

Do Powerful CEOs Benefit Firm Performance in Pakistan?

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ABSTRACT

Manuscript type: Research paper

Research aims: This study examines the impact of Chief Executive Officer (CEO) power dimensions on firm performance.

Design/Methodology/Approach: A panel data of 110 Pakistani firms listed on the Pakistan Stock Exchange for the period of 12 years (2008-2019) was analysed using the GMM approach.

Research findings: The GMM regression results revealed significant relationships. The analysis suggests that CEOs with considerable structural, ownership, prestige, and expert power tend to exhibit superior performance, as these factors are positively correlated with firm performance. Conversely, CEO family power appears to have no discernible impact on firm performance. Importantly, the robustness of our findings underscores the consistent nature of these relationships.

Theoretical contribution/Originality: This study makes a valuable contribution to the existing literature by demonstrating the positive influence of CEO power on firm performance, which aligns with the theoretical framework of the Approach/Inhibition theory of power. The originality of this research stems from its examination of individual dimensions of CEO power and their impact on firm performance, as well as the inclusion of the additional dimension of family power.

Practitioner/Policy implication: The insight from this study suggests that powerful CEO leadership is beneficial for firm performance and the concentration of power at the CEO position should be seen positively rather than the negative perspective provided by agency theory.

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Research limitation: The study is limited to non-financial companies listed on the Pakistan Stock Exchange.

Keywords: CEO structural power, CEO ownership power, CEO prestige power, CEO expert power, CEO family power, Firm performance, Pakistan stock exchange

JEL Classification: G34, M12, L25, O12

1. Introduction

Chief Executive Officers (CEOs) have significant decision-making authority that extends beyond everyday operations to crucial strategic decisions (Wu, Quan, & Xu, 2011). The literature extensively acknowledges the importance of CEOs in shaping a firm's actions and strategic direction (Collins, 2021). Existing research on CEO power and its implications for firm performance has mostly focused on developed nations (Wang, 2020; Chiu, Chen, Cheng, & Hung, 2021), leaving a considerable gap in our understanding of this phenomenon in emerging countries.

Extant literature has predominantly operationalised CEO power through four dimensions – structural, ownership, expert, and prestige – as key contributors to firm performance (Um-E-Roman et al., 2021; Sheikh, 2018). However, this framework often falls short in the nuanced context of emerging economies like Pakistan, characterised by economic volatility and evolving regulatory frameworks, factors that directly influence their resilience and future growth of the business sector. In Pakistan, family-owned firms make up 55 to 70% of the corporate sector (Qayyum, Aziz, & Ibrahim, 2020). CEOs, often family members, are endowed with significant power, a factor not adequately captured by the traditional four dimensions of CEO power – structural, ownership, expert, and prestige (Jiang, Zhang & Zhao, 2018; Sheikh, 2019). Therefore, these traditional dimensions are insufficient in capturing the unique forms of power wielded by CEOs in Pakistani family-owned firms, where power also stems from family relationships, cultural norms, and adaptability to changing rules and economic conditions. Hence, there is a knowledge gap in the understanding of leadership in family businesses in the context of developing economies like Pakistan.

Hence, this study aims to augment the existing theoretical framework by introducing a fifth dimension – family power – to provide a more comprehensive understanding of CEO power on firm performance. The inclusion of family power as a determinant in CEO influence not only enriches the academic discourse but also has

practical implications for policy formulation in emerging economies. Although the context of family ownership serves as a backdrop for this study, it is not treated as an independent variable. Instead, it is integrated into the newly introduced 'family power' dimension, enriching our understanding of CEO power in family-dominated firms.

While existing research has examined CEO power in the context of sustainability (Shui, Zhang, Smart, & Ye, 2022; Walls & Berrone, 2017), corporate social responsibility (CSR) (Chu, Liu & Chiu, 2023), risk (Yusuf, Abubakar, Aliyu & Aneitie, 2022), and earnings quality (Arif, Mustapha, & Abdul Jalil, 2023), the focus on firm performance remains limited, especially in developing countries. The performance of firms in this setting has far-reaching implications for the country's economic landscape. Enhanced firm performance contributes substantially to a nation's gross domestic product (GDP), attracts foreign investment, and fosters innovation (Badulescu, Akhtar, Ahmad, & Soharwardi, 2021). Moreover, it has a direct bearing on social challenges, such as job creation and wage improvement (Bahadori, Kaymak, & Seraj, 2021).

