What matters between CEO duality and firm performance? Moderating roles of CEO informal power and board involvements

ABSTRACT

This research linked the CEO duality and firm performance relationship and analyzed the moderating role of the resource dependence theory, in terms of CEO informal power and board involvement. Integrating agency, stewardship, and resource dependence theories, we tested hypotheses using corporate governance data collected from 216 listed companies, encompassing 20 industries in Sri Lanka. Findings supported in favor of the agency theory determine that CEO duality has a negative impact on firm performance when the CEO is equipped with additional informal powers while duality exists. On the other hand, CEO duality reveals a positive impact on firm performance in circumstances where board involvement is considerably high, in terms of collaboration and control of agency, stewardship, and resource dependence theories. Further, given special reference to emerging economies, recent corporate governance implications on CEO duality- firm performance relationship are also addressed.

Keywords: CEO Duality, Firm Performance, CEO Informal Power, Board Involvement, Agency Theory, Stewardship Theory, Resource Dependence Theory

1. Introduction

CEO duality, which is known as one person holds both the CEO-Chairman positions (Boyd, 1995; Finkelstein & D'Aveni, 1994, p. 422; Rechner & Dalton, 1991), has become an emerging issue in the current era following failures of corporate giants in early 2000 (Chahine & Tohmé, 2009; Elsayed, 2007; Iyengar & Zampelli, 2009; Michael & Anurag, 2007; Peng, Zhang, & Li, 2007; Tuggle, Sirmon, Reutzel, & Bierman, 2010). Interestingly, among ten commercial giants that were confronted with corporate scandals in early 2000, eight of which had the CEO duality (Albrecht, Albrecht, & Albrecht, 2004). Even though the impact of the CEO duality on firm performance has been widely researched, due to the conflicting nature of theoretical underpinnings that encompasses this concept with wide variety of perspectives, determining duality-nonduality consequences solely based on firm performance has become controversial (Boyd, 1995; Finkelstein & D'Aveni, 1994). For instance, in one hand, agency theory, which advocates that separation of the CEO-Chairman positions would maximize corporate performance since the board has an unbiased authority to oversee the CEO’s functions (Gillan, 2006; Harris & Helfat, 1998; Shleifer & Vishny, 1997), dominates the corporate governance implications in this context. Contrary to what agency theory proposes, on the other hand, referring to a broad leadership, behavioral, and psychological standpoints, stewardship theory outlines that holding both positions by one person would enhance firm performance with that holding two positions by one person can monitor the firm unambiguously and can have a unique command throughout the firm (Adams, Almeida, & Ferreira, 2005; Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991; Finkelstein & D'Aveni, 1994; Shen, 2003). Although the notion that the CEO duality has significant corporate performance is extensive, yet the prior empirical evidence on the issue is inconsistence in either theoretical application. For instance, Boyd (1995) summarized seven prominent corporate governance studies between the CEO duality and firm performance relationship, and realized that only two studies had negative impact on performance whereas five showed to be positive or no significant effect on performance. Moreover, integrating those inconsistency results, Boyd found that the CEO duality has a weak negative relationship (aggregated effect size of -0.02) on firm performance. Further, Harris and Helfat (1998) analyzed previous governance studies on the same settings and disclosed that out of thirteen researches three only had negative effects of duality on firm performance while ten found that either positive or no effects. Prior literature have also supported for the CEO duality or signifies that no relationship between duality and firm performance (Benz & Frey, 2007; Daily & Dalton, 1992; Dalton, Daily, Johnson, & Ellstrand, 1999). Consequently, even today, determination of the notions that the CEO duality-nonduality based on corporate performance has been an unresolved phenomenon in corporate governance researches.

However, apart from very few studies, prior research has not given a considerable attention to alternative perspectives that could determine the CEO duality- firm performance relationship. Among the few studies, Boyd (1995) examined the moderating effect of environmental uncertainly in duality performance consequences with resource dependence orientation, Finkelstein and D'Aveni (1994) investigated the moderating effects of the CEO informal power and firm performance on board vigilance and the CEO duality relationship, and Kim, Al-Shammari, Kim, and Lee (2009) studied the relationship between the CEO duality and corporate diversification behavior with moderating effects of ownership, board independence and the CEO tenure. However, except Boyd's analysis, there is no other specific research that has been analyzed the direct relationship between the CEO duality- firm performance with moderating effects, which is an essential approach to determine the CEO duality consequences on firm performance. Unfortunately, prior research has largely neglected to examine the moderating effects from other perspectives which could address the inconsistency results on duality-performance relationship, which in tern an essential approach to investigate boundary conditions of such relationship that either strengthen or weaken the impact of the CEO duality on firm performance. Considering this requirements as a response to inconsistency results generated by prior studies, this study examined the moderating effect of resource dependence theory, referring to CEO's and directors' resource provision roles in determining duality-performance relationship.

Examining causes and consequences on the CEO duality-performance implications, Boyd emphasized that "one of the limitations of previous research is a greater concern with measuring the effect of duality on performance versus building a theoretical basis for understanding this relationship" (1995, p. 302). Thus, due to prior inconsistency results on the CEO-board relationship that examined prime governance theories, it is important to bring insights of other theories such as stewardship, reducing reliance on agency theory (Shen, 2003). Similarly, Finkelstein and D'Aveni suggested that "research on corporate governance may benefit when potentially contradictory theories on organizations and agency relations are considered simultaneously" (1994, p. 1103). Prior studies also suggests that analyzing the impact between multiple agency conflicts and firm's investment time horizons may provide considerable insights for investors to take corrective decisions (Arthurs, Hoskisson, Busenitz, & Johnson, 2008). Consequently, there is a promising trend to re-think and re-examine the applicability of traditional principal-agency framework due to failures ensuring shareholders' interests by mitigating agency problem (Lan & Heracleous, 2010; Ward & Filatotchev, 2010). This is necessary because concerns of agency theory's *close system* approach and *under contextualized* nature depict its failure to address and compare with different viewpoints in diverse institutional contexts (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Aguilera & Jackson, 2003). More specifically, Elsayesd emphasized the lack of enough capability of existing theories to clearly explain and determine the CEO duality- board leadership structure as,

> *The implication of this result is that the assertion of both agency theory (CEO non-duality structure) and stewardship theory (CEO duality structure) may be valid under certain conditions. Thus, existing theories might need to be treated as complementary viewpoints, each of which draws upon a part of the whole picture, because depending on just one single perspective is more likely to result in misleading conclusions about the structure as a whole (2010, p. 80).*

Thus, our study is specifically designed to address these research gaps by integrating agency, stewardship, and resource dependence theoretical perspectives in determining duality-nonduality notion. Resource dependence theory suggests that the main role of corporate boards is to serve as resource providers to the firm and, in particular, recent corporate governance literature on board characteristics such as composition, independence, effectiveness etc, have more focused the role of resource dependence theory in structuring corporate boards (Dalton, Daily, Ellstrand, & Johnson, 1998; Hillman & Dalziel, 2003; Hillman, Withers, & Collins, 2009; Lynall, Golden, & Hillman, 2003; Rechner & Dalton, 1991).

The main argument of our examination is that the provisions of the resource dependence theory would highly influence the decision to determine duality-nonduality perception since such analysis mainly focuses the role of boards of directors in a different view point. To attest our arguments, we integrate resource dependence theory with agency and stewardship theories in both the CEO and the boards of directors' standpoints. CEO's standpoint and stewardship theoretical perspective, moderating effect of CEO's informal power is examined on duality performance relationship as integration with resource dependence theory. On the other hand, opposite perspective is examined in favour of agency theory. As per the resource dependence view, CEO's having additional power can be considered as resources which could bring values to the firm that ultimately enhance corporate performance. CEO informal power is recognized with two variables. First, CEO being a founder or relative to the founder of the firm (Finkelstein, 1992), and secondly, CEO's informal power gained through CEO's board committee representation or known as CEO 'busyness' (Jackling & Johl, 2009) with multiple board appointments. Besides the CEO's formal power, which also considered a formal authority offered by duality, CEO's informal power plays a very significant role since CEO is the primary strategic player and central decision maker in the organization, which reveals the capacity over CEO's behavior and the influence over organizational performance. Despite the growing body of research on the CEO duality, a limited attention has been given to identify the influence of CEO's informal power on the CEO duality-firm performance context. Hence, for instance, "one of the next frontiers for governance researchers is to generate theories and evidence regarding how power differentials within boardrooms affect board processes and outcomes" (Hambrick, Werder, & Zajac, 2008, p. 382). Examining the relationship between the CEO duality and board vigilance, Finkelstein and D'Aveni (1994) have found the level of the CEO informal power as a major factor in forcing the duality success. Moreover, the study advocates that further exploring the impact of the CEO informal power in different perspectives on duality relationship could benefit governance implications. In addition, examining executives' interpersonal and social influence behavior in appointing to the board, Westphal and Stem posit the importance of CEO's informal power as “given that recommendations from CEO-directors were shown to have very strong effect on the likelihood of receiving board appointments”(2006, p. 198), and further emphasized researching on “ how ingratiatory behavior affects the allocation of other rewards and privileges in top management team and board of directors, including compensation and prerequisite, selecting as the CEO’s successors, and influence on strategy and policy” (2006, p. 199), which provide further insights of ingratiation and social influence in firm behavior. Meanwhile, Barkema and Pennings (1998) examined the influence of CEO’s power categorizing as *overt* and *covert* on CEO compensations. The study identified CEO’s *covert* power through proxies such as, tenure, being one of the founders, and firm diversification. The analysis brought into being that these variables moderate or magnifies the effect of equity holdings on compensation, and the influences of power are most pronounced for the CEO’s compensation.

