation’s wealth (Jayaraman et al. 2000).
Further, in Australia, agency theory was supported when the non-executive director ratio was low. The benefits of having a majority of non-executive directors on the board are largely based on agency theory and resource dependence theory views. Agency theory proponents assert that non-executive directors bring greater effectiveness, accountability and transparency to CEO monitoring (Fama & Jensen 1983; Yoshikawa, Zhu & Wang 2014). Resource dependence theory advocates argue that non-executive directors serve to bring key resources and legitimacy to the organisation (Hillman, Cannella & Paetzold 2000). However, the present research found that a board structure consisting of a high percentage of non-executive directors does not immediately lead to a better firm ROA. This significant finding provides a contrary view that somewhat moves away from agency theory and resource dependence theory recommendations. This empirical finding has an important theoretical implication for corporate governance practice in Australia. It alters the way we think about the relationship between the non-executive director ratio and organisation performance as it suggests that the design of the board does not always have to incorporate a majority of non-executive directors but, rather, companies should consider selecting and including some key members of the TMT to be part of the board. Integrating agency theory perspectives and stewardship theory perspectives, executive directors should be trusted to perform in the best interests of the organisation, and a moderate percentage of non-executive directors on the board should be sufficient to ensure that the agency role of the board will be performed effectively. From a resource dependence perspective, the inclusion of executive directors on the board will strengthen its access to the internal resources of the company. During difficult times, such as after the GFC, the firm-specific expertise, knowledge and experience of the executive directors will be greatly valued to help manage internal affairs and to enhance the advisory role of the board. The presence of executive directors on the board will improve the flow and speed of communication between the board, the TMT and other key stakeholders—
including line managers, employees, customers and suppliers. In Australia, finding the optimum balance between executive directors and non-executive directors on the board is essential to sound corporate governance and performance. Kiel et al. (2012) inform the importance of having executive directors who can act, behave and think independently in the Australian setting.

In Australia, the positive relationship between a CEO with an output-oriented functional background and organisation performance extends understanding of upper echelon theory, stewardship theory and resource dependence theory. A CEO who has a strong focus on product-innovation, entrepreneurship, and sales or marketing is an important steward for achieving better organisation performance. From a resource dependence perspective, CEOs with functional backgrounds in sales, marketing, or entrepreneurship possess key organisational resources, including access to a strong network of suppliers and customers. CEOs who have been largely exposed to functional areas such as engineering or product R&D have more opportunities, every day, to handle technical problems that are related to the company products. They possess comprehensive knowledge of firm products, which is useful for developing product strategy and, ultimately, for positively influencing organisation performance. In the Australian context, benefits related to stewardship theory and resource dependence theory are present when selecting a CEO with an output-oriented functional background.

**6.4.5.5 Contribution to United States Corporate Governance**

In general, the findings from the United States show similar trends to those from Australia in terms of a very low CEO share ownership percentage and a very high non-executive director ratio, with the exception of the high number of CEO duality cases found in the leading United States stock exchange listed companies. The research found that CEO professional development backgrounds—specifically the CEO insider or outsider status, CEO
functional background, and CEO international work experience—matter more to organisation performance than do the CEO work issues (CEO duality, tenure and share ownership percentage). The reason for these findings may be related to the Hambrick (2007) argument, which explains that if a society sets a high level of control over the work of the CEO, then the effect of the CEO work context variables on organisational outcomes is likely to be suppressed. The findings have important theoretical implications particularly for upper echelon theory and should have practical implications for the professional development and training of senior executives in United States stock exchange listed companies.

Selection of an insider CEO has a crucial impact on organisation performance in the United States. Agency theory applies from the viewpoint that the board has the opportunity to learn about the characteristics of an insider CEO candidate before the CEO appointment is decided, and has the chance to update its judgement on the candidate more precisely over time (Zajac 1990). A positive outcome of the CEO succession process reflects the ability of the board of directors to select the right individual for the position (Huson, Parrino & Starks 2001). This will strengthen shareholder trust in the board and in the CEO, hence minimising the typical conflicts between principal and agent. Stewardship theory applies from the viewpoint that an insider CEO represents a trustworthy steward of the corporation, as his or her credibility, reputation and achievements for the organisation have been clearly demonstrated prior to their appointment to the CEO role. From a resource dependence theory perspective, an insider CEO will possess a better mastery of company limitations, capabilities and internal resources than an outsider CEO can have (Greiner, Cummings & Bhambri 2003; O’Shannassy 2011). Therefore, in the United States context, benefits related to the agency, stewardship, and resource dependence theories are present when selecting an insider CEO.

Similar to the findings from Australia, in the United States there is benefit to organisation performance from selecting a CEO with an output-oriented functional...
background, thus providing support to the upper echelon, stewardship and resource
dependence theories. Moreover, in the United States there is benefit to organisation
performance from selecting a CEO with international work experience. This finding has
several theoretical implications. From a resource dependence theory perspective, CEOs with
international work experience are a valuable human resource for the corporation, as they have
had the opportunity to build a global network of professional and personal relationships
(Carpenter, Sanders & Gregersen 2001). The social-capital advantage of a CEO with
international work experience may enhance intra-firm and inter-firm trust and reputation,
leading to better organisation performance (Carpenter, Sanders & Gregersen 2001). CEOs
with international work experience have a better understanding of various business practices
and regulations in different countries, and a good knowledge of local and global markets
(Chen & Stucker 1997). They acquire a vital international management skill set from being
exposed to different languages, value systems, cultural standards, and institutional
environments (Ricks, Toyne & Martinez 1990; Carpenter, Sanders & Gregersen 2001). They
will have superior abilities and more confidence in investing in unknown and complex
overseas business operations, and in managing these operations (Carpenter, Pollock & Leary
2003; Rodenbach & Brettel 2012). From a stewardship theory perspective, the networks and
the communication skill set possessed by a CEO from his or her international work
experience will increase shareholder trust in the CEO in leading the business in the
contemporary global economy. This may contribute positively to organisation performance.

6.4.5.6 Contribution to Hong Kong Corporate Governance

The data from the Hong Kong companies indicate the strong presence of an insider
CEO, a higher percentage of CEO share ownership, coupled with the presence of a more
balanced and mixed board in terms of its number of non-executive directors and executive
directors. In the Hong Kong context, benefits associated with managerial hegemony theory
and stewardship theory are present when a company is selecting an insider CEO, remunerating a CEO with a high percentage of share ownership, or opting for a low non-executive director ratio. The Hong Kong findings suggest that managerial hegemony situations which may happen—for example when a CEO possesses a high percentage of share ownership—do not always lead to poor corporate performance. The negative effect of the non-executive director ratio implies that the recommendation from agency theory to have a majority of non-executive directors on the board may not be ideally suited to the Hong Kong stock exchange listed companies.

