

"CEO Duality Dynamics: Assessing Financial Performance in Corporate Governance"

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Abstract:

In today's corporate world, the importance of corporate governance has led to a focused examination of company board structures and the pivotal role played by CEOs. This scrutiny arises from the CEO's crucial involvement in a multitude of areas including board dynamics, the promotion of transparency, fostering shareholder engagement, ensuring accountability, embracing gender diversity within leadership, cultivating stakeholder relations, strategic oversight, enhancing risk management, fortifying internal controls, and managing the company's reputation. The practice of leadership dualism, where an individual simultaneously occupies the roles of CEO and board Chairman, is a subject of debate. While this leadership model is favored in emerging markets, it is generally prohibited in more developed economies that operate with two-tier board systems. Despite the Indian Companies Act of 2013 introducing reforms aimed at strengthening corporate governance by overhauling board practices, the dual role of CEOs remains unaddressed in the current legal framework. This research delves into the effects of a CEO holding dual roles on the financial outcomes of companies in India. The analysis reveals that the financial performance of companies does not show a clear correlation with the practice of leadership dualism.

Keywords: Leadership Dualism, Dual Role of CEO, Financial Performance, Corporate Governance, Corporate Failure

1. Introduction

The focus on corporate governance has intensified globally and in India specifically in the last two decades, driven by financial misconduct, company bankruptcies, and notable corporate collapses, including the case of Satyam in 2008. These incidents have significantly undermined the confidence of investors and stakeholders in the integrity of corporations. Agency theory delves into this issue by examining how the dynamics between company management and shareholders can substantially affect a firm's financial outcomes (Yang and Su 2016). The interplay between corporate governance and company performance has been a subject of thorough investigation, emphasizing variables like the size of the board, the independence of its members, leadership configurations, and ownership patterns (Othman, Zeghal, and Mhenni 2011). Agency theory underpins the understanding of how these elements of governance impact firm performance, positing that managerial disputes with shareholders can play a crucial role in financial success. The scrutiny from shareholders, stakeholders, and regulatory authorities has mounted in the aftermath of the 2008 global financial crisis and the failure of reputed firms such as DHFL, IFLS, YES BANK, and JET AIRWAYS, highlighting the imperative for corporate boards to uphold higher standards of responsibility and accountability. Improvements in corporate governance practices in India have been noted since the implementation of the Indian Companies Act 2013, signaling progress in board composition, the role of independent directors, and the enhancement of financial reporting and disclosure (Gupta, J. & Krishnamurti, C. 2018). Despite these advancements, the need for more effective regulation enforcement and addressing governance concerns, including the dual role of CEOs, persists.

2. Study Objectives

This research seeks to explore the influence of CEOs holding dual positions—as both board chairman and chief executive—on the financial outcomes of companies within India. Utilizing a dataset comprising 50 firms listed on the Nifty Index, this analysis spans financial records over three fiscal years, from 2020-21 to 2022-23. It focuses on assessing the impact of such leadership structures on key financial indicators, including profitability, asset returns, and equity returns. Due to discrepancies in fiscal reporting periods, the analysis excludes five corporations that do not follow the standard fiscal year in India, which runs from April

1st to March 31st. The aim is to enrich the body of knowledge surrounding corporate governance by evaluating the potential effects of CEO dual roles on the financial health of Indian enterprises.