Consequently, considering other means by which CEO can acquire informal power, this study recognizes that CEO’s family representation could offer a wide range of recognition as a cumulative power within the board, which is directly considered to be as an informal or covert power that could trigger the influence on board and excessively manage firm’s recourses while holding duality. For example, when the family has a strong representation in the firm, obviously, executives achieve a stronger position within the firm, which largely allow CEOs to freely set his/her own agenda in situations where increasing compensations and other strategic decisions and so on (Finkelstein & Hambrick, 1989). In support to this argument, with the CEO informal power standpoint, prior research suggests that “future research should explore conditions that need to be met for appointment decisions to serve as a source of power”(Greve & Mitsuhashi, 2007, p. 1216). However, unfortunately prior studies have noticeably neglected the influence of CEO’s family membership on the duality-performance relationship. For example, Kim et al., ”future researches should benefit from examining additional factors that may have acute impacts on CEO’s leadership power and further the firm behaviour led by CEO duality. For example, the origin of the CEO (i.e., whether the CEO is from inside or outside the firm)”(2009, p. 1179). Furthermore, recent research suggests that investigating CEO’s certification and financial market response, which is required by Sarbanes Oxley-Act, would benefit corporate governance implications (Mackey, 2009). Specifically, since this study is focused on emerging economies, it is commonly accepted that although companies are publicly listed in such economies, there is a high family influence through family participation and share ownership. The second source of CEO informal power that is CEO’s membership in board independent subcommittees is recognized since such a relationship could intensify the on board decisions. Prior literature evidenced that CEO’s board committee participation is a source of increasing firm values through multiple board appointments (Ferris, Jagannathan, & Pritchard, 2003; Harris & Shimizu, 2004; Jackling & Johl, 2009). Similarly, Finkelstein and D’Aveni (1994) have identified that CEOs holding more positions in a firm could lead CEO to achieve additional power through interacting with environmental actors. For example, Barkema and Pennings (1998) emphasized that CEOs play a central role in recruiting and selecting board members, determining the compensation of directors, and influencing the agenda of board meetings. In that sense, numerous experiences gained by CEOs holding several positions in independent board subcommittees would essentially trigger CEO’s position managing the company. With the agency perspective, the relationship between board’s power and CEO’s power influences the capacity of boards to monitor CEO’s behavior (Ocasio, 1994; Parrino, 1997), and hence, the more power the CEO gains, less likely the board’s ability to monitor over CEO’s function effectively. Therefore, referring to emerging theoretical and practical importance and necessity of examining CEO informal power, this study employs CEO informal power with contradictory perspectives as moderating roles to reveal the clear structure between CEO duality and firm performance.

Board of directors' stance, boards' resource provision to the firm is identified through board involvement, which is evaluated through boards of directors' personal equity holdings (Kim et al., 2009) and frequency of board meetings, which is also known as board activities (Jackling & Johl, 2009). In particular, the moderating role of board involvement is remarkable on this settings due to the less focused given in earlier studies in analyzing duality-performance relationship. Primarily, only prior studies have focused on agency theory in terms of board vigilance or board independence (Finkelstein & D'Aveni, 1994; Kim et al., 2009; McDonald & Westphal, 2010), board's shareholdings (Kim et al., 2009), and no attempt was given to examine the other theories or combination of other focuses on CEO duality- firm performance relationship. Further only previous studies have examined other associations such as duality and board vigilance (Finkelstein & D'Aveni, 1994), duality and diversification (Kim et al., 2009), board control over CEO leadership (McDonald & Westphal, 2010), and not the relationship between CEO duality and firm performance. Therefore, integrating resource dependence and agency theories, our study examined the moderating role of board involvement to fill the research gap in the CEO duality framework. Hillam et al., emphasized the necessity of examining resource dependence perspective, together with agency theory, highlighting a prior a research (Daily, Dalton, & Cannella Jr, 2003) that "the limited results obtained from an agency theory perspective and suggest that rather than focusing predominantly on directors' willingness or ability to control executives, in future research scholars may yield more productive results by focusing on the assistance directors provide in bringing valued resources to the firm and in serving as a source of advice and counsel for CEOs" (2009, p. 1410). Analyzing board control implications over CEO leadership, McDonald and Westphal (2010) suggested that examining other factors which might trigger better board control would benefit corporate governance applications. Furthermore, highlighting the applicability of developments in the resource dependence theory in line with agency theory, Hillman and Dalzeil identify the significance of researching board involvements as "further theoretical work could develop a formal typology of board resources and explore how type of resource relates to firm performance" (2003, p. 393), which totally supports to reveal the effectiveness of board monitoring functions in terms of interrelatedness or synergetic, provision of resources, together with combined effect on firm performance. Therefore, board involvement which is evaluated through directors' personal shareholdings and frequency of board meetings are measured as the integration of agency and resource dependence standpoints.

This necessity of this analysis is significant partly because the limited capacity of agency theory to describe the whole phenomenon expected from board of directors. For example, Frankforter, Davis, Vollrath, and Hill (2007) concluded that areas such as incentives, monitoring, and corporate performance application of agency theory have not been able to provide significance contribution in favor of shareholder interests, and hence, these deviations have raised more concerns on agency theory's ability to rationalize relationships between leadership and governance structure. Consequently, although the agency theory argues the magnitude of board's vigilance to monitor senior managers, relying solely on the board vigilance would not ensure the effectiveness of the board (Kroll, Walters, & Wright, 2008). Thus, it is required to incorporate other theories which emphasize a dept understanding of board involvement in monitoring management functions. For example, as per the resource dependence perspective, the primary role of board is to serve as resource providers to the firm (Lynall et al., 2003). Both theoretically and practically, providing resources and monitoring are combined with firm performance. Therefore, integrating agency and resource dependence theories would reveal greater insights of board monitoring (Hillman & Dalziel, 2003). Moreover, "although RDT (Resource Dependence Theory) is less commonly used to study boards than agency theory, empirical evidence to date suggests that it is a more successful lens for understanding boards" (Hillman et al., 2009, p. 1408). Hence, our first variable, boards' personal equity holding represents one of the major functions of board which is to provide resources. Accordingly, boards with individual directors who have significant personal shareholdings in the firm's actions are more likely to perform vigilance role (Finkelstein & Hambrick, 1989). Further, it is believed that, board of directors who have equity ownership of the firm have a higher interest on firm decisions and greater awareness on management contradictions (Finkelstein, 1992).

Secondly, frequency of board meetings is the indication of board's resources in terms of advice and counsel, channels of communications, and other similar internal and external linkages to the firm. Frequency of board meeting is identified as a measurement that indicates the intensity of board activates (Jackling & Johl, 2009). Also, board activities, which can be measured by frequency of board meetings, is a significant measurement to determine board operations (Vafeas, 1999). Although there are previous research to investigate board monitoring, still there are questions to analyze about boards' lack of vigilance, or managements' efforts to comply with authority of board can contribute to the firm using CEO interim, and probably when duality exists (Ballinger & Marcel, 2010). As a whole, in moderating CEO duality impacts, along with various informal power, it is believed that "powerful boards are more likely to change CEO characteristics in the direction of their own demographic profile" (Zajac & Westphal, 1996, p. 64). Therefore, notably, compositions of moderating effects considered in this study pertinent to CEO duality-performance relationship have not yet been sufficiently researched. For instance, Kim et al (2009) and Elsayed (2010) assert that the examining additional factors that go beyond the "usual suspects" might strengthen and sharp impacts on CEO's leadership power, and further, firm behavior led by CEO duality will provide greater insights on criticisms of corporate governance implications. Therefore, this study examines the impact of CEO duality on firm performance and the moderating effects of CEO informal power and board involvement.

Specifically, one other important contribution of our study is that examining the CEO duality-firm performance relationship in developing economies standpoints, with moderating roles of resource dependence theory, which has not yet been tested in concluding such relationship. Nonetheless, the applicability and validity of governance practices and concepts for emerging economies thus far are scare, lending the findings lacking generalizable implications (Bruton & Lau, 2008; McCarthy & Puffer, 2008). Indeed the examinations of corporate governance in developing countries are important because "the underlying conditions for companies to adhere with good corporate governance principles vary with institutional and economic country differences"(Holm & Schøler, 2010, pp. 32-33). Since the study sample is drawn from Sri Lankan publicly listed companies in the Colombo Stock Exchange (CSE), our results reveal corporate governance applications in emerging economics with reference to Asian context. For instance, in the Asian context, "while most leadership studies focus on supervisor–subordinate relationships only, the effect of CEO on firm behavior is not yet well researched. The process by which the CEO affects firm performance has not yet been addressed in the literature" (Bruton & Lau, 2008, p. 654). More importantly, there is an emerging trend to examine the applicability of corporate governance concepts in non-western contexts, partly because the nature of ownership and the mechanism by which businesses are managed in Asian countries are different to western context. Prior literature also evidenced that underlying norms of agency theory are more applicable to mature market-oriented economies; hence ethicality interpreting such corporate governance practices and implications would not be reasonable for all economies, especially for emerging markets (McCarthy & Puffer, 2008). Remarkably, due to the incompatible theoretical implications of Anglo-American based agency theory: such as, outside board of directors, CEO compensation and firm performance, CEO's level of ownership in the firm, "agency theories may need to be expanded or revised in order to study specific governance issue in Asia"(Bruton & Lau, 2008, p. 453). Moreover, it is widely accept that family ownership and, thus family influence in Asian businesses' are considerably high compare to western context. Thus, it is suggested that exploring concepts of stewardship theories, along with family authoritative businesses in countries where varying level of shareholder protections and family culture norms are influenced, would expand the scope of governance studies (Miller, Breton-Miller, & Scholnick, 2008). Accordingly, we attempt to advance the understanding of consequences of duality-nonduality notion considering these structural behaviors as well.

In summary, this study examines consequences of CEO duality on firm performance with a multitheoretical approach as an integration of opposing and related major theories in such implications in the Asian context. For instance, prior studies (Boyd, 1995; Elsayed, 2010; Finkelstein & D'Aveni, 1994) suggest that it is necessary to build "multi-theory models" in order to investigate board leadership structure, size, composition and behavior with the intention to expand the existing corporate governance practices. More precisely, "in future research scholars will have to recognize the commonalities of the theoretical perspectives examined here and conduct empirical work that is explicitly designed board composition. For example, agency concerns may initially drive a board practice, such as CEO/chair position" (Lynall et al., 2003, p. 428). In theoretical aspects, this research contributes to agency, stewardship, and resource dependence theories, by exploring an imperative however given less consideration, and suggesting that boards of directors' resource provision is as an essential instrument which could determine major corporate governance implications such as CEO duality and firm performance, which in tern reveal boundary conditions of the implication of this relationship.

2. Theory and Hypotheses

<u>CEO duality and firm performance</u>

Agency Theoretical Perspective

Primarily, corporate governance deals with the agency problem, which arises separating ownership and control (Gillan, 2006; Shleifer & Vishny, 1997), hence, agency theory plays the most dominant role in such implications (Lynall et al., 2003). Accordingly, agency theory provides the fundamental theoretical principle which emphasizes the board of directors' involvements over corporate control, and more sophisticatedly, the theory highlights that monitoring management interests on corporate functions would ultimately direct to protect shareholders' interest (Dalton, Hitt, Certo, & Dalton, 2007; Shleifer & Vishny, 1997). Consequently, agency theory argues that separation of CEO and chairman positions would provide greater transparency and accountability on firm decisions and information, which aims to improve shareholder trust and ultimately generate better corporate performance (Adams et al., 2005; Finkelstein & D'Aveni, 1994; Gillan, 2006; Kroll et al., 2008). Furthermore, Cadbury committee also (1992) proposes that the roles of chairman and CEO should be separated.