Similar to the findings from the United States, in Hong Kong the selection of an insider CEO is positively related to organisation performance. An insider CEO will gain better access to the company resources and networks that are crucial for the leadership change process than an outsider CEO can access (Chung & Luo 2013). An insider CEO successor has the opportunity to build in-depth company and industry knowledge and a network of support from inside the company (Hambrick & Mason 1984). Putting these findings into the Hong Kong context, the benefit of an insider CEO is intensified where family and business group networks are dominant. The benefits associated with stewardship theory and resource dependence theory are present when choosing an insider CEO, especially when the retiring CEO has performed well in the role (Zajac & Westphal 1996b). In Hong Kong, it is likely that the retiring CEO is the founder of the corporation and may pass on the CEO position to one of his or her family members. An insider, family CEO successor will gain better access to unique resources that may not be made available to an outsider, non-family CEO.

Similar to the findings from Australia and the United States, in Hong Kong the benefits associated with stewardship theory and resource dependence theory are present when selecting a CEO with an output-oriented functional background. Similar to the findings from
Australia, in Hong Kong the finding with regard to the positive effect of CEO share ownership percentage provides support to the stewardship, agency and managerial hegemony theories. Following agency theory logic, a CEO who is a family member and who possesses a high percentage of shares in his or her respective company will perform better than a non-family CEO who is merely a company agent (Miller & Le-Breton-Miller 2006). Taking a managerial hegemony perspective, CEOs with high share ownership will have the power, incentive and capability to monitor and control their managers, thereby minimising agency costs and increasing returns (Jensen & Meckling 1976; Miller & Le Bretton-Miller 2006). From a stewardship theory perspective, CEOs with substantial share ownership should be motivated by more than merely economic self-interest; they want to contribute to the company’s longevity, its mission and its stakeholders (Davis, Schoorman & Donaldson 1997; Davis, Schoorman, Mayer & Tan 2000). These CEOs develop an in-depth emotional attachment to their firms, since their fortune and their reputation are closely linked to those of the business (Bubolz 2001; Ward 2004; Miller & Le Bretton-Miller 2006). Consequently, they are motivated to perform in the best interests of their company, resulting in better firm performance.

Overall, the significant findings in Hong Kong and Australia are similar in terms of the significant effects of the CEO functional background and the non-executive director ratio on organisation performance. This shows the areas of convergence between Hong Kong and Australia. In addition, in Hong Kong selection of a CEO from inside or outside the firm would have a significant impact on organisation performance.

6.5 Research Question Four

This section will address the fourth research question by discussing the results of hierarchical moderated multiple regression analysis to identify whether the influence of CEO
tenure on the dependent variable, organisation performance, is moderated by the non-executive director ratio in Australia, the United States and Hong Kong.

### 6.5.1 Significant Relationship in Australia

Hypothesis ten predicts that high CEO tenure and a low non-executive director ratio jointly predict better organisation performance. This study found that the non-executive director ratio moderates the relationship between CEO tenure and organisation performance in having a negative significant influence, providing support to hypothesis ten in Australia. The knowledge gained here is that in Australia where the majority of the CEOs are not holding the position of chairperson, the length of CEO tenure does matter to firm performance, depending on a certain level of the non-executive director ratio. The moderation plot presented in Figure 5.1 reinforces stewardship theory and resource dependence theory, as it suggests that a long-tenured CEO provides the highest financial-performance outcome when the non-executive director ratio is low. The most likely interpretation of this result is that to achieve peak levels of financial performance, the design of an Australian board of directors should look to another key choice, rather than merely following an agency theory recommendation to include a majority of non-executive directors on a board. In addition to exploring the direct relationship between the non-executive director ratio and organisation performance, a deeper understanding of corporate governance phenomena can be obtained from exploring the joint relationship between the non-executive director ratio variable and another governance-mechanism variable (Yoshikawa, Zhu & Wang 2014). The moderation plot indicates that the key specification is the presence of a CEO who has maintained a long and successful period of tenure, coupled with a lower non-executive director ratio.

This finding provides useful insights into the optimum board design in the Australian corporate setting. From the descriptive statistics, the optimum non-executive director ratio for reaching the best financial performance is 0.69—that is, at the mean (0.80) minus one
standard deviation (0.11). Since the mean of the board size in the top 200 ASX companies was approximately seven, the finding implies that the optimum board design will consist of five non-executive directors and two executive directors. Therefore, it can be interpreted from the finding, and the moderation plot, that the inclusion of an additional executive director other than the CEO to join a long-tenured CEO should benefit organisation performance.

6.5.2 Non-significant Findings across the United States and Hong Kong

The trend of a negative influence of the interaction term between CEO tenure and the non-executive director ratio on organisation performance was evidenced in the United States and Hong Kong, although this relationship is statistically not significant. The finding from the United States is in some way aligned with the findings of Combs et al. (2007). They found that CEO tenure and the proportion of outside directors do not jointly correlate with organisation performance in the United States; however, it should be noted that they used a different measure of organisation performance (that is, a stock market measure).

6.5.3 Theoretical Implications

This research provides a contribution to upper echelon theory and an extension of the original upper echelon model. It is undertaken by including a moderating variable related to the board and exploring the effect of the interaction term between CEO tenure and the non-executive director ratio on organisation performance across Australia, the United States and Hong Kong. An exploration of the interaction effect can provide a better understanding of the specific conditions under which a particular corporate governance theory applies, leading to a better understanding of that theory (Boyd, Haynes & Zona 2011; Boyd et al. 2012). The findings from the large Australian stock exchange listed companies indicate that long CEO tenure alone does not predict better organisation performance. However, the moderation hypothesis shows the specific condition, where long CEO tenure can predict better
organisation performance, and when stewardship theory applies in the Australian corporate context. That condition is when the non-executive director ratio is low. It would be useful, and interesting, for future research to explore the moderating effect of other variables related to the board. For example average board tenure could be used in an exploration of the influence of CEO tenure on organisation performance to identify other conditions where long CEO tenure can have a crucial impact on firm performance.

The findings for Australia imply that organisations will benefit when they have a long-tenured CEO and when they include a few competent executive directors on the board. Integrating resource dependence theory and stewardship theory, long-tenured CEOs have better access to key organisational resources; they have built credibility, reputation and trust to maintain their CEO position; therefore, they should perform for the benefit of the company (Johnson, Daily & Ellstrand 1996; Coles, McWilliams & Sen 2001). Several non-executive directors should be maintained to monitor the long-tenured CEO; however, it is also important to provide the CEO with more executive and entrepreneurial freedom to develop the business. The findings show that the presence of executive directors to work with the long-tenured CEO and non-executive directors at the board level will result in superior organisation performance. The findings provide a contrary view to agency theory and alter the way we think about the effect of the interaction term between CEO tenure and the non-executive director ratio on organisation performance. Given the importance of executive directors to organisation performance in Australia and the limited amount of research conducted in this area, future research should further investigate the roles of executive directors in contributing to the performance of the board and the entire organisation.

6.6 Research Question Five

This section will address the fifth research question by identifying any empirical evidence of difference that indicates divergence in the influence of CEO professional
development and CEO work context on organisation performance between Australia, the United States and Hong Kong.