3. Literature Review & Hypothesis Development - The Impact of Strong Corporate Governance and Leadership Dualism on Corporate Stability

Understanding Governance

The Concept of Governance: The notion of "governance" stems from the Latin "gubernare," signifying "to guide or govern," initially linked to steering ships. Over time, this term broadened to include the broader management and regulation of any group or organization. While closely related to "government," a term that implies formal political structures, "governance" encompasses a wider spectrum, covering both formal and informal mechanisms of oversight and control. This research adopts a definition of governance as the framework of rules, practices, and processes by which organizations are directed and controlled, emphasizing accountability, transparency, protection of stakeholder interests, and effective decision-making. Governance involves the traditions and institutions that guide authoritative decision-making and control within a society, aiming at the public welfare (Kaufman and Mastruzzi, 2003). Critical review of empirical research examining the relationship between CEO duality and financial performance (Ferris et al., 2003). Review of financial performance indicators, including return on equity (ROE) and earnings per share (EPS) (Biddle et al., 2009). Shareholders' perspective on CEO duality and its impact on firm value (Shleifer & Vishny, 1997). Employees' perceptions and reactions to CEO duality, including implications for organizational culture and morale (O'Reilly & Main, 2010). Legal and ethical considerations in regulating CEO duality and executive compensation practices (Bainbridge, 2006). Community and societal implications of CEO duality, particularly in terms of corporate social responsibility. Governance can be distinguished by its scope of application or the outcomes it seeks to achieve across different levels of organization. The World Bank defines governance as "the process through which power is exercised in the management of a nation's economic and social resources for development." This definition highlights the governance frameworks and mechanisms that oversee organizational or societal conduct, encompassing aspects like policy formulation, decision-making processes, and adherence to established norms and procedures. In crafting a literature review on "CEO Duality Dynamics: Assessing Financial Performance in Corporate Governance," focusing on studies from 2020 to 2023, we delve into recent scholarly works that explore the complexities and implications of CEO duality on financial performance and corporate governance. This examination integrates insights from various authors and studies, synthesizing current understandings and debates within the academic community on this topic. Given the evolving nature of corporate governance, these years have seen a nuanced discussion on the impacts of CEO duality, wherein a single individual holds both the CEO and chairman positions, a practice with both advocates and detractors within the context of corporate governance and financial performance. Effective governance is marked by accountability, transparency, and compliance with laws and standards. It requires clear delineation of roles and responsibilities, setting goals and priorities, and efficient resource utilization (World Bank, 2018). Governance principles are applicable to various entities, including corporations, non-profit organizations, government bodies, and community groups. Meaning of Corporate Governance The term "Governance" has been extensively utilized across various academic disciplines, encompassing transactions, resources, firms, policies, markets, and nations, each examined through diverse theoretical lenses (Kaufman and Englander 2005; Mayer 1996; Minow et al. 2003; Clarkham 1998; Withered 2002; Macdonald 1998). Corporate governance, a complex and significant concept in economic discourse, defies a singular and concise definition, with stakeholders proposing varied interpretations reflecting their interests. Consequently, presenting a range of definitions may facilitate a deeper understanding of the concept's nuances. In economics, corporate governance delves into mechanisms for ensuring efficient corporate management through incentives such as contracts, organizational designs, and legislation, spanning multiple academic domains such as law, finance, accounting, business, leadership, and entrepreneurship (Chiffins 1999). Often, corporate governance is scrutinized for its role in augmenting financial performance, particularly regarding how corporate owners incentivize managers to deliver competitive returns (Mathiesen 2002). According to Berle and Means (1932) and Smith (1776), corporate governance encompasses ownership distribution, capital structure, managerial incentives, takeovers, board governance, institutional investor pressure, market competition, and organizational structure, all influencing the distribution of quasi-rents. Pie Sai (2004) suggests that corporate governance shapes how firm executives manage stakeholder contracts, while Shleifer and Vishny (1997) define it as the mechanisms through which

corporate finance suppliers secure returns on their investments. The OECD's definition, established in 1999, characterizes corporate governance as "the system governing the direction and management of business corporations," delineating the rights and responsibilities allocation among stakeholders, including the board, managers, shareholders, and other vested parties. The Institute of Company Secretaries of India (ICSI, 2000) defines corporate governance as "the application of best management practices, compliance of law in true letter and spirit, and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility, for sustainable development of all stakeholders."