Confirming the existing implications, prior research evidenced that the role of CEO and the types of board leadership have direct impact on corporate performance (Jackling & Johl, 2009), and, Adams, Almeida, and Ferreira (2005) advocate that a CEO's ability to influence corporate strategic decisions can have an impact on firm performance. Therefore, it is obvious that directors reflect contradictory views when a firm's CEO represents the chairperson of the board as well. Hence, the board must attempt to mitigate the unbalance of power in terms of formal and informal means (Finkelstein & D'Aveni, 1994). However, research evidenced that there is no indications to support that CEO duality has been intentionally selected with the purpose of optimizing firm performance. Rather it is due to other reasons (Iyengar & Zampelli, 2009). From this perspective, if a CEO with family ties to a firm is considered to be a highly motivated executive, this relationship could encourage the CEO to be "the self-serving, economically rational man postulated by agency theory, or the self actualizing, collective serving man suggested by stewardship theory" (Corbetta & Salvato, 2004, p. 357). This rationale posits one to think beyond agency theory and find what other theories explain on CEO duality and firm performance. For instance, "although agency theory addresses manager-principal interest divergence, additional theory is needed to explain what, if anything, causes interests to be aligned" (Davis et al., 1997, pp. 20-21). Corbetta and Salvato clarified that although the agency theory is a suitable mechanism which can illustrate the organizational relationships on efficiency ways, "what is missing is a conceptual lens to explain behaviors aimed at maximizing potential performance within organizations in which a pro-organizational attitudes coexists with self-serving motives" (2004, p. 356). Thus, developing a behavioral framework for future research of boards in corporate governance, will clearly challenge dominant arguments of agency theory (Ees, Gabrielsson, & Huse, 2009). For many explanations in corporate governance, for example ownership structure and firm performance, the universal applicability of agency theory has been rapidly questioned (Dalton, Daily, Certo, & Roengpitya, 2003). As a response to agency theory's criticism, suggesting a revolutionary perspective to the agency theory, Lan and Heracleous (2010) proposed that board of directors' role should be to mediate hierarchs instead monitoring management, which is an indication to examine other perspectives of board involvements. Hence, although the agency theory is recognized as the prominent perspective, which advocates corporate governance best practices and which explains the conceptually validate arguments in favor of maximizing shareholder wealth, as growing empirical literature outline the limited capacity of agency theory to reveal the whole picture of CEO duality-performance relationship, it is necessary to reflect on other viewpoints which could assist for validating theoretical and practical implications of such deviations.

Stewardship Theoretical Perspective

Contrary to what agency theory conceptualizes, stewardship theory defines situations where managers and individuals do not motivated for themselves, but rather behave as stewards for the entire benefits of the organization (Davis et al., 1997). As a results, as per the stewardship assumptions, managers do not much emphasize on self-interests, but often voluntarily focus maximizing organizational interests (Benz & Frey, 2007). Furthermore, Braun and Sharma (2007) examined this phenomena for family controlled public firms and concluded that stewardship theory adopts opposing views on the firm performance and duality relationship. In view of that, family executives, for instance CEOs, generate social capital serving their companies both for the family itself and the broader community at large (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson, & Moyano-Fuentes, 2007). Compare with non-family owned businesses, family owned and influenced companies demonstrate more stewardships in terms of future oriented investment and product developments, reputation developments, investments in market share developments, community and employees (in terms of training, skills, flexible, retaining), and connecting with customers (Miller et al., 2008). On the other hand, as per the stewardship analysis, in some cases these consequences could be changed as Eddleston and Kellermanns (2007) conclude that family relationship could be a source of strength and competitive advantages or limitations or obstacle for family firms. In addition, leadership advocates further strengthen the duality, arguing that firms will be better off if one person holds both positions since clear authority to formulate crucial decisions (Finkelstein & D'Aveni, 1994; Harris & Helfat, 1998). Warrell et al., (1998), found out that duality alone does not have a direct impact on stock market, but once duality acquires another title then stock market could react adversely. Analyzing the moderate impact of CEO informal power and firm performance on the relationship between board vigilance and duality, Finkelstein and D'Aveni (1994) clarified that duality is less common, situations where CEOs have high informal power and firm performance was high. Hence, "stewardship theory would propose that CEO duality would facilitate effective action by the CEO, and consequently lead higher performance"(Boyd, 1995, p. 304).

Arguably, research evidenced that both agency and stewardship theories are not qualified enough to explain CEO duality-performance consequences relationship. For example, survey held in Singapore to examine the opinions of investors, directors, and auditors in separating chairman and CEO positions was also evidenced that it is not a critical decision in corporate governance context (Goodwin & Seow, 2000). Thus, since duality and nonduality do not show significant differences in longer-term firm performance, firms are at variance for the arguments favor of nonduality (Baliga, Moyer, & Rao, 1996). Further, authors argued that even thought duality may increase the managerial abuses; it does not seem to be a substantial demonstration of the reality. Similarly, as per the Boyd's (1995) analysis, the study emphasized that neither agency nor stewardship theory can determines the duality outcomes clearly. One other concern of agency and stewardship theories is that the universal assumption of either theory overlooks the dynamic nature of corporate governance, and thus, fail to reveal the underlying independence of governance mechanism (Elsayed, 2010).

The Role of Resource Dependence Perspective

Since the above discussion does not provide a clear vision of applying one specific theory whether to decide duality or non-duality, rather outlining mixed results in favor of both theoretical perspectives, this study attempts to analyze the role of resource dependence theory in validating the applicability of both theories. For instance, even though "stewardship and stakeholder theory remove some restrictive assumptions of the agency approach, yet do not provide a comprehensive research framework that links corporate governance with the boarder context of different organizational environments" (Aguilera et al., 2008, p. 478). Combining agency and resource dependence theory, Hillman and Dalziel (2003) suggest that boards of directors play two major roles for corporations: as per the agency theory, effective monitoring is a function of a board incentives, while resource dependence theory suggests that providing resources is a function of board capital. Therefore, according to the resource dependence perspective, the primary role of board is to serve as resource providers, and four types of resources are supposed to provide the board: (1) advice and counsel, (2) legitimacy, (3) channels for communicating information between the firm and external organizations, and (4) assistance in obtaining resources or commitments from important elements outside the firm (Lynall et al., 2003). Thus "corporate boards will be chosen to maximize the provision of important resources to the firm…an implication of resources dependence theory, then is that each director may bring different linkages and resources to a board" (Lynall et al., 2003, p. 418). Moreover, with the ownership perspective, directors' equity holdings could be considered as a resource which is identified in resource dependence theory. However, given the agency theory's inherent limitations to explain issues on ownership and firm performance relationship, alternative theoretical approaches are essentially required to substitute in clarifying the whole image in corporate governance perspective (Dalton et al., 2003). Consequently, even though the agency theory dominates strong arguments of board involvements proposed by resource dependence theory, the large amount of empirical evidence support to the validity of resource dependence perspective (Hillman et al., 2009). In addressing these issues associated with agency theory in forming boards, "resource dependence theory, in contrast, helps illuminate boards composition in both the collective and formalization stages of the organizational life cycle, when CEOs have dominant power" (Lynall et al., 2003, p. 427). Thus, this attempt is to integrate agency, stewardship, and resource dependence theories in order to clearly draw a line to strengthen the board effectiveness instead heavily relying on agency theory or stewardship theory, which ultimately could reveal a robust contribution in elucidating CEO-duality contradictions.

As a whole, with the shareholder perspective, agency theory focuses reducing agency cost while stewardship theory emphasizes increasing shareholder wealth, which mutually attempts to maximize shareholder interests in either approach. In summary, the main argument of this analysis is that, one theory itself cannot explain the CEO duality-performance relationship, but with the integration of underlined assumptions of multiple theories such as agency, stewardship, and resource dependence views, dominant concepts of these relationships could be rationalized.

Moderating Effect of CEO Informal Power

Executives "informal power is based on positive interpersonal relations, involving the social exchange support, referent relationships, or knowledge all socially valued unrestricted goods. Informal power, not being necessarily associated with formal structure, can flow on all directors" (Peiro & Melia, 2003, p. 19). Finkelstein and D'Aveni (1994), determined CEO power that is generated from informal ways play the most significant role among the factors that could trigger CEO's influence on firm performance. Specifically, the study found that vigilant boards were positively related to CEO duality when CEO informal power was low. However, a negative relationship was found between vigilant boards and CEO duality when CEO informal power and firm performance were high. The study concluded that when CEOs had more informal power, there was a potential for entrenchment which resulted in boards preferring to separate the two roles. Furthermore, research evidenced that CEOs' relative power, in situations where CEOs are not material owners to the firm, has a high influence in forming corporate boards (Lynall et al., 2003).

Focusing sources of CEO informal power, Li and Tang (2010) conclude that there is a strong positive relationship between CEO hubris and risk taking under situations where CEO managerial discretion is strong; CEO holds the chairman position of the company; CEO who was not appointed by political influences; and when a firm faced munificent but complex markets. Similarly, CEO's informal power concentration tends to cause greater likelihood of changes in firm's strategies (Greve & Mitsuhashi, 2007). On the other hand, boards with significant family representation typically tend to minimize independent board representation while outside shareholders attempt to increase independent director involvement (Anderson & Reeb, 2004).

This is simply because, “CEOs often have access to sources of power that allow them to manipulate their pay at the expense of (other) shareholders” (Barkema & Pennings, 1998, p. 980). The legal and authoritative power that CEO acquires in formal ways is subjected to the boards’ monitoring and organizational objectives, which limits CEO’s behavior to a certain extent. However, once CEO acquires other means of powers through informal ways, the boards’ monitoring process could be influenced and vary from the expected manners. Therefore, this concludes that extent to which CEO holds variety of powers would moderate CEO’s influence on firm performance. Although there is abundance of literature to evaluate CEO power, a limited attention was given to analyze the moderating effect of CEO’s informal power on duality-performance relationship. This study examines two variables by which CEO could achieve informal power, in terms of CEO being a family member and being a member of board subcommittees, which are considered to be very strong informal power means that CEO could direct corporate activities.