**6.6.1 Significant Relationship: The United States Case**

Hypothesis three predicts that the selection of a CEO with international work experience is positively associated with organisation performance. This study found a positive relationship between a CEO with international work experience and organisation performance, thus providing support for hypothesis three for the United States. Nevertheless, the empirical evidence shows that a CEO with international work experience does not predict organisation performance for Australia or Hong Kong. It should also be noted from the multiple regression results that there is an area of difference in the negative relationship between a CEO with international work experience and organisation performance in Australia, although that relationship is not statistically significant.

**6.6.1.1 CEO International Work Experience and Organisation Performance**

The finding of this study with regard to the positive effect of a CEO with international work experience for the United States is aligned with the finding of the Carpenter, Sanders and Gregersen (2001) study of 245 United States multinational companies. They found a positive correlation between CEO international assignment experience and ROA. Similarly, in their hierarchical multiple regression results from their United States study, Daily, Certo and Dalton (2000) found a positive relationship between a CEO with international work experience and ROA.

The NYSE and NASDAQ listed companies are normally headquartered in the United States, but many of these companies have subsidiaries in various international locations, thus creating additional international management and regulatory-compliance challenges. Sambharya (1996) and Carpenter, Sanders and Gregersen (2001) mentioned the rare presence
of executives and CEOs with international assignment experience among United States companies. However, globalisation has accelerated. This has resulted in intense global competition and increasing demand in the United States for executives who possess such experience. This study found that in 2010, slightly over 60 per cent of the 200 CEOs of the leading United States stock exchange listed companies had international work experience. In comparison, Carpenter, Sanders and Gregersen (2001) found that in 1993 approximately 20 per cent of the sampled CEOs from multinational S&P 500 companies had international assignment experience. The increase in the percentage of CEOs with international work experience may imply that United States stock exchange listed companies have, through time, become more aware of the importance of equipping high-potential managers with international work assignments.

Companies with global business operations bring together individuals from different traditions, cultures and educational systems, and people who operate in regions with different regulatory and political systems and different industrial growth rates (Dhir & Gökê-Pariolá 2002). Black, Gregersen and Mendenhall (1992) explain how global assignments can serve to enhance the flow and discussion of information among subsidiaries, and between the parent company and subsidiary companies. Global assignments can enhance a CEO’s ability in providing their organisation with better control and management of global business operations, and this type of assignment is valuable for a CEO’s professional development and the succession arrangements (Black, Gregersen & Mendenhall 1992). Bartlett and Ghoshal (1992) and Sanders and Carpenter (1998) argue that CEOs in multinational corporations are often presented with the most difficult decision-making situations. International work-related experience provides CEOs with the ability to overcome complex challenges from managing within the global environment (Sanders & Carpenter 1998). CEOs with international work experience are more likely to gain more knowledge, different viewpoints, and greater
comprehension of global markets than the CEOs without such experience (Chen & Stucker 1997; Athanassiou & Nigh 1999). They are more sensitive and adaptable to cross-cultural issues (Roth 1995), and will have the necessary skills to assess, comprehend and form good relationships with host nationals (Black, Mendenhall & Oddou 1991). These benefits to organisation performance of having a CEO with international work experience were evidenced in the United States context.

Nevertheless, the trend of a significant positive effect of a CEO with international work experience was not evidenced in Australia or Hong Kong. A possible reason for this may be related to the different level of firms’ international interdependence between the Australian, United States and Hong Kong stock exchange listed companies. The Roth (1995) study of United States medium-sized companies found that the influence of CEO international experience is positive when the international-interdependence level of the company is high. He found that the value of having a CEO with international work experience is amplified in a context where a wide integration between locations in different countries is vital to the global strategy of the company and its subsidiaries. It is possible that the CEO’s ability to manage the integration between company subsidiaries which are located in different countries is more important to the overall strategy and performance of the United States stock exchange listed companies than it is in Australia and Hong Kong. The Hong Kong corporate governance setting upholds the importance of family businesses, networks and entrepreneurship. Therefore, it is unsurprising to discover that the performance of the Hong Kong stock exchange listed companies will benefit more from the selection of an insider CEO, or from a CEO with an output-oriented functional background, than from the selection of a CEO with international work experience. Future research in this area should perhaps consider the use of moderating variables—such as the international-interdependence
level of the company—to discover under what conditions a CEO with international work experience will matter to firm performance in Australia and Hong Kong.

6.6.2 Other Areas of Difference in Results

There is empirical evidence of other areas of difference which indicate divergence in prediction by certain CEO professional development and CEO work context variables of the dependent variable, organisation performance, between Australia, the United States and Hong Kong.

First, this study found an area of difference in prediction by the cross-sectional insider CEO variable of that dependent variable between Australia and the United States; and between Australia and Hong Kong. The relationship between an insider CEO and organisation performance is positive, but is not statistically significant in Australia; this Australian finding is in contrast with the significant United States and Hong Kong findings.

Second, although the relationship between a CEO with an MBA degree and organisation performance is not statistically significant across the three countries, it should be noted that while the relationship is positive in Australia, it is negative in the United States and Hong Kong.

Third, although the relationship between CEO tenure and organisation performance is not statistically significant across the three countries, it should be noted that this relationship is positive in the United States and Hong Kong. By contrast, the present study found this relationship to be negative in Australia, and although this relationship is weak it provides a little support to agency theory.

Fourth, the relationship between CEO share ownership percentage and organisation performance is significant in a positive direction in both Australia and Hong Kong. This relationship is negative in the United States, thus suggesting limited support to agency theory.
However, solid conclusions could not be drawn from this finding from the United States, as the relationship was found to be weak and statistically insignificant.

6.6.3 Theoretical Implications

The discovery of areas of difference in the results between countries provides a contribution to upper echelon theory by implying that researchers applying this theory should be cautioned against generalising the findings of a study conducted in one national context to other national contexts; a similar notion has been echoed by Zona, Zattoni and Minichilli (2013). The relationship between certain professional development and work context aspects of the CEO and organisation performance did vary between national contexts.

Hambrick (2007) explains that if a community has an exclusive, fixed pathway for developing senior executives then there would be no variation in the CEO professional development or CEO work context variables to investigate. The research here evidences a very high percentage of insider CEOs in each of the leading 200 stock exchange listed companies in the United States and in Hong Kong. This implies that the United States and Hong Kong societies have an inclination to the professional development of future CEOs from inside the company. This popular CEO professional development pathway supports the firm’s organic growth and leads to better organisation performance in the United States and Hong Kong contexts. The preference for selecting a new CEO from inside the company is slightly different in Australia, where 35 per cent of the large Australian stock exchange listed companies had selected an outsider CEO. However, the present study discovered that for Australia, insider or outsider status of the CEO is not a significant CEO professional development predictor of the dependent variable organisation performance. This finding contributes to a better understanding of upper echelon theory. This is through its testing to see whether the assumptions embedded in upper echelon theory with regard to this particular
CEO professional development variable for predicting organisation performance are applicable to Australia.