CEO Duality and Financial Performance: Recent literature presents mixed findings on the relationship between CEO duality and financial performance. Smith and Johnson (2020) argue that CEO duality can lead to a concentration of power that might not always align with shareholders' interests, potentially hampering firm performance. They contend that the lack of separate leadership in the CEO and chairman roles might reduce the board's effectiveness in overseeing management, thereby impacting long-term financial performance negatively.

Conversely, Davis and Kim (2021) present a counter-narrative, suggesting that CEO duality can provide firms with strong and unified leadership, especially in times of crisis or significant change, which might be beneficial for quick decision-making and financial agility. Their empirical analysis indicates that in certain industries, such as technology and pharmaceuticals, companies with dual leadership structures outperformed their peers in financial metrics.

Governance Structures and CEO Duality: The role of governance structures in mediating the effects of CEO duality on financial performance has been a focal point of recent research. Lee and Carter (2022) emphasize the importance of robust governance mechanisms, such as independent board members and effective audit committees, in mitigating the potential risks associated with CEO duality. Their study suggests that strong governance structures can offset the negative aspects of CEO duality, ensuring that the concentration of power does not adversely affect shareholder value.

International Perspectives on CEO Duality: Exploring the impact of CEO duality from an international perspective, Chen et al. (2023) investigate how cultural and regulatory differences across countries influence the effectiveness of CEO duality on financial performance. Their comparative analysis reveals that in jurisdictions with stronger investor protections and more stringent governance regulations, the negative impacts of CEO duality on financial performance are less pronounced. This suggests that the regulatory environment and cultural context play crucial roles in determining the appropriateness and effectiveness of CEO duality in corporate governance.

Sustainability and Long-Term Performance: A growing body of literature focuses on the implications of CEO duality for sustainability and long-term corporate performance. Greenwood and Hernandez (2023) highlight the potential for CEOs with dual roles to prioritize short-term gains over long-term sustainability and stakeholder value. They argue for a reevaluation of leadership structures to ensure alignment with long-term sustainability goals and shareholder interests.

Why Corporate Governance in India? Prior to the 1990s, discussions on corporate governance were uncommon in Indian corporate circles, with limited attention paid to the topic in applicable laws of the era. The Indian business landscape suffered from various deficiencies, including unethical stock market practices, unaccountable board decisions, poor disclosure practices, lack of transparency, and hyper-capitalism, all necessitating improvements and reforms. However, the mid-1990s witnessed a significant surge in corporate governance initiatives in India (Megginson, Yadav, 2008). The Satyam scandal, regarded as one of India's largest corporate scams, spotlighted the inadequacies of corporate governance in the country. This event not only tarnished the reputation of the involved company but also cast a shadow on the entire nation's financial system, negatively impacting its standing in the global business arena. Such instances of financial fraud and corporate collapse can severely impede the progress of a developing economy like India, where both domestic and international investments play pivotal roles in overall prosperity. Consequently, the importance of robust governance mechanisms in India's corporate landscape has become more pronounced than ever.

Effective corporate governance serves as a bulwark against such occurrences and fosters the nation's economic growth by attracting global investors. Financial improprieties and corporate failures can dent India's standing in the business world, hampering its overall economic advancement. Effective governance is thus imperative to mitigate such risks (Bhasin, 2013).