Hence, this study adds to the literature by shedding light on the impact of CEO power on firm performance in Pakistan. This study seeks to improve our knowledge of how CEO power dynamics impact business results in the unique context of a developing nation by including the often-overlooked feature of family power and extensively evaluating all five aspects.

The paper systematically progresses as follows: Section 2 provides a comprehensive literature review positioning our study within the broader academic discourse. Section 3 discusses the methodology, including data gathering and variable measurements. The findings are elucidated in Section 4, with an in-depth discussion presented in Section 5. Section 6 discusses this study's implications for workers at managerial level, while Section 7 elaborates on the theoretical contributions of this study. Finally, Section 8 concludes the paper and suggests avenues for future research.

2. Literature Review and Hypothesis Development

2.1 *CEO power dimensions and firm performance*

CEO power is categorised by Kim and Lu (2008) into three types: ownership, structural, and ability power. They further analysed their effects on sensitivity, pay, and firm performance. The researchers found that at certain levels of ownership, power, and structural

power are detrimental, while ability power is considered to be beneficial. Furthermore, Kim and Lu (2008) added that the adverse effects of ownership and structural power can be reduced by regulation or effective monitoring by institutional investors. They concluded that the firm performance can be enhanced by ownership, structural, and ability power when strong external governance is in place.

Liu and Jiraporn (2010) supported the view that a firm's financing decisions are affected by CEO power. A top executive can affect the firm's outcome if they have control over the board's key strategic decisions (Liu & Jiraporn, 2010). The result elaborates that a firm with a powerful CEO has a high yield spread and a low credit rating. This viewpoint is also strongly supported by Saad, Haniff, and Ali (2020). The death of a CEO or the death of a family member affects the firm's performance in a negative manner and leads to statistical and economic decline as computed from investment, profitability, and sales growth (Bennedsen, Pérez-González, & Wolfenzon, 2020).

According to recent research conducted by Kim, Moon, and Kim (2022), the CEO plays a pivotal role in influencing the outcomes of an organisation. Additionally, the findings of Dowell, Shackell, and Stuart (2011) indicate that CEO power has advantageous implications for firm performance, especially in times of financial distress. Their research highlights that CEOs with increased decision-making authority, particularly when working with a smaller and independent board, can contribute positively to the survival and success of the firm amidst challenging financial circumstances.

However, Nanda and Rhodes-Kropf (2013) focussed on the impact of CEO power and decision-making ability in competitive and innovative industries, particularly during downturns. They found that more powerful CEOs in these settings performed worse compared to their less powerful counterparts, even during downturns. Nanda and Rhodes-Kropf (2013) argued that this finding underscores the need for caution in centralised decision-making. They suggested that excessive CEO power could lead to suboptimal outcomes, especially in challenging industry conditions. Therefore, they proposed that a more balanced or decentralised decision-making structure might be more effective for navigating downturns.

The literature reveals certain limitations in the existing studies concerning the measurement of CEO power and the generalisability of their findings. Some of the studies have either focussed on specific industries or large firms (Harper & Sun, 2019; Javeed & Lefen, 2019) or analysed a single firm (Liu & Jiraporn, 2010; Veprauskaitė &

Adams, 2013) or considered a small number of firms (Boone, Lokshin, Guenter, & Belderbos, 2019). Additionally, these studies often concentrated on a single dimension for measuring CEO power such as personal, ownership or structural aspects (Liu & Jiraporn, 2010; Ning, 2020; Owusu, 2021). This focus on selected elements can affect the reliability of the outcome. Weak or insignificant results may arise from the use of broader measures of CEO power.

This study significantly enriches the existing literature on CEO power by introducing a comprehensive, multi-dimensional framework that includes the often-neglected power dimension of family relations. By doing so, the research aims to produce more robust and generalisable findings, thereby addressing a critical gap in the existing research. Furthermore, the sophisticated methodology of the study gives practical insights for governance practices, providing a more comprehensive understanding that is essential for both academic discourse and policy creation. In conclusion, this study represents a significant contribution to the existing research, establishing a new standard for the analysis of CEO power dynamics.

2.2 *Research framework and hypotheses*

This section provides the research framework, the theory, and literature review to support the development of hypotheses on the CEO-firm performance relationship. It also outlines the conceptual framework of the current research.