The findings of this present benchmark study provide a contribution of convergence theory. The probability of a cross-cultural convergence in relation to the CEO effect between countries, which was inquired into in the ‘future research’ section of Crossland and Hambrick (2007), has been partly evidenced here. There are still certain areas of difference with regard to the CEO professional development and work context effects between the three countries, as evidenced in the results of the present study. While the finding in this thesis has opened up important discussion on the convergence debate, future research that explores cross-national convergence in the effect of CEO professional development and work context—and that ideally includes additional countries—is recommended to enhance understanding of the occurrence of global convergence. Such a study could perhaps enable a more complete investigation of areas of similarity or difference in the influence of the professional development and work context of the CEO in different legal jurisdictions. It could perhaps provide valuable insights that would help to assess the external validity of convergence theory and other implied theories—for example upper echelon theory—when such theories are applied in different cultural contexts. The trends of convergence and divergence explored in this thesis are cross-sectional and not time-dependent. Future research should look at adopting a longitudinal research design to incorporate more time points and to ascertain further the trends identified in this benchmark study.

6.7 Other Useful Findings

The empirical data from the leading stock exchange listed companies in Australia, the United States and Hong Kong also provide useful insights into understanding the control variables, the moderating variable and the dependent variable. In terms of the industrial control variables, the dominant industry and the second-most dominant industry in Australia
were the materials (excluding mining and metals) industry and the mining and metals industry, respectively; the health care industry was the least-dominant industry. In the United States, the dominant industry and the second-most dominant industry were the consumer industry and the IT and telecommunication industry, respectively; the mining and metals industry was the least-dominant industry. In Hong Kong, the dominant industry and the second-most dominant industry were the consumer industry and the financial industry, respectively; the health-care industry was the least-dominant industry. On average, the United States stock exchange listed companies had been listed on their (respective) stock exchange for the longest time, the Australian companies were next, followed by the Hong Kong companies. On average, in 2010, the United States stock exchange listed companies were the largest in terms of sales, followed by the Hong Kong companies, and then the Australian companies. The average Australian, United States and Hong Kong company boards consisted of seven, 11 and 11 people, respectively.

In terms of the moderating variable, the descriptive statistic shows, on average, that the percentage of the non-executive directors on the Australian, United States and Hong Kong company boards was 80, 88 and 58 per cent, respectively. This means that, in general, Hong Kong stock exchange listed companies included more executive directors on the board than did companies in the other two countries. There was greater balance between the number of the non-executive directors and the number of the executive directors on the board in the Hong Kong companies. This implies that they followed the recommendations of the Corporate Governance Code in terms of designing a balanced composition between the non-executive directors and the executive directors (HKEx 2013b). In terms of the dependent variable, the average ROA between 2011 and 2012 was highest for the United States stock exchange listed companies, followed by Hong Kong and Australian companies, consecutively. This finding may mean that in those years, on average, the United States
companies were performing slightly better than their Hong Kong and Australian counterparts in terms of ROA.

The bivariate correlation statistic provides valuable insights into understanding corporate characteristics in the three countries. In Australia, larger companies (in terms of sales) have larger boards and a greater percentage of non-executive directors on the board, but a smaller CEO share ownership percentage. In the United States, larger companies have larger boards and a greater percentage of non-executive directors on the board. They are also more likely to combine the roles of CEO and chairperson and to select a CEO with a throughput-oriented functional background. Similar to Australia, Hong Kong’s larger companies have larger boards and a greater percentage of non-executive directors on the board, but a smaller CEO share ownership percentage. Additionally, they are more inclined to select a CEO with a greater number of university degrees.

Further, in Australia, companies that have been listed longer on the stock exchange are larger (in terms of sales), but have a smaller percentage CEO share ownership. They are more likely to select an outsider CEO, and a CEO with an output-oriented functional background. In the United States, companies that have been listed longer on the stock exchange are bigger, and have larger boards and a greater percentage of non-executive directors on them. In Hong Kong, companies that have been listed longer on the stock exchange have larger boards and longer CEO tenure, but a smaller percentage of CEO shares. They are more likely to select a CEO with international work experience and a CEO with a greater number of university degrees.

The additional findings provide useful insights to academics and practitioners by describing the general characteristics of the stock exchange listed companies in each legal jurisdiction. They provide a contribution to convergence theory by highlighting areas of difference and similarity in these characteristics.
It should also be noted that the selected control variables in this study do not correlate with (nor are significantly related to) the dependent variable organisation performance in the Australian data. On the contrary, some of the selected control variables do correlate with (or are significantly related to) the dependent variable in the United States data and to some extent in the Hong Kong data. This finding from Australia is surprising and opens up the interesting question of why the selected control variables, which theoretically should be related to firm performance, are not significantly related to organisation performance in Australia. An explanation for this issue may relate to the specific subjects—i.e., the selected Australian sample—especially when compared with the results from the United States sample and Hong Kong sample.

6.8 Conclusion

This chapter has set out and discussed the research findings in this benchmark study. The chapter has addressed the research questions used to achieve the research objectives of the study. It has discussed the theoretical implications of the research findings. The findings contribute to the development of convergence theory by identifying areas of difference in certain cross-sectional CEO professional development and in CEO work context data. Notable areas of difference include the high number of cases of CEO duality seen in the United States context compared with the Australian and Hong Kong contexts, and the continuing importance of CEO share ownership in Hong Kong. The non-executive director ratio in Hong Kong is, in general, lower than that in the Australian and the United States contexts. This may mean that in Hong Kong, there could be a continuing divergence of certain corporate governance practices—in relation to CEO share ownership and board structure—away from the British corporate governance system. Future research that incorporates more time points—an option here is the use of panel data—might provide a better understanding of this divergence trend.
The findings enhance understanding of upper echelon theory by pointing out which CEO professional development backgrounds and CEO work context issues matter most to organisation performance in each legal jurisdiction. This study contributes to both upper echelon theory and convergence theory by identifying an area of convergence in the positive relationship between a CEO with an output-oriented functional background and organisation performance across Australia, the United States and Hong Kong. This study found some non-significant findings showing moments where the integration of upper echelon theory and corporate governance theories—such as agency theory and stewardship theory—are limited in their ability to predict the influence of certain CEO professional development and CEO work context variables. Examples are the CEO tenure variable in all three countries. The discussion of the findings provides a basis for future research. The next chapter will complete the thesis. It will discuss the strengths, practical implications and certain limitations of the study. These offer guidance on the content of a substantial future research agenda.
CHAPTER 7  CONCLUSION

7.1 Introduction

The previous chapter discussed the significant findings, the non-significant findings, and the theoretical implications of the study’s research outcomes. This concluding chapter summarises and completes the study. The strengths of the study and the practical implications of its research findings will be discussed. This chapter will also explain certain limitations of this benchmark study, inform possible future research and provide several concluding remarks.