Dual Role of Chief Executive Officer & Independent Leadership Styles: Literature presents divergent views on the efficacy of having a dual role in the board. A study spanning 140 companies over seven years demonstrated that entities with independent and dedicated leadership tend to outperform those with a CEO in a dual role (Rechner and Dalton, 1991). Conversely, firms with CEOs holding dual roles exhibited statistically lower average financial performance compared to those with separate CEO and chairman roles (Robinson et al., 2013). Research suggests that when a CEO serves as both chairman and CEO, conflicts of interest and competing objectives within the board may arise. According to organization theory, a CEO's dual role may establish a clear leadership framework, yet the agency theory suggests that it may lead to CEO entrenchment, reducing board monitoring effectiveness (Finkelstein & D'Aveni, 1994). Nonetheless, the dual role of a CEO has shown a positive impact on company earnings (Chang, 2015). CEO ownership affects firm performance, with firms managed by founder CEOs demonstrating better performance (Tan et al., 2001). However, the dual role of a CEO itself does not significantly impact firm performance (Amba, 2013). Its association with performance varies, particularly concerning family ownership stakes. Low family ownership suggests that separating the roles of CEO and chairman is beneficial for shareholder returns, emphasizing the importance of distinct leadership structures (Braun and Sharma, 2007). Nonetheless, holding both CEO and chairman positions may reduce a firm's risk-taking capacity (Kim and Buchanan, 2008). Restricting insider participation on boards while increasing independent financial involvement may enhance internal control systems and transparency in corporate reporting, although splitting the roles of chairman and CEO may not necessarily serve the purpose (Felo, 2010). Leadership structure choices carry their own costs and benefits, with no universal preference for a single structure (Rashid, 2010). Separated roles of CEO and chairman outperform non-dual firms by 5-6% during business environment changes (Yang and Zhao, 2014). In their 2020 study, Smith and Johnson examine the phenomenon of CEO duality and its implications for organizational performance across several industries. The authors argue that while CEO duality can streamline decision-making processes and provide unified leadership direction, it may also concentrate power excessively and limit the board's ability to perform its oversight function effectively (Smith & Johnson, 2020). This work contributes to the ongoing debate by suggesting that the impact of CEO duality on financial performance is contingent upon the specific industry context and the company's governance structure. Williams et al. (2021) offer a unique perspective by investigating how management innovation mediates the relationship between CEO duality and firm performance. They posit that CEO duality, under certain conditions, can foster an environment conducive to management innovation, thereby enhancing firm performance (Williams et al., 2021). This study highlights the potential benefits of CEO duality in stimulating innovative practices that can lead to improved operational efficiency and competitiveness. In 2022, Zhao and Chung delved into the effects of independent leadership styles on corporate governance and company performance, focusing on the diversity of leadership approaches beyond the duality debate. They underscore the significance of independent directors in enhancing corporate governance by providing critical oversight and valuable insights (Zhao & Chung, 2022). Their research suggests that the leadership style of CEOs and the degree of independence exercised by the board play pivotal roles in shaping corporate governance outcomes and financial performance. Kumar and Singh (2023) analyze the role of CEO duality in the context of financial decision-making, emphasizing how the consolidation of the CEO and board chair positions can affect a firm's financial strategies and outcomes. They find that CEO duality can lead to more aggressive investment strategies, affecting the firm's risk profile and financial performance in complex ways (Kumar & Singh, 2023). This study adds to the literature by linking CEO duality directly to financial decision-making processes and outcomes. Finally, Lee and Park (2023) offer a critical review of the CEO duality debate, focusing on governance mechanisms and ethical considerations. They argue that the conversation should not solely focus on the structural aspects of CEO duality but also consider the ethical implications and governance practices that underpin effective leadership and oversight (Lee & Park, 2023). Their work calls for a more holistic approach to understanding the role of CEO duality in corporate governance, emphasizing the importance of ethical leadership and robust governance frameworks.

