

ONE HAT TOO MANY - CEO DUALITY, GLOBAL
FINANCIAL CRISIS AND PERFORMANCE OF
CHINESE FIRMS

CHO-TUNG, CHARLES LAM
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ABSTRACT

The recent global financial crisis has been seriously impacting firms worldwide since its eruption in 2007. No doubt, corporate leadership plays an important role in steering firms away from crisis. According to agency theory, CEO duality, with Chief Executive Officer (CEO) also wearing the hat of Chair of the Board (COB), could lead to an overpowering leader serving his or her own agenda. The Code on Corporate Governance Practices implemented by the Stock Exchange of Hong Kong thus recommends the separation of the titles as of 2005, but CEO duality continues to top the list of non-compliance of the Code Provisions.

This dissertation is the first longitudinal study to measure the effect of CEO duality on performance of Chinese state-owned enterprises listed in Hong Kong and the moderation effect of the global financial crisis on their relationship. A sample of 49 H-shares and 28 Red-chips with a total of 539 firm-years over the 2004 – 2010 period is chosen for the empirical analyses. The direction of effect of CEO duality on performance of the Chinese firms is a priori indeterminate. The empirical result suggests that CEO duality does not affect performance of HK-listed Chinese firms. However, in the presence of global financial crisis, CEO duality has a significant and negative impact on their firm performance. Contrary to general belief, the global financial crisis has a significant and positive effect on firm performance of the Chinese firms. This is probably due to the ability of firms with both CEO and COB to respond prudently and collaboratively to the global financial crisis and opportunities presented by economic stimulus policies of the Chinese government during 2008 - 2010.