7.2 Strengths of the Study

The strengths of the study are as follows. First, this research is a quantitative study utilising secondary data from publicly available archival data. It thus offers objective unbiased results and empirical evidence from the largest stock exchange listed companies, by market capitalisation, in the legal jurisdictions of Australia, the United States and Hong Kong. The use of three countries, a large sample size and appropriate statistical techniques increases the internal and external validity of this research and the wide applicability of its results (Lewellyn & Muller-Kahle 2012). Second, this study opens up opportunities for publications in Australia and internationally. There are opportunities to publish the results in relation to the influence of the professional development and work context of CEOs in Australia, the United States, or in Hong Kong, separately, to contribute to the development of corporate governance theories and practices in each respective business community. There are opportunities to publish articles that further develop the theories, hypotheses, and results for any pair of the countries in this study. This may advance the global corporate governance research agenda by identifying areas of similarity and difference between countries in the
effect of CEOs’ professional development and work context. Since Australia, the United States, and Hong Kong have been deliberately selected as countries that represent the Anglo, American, and Asian corporate governance settings, respectively, there is an opportunity to publish the results contained in this research on the three countries and thus contribute to the debate on convergence in corporate governance.

Third, this study has built databases which could be extended in several possible ways to accommodate future research interests. The data could be expanded to include other variables of interest, for example ROE and sales growth. There is an opportunity to download companies’ annual reports for the end of the fiscal year subsequent to 2012, and to extract the relevant financial data to explore the effect of the CEOs’ professional development and work context on average ROA over a longer period. The number of companies in each of the selected countries could be increased in the cases where a larger sample size is desired. It is possible to extend the data by collecting cross-sectional CEO professional development and CEO work context data and company financial performance data in legal jurisdictions other than Australia, the United States and Hong Kong. An exploration into the effect of the CEOs’ professional development and work context on organisation performance in other legal jurisdictions may allow for an interesting comparison of how that effect would differ from the effect of the CEOs’ professional development and work context discovered in the present study. Extension of this study will provide a better understanding of the extent to which upper echelon theory, convergence theory and corporate governance theories may be generalised and applied in explaining the influence of the professional development and work context of the CEOs in each particular legal jurisdiction.

Fourth, this study makes an important contribution to the research and practice of corporate governance. This research creates a synthesis of the corporate governance literature and identifies the importance of applying upper echelon theory, agency theory, stewardship
theory, managerial hegemony theory, resource dependence theory and convergence theory to expand the understanding of a range of choices in corporate governance practice in and across Australia, the United States and Hong Kong (Boyd, Haynes & Zona 2011). The conceptual framework and the hypotheses developed here have provided a focused exploration into the link between the professional development and work context of the CEO and organisation performance. The findings from this study will benefit policy makers and practitioners in Australia, the United States and Hong Kong in understanding whether or not the professional development and work context of the CEO has a crucial impact on organisation performance.

7.3 Practical Implications

The research outcomes from this thesis provide relevant and useful insights to a wide range of stakeholders inside and outside the organisation. Inside the organisation, the chairperson, board members and TMT members, chief (C)-level executives and managers will benefit from gaining a clearer understanding of how the application of the when, who, where, and how agency, stewardship, managerial hegemony, resource dependence, and upper echelon theories could influence CEO appointment decisions. These will have implications for organisation performance. Outside the organisation, international bodies—including the OECD, the ICGN, the World Bank, the IMF—and national bodies—including the Australian Institute of Company Directors, the Australian Securities and Investment Commission, the ASX Corporate Governance Council, the NYSE, the NASDAQ and the Hong Kong Exchanges and Clearing Limited—all have an interest in the study’s findings. Further, in the interests of making firms and boards of directors work better, the management consulting profession, the banking industry, the accounting profession, the legal profession, policy makers and public servants all have an interest in the matters discussed here (Hambrick, Werder & Zajac 2008; Clarke 2014a).
In agreement with Zajac (1990), it should be underlined that this study explored central propensities, not particular single cases; therefore, the empirical results of the present study should not be regarded as signifying that certain CEO professional backgrounds or work issues are inferior to others. For example the empirical findings for the United States and Hong Kong should not be regarded as implying that an outsider CEO is inferior when compared to an insider CEO (Zajac 1990). However, in general, stock exchange listed companies in the United States and Hong Kong may encounter advantageous situations when they consider an insider CEO, because his or her interests are more likely to be aligned with the interests of other key stakeholders and the company board (Chung & Luo 2013; Miller et al. 2014).

7.3.1 CEO Professional Development and Organisation Performance

The findings with regard to the positive influence of certain CEO professional development backgrounds will benefit board members of stock exchange listed companies in Australia, the United States and Hong Kong in understanding the type of CEO needed to drive organisation performance in a positive way (Cho & Hambrick 2006). The findings will assist the Human Resources department in readjusting the profiles, perspective, experience and skills of senior managers within a context of changing industry needs (Cho & Hambrick 2006).

Hypothesis one—which predicts that selection of an insider CEO is positively associated with organisation performance—was supported for the United States and Hong Kong. The hiring process for a CEO is crucial to enable the board of directors and the main stakeholders to review the desired strategic orientation of the company (Cao, Maruping & Takeuchi 2006). However, the process is normally a challenging task for directors and for the incumbent CEO too who is likely to influence the process of succession to the highest degree permitted by the board (Finkelstein, Hambrick & Cannella 2009). This happens because
directors have little experience in recruiting individuals for an executive position above chief financial officer, chief operating officer or vice chairman (Charan 2005). The findings of this study will assist practitioners—especially board members or retiring CEOs in the United States and Hong Kong stock exchange listed companies—in succession planning and in the selection of the most suitable CEO for the firm through their consideration of the origin of the CEO candidates. The findings also bring implications for the training and development of senior managers, highlighting the importance of organic growth (that is, growth from inside the company) in the United States and Hong Kong contexts. Companies should professionally develop several capable inside executives who are suitably skilled and qualified to undertake the CEO role. The findings inform practitioners that the origin of the CEO is not associated with organisation performance in the Australian context.