CEO being a Family Member

Primarily, CEO’s family participation could be considered as a family appointment related to the founder of the firm or as a representation of family share ownerships. Recently, CEO succession has become a popular topic that abundance of researches have more focused on whether CEO selection decision should be an inside or an outside representation (Ballinger & Marcel, 2010; Elsaid & Davidson, 2009; Elsaid, Davidson, & Benson, 2009; Karaevli, 2007; Mooney, Dalton, Dalton, & Certo, 2007; Schnatterly & Johnson, 2008; Zhang & Rajagopalan, 2010). Finkelstein (1992) posited that there is a possibility for an executive to gain power being the founder of the firm or related to the founder controlling over the board, when he/she has a long term relationships with the board. Appointing an outside CEO is believed to be capable with innovative ideas, skills, and specific knowledge that would help firm to move ahead. Therefore, replacing the CEO routinely would increase the above mentioned benefits, and current average tenure for a CEO is approximately six years (Mooney et al., 2007). However, the existing belief that selecting a new CEO and firm performance is that, external CEOs are appointed following poor corporate performance, while internal CEOs are selected following good firm performance (Puffer & Weintrop, 1995). On the other hand, research evidenced that when CEO serves as a family member, the cost of debt financing is higher than compare to the outside CEOs, however lower to non-family firms, and ultimately CEO position has a detrimental effect of shareholder and bondholder relations due to CEO’s appointment based on family relationships, rather based on qualifications (Anderson, Mansi, & Reeb, 2002). Extending the concepts of upper-echelon theory to investigate the impact of demographic characteristic in selecting CEO, findings concluded that nowadays even international experience is a significant component selecting the CEO for large corporations (Magnusson & Boggs, 2006). Schnatterly and Johnson (2008) proposed that there is a high potential for outsiders to become CEOs under the current high tech industries as competition is faster paced and information asymmetry is greater than in lower technology industries. Based on the information asymmetry and adverse selection, research evidenced that board of directors make poor selections in the succession time, and once the realistic information is obtained, the appointee would be dismissed (Zhang, 2008).

Finkelstein and Hambrick (1989) concluded that in addition to executive’s own shareholdings, CEO’s family members’ ownership will also confer CEO additional power.

Consequently, the greater the CEO's family ownership, it is more likely CEO to gain higher compensation. Particularly, CEO with ownership of the firm has a greater opportunity to dominate the board since he/she has informal power acquired by the ways of being a family member to the founder (Barkema & Pennings, 1998). Anderson and Reeb (2004) found that instances where public firms continued with strong founding- family ownership, and with less independent directors, have considerably worse performance compared with non-family firms. However, principal risk bearing capacity tend to be lower when CEO of the firm has close family ties with top management team (TMT) or CEO is well protected by family memberships (Cruz, Gómez-Mejia, & Becerra, 2010). With the small shareholders point of view, moderating family influence and power creates more concerns due to families' future conflicts in expropriating of firm resources for personal benefits (Anderson & Reeb, 2004).

In contrast, referring to a report issued by the Center for Creative Leadership (CCL), Mooney et al. (2007) reveal that selecting an insider CEO (person already an employee of the firm) would rate 34 percent failure while selecting an outside CEO (a person who is not an employee of firm) would increase up to 55 percent. Thus, with the stewardship aspect, family participation would provide unique resources to the firms that can be effectively utilized to improve firm performance (Eddleston & Kellermanns, 2007). Further, research emphasized the family participation as resources to firm as "we view altruism as a family-based resource that encourages family members' to place the firm's objectives ahead of their own" (Eddleston & Kellermanns, 2007, p. 547). Additionally, Anserson and Reeb (2004) found that moderate family board participation generates considerable benefits to the firm. Taken together, due to opposing arguments on CEO's family representation with different viewpoints, in the agency perspective, this study expects that CEO duality with family representation would adversely effect to firm performance. However, with the stewardship and resource dependence view point, since CEO's family participation could be considered as a means of resource in terms of social capital, prestigious, or networking, the relationship would ultimate crate value to firm. Thus,

Hypothesis 1a: With the agency orientation, CEO being a family member negatively moderates the effect of CEO duality on firm performance.

Hypothesis 1b: With the stewardship and resource dependence orientations, CEO being a family member positively moderates the effect of CEO duality on firm performance

CEO being a Member of Board Subcommittees

The extent to which CEO can acquire certain level of power through holding memberships of board and subcommittees is identified as CEO busyness (Jackling & Johl, 2009). Recently there are many criticisms on CEO's participation on board subcommittees, which has caused to lose the transparency and accountability of ultimate decisions produce by board subcommittees. For example, Shivadasani and Yermack (1999) asserted that CEO being a member of the nominating committee or no nominating committee exists, when outside independent directors are appointed to the firm, it creates conflicts of interest to recruit suitable and enough directors and ultimately adversely influence to stock price reactions. Under some circumstances where CEO has social influence on nomination committee, this can be viewed as impression management with increased formal board independence in response to negative analysts appraisal (Westphal & Graebner, 2010). Further, Klein (2002) concludes that reduction in board or audit committee independence would cause to increase abnormal accruals, thus board committees should be structured to be more independent especially free form CEOs. As a consequence, CEO's non-independent pressure on independent board decisions might be a detrimental effect on corporate outcomes, especially this could lead to lose the transparency and accountability of independent subcommittees. Worrell et al. (1998) found that holding three positions by one executive have more negative effect on stock market rather than holding two positions. Hence, the variety number of positions CEO holds in the firm would create more opportunity to dominate the board, interacting with internal and external environment (Finkelstein, 1992).

Additionally, analyzing the relationship between earning management and CEO's representation on nomination and compensation committees, Klein (2002) proposed that coefficient on CEO's participation on nominating committee is insignificantly different from zero, concluding that no relation of CEO participation in committees on earnings management. On the contrary, the coefficient on CEO's attendance on compensation committee is significantly different from zero at conventional levels, suggesting a positive relation between earnings management and whether the CEO sits on the committee. Similarly, CEO allocating much of his/her time on additional activities or accepting number of positions would results to deviate from his routine functions and strategic focusing, which directly cause to poor performance. Moreover, Reeb and Upadhyay (2010) found that there is a negative strong relationship between CEO tenure and board committees while duality exists.

In contrast, this conclusion is opposing to what resource dependence theory argues that board with a high level of engagement with external environment create more avenues to various resources which could improve firm values (Jackling & Johl, 2009). Consequently , there are evidence (Ferris et al., 2003; Harris & Shimizu, 2004) to support that directors with multiple appointments have a positive impact on corporate performance. Therefore, informally networking with inside and outside environments through CEO power would spontaneously generate experiences and power that can be used to direct and influence over board functions. Overall, with the counter views for CEO's committee membership, with the agency perspective, this analysis hypothesis that CEOs having more board seats while holding duality would negatively affect firm performance. On the other hand, with the stewardship and resource dependence orientations, since CEO's board membership could be considered as an additional resource in terms of experience and social contacts, the ultimate influence on firm performance would be positive. Hence,

Hypothesis 2a: In the agency orientation, CEO being a member of board subcommittees negatively moderates the effect of CEO duality on firm performance.

Hypothesis 2b: In the stewardship and resource dependence orientations, CEO being a member of board subcommittees positively moderates the effect of CEO duality on firm performance.

Moderating Effect of Board Involvement

As per the agency theory, the role board of directors is to monitor the management in order to ensure that shareholders' interests are secured (Shleifer & Vishny, 1997). Accordingly, Finkelstein and D'Aveni (1994) explained board vigilant as boards that featured with the motivation and incentives to effectively monitor and discipline CEOs. Further, the study clarified that board vigilant would favor to duality or nondaily based on specific circumstances. Within the governance standpoint, even though numerous investigations have been focused to reveal the effectiveness and efficiency of board behavior, in terms of composition, independence and so on, particularly, in this study board involvement is considered as the combination of agency and resource dependence perspectives.

Referring to the notion that "tone at the top", as suggested by Treadway Commission Report (1987), Ekanayake, Perera and Perera (2009) identified attitudes of top management on the circumstances where external reporting, corporate culture, and power and conflict would essentially have a greater impact on the quality and reliability of corporate information and the level of disclosures. Accordingly, board of directors' attitudes on CEO's informal power and role conflicts would necessarily impact on corporate performance, revealing transparency and accountability of strategic decisions. Then, the primary focus of board of directors is to ensure that shareholders' fund is properly utilized in order to maximize their interests. The extent to which the board involves on monitoring functions within the corporation determines the transparency and accountability exists in the corporate governance context. For instance, Enron's board of directors failed to fulfill their task overseeing management and risk associated with corporate strategic direction (Gillan & Martin, 2007). When board represents outsider directors with significant shareholdings of paid representatives, the board would exert a tighter control over CEO's behavior (Finkelstein & Hambrick, 1989). Conversely, the greater board control over CEO's functions would adversely affect to CEO's willingness and motivation to contribute strategic decisions to the focal company and other CEOs that would increase firm performance (McDonald & Westphal, 2010).

These findings indicates the necessity of evaluating other variables which are more concentrate the reliability and dependability of board involvements over CEO dominations on firm activities, more importantly board decisions. In particular, referring to CEO informal power characteristics referred in this study, along with duality, it is suggested that "the greater the power of a firm's board in relation to its existing CEO, the greater the likelihood of change in CEO characteristics when succession occurs" (Zajac & Westphal, 1996, p. 69). The main conclusion of this discussion is that relying on agency and resource dependence theories, higher level of board involvement could minimize and limit the CEO's opportunism behavior. Even though the agency theory proposes that CEO duality adversely affects firm performance, our attempt is to examine the efficiency of mechanisms proposed by agency theory to outweigh agency cost with highly involved boards in firm activities, integrated with suggestions of resource dependence theory. For example, "boards established during the collective stage, and when the CEO has dominant power, will reflect the resource dependence needs of the firm" (Lynall et al., 2003, p. 423). Recognizing the moderating effect of board involvement on CEO duality and firm performance, this study employs two dimensions, in terms of board's personal equity holdings and frequency of board meetings. In our analysis, the board involvement moderating effect is recognized as the combination of agency, stewardship, and resource dependence theories with the controlling and collaborative approach suggested by Sundaramurthy and Lewis (2003).

Board's Personal Equity Holdings

As a corporate governance variable to measure the boards' monitoring effectiveness, board's personal equity ownership motivates directors to be more involved in monitoring and controlling managerial implications that could detriment firm performance (Kim et al., 2009). Therefore, board’s equity ownership generates additional interest and power to directors, controlling over CEO duality and informal power. In that sense, insiders’ ownership is also identified as a measure of management power (Ertimur, Ferri, & Stubben, 2010). Finkelstein and D'Aveni (1994) explained that non-shareholding boards tend to supports duality allowing CEOs to follow their own initiatives in firms’ decision making process. Therefore, boards with shareholding of the firm has a greater involvement on duality and do not support CEO’s own agenda while taking appropriate measures in order to protect majorities interests, which ultimately positively correlate with duality structure (Elsayed, 2010). This determines that directors’ personal shareholding is an indication to show their stewardship toward the firm as the stewardship theory emphasized. As per the alignment perspective suggested by agency theory, despite the title of the inside shareholders whether CEO, managers, board of directors, there is a positive relationship between insider equity shareholdings and firm performance (Dalton et al., 2003).