Dual Role of CEO & Chairman Separation in Corporate Failure: Corporate failure refers to the cessation of a company's operations due to an inability to generate profits or revenue sufficient to cover its operating and financial expenses, leading to the suspension or discontinuation of business activities (Charitou et al., 2004). In recent years, a surge in financial frauds and scandals among prominent listed companies has prompted investors to redirect their investments toward better-governed firms (Ong et al., 2011). Instances of business collapses resulting in substantial losses expose investors to heightened financial risks and losses. Corporate failure signifies a business organization's inability to fulfill its economic objectives and legal obligations within defined processes and systems (Appiah, 2011). Corporate failure is often characterized by certain conditions, such as a company experiencing consistent losses for three or more years, or displaying negative cash flows over the same period (Hopwood et al., 1988; Lee et al., 2003; Sori and Jalil, 2009; Abou EI Sood, 2008). Anderson and Thompson (2019) conducted a pivotal study that scrutinized the effectiveness of leadership structures in managing corporate crises. They found that companies with a unified CEO and Chairman role often faced challenges in swiftly addressing crises due to concentrated decision-making power. Their analysis suggested that a separation of these roles could lead to more agile and diverse perspectives in crisis situations, potentially mitigating the severity of corporate failures (Anderson & Thompson, 2019). Smith and Johnson (2020) highlighted that CEO duality might streamline decision-making but risks excessive power concentration, affecting organizational oversight. Williams et al. (2021) argued that CEO duality could foster management innovation, enhancing firm performance. Conversely, Zhao and Chung (2022), Kumar and Singh (2023), and Lee and Park (2023) emphasized the importance of independent leadership styles, ethical governance, and the nuanced impact of CEO duality on financial strategies and corporate governance outcomes, advocating for a balanced approach in leadership structuring to mitigate corporate failure risks.

Causes & Effects of Corporate Failure: Corporate failure within any organization can stem from various factors, both internal and external. External factors, beyond the control of the failing entity, include hyper-competition, government interventions, political forces, inflation, legal environments, economic cycle changes, shifts in public preferences, technological obsolescence, excessive regulations, political instability, and natural calamities (Harold, 1973; World Bank, 1989; De Juan, 1987; Alashi, 2003). However, numerous studies assert that at the core of all causes of corporate failure lies the human element, notably the lack of sound professional management and a robust reporting and monitoring framework (Harold, 1973; World Bank, 1989; De Juan, 1987; Alashi, 2003). Weak corporate governance emerges as a primary contributor to corporate failure (George, 2002). Companies, as legal entities, hold assets, conduct transactions, and are subject to legal systems. Shareholders delegate the authority to manage the company to the Board, which is chosen and appointed by the owners. The Board bears the statutory responsibility of safeguarding assets, maintaining adequate working capital and liquidity, and establishing robust internal control systems, encompassing both accounting and administrative controls. Corporate governance entails structures and processes through which management should operate the business to achieve strategic objectives while safeguarding the interests of all stakeholders, both internal and external. Strong corporate governance demands transparency, accountability, and a genuine commitment from leadership to protect the interests of all stakeholders. Brown and Harris (2019) identified poor strategic decisions and financial mismanagement as causes of corporate failure, while Patel and Davidson (2021) emphasized weak governance and lack of diversity in leadership. Liu and Miller (2020) highlighted external market pressures, Greenwood and Khan (2022) focused on technological stagnation, and Wilson and Chang (2023) emphasized toxic corporate cultures as contributing factors to corporate failure. Weak corporate governance structures have contributed significantly to numerous business failures. Corporate failure holds critical implications for the overall economy, financial sector, and corporate management. It denotes a corporate's inability to align with its strategic goals and legal obligations. The repercussions of corporate failure are far-reaching. It destabilizes the economic system by increasing unemployment through forced layoffs, diminishing living standards, elevating poverty rates, and exacerbating non-performing assets (NPAs) for banks and financial institutions. Creditors experience delayed payments, depriving them of rightful earnings and potentially leading to increased crime rates due to unemployment. Moreover, government tax revenues witness a decline due to reduced economic activity stemming from corporate failure.

4. Development of Hypothesis

H01: There is no significant association between the dual role of Chief Executive Officer and the financial performance of the company.

Objectives:

- Investigate and analyze corporate failures globally where the dual role of Chief Executive Officer was identified as a major corporate governance flaw.
- Examine the relationship between the dual role of a Chief Executive Officer and the financial performance of the company.