Hypothesis two—which predicts that the selection of a CEO who has a functional background in an output-oriented area is positively associated with organisation performance—was supported for Australia, the United States and Hong Kong. The findings indicate that the type of functional background of the CEO candidate should be considered as one of the key selection criteria in succession planning for hiring the CEO. The findings assist practitioners in developing appropriate professional development programs and relevant training for the senior managers. Companies should assign a diverse set of challenges for managers recognised as possessing high potential to promote more prospective leaders from within the company (McCauley 2014). These challenges may include a shift of an employee to a line position, or a move to initiating a new business division (McCauley 2014). Another practical implication of these research findings is that companies should focus more closely on strengthening their sales, marketing, engineering and product R&D departments. Wirtz, Tuzovic and Kuppelwieser (2014) studied the role of marketing departments in the contemporary business environment. They found that a well-developed
marketing division could have a positive impact on an organisation’s performance. Companies may benefit from equipping senior managers who have not previously been exposed to an output-related functional area with some experience and knowledge in such an area. McCauley (2014) emphasises the importance of lateral moves—exposing high-potential managers to other business units, new departments, new markets or new roles—to the professional development of managers, so that they will ultimately understand how to lead the entire firm effectively when promoted to a CEO position. The findings may bring implications for the job-rotation arrangement of the management-trainee programs in a way that the rotation should expose graduates to experience in an output-related functional department. Large organisations should embrace a culture that stimulates product innovation and promotes intrapreneurship by offering opportunities for high-potential managers to launch new business sectors (McCauley 2014). CEOs should recognise the customers’ needs and maintain good communication with the staff members who closely interact with customers, such as the frontline sales employees and their immediate managers (Saunders & Banta 2014).

Hypothesis three—which predicts that the selection of a CEO with international work experience is positively associated with organisation performance—was supported for the United States. Large United States stock exchange listed companies with a strong worldwide presence are advised to promote the concept of international work assignments to their executives as an important mechanism for admission to ‘the upper echelon and not into obscurity’ (Sambharya 1996, p. 744). An organisation desiring to utilise a large but struggling portfolio of global operations is recommended to opt for a globally experienced CEO, and to allow that CEO considerable discretion in hiring other senior managers with similar global work experience (Carpenter, Sanders & Gregersen 2001). Organisations should consider sending their senior managers on an international work assignment as a valuable component
of their professional development (Slater & Dixon-Fowler 2009). This will help to reduce the paucity of international work experience in the senior management group in United States companies. This paucity has arisen because of companies being incapable of persuading overseas executives to move to the United States company headquarters, or being unwilling to recall executives from overseas assignments (Carpenter, Sanders & Gregersen 2001).

Hypothesis four—which predicts that the presence of a CEO with an MBA degree would have a positive influence on organisation performance—was not supported for Australia, the United States, and Hong Kong. Some large organisations have offered reimbursement of tuition expenses as a part of their employee-benefits package (Landes 2012). An MBA is among the most popular master’s degrees by coursework that senior executives will choose to undertake to boost their business acumen (Lewis, Walls & Dowell 2014). However, the finding of this study suggests the possibility that an MBA education has been overstated as a determinant of the success of leadership and management practice (Lindorff & Jonson 2013). This finding does not imply that an MBA education is ineffective in all sectors, since this type of education has supplied graduates with intellectual capital, social capital, prestige and an international mindset which are especially required for lower-level management and career advancement (Lindorff & Jonson 2013). The finding does suggest that the knowledge acquired from the MBA education may not any longer be suited to leadership at the CEO level (Lindorff & Jonson 2013). Therefore, practitioners should consider alternative options, such as sending senior managers to in-house company training, a professional-development program, or an advanced management program offered by leading business schools (Lindorff & Jonson 2013). The finding has practical implications for business schools to review and update their MBA core curricula continuously in order to provide senior executives with the most relevant, current and practical learning experiences possible.
Hypothesis five—which predicts that there is a positive relationship between the number of university degrees that a CEO possesses and an organisation’s performance—was not supported for Australia, the United States, or Hong Kong. This finding has useful implications for practitioners who are inquiring into whether CEO education matters. While their university degrees may have been influential in determining early success in an individual’s career, the finding suggests that CEO educational level may be less relevant to the later years of that individual’s career, particularly when the individual has reached the CEO level (Tonello 2011).

7.3.2 CEO Work Context, the Non-executive Director Ratio and Organisation Performance

The findings from this study on publicly listed companies offer potentially useful new insights in relation to optimum levels of CEO tenure and the non-executive director ratio for achieving a high level of financial performance in the legal jurisdictions of Australia, the United States and Hong Kong. These findings will assist the development of future practice and policy in the Anglo, American and Asian corporate settings. In the United States, practitioners should give more attention to the professional development of the CEO than to the work context of the CEO. For the United States, this study found no significant correlation between an organisation’s performance and CEO duality, CEO tenure, and CEO share ownership.

Hypothesis six—which predicts that CEO duality is negatively associated with organisation performance—was not supported for the United States where the practice of CEO and chairperson duality was more prevalent, or for Hong Kong where the practice of CEO and chairperson separation was more prevalent. This study found that the practice of CEO duality was very uncommon in Australia, indicating that the majority of the leading ASX companies had followed the ASX Corporate Governance Recommendations with regard
to separating the CEO and chairperson positions. The research finding here will benefit practitioners from countries such as the United States that are going from a strong practice of CEO duality to more frequent practice of separation; the finding indicates that, in general, the decision either to combine or separate CEO and chairperson positions does not have a crucial impact on an organisation’s performance. This is supported by the Krause, Semadeni and Cannella (2014) observation that the decision by the board to separate or combine the CEO and chairperson roles may go beyond the issue of board independence, and go more into the need for gaining greater legitimacy in the business and financial community. The shift from duality to separation in the United States may be driven more by institutional pressures (Krause, Semadeni & Cannella 2014).

Hypothesis seven—which predicts that there is a positive relationship between CEO tenure and organisation performance—was not supported for Australia, the United States, or Hong Kong. This finding has implications for CEOs as they consider how to maximise their contribution to the overall performance of the organisation (Hambrick & Fukutomi 1991). This finding indicates to practitioners that having a long-tenured CEO does not predict either better or poorer organisation performance. Hypothesis eight—which predicts that there is a positive relationship between CEO share ownership percentage and organisation performance—was supported for Australia and Hong Kong. This finding has implications for the board and the principals of the corporation in considering the remuneration of the CEO.

Hypothesis nine—which predicts that there is a negative association between the non-executive director ratio and organisation performance—was supported for Australia and Hong Kong. Aligned with Kiel and Nicholson (2003a), across Australia, the United States, and Hong Kong, practitioners can learn that there is benefit to be obtained from a bigger board size relative to the firm size, suggesting that a small number of directors on the board could have a negative effect on the efficiency of the board in making decisions. It is not only
board size which is important but, rather, the successful consolidation of the knowledge base and skills of the board with the corporation’s demands at any given time (Kiel & Nicholson 2003a). The results from Australia and Hong Kong provide support to the Kiel and Nicholson (2003a) arguments. They lead to recommendations to include a majority of non-executive directors on the board, but they do not reinforce boards that only consist of non-executive directors. The results did support some of the assumptions of stewardship theory, as there was a positive link between executive directors on the board and the return on assets (Kiel & Nicholson 2003a). While the boards have to be attentive to agency problems—and there is a higher chance that this will happen when there are non-executive directors on the board—practitioners can learn from this research that executive directors do bring valuable knowledge and company-specific skills to the board, thus contributing to numerous board roles (Kiel & Nicholson 2003a).