Analyzing controlling and collaborative approaches of agency and stewardship theories, respectively, Sundaramurthy and Lewis (2003) found that the governance measurement of ‘executive equity ownership’ has opposite but positive impacts on firm performance. With the agency theoretical perspective, in terms of controlling approach, executives’ stock ownership “reduces goal conflicts and avoids increasing risk differentials” (p. 398). In contrast, with the stewardship orientation, in terms of collaborative approach, executives’ stock ownership “fosters firm identifications and long term relations” (p. 398). This contrasting approach to prominent governance theories that are agency and stewardship theories determine that either approach promotes firm performance, in terms of executives’ share ownership with reference to resource dependence theory.

On the other hand, it is also valid to argue that increasing directors’ personal equities could overwhelm minority shareholders while pursuing individuals’ personal goals (Lasfer, 2006). Further, compare to independent directors, directors with family shareholdings might not be that much of vigilant to perform firm activities (Barkema & Pennings, 1998). The study further identified as CEO’s overt power as the CEO’s equity holdings, and found that greater equity holdings would create more opportunities CEO to manipulate his compensation at the shareholders expense. Conversely, absent of directors to invest in firm’s equity is more likely to create opportunistic behavior given priority to short term actions with personal interests such as job security and maximizing individual benefits at shareholders expenses (Hoskisson, Hitt, Johnson, & Grossman, 2002; Zahra, Neubaum, & Huse, 2000). Thus, for instance, it is expected that “ownership power to be associated with the prerogative to form the board, since it is the protector of shareholder interests” (Lynall et al., 2003, p. 422). In balancing contradictory viewpoints of boards’ equity holdings, this concludes that monitoring management and providing resources to the firm are the primary function of boards. With the theoretical and practical standpoints, this discussion agrees with the suggestion that boards having personal shares on the firm would generate positive results on the firm in situations where CEO duality exists. Consequently, such a board involvement would support CEO duality due to greater control and vigilance on CEO behavior. Thus,

Hypothesis 3: With the agency, stewardship, and resource dependence orientations, boards’ personal equity holdings positively moderate the effect of CEO duality on firm performance.

Frequency of Board Meetings

Among board activities, board meetings play a significant role that enables board members to make collective decisions with the intention of controlling over dominations behaviors and implementing appropriate measures to validate strategic decisions. In accordance with the resource dependence theory, frequency of board meetings is regarded as a means which could prompt the board functions over corporate activities (Jackling & Johl, 2009). However, board of directors prefer non-duality due to the fact that CEO's ability to dominate both agenda and board meetings while positioning as the chairperson of the same board (Finkelstein & D'Aveni, 1994). As per the agency perspective, frequency of board activities as a mechanism to measure the quality of board monitoring, in case of outside directors, outside chairman needs to be more frequently informed while in case of inside director participation, insider chairman should meet less frequently (Vafeas, 1999). Examining multiple agency conflicts, Arthurs, et al. (2008) suggests that board's experience and monitoring by insiders would decrease underpricing in a firms initial public offering. Ironically, analyzing board meeting transcripts on monitoring activities, prior research proves that members do not constantly focus monitoring activities (Tuggle et al., 2010). Consistently, Jesen (1993) concluded that independent outside directors have less opportunity to provide managerial comments and views in board meetings since much of the time is allocated for routine tasks. However, as a whole, prior result concludes that board of directors make appropriate arrangements over management control and scrutinize poor performance holding frequency board meetings in order to increase operating performance (Jackling & Johl, 2009).

Boards having higher interactions with firms' decisions in line with stewardship theory, this argument conclude that frequency of board meeting would result positive contributions to the firm revealing directors' strong stewardship to the firm. Given that the frequency of board meeting is an instrument to control managerial opportunistic practices, it is suggested that the regularity of board meetings will support to CEO duality due to board' higher involvement in corporate activities benefits the firm. Thus, with the controlling and collaboration approach of agency and stewardship theories, together with alternative approach of resource dependence theory (Sundaramurthy & Lewis, 2003), frequency of board meeting could be considered as a phenomenon that links the external environment to the firm and dissemination of information among directors (Muth & Donaldson, 1998), which in tern create opposing benefits to the firm. Therefore,

Hypothesis 4: With the agency, stewardship, and resource dependence orientations, frequency of board meetings positively moderates the effect of CEO duality on firm performance

3. Research Design and Sample Selection

The sample of this study was drawn from Sri Lankan listed companies in the Colombo Stock Exchange (CSE) for the year ended March 31, 2009. All public corporations listed in the CSE are essentially required to follow the listed rules and amended corporate governance guidelines as introduced by CSE, together with Securities and Exchange Commission (SEC), and Institute of Chartered Accountants of Sri Lanka (ICASL), with effect from 2008. Data were collected by referring 2008/2009 financial year annual reports published in the CSE website and databases published by CSE, such as “Fact Book-(2008)”and “Data library – (2009)”. A sample of 216 listed companies which actively perform in the CSE in the referred financial year was randomly selected, which symbolizes 93.51% of the population representing 20 industries that fairly spread all the sectors of the stock exchange. Furthermore, the proposed sample was excluded listed companies that are not functioning in the stock exchange due to temporary reasons, firms which have not submitted annual reports in the given period of time, or submitted, but lack of enough information relevant to this study. The table 1 illustrates the summary of industry representation characteristics, in terms of population, sample firms, market capitalization as a percentage (in 2008), turnover to average market capitalization as a percentage (in 2008) , and CEO duality. Number of firms for a specific industry category ranged from 1 to 33, while an average firm for an industry is 11.55. Percentage of market capitalization and turnover to average market capitalization ranged from .10 to 21.40 and 3.23 to 85.66, respectively. Similarly, average market capitalization for a firm is 5% and average turnover to average market capitalization is 19.68%. Average CEO-duality of the sample firms was recorded about 43%, while industry wise, Oil palms, Investment trusts, and Service sectors showed the highest duality percentage as 100%, 83%, and 80%, respectively. On the other hand, Footwear and Textile, Power and Energy, and Telecommunication industries did not have duality practices at all; Banking and Finance sector recorded the next lowest level of duality as 13%.

Table 1 *Descriptive Information for Study Sample*

Industry Segments	Firms		Market Capitalization	Turnover to Avg; market capitalization	CEO Duality (%)
	Total	Sample			
Trading	9	8	1.0	22.27	63
Hotels and Travels	32	30	7.4	12.59	53
Plantations	18	18	2.3	20.79	44
Services	6	5	0.3	3.86	80
Banking and Finance	33	31	16.8	9.00	13
Diversified holdings	13	12	15.7	10.87	58
Beverage Food and Tobacco	18	17	12.4	8.25	41
Chemicals & Pharmaceuticals	9	9	1.1	34.41	33
Constructions & Engineering	3	3	0.8	15.06	67
Footwear and Textiles	3	3	0.5	10.40	0
Health care	6	6	2.7	3.23	50
Information Technology	1	1	0.1	56.91	0
Investment Trusts	7	6	0.8	11.46	83
Land and Property	20	18	2.1	15.12	52
Manufacturing	32	28	6.9	17.79	32
Motors	6	6	2.7	85.66	33
Oil Palms	5	5	2.5	3.40	100
Power and Energy	3	3	2.3	15.87	0
Stores Suppliers	5	5	0.5	7.75	40
Telecommunication	2	2	21.4	28.81	0
Total/Average	**231**	**216**	**5%**	**19.68%**	**43%**

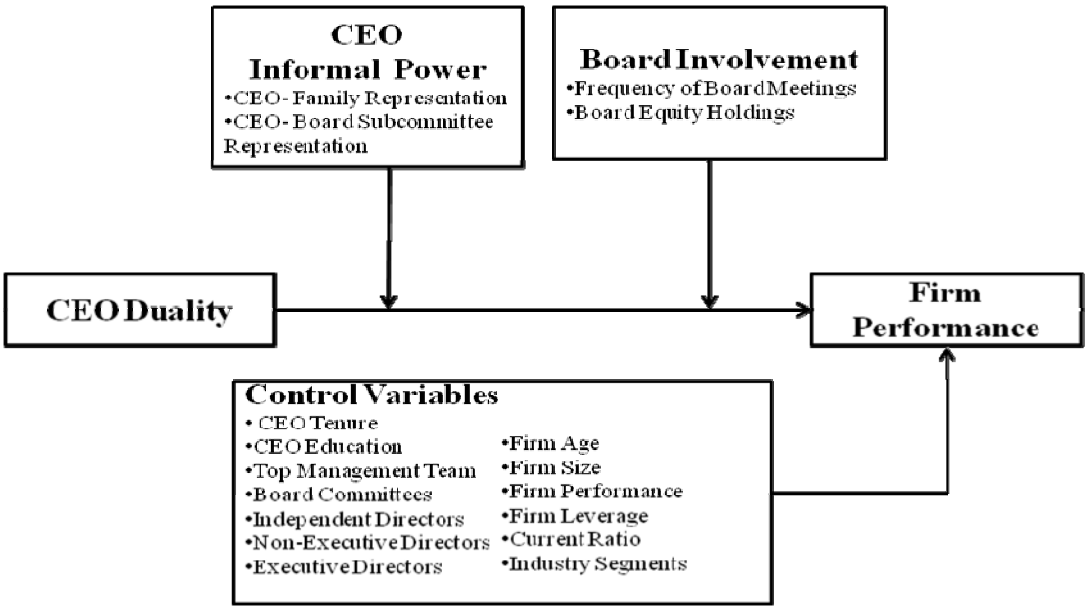
4. Research Model

With the intention of investigating moderating roles of CEO informal power and board involvement on the effect of CEO duality on firm performance, this study develops a research model referring prior research (Finkelstein & D'Aveni, 1994), which examined the moderating effects of CEO informal power and firm performance on the relationship between board vigilance and CEO duality. Our research model provides a considerable explanation on boundary conditions that could determine duality-performance relationship as an integration effect of agency, stewardship, and resource dependence theories, which examine through CEO informal power and board involvements. Muth and Donaldson emphasized the necessity of examining a research relevant to board composition with a contingency model as,

> *"…we found that agency theory predictions relating to performance were not upheld while those of stewardship theory were supported. It appears that further investigation of board structure using a contingency approach which considered a moderating effect of external link is a worthwhile topic for future research"(1998, p. 26).*

CEO informal power contingencies comprise with two variables measured as CEO's family representation and board subcommittee representation, which are new approaches to examine the CEO informal power. Board involvement construct also includes two variables which are identified as frequency of board meetings and boards' personal equity holdings. Typically, CEO duality, which is the independent variable, is the indication of whether the same person holds both chairman and CEO positions as prior studies have recognized. As performance measurement, Earning per Share (EPS) is evaluated. Particularly, this study is equipped with thirteen control variables under firm level and executive levels. Firm age, firm size, firm leverage, past firm performance, and current ratio are controlled under firm level while CEO tenure, CEO education, top management team, board committees, and board of directors including independent outside directors, non-executives, and executive directors are controlled under executive level indicators, and finally, all industry segments are also controlled. Moreover, even though the framework reveals hypothesis relationships between variables, merely it indicates associational, noncausal rather than causal relationship (Finkelstein & D'Aveni, 1994).