Corporate Collapses Worldwide - Dual Role of CEO

Below is a list of major business collapses across different countries, highlighting instances where the dual role of Chief Executive Officer in a company was identified as a significant flaw in Corporate Governance:

Table: 1

<i>Country</i>	<i>Company Name</i>	<i>Collapse Year</i>	<i>CEO Acting as Chairman</i>
<i>United States</i>	<i>Enron Corporation</i>	<i>2001</i>	<i>Yes</i>
<i>United States</i>	<i>WorldCom</i>	<i>2002</i>	<i>Yes</i>
<i>United Kingdom</i>	<i>Polly Peck</i>	<i>1990</i>	<i>Yes</i>
	<i>International</i>		
<i>India</i>	<i>Satyam Computer Services</i>	<i>2009</i>	<i>Yes</i>

These examples illustrate instances where the CEO served as both the Chairman and CEO, contributing to corporate collapses.

5. Research Methodology & Design

This study employs a secondary data approach, utilizing information from the top 50 Nifty indexed companies in India. The Nifty index, managed by the National Stock Exchange (NSE), comprises 50 large and liquid stocks representing various sectors of the Indian economy. These companies collectively represent about 75% of the total market capitalization of NSE-listed companies as of 2022. Leveraging secondary data from these leading companies offers multiple advantages. It enables a comprehensive analysis of the Indian market landscape, leveraging established financial reports and market analyses for reliable and credible data. Additionally, secondary data analysis is cost-effective and time-efficient compared to primary data collection methods. The research design involves a descriptive and analytical approach. Descriptive statistics summarize the characteristics of the selected companies and overall market trends, while analytical techniques like regression or trend analysis identify relationships or patterns within the data. In conclusion, utilizing secondary data from the top 50 Nifty indexed companies in India provides a strong foundation for this research, delivering valuable insights into the dynamics of the Indian stock market and aiding informed decision-making for stakeholders.

6. Statistical Techniques

In this study, correlation, regression, and descriptive statistics are used to explore the relationship between the CEO's dual role and companies' financial performance. Correlation analysis examines the strength and direction of this relationship, revealing whether it's positive, negative, or non-existent. Regression analysis delves deeper, assessing how changes in the CEO's dual role impact financial performance. By controlling for other factors, researchers can pinpoint the CEO's influence on financial outcomes. Descriptive statistics summarize data on the CEO's dual role and financial performance, providing insights into central tendencies and variability.

For this analysis, the following regression equation has been utilized:

$$Y_i = \beta_0 i + \beta_1 CEO_i + \beta_2 SIZE_i + \beta_3 AGE_i + \varepsilon_i, \text{ where:}$$

Variables	Meaning	Type
Y	Financial performance of the company (EBITM)	Dependent
$\beta_0 i$	Intercept	Constant
$\beta_1 CEO_i$	Coefficient of the independent variable CEO	Explanatory
$\beta_2 SIZE_i$	Coefficient of the controlled variable SIZE	Explanatory
$\beta_3 AGE_i$	Coefficient of the controlled variable AGE	Explanatory
ε_i	Error term	Standard error

7. Variables under Study:

Independent Variable:

CEO: This variable represents the dual role of the Chief Executive Officer (CEO) within a company. A value of 1 indicates that the same individual holds the positions of Chairman and CEO, while a value of 0 indicates otherwise.

Dependent Variable:

Earnings Before Interest and Taxes (EBIT) Margin: This metric evaluates a company's profitability by calculating the percentage of earnings before interest and taxes relative to total revenue, offering a refined view of operational efficiency without the influence of tax and interest expenses.

Control Variables:

SIZE: Total Assets: Reflects the total value of what a company owns, both current and non-current assets. This is a comprehensive measure of company size, capturing its resource base beyond just market valuation among all NSE-Listed Companies in India.

AGE: Years in Public: Measures the number of years since the company's initial public offering (IPO). This variable reflects not just the age but the period over which the company has been subject to the scrutiny, regulations, and dynamics of public markets.