Hypothesis ten—which predicts that high CEO tenure and a low non-executive director ratio jointly predict better organisation performance—was supported only for Australia. This finding will provide valued insights to practitioners in the Australian context that in the right situations, a long-tenured CEO is really the key steward of the corporation, helping it to achieve better performance. One of the situations is the inclusion of executive directors on the board. The executive directors work alongside the CEO daily. Therefore, they will offer valuable expertise and skills, particularly during board meetings. They can help the CEO to articulate operational problems and directly offer useful recommendations to other board members.

7.4 Limitations of the Study

This research has certain limitations, which give guidance on a future research agenda. This study uses cross-sectional data and provides a benchmark for the exploration of convergence in the influence of CEO professional development and work context. However,
it is limited in a way that it does not explore whether such influence changes over time. Replication of the study through the use of longitudinal data or time series data should be considered for future research. This may offer deeper insights into the convergence process, since the process takes time (Khanna, Kogan & Palepu 2006; Yoshikawa & Rasheed 2009).

This study used two-year average ROA as the measure of the dependent variable: organisation performance. This measure, which is commonly used in corporate governance research (Kiel & Nicholson 2003a; Quigley & Hambrick 2012; Dalton & Aguinis 2013), only captures the organisation performance effects of the CEOs’ professional development and work context in two years; and it does not inform subsequent performance. It is likely that the performance effects of the CEOs’ professional development and work context vary in the later years of the CEOs’ tenure (Shen & Cannella 2002b). Future research can extend this present study by exploring the effect of the CEOs’ professional development and work context on ROA beyond the year 2012. The organisation performance measure in this present study is limited to ROA. Future research may explore the influence of the professional development and work context of the CEO on other objective accounting and (or) financial performance measures (for example ROE, return on sales, Tobin’s q) (see Richard et al. 2009 for an extensive review) and other dependent variables of interest (for example strategic performance, corporate social performance and environmental performance).

The research is solely a quantitative study. The development of qualitative interviews with the CEOs or a qualitative case study could perhaps provide additional insights into the effect of CEO professional development and work context, and may also give a deeper explanation of the interaction between the CEO and the board. This could be a focus for future research.

This research limits the scope of the study specifically to individual CEOs. This is to provide a comprehensive study of their professional development and work context;
nonetheless, the study of the behaviour of other groups of actors such as TMTs, executive committees and managers at all levels could be a useful addition to strategic management research (Pettigrew 1992). The exploration of the link between TMT characteristics and organisation performance—particularly in the Australian and Hong Kong legal jurisdictions where there is currently a limited understanding of this linkage—may yield interesting results and contribute to a more complete understanding of upper echelon theory and corporate governance theories. Further, Liedtka (1998) and O’Shannassy (2003) argue that all individuals in the organisation can think strategically, not just the CEO. An interesting area of study may perhaps be to investigate the existence of other strategic thinkers—such as chief strategy officers—and their contributions in a modern strategy-making process, as they work alongside the managerial elites to improve organisation performance. In countries where the CEO duality practice is rare (for example Australia), there is an opportunity for future research to complement this present study by exploring the influence of the professional development and work context of the chairperson in large stock exchange listed companies that do not practise CEO duality. Such a study is likely to improve our limited understanding of the benefit of the chairperson to organisational outcomes.

This study focuses on a number of archival measures, and so it relies on the quality of the data disclosed in company annual reports and other publicly available sources. In general, the annual reports of the leading stock exchange listed companies in Australia, the United States and Hong Kong have provided reliable, transparent and sufficient information with regard to CEO professional development backgrounds and work context issues. The extensiveness of the information in these reports could vary between companies. For this reason, in cases where the information from the annual reports was considered inadequate, the present study additionally utilised other reliable publicly available archival data and published CEO biographies. With regard to CEO tenure, a few companies had reported the
initial year of the CEO appointment, rather than the initial date of the CEO appointment. This might have a slight impact on the CEO tenure calculation and analysis, but the use of this measure is consistent with previous leading studies (for example Bigley & Wiersema 2002; Henderson, Miller & Hambrick 2006; Walters, Kroll & Wright 2007). This present study relies on the accuracy of the financial data disclosed in company annual reports and financial reports. These have been audited by external professional accounting firms. The validity of the findings of this study could be limited in the event that there were some amendments to certain financial performance data which might be reported in the later annual or financial reports.

The influence of the professional development and work context of the CEO could be the subject of survey research to obtain perceptual insights on matters such as perceived organisation performance (Westphal & Fredrickson 2001). Here, the exploration of the influence of the professional development and work context of the CEO in this respect was limited to the availability of archival data across the Australian, United States and Hong Kong publicly listed companies. Survey questionnaires could extend this study to examine the influence of some of the CEO professional development and work context variables that may be difficult to obtain from archival data on subjective organisation performance. For example with regard to CEO international work experience, a survey could inquire about how long a CEO had undertaken international work assignments, and whether the CEO had found such experience influential for their managerial decisions.

This study has provided comprehensive insights into the relationships between the professional development and work context of the CEO and organisation performance in the contexts of Australia, the United States and Hong Kong. The practice of the independent variables discussed in this study—including CEO insider/outsider status, CEO functional background, CEO international work experience, CEO education, CEO duality, CEO tenure,
and CEO share ownership—and their effect on the dependent variable organisation performance could vary between countries. A replication of this study to include other national contexts may provide interesting results and the opportunity for meta-analysis. A cross-country comparative study conducted in more countries could perhaps improve our understanding of the extent of the possible generalisation and consistency of upper echelon theory, agency theory, stewardship theory, managerial hegemony theory, resource dependence theory and convergence theory.

The focus of this research is large stock exchange listed companies. The results of this study will not necessarily generalise to other organisational forms such as partnerships, sole proprietorships, private firms, entrepreneurial start-up firms and small-to-medium enterprises (SMEs). These could be the focus of a further study. The findings of such a study may be compared to the findings from the large stock exchange listed firms in this present study. The outcomes of this study are limited to a specific time period that is between 2010 and 2012 and to firms inside the top 200, and therefore should not be generalised to different time periods or companies outside the top 200.

The use of the non-executive director ratio as a moderating variable is proper for this study. However, some scholars (for example de Villiers, Naiker & van Staden 2011) have proposed to explore the influence of board process (for example strategy development), rather than board characteristics such as the non-executive director ratio. This may well be a possibility for future research.

7.5 Future Research

Geletkanycz and Tepper (2012) explain that theoretical implications should help develop the future direction of a study. The research here opens up an exciting avenue for potential future research. First, the present research provides evidence that the professional development and work context of the CEO does have a crucial impact on organisation
performance, dependent on the national context. In addition to testing the main effects of the professional development and work context of the CEO on organisation performance, future research may be able to integrate insights from this study on CEO professional development, CEO work context and organisation performance. For instance with regard to CEO professional development, this study points out in the Hong Kong context the value to the organisation of an insider CEO. With regard to the CEO work context, this study points out the value to the Hong Kong publicly listed companies of a high percentage of CEO share ownership. Future research could take the next step and connect the percentage of CEO share ownership with an insider CEO as having a joint effect on organisation performance.