Figure-1 Research framework



Variable Definitions and Measurements

Independent Variable

CEO Duality **-** Data was collected from corporate governance statements in annual reports for the financial year 2008/2009. For the analytical purpose, CEO duality is coded as a binary variable, where firms with duality are coded as 1 otherwise as 0 (Boyd, 1995; Frankforter et al., 2007; Henry, 2009; Kim et al., 2009).

Dependent Variable

This study employs Earning per Share evaluating consequences of CEO duality on firm performance with moderating effect of resource dependence theory. Earning per Share (EPS), which is one of the commonly accepted measures, is employed to determine the impact of independent and moderating variables. EPS measures the worth to shareholders of the earning attributable to each ordinary share over the time and calculated as net profit divided by number of ordinary shares, multiplied by percentage. Prior studies (Abdullah, 2004; Iyengar & Zampelli, 2009) EPS as the dependent variable to measure the CEO duality selection and firm performance, which signified that there were evidence to generate lower financial performance due to the CEO bias selection. Moreover, prior research employed EPS as dependent variables in governance research hypothesizing the relationships such as, board quality on performance (Adjaoud, Zeghal, & Andaleeb, 2007), proportion of outside directors, board size, and firm performance (Ahmed, Hossain, & Adams, 2006), firm profitability, state ownership, and top management turnover (Shen & Lin, 2009), block holder equity holdings and firm performance (Dalton et al., 2003), investment opportunities, board composition, and firm performance (Hutchinson, 2002), corporate governance and CEO compensation (Lin, 2005).

Moderating Variables

Firstly, under the moderating role of CEO informal power, CEO being a family member; which is whether CEO is a family member or a relative to the founder was identified referring to the last name or family name of CEO (Finkelstein, 1992). A firm in which if the CEO is a family member it is coded as 1, otherwise it is coded as 0. Secondly, CEO being a member of boards subcommittees; CEO's subcommittee membership was recognized as the representation of one or more of Audit, Nomination or Remuneration committees (Finkelstein & D'Aveni, 1994; Jackling & Johl, 2009). Data was collected from the committee reports published in the annual report. A firm in which CEO represents the committee is coded as 1 otherwise it is coded as 0. Secondly, under the moderating effect of board involvements, boards' personal shareholdings; which is the boards of directors' personal shareholding was measured as the percentage of the total corporate shareholding (Kim et al., 2009). Finally, frequency of board meetings that is known as board activities was measured as the number of board meetings held during the financial year 2008/2009 (Jackling & Johl, 2009). Data was collected from the corporate governance report published in the annual report.

Control Variables

Based on literature analysis**,** thirteen variables that are associated with CEO attributes, board features, firm characteristics, and industry environments were controlled, which have been found to be significantly affect the impact of CEO duality on firm performance. Data relevant to all control variables were collected referring company annual reports and publications in CSE in the financial year 2008/2009. With the executive orientation, CEO tenure, CEO education, TMT, independent board subcommittees, board of directors including independent, non-executive, and executive directors were controlled. With the firm orientation, firm age, firm size, firm leverage, firm performance, working capital ratio, and industry categories were controlled reducing the variance caused by other factors that are extraneous to the expected firm level performance.

CEO tenure is measured as the number of years that CEO was employed by the firm (Frankforter et al., 2007; Kim et al., 2009). Particularly, prior research evidence that shorter CEO decision horizon has a significant agency cost (Antia, Pantzalis, & Park, 2010), and thus, CEO tenure was controlled as the impact of firms having long- serving CEOs would not be able to replace easily, which might cause to arise less disciplines the CEO's for poor performance (Berrone & Gomez-Mejia, 2009; Lau, Sinnadurai, & Wright, 2009). Recent research on CEO tenure and organizational performance suggests that CEO tenure has an indirect influence on firm performance which gains through direct influence on top management team risk taking propensity and firm's pursuits on entrepreneurial initiatives (Simsek, 2007). Next, research evidenced that level of CEO education and competence have an impact on corporate performance including innovation, strategic choices, and risk taking (Matta & Beamish, 2008; Zhang & Rajagopalan, 2010). Thus, CEO education was also controlled to avoid the influence on duality-firm performance (Ling, Simsek, Lubatkin, & Veiga, 2008). Additionally, it is suggested that

CEO education is negatively related to risk taking and extreme performance (Delgado-García, Bautista, FuenteSabaté, & Manuel, 2010), thus, ultimately firm performance is highly correlated with strategic decisions made by top of the board. CEO education was as categorized into three segment: firms in which CEO holds bachelors' degree =1, postgraduate or above = 2, others and professionally qualifiers =3 (Finkelstein & D'Aveni, 1994). Boards of directors were also controlled, categorized as independent, non-executive, and executive directors in avoiding the influence on firm performance and CEO's behavior. Independence directors were determined as the total number of independence outside directors represent to the board (Finkelstein & D'Aveni, 1994). Non-Executive directors were measured as the total number of non-executive directors represent the board (Henry, 2009), and Executive directors include rest of the directors including CEO's position as an executive director who is not recognized as independent or non-executive directors (McDonald & Westphal, 2010).

Independent board subcommittees were controlled due to the frequency of meetings of these committees could influence the frequency of general board meetings and firm performance as well. Moreover, one other reason is to avoid the influence on CEO's representation of board subcommittees. As an extension of the board monitoring, it is vital to investigate the effectiveness of decisions made by board of directors in independence committees, selecting and firing CEOs (Zhang, 2008). Availability of independence board subcommittees is measured as the total of Audit, Remuneration, and Nomination committees that are reported in the annual report under the governance statement (Reeb & Upadhyay, 2010). Top Management Team (TMT) was recognized including CEO and senior executives who report to the CEO (Lin & Shih, 2008). TMT is controlled as the CEO being a part of TMT may lead to have an influence between TMT, CEO, board, and firm performance (Cruz et al., 2010; Lin & Shih, 2008; Mackey, 2009; Marcel, 2009).

Firm age was calculated as the natural logarithmic of number of years from the establishment of the firm, which helped to control for organization's maturity (Arthurs et al., 2008; Matta & Beamish, 2008). The logarithmic form of analysis was applied to reduce the heteroscedasticity (Finkelstein & D'Aveni, 1994). A firm's age is identified as an important criterion especially in determining firm performance affected by firm inertia (Finkelstein & Hambrick, 1990) and, as per the organizational life cycle theorists, firm's stage of developments have a greater influence in board formation (Lynall et al., 2003). Firm size was calculated as the natural logarithmic of the total of fixed and current assets in the financial year 2008/2009 (Ahmed et al., 2006). Finkelstein and D'Aevni (1994) emphasized that firm size would affect CEO duality in two opposing ways. First, negative association may be due to that large firms' power distribution with regard to structural differentiation, and hence, this requires top managers to share responsibilities, which finally would cause to diminish CEO's power. On the other hand, firm size may have a positive influence on CEO duality because of institutional pressure in large firms. Firm leverage was calculated as total long term debt divided by total assets of the firm (Ahmed et al., 2006). Leverage provides an insight on firm's methods of financing or to measure its ability to meet financial obligations, which necessarily has an impact on firm performance. Current ratio was measured dividing current assets by current liabilities, which is an indication of company's efficiency and its short-term financial health, was measured to control the effect on firm performance (Jaggi & Gul, 2001; Uang, Citron, Sudarsanam, & Taffler, 2006). Prior firm performance was controlled since the direct influence on CEO's perception on firm performance and board of directors' involvement (Finkelstein & D'Aveni, 1994; Kim et al., 2009; Li & Tang, 2010). Prior firm performance for the financial year 2007/2008 was measured by as the natural logarithmic of Return on Equity (ROE) and Earning per share (EPS). Finally, industry segments were controlled since characteristics of different industries have a considerable influence on stock exchange listing rules and regulations, board compositions, and other environmental influences. Therefore, all industry categories were controlled separately (Finkelstein & D'Aveni, 1994; Kim et al., 2009). Moreover, prior research evidenced that CEO duality would be varied based on specific industry characteristics (Boyd, 1995; Finkelstein & D'Aveni, 1994).

Statistical Analysis

Hierarchical multiple regression analysis was applied to examine hypothesis derived on the CEO duality effect on firm performance with the moderating effects of CEO informal power and board involvement (Finkelstein & D'Aveni, 1994; Kim et al., 2009). With the intention of clearly detecting the interaction effects of moderating variables, means were centered in avoiding multicollinearity, which makes it difficult to separate the effect of independent variables in the multiple regression analysis. Mitigating potential threat of multicollinearity, it is important to mean-centering for independent variables that has interaction term (Aiken & West, 1991). As the first step, control variables were entered to the hierarchical model. After entering control variables, contribution of CEO duality, which is the independent variable of the study, on firm performance was tested in the second model. Moderating variables then entered as the third step. Finally, the two-way interaction terms were examined in the regression model 4.

Results

Descriptive Statistics

Table 2 summarizes the descriptive statistics for firm performance, CEO and board characteristics, firm characteristics, and industry representations for the sample considered in the study. The firm size, in terms of total assets ranges from Rs 8.12 million to Rs 281.21 billion, while mean, median, and the standard deviation of the sample is Rs 9.35, Rs 1.77, and 31.20 billions, respectively. The firm leverage for the sample ranges from -255.1% to 2,772% and it reflects an extremely high proportion positioning a 373.85% standard deviation. In terms of financial performance, the sample firms appear to be quiet unhealthy as indicated by the Earning per Share measures (EPS mean 5.74% and 6.87%). The descriptive statistics also represent that the firms in the sample are fairly mature in the mean and median age (from the date of establishment) is 37 and 28, respectively and ranges between 7 and 143 years of operations.