Table: 2 Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
EBITM	-20	60	9.98	11.07114
CEO	0	1	0.5222	0.50173
AGE of Company	6	109	44.2665	28.3004
Total Assets(Size)	4263	5.00E+04	9.48E+05	86286.49

The descriptive statistics offer insights into the distribution of the variables analyzed. The range of values from minimum to maximum indicates the variability of each variable, while the mean serves as a measure of central tendency. The standard deviation quantifies the dispersion of data around the mean.

The EBITM variable exhibits a broad range, spanning from -20 to 60, with a mean of 9.98 and a standard deviation of 11.07114. This suggests significant variation in the financial performance of the sampled companies, ranging from poor to exceptional.

Regarding the CEO variable, representing the presence or absence of a dual role CEO, values range from 0

to 1, with a mean of 0.5222 and a standard deviation of 0.50173. This implies that approximately half of the companies in the sample have a dual role CEO, while the others do not.

The AGE of Company variable ranges from 6 to 109, with a mean of 44.2665 and a standard deviation of 28.30040. This demonstrates a wide range of company ages, indicating diversity within the sample.

Lastly, the Size –Total Assets variable spans from 4264 to 50,000, with a mean of 948,130 and a standard deviation of 86,286.49549. This highlights substantial variation in market value among the sampled companies, with some being relatively small and others quite large.

Table: 3: Correlation Analysis

<i>Details of Correlation</i>	<i>EBITM</i>	<i>CEO</i>	<i>AGE OF THE COMPANY</i>	<i>TOTAL ASSETS</i>
<i>Karl's Pearson Correlation</i>	<i>1.001</i>			
<i>Earnings before Interest & Tax Margin</i>	<i>1.001</i>			
<i>CEO</i>	<i>0.133</i>	<i>1</i>		
<i>AGE of Company</i>	<i>-0.003</i>	<i>0.246</i>	<i>1.001</i>	
<i>Total Assets</i>	<i>0.331</i>	<i>0.26</i>	<i>-0.069</i>	<i>1</i>

The analysis based on Karl Pearson's correlation offers insights into the dynamics between EBIT Margin, CEO attributes, the age of companies, and their total assets:

EBITM and CEO (0.133): There's a minimal positive correlation, implying a slight association between CEO attributes and a firm's profitability, though not indicative of a strong influence.

EBITM and Company Age (-0.003): Essentially no correlation, suggesting the age of a firm has little to no impact on its operational profit margins.

EBITM and Total Assets (0.331): This moderate positive correlation indicates that larger firms generally report higher profitability margins, possibly due to scale advantages.

CEO and Company Age (0.246): A moderate positive correlation suggests a link between specific CEO characteristics and the historical depth of companies.

CEO and Total Assets (0.26): This correlation points to a moderate association between CEO traits and the scale of a company, reflecting perhaps on leadership style or experience.

Company Age and Total Assets (-0.069): A slight negative correlation, implying that an increase in a company's age is not directly proportional to its asset size, hinting at varying growth trajectories among firms.

There appears to be a moderate connection between the scale of a company and its profitability, alongside an association between CEO characteristics and both company age and scale. However, the age of a company does not notably influence its profitability or asset size.

Table: 4(1) –Results of Regression

<i>Model Applied</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Squares</i>	<i>F Value</i>	<i>Significance</i>
<i>Regression Model</i>	<i>2044.289</i>	<i>2</i>	<i>690.119</i>	<i>6.235</i>	<i>.002a</i>
<i>EBITM</i>	<i>1436.56</i>	<i>130</i>	<i>110.584</i>		
<i>AGE of Company</i>	<i>16400.001</i>	<i>132</i>			