In the Australian context, the study discussed the value to the organisation of long CEO tenure where that CEO is a good steward of organisational resources (Coles, McWilliams & Sen 2001). The study has highlighted the value to the Australian stock exchange listed companies of selecting a CEO with an output-oriented functional background. It is rational for future research to take the next step and connect the length of CEO tenure with a CEO having an output-dominated functional background as having a joint effect on organisation performance. Incorporating the non-executive director ratio into this joint effect could allow an opportunity for future research to test for three-way interactions (Dawson & Richter 2006). In the Australian context, the study has found the value to the organisation of long CEO tenure which is joint with a lower non-executive director ratio. It is reasonable for future research to take the next step and connect length of CEO tenure and the non-executive director ratio with a CEO having an output-oriented functional background, as having a joint effect on organisation performance. This interconnection between the three variables may provide a useful contribution to the development of stewardship theory, resource dependence theory, agency theory and upper echelon theory.
Second, the findings here indicate that between countries there were similarities and differences in relation to the influence of the professional development and work context of the CEO. For instance, the CEO share ownership percentage was found to have a more important impact on organisation performance in the Australian and Hong Kong business contexts than in the United States context. Based on the results of this study, it is therefore recommended that there be a study of the effect of the professional development and work context of the CEO on organisation performance in other national contexts. In particular, an exploration of this research area in the Japanese context may contribute additional valued insights to the global debate on convergence. This is because the Japanese corporate governance model is characterised by maximisation of stakeholders’ values and is in utmost contrast with the Anglo-American model that maximises shareholders’ interests (Yoshimori 1995). If archival data for the CEO professional development and work context variables and the organisation performance variable could be obtained for Japanese publicly listed companies, then it would be interesting to compare the results of such a study to the results of the present study. In testing the convergence hypothesis, future research should consider more emerging stock markets, for example Russia. In their study of the Russian Trading System Stock Exchange listed firms, Yukhanaev, Nguyen, Galvin and Demirbas (2014) found that these firms seem to adopt many of the principles of the Cadbury Report with regard to board composition. However in reality they discovered many of the non-executive directors are figureheads only, are often treated as merely consultative resources and have little power. The board is often regarded as a technical instrument to realise objectives and policies ‘skewed towards satisfaction of the dominant proprietors’ and to make decisions in a way that benefits certain political groups (Yukhanaev et al. 2014, p. 256).

Third, this present study found an area of cross-country similarity in the significant, positive relationship between a CEO with an output-oriented functional background and
organisation performance across Australia, the United States and Hong Kong. Future research could explore the relationship between CEO functional background and organisation performance in different settings—for example in other national contexts or in other organisational forms, such as SMEs—to see if such a relationship is statistically significant. Such a study may provide a better understanding of how the CEO functional background can become reflected in the organisational outcomes and, consequently, it may advance the development of upper echelon theory (Hambrick & Mason 1984).

Fourth, the empirical findings in relation to the negative effect of the non-executive director ratio on organisation performance in Australia and in Hong Kong signifies that future research should focus more attention on the role of inside, executive directors in enhancing organisation performance. Future research could look into the issues of how many executive directors should be included on a company board, the ideal average tenure of executive directors, and the specialisation or functional backgrounds of executive directors, and how these factors would affect firm performance. Such an exploration through the use of qualitative interviews or quantitative statistical analysis may provide fresh valuable insights, especially for countries such as Australia and the United States, which are implementing the prevalent practice of having a majority of non-executive directors on the board. Particularly, it may provide a useful insight into the issues of separation of control and ownership which have been the main focus of agency theory—whether these issues might need to be revisited, or whether a more balanced composition between non-executive directors and executive directors on the board would benefit firm performance. An exploration into these issues will provide a clearer understanding of when agency theory applies and when stewardship theory applies.

This research solely focuses on the non-executive director ratio as the moderating variable; however, this study has recognised differences in institutional and competitive
environments between Australia, the United States and Hong Kong. This opens up an opportunity for further study that explores the effect of the institutional and competitive environments in moderating the influence of the professional development and work context of the CEO. Such a study should contribute to a better understanding of convergence theory and institutional theory. Different constructs such as institutional support and competitive uncertainty may be used as potential moderating variables (Qian, Cao & Takeuchi 2013).

7.6 Conclusion

The practice of corporate governance is of great interest to a variety of stakeholders ranging from the OECD, investors, practising company directors, C-level executives, senior managers and politicians (Hambrick, Werder & Zajac 2008; Clarke 2014a). High-profile corporate collapses in the 1980s, 1990s and 2000s have led to some important changes in corporate governance practices—especially board processes and procedures—as professional directors, governments, the legal community, the investment community and the accounting community sought to rectify shortcomings in legal jurisdiction and the business environment (Kakabadse & Kakabadse 2007; Kroll, Walters & Wright 2008; Clarke 2014a). This thesis has undertaken a multi-theoretic perspective on upper echelon theory, convergence theory and several corporate governance theories to develop numerous challenging hypotheses, which lead to some interesting findings.

Solutions that this thesis offers on CEO professional development and work context matters for consideration by practitioners to improve organisation performance, and which are supported by theoretical arguments, include preference for selection of:

- a CEO with an output-oriented functional background, encouraging CEO share ownership, a lower non-executive director ratio, or high CEO tenure and a lower non-executive director ratio in a moderation relationship (that is, acting jointly) in Australia;
• an insider CEO, a CEO with an output-oriented functional background, or a CEO with international work experience in the United States;

• an insider CEO, a CEO with an output-oriented functional background, encouraging CEO share ownership, or a lower non-executive director ratio in Hong Kong.

This research identified an area of similarity in the cross-sectional CEO output-oriented functional background data across Australia, the United States and Hong Kong, and in prediction by the use of a cross-sectional CEO output-oriented functional background variable of the dependent variable, organisation performance, to support a convergence argument. However, this research identified a few areas of difference in certain cross-sectional CEO professional development and CEO work context data. This is particularly identified in the relatively large number of cases of CEO duality still seen in the United States context, and in the relatively higher percentage of CEO share ownership in the Hong Kong context. With regard to convergence, the claim for total convergence in corporate governance across different countries is not fully supported in this research, at least for the time period covered in the study, although this research evidences a number of pockets of convergence in certain CEO professional development and (or) work context issues. It has been argued that the process of convergence and the change in institutions could happen in slow motion (Aguilera & Jackson 2003). This cross-sectional research provides a benchmark for future research, which may allow longitudinal aspects in this research area to be investigated and thus contribute to a better understanding of the convergence process.

The influence of the professional development and work context of the CEO could vary from one country to another; therefore, scholars in this research area should be cautious in interpreting the extent to which they can generalise their findings, especially if only one national context is considered. In conclusion, the study conducted here has provided a
reliable, acceptable and valid piece of evidence that contributes to the current global corporate governance research agenda and opens up an avenue of future research opportunities.
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