Turning to corporate governance characteristics, 43% of the sample recorded CEO duality, while 53% of CEOs were appointed as family representatives. For the considered sample, CEO tenure ranged from 1 to 26 years. Sixty percent of the sample firms' CEO had 6-10 years service period, while 3.7% account for tenure higher than 20 years. Considering CEO's education qualifications, 38% of CEOs hold bachelors' degree, 28% held postgraduate degree, and rest of the 33% held professional or other qualifications. Further, board of directors' personal shareholding took place from 0 to 97 as a percentage to the total shareholdings, with a mean value of 10%. However, board of directors in 48 firms did not held any shares that account for 22% of the sample, while directors in 10 firms held more than 70% of the total shareholdings.

Average of frequency of board meetings positioned to 6.82 times per the considered financial year, and the sample firms held the range from 1 to 25 board meetings during the year with a median and standard deviation 7 and 3.24, respectively. Regarding the availability of independent board subcommittees, 35 firms had no any of the considered subcommittees, in terms of audit, remuneration, and nomination, which account for 16% of the sample, while 17 firms had all three committees that represent 10% of sample firms. With reference to board characteristics, the maximum independent outside directors for a firm was 10, while 13 firms of the sample did have no outside directors which represent a 6% of the sample. Similarly, 78 firms recorded 2 outside directors and 72 firms had three. The range of top management team accounted from 4 to 57, while mean, median, and standard deviation is 15.06, 15, and 7.96, respectively.

Table-02 Descriptive Statistics for Variables

Variables	Minimum	Maximum	Mean	Median	Standard Deviation
Performance					
Earning Per share- 08/09(%)	-125.54	148.00	5.74	2.01	19.42
Earning Per Share- 07/08(%)	-48.87	96.00	6.84	3.02	13.89
Governance					
CEO duality	0	1	.43	00	.50
CEO-a family member	0	1	.53	1	.50
CEO-subcommittee member	0	1	.44	00	.50
Board Shareholdings (%)	0	97	10.34	.60	20
Board meetings (times)	1	25	6.82	7	3.24
Control					
CEO tenure (explained)	1	5	2.05	2	.94
CEO education (explained)	1	3	1.95	2	.85
Executive directors (persons)	0	7	2.75	3	1.67
Non-executive directors(persons)	0	12	5	5	2.26
Independent directors(Persons)	0	10	2.61	2.30	1.39
Board subcommittees(number)	0	3	1.57	2	.85
Top management team(staff)	4	57	15.06	15	7.96
Firm age (years)	7	143	36.62	28	25.09
Firm assets (Rs'000)	8,124	281,213,685	9,349,018	1,773,637	31,204,855
Current ratio (times)	0.11	97.65	3.58	1.23	9.65
Debt ratio (%)	-255.1	2,772	145.14	17.62	373.85
Industry (firms)	1	33	11.55	6.50	10.48

Correlation Coefficient Analysis

The Pearson correlation coefficients presented in table 3 reveal that the performance variable is positively related with CEO family representation, board shareholdings, board meetings, CEO tenure, CEO education, executive directors, independent executive directors, board subcommittees management team, firm age, current ratio, and industry categories. On the other hand, both dependent variables are negatively related with CEO's representation on independent board subcommittees and firm leverage. In relation to CEO duality and firm performance, EPS reveals a positive relationship. The results show that the highest degrees of correlations are between CEO duality and CEO family representation r = 0.74, and between independent directors and non-executive directors r = 0.53. To test the multicollinearity, we examined the Variance Inflation Factor (VIF) for each independent variable, which is simply the reciprocal of tolerance. A coefficient greater than 10 indicates a strong presence of multicollinearity, and value can be eliminated. However, standard error is doubled when VIF is 4.0 and tolerance is .25, corresponding to R_j = .87, thus VIF > = 4 is an arbitrary but common cut-off criterion for deciding when a given independent variable displays too much multicollinearity. In the regression mode, when interaction terms are testing for the moderating effects, all variables used to construct interaction terms were mean centered. The highest recorded multicollinearity was 4.45, which indicate that multicollinearity was unlikely to bias the regression coefficient. VIFs for the independent variables ranged from 1.11 to 4.45, and for interaction terms, relationships were ranged from 1.12 to 1.95.

Table - 3 Pearson *Correlation Coefficient*

Variables	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
1. Earning Per Share (08/09)	1																		
2. Earning Per Share (07/08)	.54	1																	
3. CEO Duality	.07	-.07	1																
4. CEO- A Family Member	.00	-.13	.74	1															
5. CEO- A Committee Member	-.02	.04	.09	-.03	1														
6. Boards' Shareholdings	.12	.06	-.08	.05	-.06	1													
7. Board Meetings	.12	.16	-.21	-.17	.11	.14	1												
8. CEO Tenure	.07	.17	.07	.14	.03	.10	-.05	1											
9. CEO Education	.00	.07	.03	.04	.00	-.06	-.04	.08	1										
10. Executive Directors	.01	.14	.07	.12	-.09	.14	.05	.06	.11	1									
11. Non-Executive Directors	-.09	.04	-.24	-.17	-.04	.11	.29	-.09	.08	-.40	1								
12. Independent Directors	.04	.02	-.18	-.12	-.02	-.02	.30	-.15	.11	.07	.53	1							
13. Board Committees	.17	.20	-.15	-.15	-.14	.11	.18	.00	.14	.04	.38	.45	1						
14. Management Team	.12	.10	-.12	-.16	.09	-.03	.34	.11	-.09	.05	.18	.21	.15	1					
15. Firm Age	.15	.11	.12	.18	.05	.06	-.03	.16	-.05	.08	-.19	.01	.06	.07	1				
16. Firm Assets	-.04	.17	-.30	-.23	.08	-.05	.37	-.16	.03	.10	.35	.42	.32	.38	-.08	1			
17 Current Ratio	.16	-.04	.20	.15	.02	-.10	-.17	-.01	-.15	-.05	-.20	-.06	-.08	-.07	.14	-.12	1		
18. Debt Ratio	-.18	.12	-.13	-.24	.16	-.04	.38	-.05	-.10	.00	.23	.11	.11	.33	-.06	.36	-.05	1	
19. Industry Categories	.10	.15	-.15	-.23	.15	-.10	.26	-.04	-.01	.07	.06	.20	.15	.30	.08	.31	.15	.28	1

Standardized correlation coefficients ≥ .13 in the table were significant at $p < .05$. (2-taile)

Multiple Regression Analysis

Hypothesis 1a and 1b

Table 4 presents regression results for dependent variable EPS. With the agency orientation, hypothesis 1a predicted that CEO being a family member or relative to the founder of the firm has a negative interaction effect of CEO duality on firm performance. As the model 4 labeled in the table, the coefficient for hypothesis 1a is negatively significant (β= -.136, t = -1.82, P < .10). Thus, the results reported for the dependent here comply with agency theory and support hypothesis 1a. Further, when referring to moderating variables in model 3 and 4, the effect of results show that there is a negative coefficient association in model 3 (β= -.119, t = -1.31) and significant negative association for model 4 (β= -.205, t = -1.95, P < .10). On the contrary, with the stewardship and resource dependence orientations, hypothesis 1b predicted that CEO being a family member positively moderates the effect of CEO duality on firm performance. Consequently, these results support to the agency theory, given that when CEO holds both CEO-Chair positions, it is not wise to appoint CEO with family ties since the consequences are adversely affected to firm performance.

Hypothesis 2a and 2b

Hypothesis 2a expected, in terms of agency orientation that CEO being a member of board subcommittees negatively moderates the effect of CEO duality on firm performance. As expected, coefficients for performance variable show a negative significant association (β= -.137, t = -2.36, P < .05). Therefore, hypothesis 2a is supported, indicating that non-duality is prefer when CEO holds more positions in independent board subcommittees, as agency theory proposes. Moreover, referring to moderating effects of model 3 and 4, both situations reveal a negative relationship (β= -.055, t = -0.91 and β= -.056, t = -0.96).

Hypothesis 3

As per the agency, stewardship, and resource dependence orientations, hypothesis 3 predicted that boards' personal equity holdings may positively moderate the effect of CEO duality on firm performance. As assumed, results reveal positive coefficient associations for dependent variable indicating a statistically significant relationship (β= .113, t = 1.86, P < .10,) supporting to hypothesis 3. Additionally, moderating effects shown in model 3 and 4 reveal positive significant coefficient association (β= .129, t = 2.09, P < .05, and β= .165, t = 2.89, P < .01, respectively). Accordingly, results support for agency and resource dependence perspectives, indicating that boards of directors support duality when board involvement is considerably high.

Hypothesis 4

Hypothesis 4 predicted that with the agency, stewardship, and resource dependence orientations, frequency of board meetings positively moderates the effect of CEO duality on firm performance. As presumed, coefficients for the interaction terms were positively associated and significant (β= .148, t = 2.11, p <. 05). Furthermore, when the variable tested to examine the moderating effect in model 3 and 4, it showed a positive coefficient for both cases (β= .213, t = 3.15, p <. 01., and for model 4: β= .272, t = 3.71, p <. 001).

Control Variables

Model 1 examined the effect of control variables on firm performance. Interestingly, EPS explained 33.1% of the total variance in firm performance. Results conclude that many of the control variables considered demonstrate higher level of significant explanations for both performance variables. Specifically, as predicted, board independent subcommittees, top management team, current ratio, debt ratio, firm size, and past firm performance are significant, while firm size reflects an opposing coefficient as discussed in the literature. Although, executive directors and non-executive directors are significant, results reveal a negative association. This may be due to the opposing views of different directors for duality concept, and also this reveal the level of independence of non-executive directors compare to independent directors and availability of independent board subcommittees. Even though the variable independent directors are not significant, there is a positive coefficient as predicted. For all four models, as assumed, past firm performance and debt ratio are significant at $p < .001$.

In the model 2, the relationship between independent variable CEO duality and firm performance was tested. Accordingly, as per the discussion in the literature review, results of this study are consistence with prior studies, in which CEO duality reveals a positive, but not significant relationship on firm performance. However, in model 4, CEO duality reflects a positive significant coefficient ($\beta = .287$, $p \leq .05$). Further, interestingly, when the duality variable enters to the model 2, it does not show any change for the total variance to explain dependent variable. Thus, as this study has not hypothesized the duality-performance relationship considering prior research evidence, the results concluded that CEO duality itself does not have strong impact on firm performance, but there may have high impact when duality strengthen or weaken with surrounding implications as above hypotheses confirmed(e.g. model 3 = 38.6% and model = 43.3% variance).