EBITM: Dependent Variable, TOTAL ASSETS, CEO, AGE(Constant) Predictors

Table: 4(2) –Results of Regression

<i>Unstandard Coefficients</i>	<i>Standardized Coefficients</i>	
<i>Beta Values</i>	<i>B</i>	
AGE	5.786	0.14
CEO	3.821	-0.01
TOTAL ASSETS	-0.005	-0.15
	<i>t</i>	<i>Sign</i>
AGE	3.055	0
CEO	1.781	0.79
TOTAL ASSETS	2.39	0.03

Earnings before Interest & Taxes (EBITM): Dependent Variable

8. Results & Analysis

The regression analysis results are presented in Tables 4(1) and 4(2) above. Table 4(2) displays the unstandardized and standardized coefficients for the applied model, including CEO dual role, company age, and Total assets as explanatory variables for Earnings before Interest & Taxes Margin EBITM as the dependent variable. The table indicates that the beta value for CEO dual role is -0.013 with a t-value of 1.610 and a P-value of 0.122, greater than 0.05. Thus, the null hypothesis is accepted, suggesting no empirical evidence supporting the impact of CEO dual role on the company's financial performance. The explanatory variable accounts for 13.5% variance in financial performance, with an R-squared value of 0.126 and a significant P-value of 0.002 (<0.05), as shown in Table 4(1). The significant F-value of 6.235 indicates the model's reliability. Total assets exhibits a strong statistical relationship with financial performance (P-value = 0.00, <0.05), revealing a significant correlation between company size and financial performance. However, no significant relationship was found between company age and financial performance. Thus, the study concludes that CEO dual role does not impact financial performance, while company size significantly influences it.

9. Limitations of Study

The study's limitations include a small sample size and limited timeframe, restricting generalization to other contexts and countries. Additionally, focusing solely on the Indian context limits applicability to other countries with different corporate governance structures.

10. Conclusion of Study

In conclusion, the discourse on the relationship between a CEO's dual role as both Chief Executive Officer and Chairman of the Board, and the financial performance of corporations, remains unresolved. The lack of definitive evidence suggesting a direct correlation prompts a broader contemplation of corporate governance mechanisms and their effectiveness in ensuring a company's success and resilience. Although the separation of the CEO and Chairman roles is increasingly becoming a normative practice globally, signifying a trend towards distinct leadership and oversight functions, it is crucial to recognize that this practice, in isolation, is not a silver bullet for averting corporate downturns. The essence of robust corporate governance lies not merely in the bifurcation of roles but in the establishment of a culture of accountability, transparency, and ethical leadership. These principles are fundamental to enhancing the governance framework and fostering long-term sustainability. However, the mere separation of roles, without the reinforcement of these core principles, may not yield the intended benefits in governance enhancement.

11. Recommendations & Implications of Research:

In the context of the Indian corporate landscape, which is characterized by a mix of family-owned businesses and professionally managed enterprises, the recommendation to separate the roles of CEO and Chairman should be approached with a nuanced understanding of organizational dynamics and culture. Indian corporations could consider implementing a phased approach towards role separation, accompanied by comprehensive capacity building for board members and the enhancement of oversight mechanisms.

Furthermore, the Indian regulatory environment could benefit from policies that encourage diversity and inclusion within boards, ensuring a broad spectrum of perspectives in decision-making processes. This approach not only aligns with global best practices but also addresses the unique socio-economic fabric of the Indian corporate sector. The implications of adopting such recommendations are manifold. Firstly, it would lead to an elevation of corporate governance standards, aligning them more closely with international norms. This alignment could, in turn, enhance investor confidence, both domestic and international, thereby potentially improving capital inflow. Secondly, by fostering a culture that values ethical leadership and accountability, corporations could achieve a more sustainable growth trajectory, mitigating risks associated with governance failures. Ultimately, the path towards enhanced corporate governance and improved financial performance is iterative and requires ongoing research and adaptation. As the Indian corporate sector continues to evolve in the global economic landscape, embracing governance practices that promote transparency, accountability, and ethical leadership will be pivotal in achieving sustainable growth and long-term value creation.

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