Table- 4 *Results of Regression Analysis (Dependent Variable EPS)* [a]

Variables		**Model 1**	**Model 2**	**Model 3**	**Model 4**
Control	CEO tenure	-.022	-.022	-.013	.019
	CEO education	-.027	-.028	.000	.006
	Executive directors	-.091	-.093	-.148*	-.204**
	Non-executive directors	-.148†	-.146	-.215*	-.269**
	Independent directors	.088	.088	.093	.109
	Board subcommittees	.136*	.137*	.113	.098
	Top management team	.208**	.208**	.173**	.168*
	Firm age (log)	.045	.043	.043	.041
	Firm size (log)	-.136†	-.131†	-.115	-.019
	Past firm performance(log)	.445***	.444***	.432***	.392***
	Current ratio	.121†	.117†	.146*	.176**
	Debt ratio	-.243***	-.243***	-.289***	-.311***
	Industry segments	.038	.041	.026	.054
Independent	CEO duality		.023	.140	.287*
Moderating	CEO- a family member			-.119	-.205†
	CEO- subcommittee member			-.055	-.056
	Boards' personal shareholdings			.129*	.165**
	Board meetings			.213**	.272***
Interaction	CEO duality x CEO- a family member				-.136†
	CEO duality x CEO – subcommittee member				-.137*
	CEO duality x Boards' shareholdings				.113†
	CEO duality x Board meetings				.148*
R^2		33.1	33.1	38.6	43.3
Adjusted R^2		28.8	28.5	33.0	36.9
F		7.68***	7.12***	6.88***	6.70***
ΔR^2		.331	.000	.055	.047
F for ΔR^2		7.68***	.14	4.41**	4.00**

[a] n= 216, Standardized coefficients are reported.

† $p \leq .10$, * $p \leq .05$, ** $p \leq .01$, *** $p \leq .001$

Discussion

Discussion and Conclusion

The central objective of this study was to examine the relationship between CEO duality and firm performance as a response to continues inconsistency results generated by prior studies. To clarify opposing opinions proposed by prior studies in line with major theoretical assumptions, specifically, in terms of agency and stewardship concepts, this study utilized resource dependence theory as a moderating analysis to reveal such inconsistencies, determining applicability of duality or non-duality concepts. Integrating agency, stewardship, and resource dependence theories, CEO informal power and board involvements were recognized as sources of resources that directors can bring to firm. Evaluating the impact of difference sources of resources on duality-performance relationship, finding of this study addresses the prior concerns in determining the 'black box' between duality-performance relationships. Importantly, this study did not hypothesize the direct effect of CEO duality and firm performance relationship since there is abundance of prior literature to reveal such consequences, and this association has been well researched. However, in conclusion, majority of outcomes are controversial. In line with those prior literatures, this study has also generated no relationship between CEO duality and firm performance. Thus, our critical question was then to determine in which circumstances CEO duality outperform non-duality, or in what situations non-duality outweigh duality. In this sense, prior literature has also attempted to reveal such analysis. For example, Boyd (1995) analyzed the moderating effect of environmental uncertainty on duality-performance relationship in the resource dependence perspective, and determined that neither agency not stewardship model can properly predict duality-performance consequences. As literature review elaborated, one of the major governance concerns that prior studies ignored was to examine the moderating effect when the board of director and CEO behave as resource providers to the firm. The significance of this impact is heavily influenced on such decisions to determine whether duality or non-duality, drawing a turning point between theses extremes since resource provision explains an interest which is beyond the authoritative obligations towards the shareholders, and personal interests of directors' and CEOs' themselves. Hence, as presumed, this study has generated significant amount of findings which could determine duality-nonduality notion contributing to major governance theories and practical standpoints as well.

Academic Implications

The first important finding of the study is that CEOs having informal power, in terms of resources, while holding CEO-Chair positions negatively associated with firm performance. In hypotheses 1b and 2b, resource dependence and stewardship theory were integrated. However, findings of this study supports for the theoretical explanations of agency theory suggesting that situations where CEO acquired additional powers while duality exists would not better off the firm. Accordingly, with the agency perspective, CEOs family participation was considered to be weaken the duality consequences on firm performance since such behavior does not seem to be in favor of majority of shareholders, especially in securing minority shareholders' rights and CEO's domination behaviors in strategic decisions. As predicted, analysis portrays evidence to believe that nonduality outweighs duality when CEO being a family member with CEO-Chairman positions. According to agency theory, CEOs' busyness, which explains in terms of CEOs' representation in independent board subcommittees while holding CEO-Chairman positions, determines that may have an adverse effect on firm performance. Alternatively, with stewardship analysis, this behavior may be a one of the ways that CEO could extend his stewardship hands toward the firm, obtaining more opportunities to serve with an altruistic intension. Consequently, in the resource dependence theoretical viewpoint, CEOs' extensive participation on firm activities could be considered as a resource that would positively moderate the duality-performance consequences. When these controversial perspectives were tested in the hypotheses 2a and 2b, interestingly, both performance measurements demonstrated results in favor of agency perspectives, which reveals that CEO-Chairman position are unfavorably affect on firm performance while CEO holding more positions in independent board subcommittees. This analysis determines that nonduality outperforms duality although CEO brings additional resources since negative consequences of such performance are higher than for what shareholders expect from the firm. With the CEO's perspective, this study analyzed CEOs' informal power as a moderating variable, in terms of CEO being a family member and being a member of independent board subcommittees, with referring to agency and stewardship perspective, analyzing the moderating role of resource dependence assumption in which CEO informal power treated as a resource to the firm. Hypothesizing opposing viewpoints, the summary of the analysis posits that nonduality outperform CEO-duality when CEO acquires additional power that could be treated as resources, thus the results of the study support current corporate governance trends that CEO-Chairman positions should be separated.

The second major finding of the study is that, boards of directors support CEO duality when such directors do involve with the firm providing resources. This reveals that CEO duality outweigh nonduality when board involvement is considerably effective, together with effectiveness of agency mechanism, level of stewardship of directors and, provision of resources to the firm. Thus, this concludes that even though the duality exits, as per the agency, stewardship, and resource dependence theoretical combinations, if board involvement is considerable effective and high, agency costs/conflicts could be minimized by integrating similar provisions of these theories. Our findings support Finkelstein and D'Aveni's (1994) study which determined that board vigilance was positively associated with CEO duality in organizational theoretical perspective. Our hypotheses conclude that, as per the agency and stewardship theories, if boards of directors are highly engage with corporate activities, in terms of providing resources suggested by resource dependency theory, agency abuses could be overcome.

These findings are fairly interesting because resource dependence theory plays a major role in drawing a clear line between duality and non duality. When resource dependence theory is integrated with stewardship theory while duality exists, performance are negatively affected, however, on the other hand when resource dependence theory is integrated with agency and stewardship theories while duality exits, performance are positively affected. Thus, as per the resource dependence perspective, providing resources to the firm in numerous ways would benefit or negatively affected based on executive power attributions.

The second analysis of the study was to examine the moderating effect of board involvement, along with board of directors' contribution of resources to the firm when CEO duality exits, and to determine the circumstances where the turning point when duality outperforms nonduality or nonduality outweighs duality. Boards' resource contribution was measured with directors' personal shareholdings and frequency of board meetings, which combine tangible and intangible resources that could be treated under analysis of resource dependence theory. As a whole, each hypothesis was supported in either performance variable at the $p < .10$ level or better. Hence, expected consistence interaction effects of resource dependence theory, together with agency and stewardship theories could be rationalized considering moderating results as well. The results portrays in hypothesis 3 and 4 are in line with current corporate governance expectations that it is expected to generate positive firm performance even while duality exists with the effectiveness of boards' high involvement. Therefore, it is obvious to conclude that resource dependence theory's explanations that boards' role to provide resources to the firm play a significant role in determining

CEO-duality or non-duality phenomenon. Hence, it is fair to say that, in general, even thought non-duality outweigh duality, in circumstances where directors play a significant role in providing resources and extending their stewardship behavior to the firm, CEO duality would outperform non-duality.

Practical Implications

This study has also generated some implications for practitioners. Firstly, it should be noted that the determination of the notion that CEO duality-nonduality concept does not merely based on CEO's position itself, but essentially needs to taken in to account other sources or powers and resources that CEO and boards of directors possessed with. Besides analyzing such surroundings of CEO's and directors', it may not be wise to make a direct decision that duality outperforms nonduality or other way around. Secondly, in determining and selecting the corporate board structure, the more focused should be given to directors those who have high involvements to the firm activities so that in any given uncertainly circumstances, firm performance would be much more secured. This suggestion may be a productive approach in avoiding agency issue since agency problem occurs when key decision makers have less or no financial interests and involvements in the consequences of their decisions (Boyd, 1995; Fama & Jensen, 1983). Furthermore, with regard to policy making standpoint, internal corporate policies should be strengthen so as directors could more involve with corporate activities.

5.2 Limitations and Future Research.

With the increase intense of corporate governance research, it is obvious that theoretical developments are emerged, confirming that the validity and reliability of such theoretical underlined assumptions and practical implications. As a response to such concerns on the determination of CEO duality-nonduality, applying with major theoretical underpinnings such as agency and stewardship, which have been contemporarily addressing, this study integrated resource dependence theory as a supplementary explanation to validate inconsistency evidence provided by prior studies. However, by integrating these three theories only reveal a limited portion of whole picture in corporate governance applications. So, in future research, corporate governance applications could be more advanced by combining such related and opposing views. For instance, from the CEO duality- board perspective, applying theories such as social network theory, stakeholder theory, and institutional theory, which could reveals a comprehensive multitheoretic approach to solve controversial applications. Specifically, with reference to CEO duality – firm performance studies, in future, it may be more fruitful studying other perspectives that could determine the boundary conditions in applying duality notion rather than examining performance consequences. Although the samples of this study comprehensively high and provide a considerable external validity of results, one other limitation is that generalizability of findings since the study only based on one developing country. In future, it may be worthwhile to compare such applications between countries. As Bruton and Lau (2008) suggest, it may be worthwhile to conduct a multilevel analysis rather than firm level, in revealing a considerable amount of analysis of corporate governance applications in developing countries. One other limitation of our study was that inability to lag performance data for one year since our considered financial year (2008/2009) was just after the introduction of new corporate governance amendments to the CSE in 2008. Thus, these results reveal fresh firm performance indicators just after one year of applying new governance regulations. In future, it may be more worthwhile to re-examine the variance of firm performance with lagged performance data.

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