2.2.1 *Approach/inhibition theory of power*

The approach/inhibition theory of power suggest that people with power are more likely to pursue their goals with confidence. Those without power tend to be more careful, trying to avoid negative outcomes (Keltner, Gruenfeld, & Anderson, 2003). When we think about the five types of CEO power, this idea becomes clearer. CEOs with structural, ownership, prestige, expert, and family powers are more likely to be approach oriented. They have ability and resources to pursue their goals, exercise their authority and implement effective strategies for the benefit of their organisations. These elements help CEOs to drive strategic initiatives, manage resources, and make decisions that are consistent with their interests and objectives.

CEOs with limited authority may exhibit an inhibitory orientation. They may face constraints, restricted resources, and reduced influence, limiting their ability to assertively pursue goals and impact organisational outcomes. Their decisions may be more

cautious, risk-averse, and concerned with avoiding undesirable outcomes.

By examining this theory, researchers and practitioners can gain insights into how multiple aspects of CEO power impact their behavior, decision-making, and, ultimately, organisational performance. This perspective aligns with previous research that powerful CEOs are generally more optimistic about positive organisational outcomes (Anderson & Galinsky, 2006; Um-E-Roman et al., 2021). Building on the approach/inhibition theory of power, this study develops the hypotheses discussed in subsequent sections.

2.2.2 CEO structural power and firm performance

Prior researchers have used the title concentration of a CEO's position as a measurement of CEO power (Morse, Nanda, & Seru, 2011). The concentration of titles such as board chairperson and CEO (also known as CEO duality), provides greater agency to the person in making strategic decisions for their firm (Sheikh, 2018). Within the Pakistani context, existing literature presents divergent findings concerning the relationship between CEO structural power and firm performance, including negative (Gohar & Batool, 2015; Sheikh, 2018; Singh & Delios, 2017), positive (Sheikh & Wang, 2012) or neutral relationships (Luqman, Ul Hassan, Tabasum, Khakwani, & Irshad, 2018; Yasser & Mamun, 2015). Mubeen, Han, Abbas, and Hussain (2020) claim that if an organisation assigns dual roles to a single person, it may improve the rate of response to the changing market conditions, leading to more effective decision-making. This result is not unusual as corporate governance practices vary at institutional and national levels (Merendino & Melville, 2019). Drawing upon the social psychological perspective of the approach system, a CEO with greater power is anticipated to have a positive impact on firm performance. Based on this rationale, the study formulates the following hypothesis.

H₁: CEO structural power has a positive impact on firm performance.

2.2.3 CEO ownership power and firm performance

Ownership is widely acknowledged as a highly influential source of power for CEOs. Onali, Galiakhmetova, Molyneux and Torluccio (2016) conducted a study focused on the European banking sector and found a positive association between ownership power and firm performance. In line with these results, Li, Li, and Minor (2016) argued that greater CEO ownership in a firm is associated

with enhanced performance. Similarly, Um-E-Roman et al. (2021) conducted a recent study and supported this notion. Certainly, when a CEO's power triggers the behavioural approach system, cognitive bias may arise in the CEO concerning risky decisions (Lewellyn & Muller-Kahle, 2012). Cognitive biases might lead the CEO to focus on the potential benefits of the decision at hand and ignore its negative aspects (Korteling, Paradies, & Sassen-van Meer, 2023). Moreover, the CEO's neglecting the negative features of outcomes as a result of cognitive biases, such as optimism and overconfidence might be advantageous to the firm in certain situations. These biases can increase CEO confidence, inspire risk-taking, lead to ambitious objectives and strategic initiatives, create resilience, and perhaps improve overall business performance (Schneck & Hautz, 2023). Based on the literature mentioned and considering perspectives from social psychology, it is posited that power activation stimulates the behavioural approach system in the decision maker, thereby exerting a positive impact on firm performance.

H₂: CEO ownership power has a positive impact on firm performance.

2.2.4 CEO prestige power and firm performance

CEO prestige power can be defined as a benefit that the CEO enjoys by having a strong social circle (Zou, Qi, Xie, & Ma, 2021). This form of power also assists the top management in dealing with business uncertainty (Finkelstein, 1992) by garnering institutional support and acceptability, which involves various societal components (Finkelstein, 1992). A CEO who also serves on an external board, holds a prestigious role which helps gain valuable information about their firm's external environment. This information aids the CEO's decision-making, especially in dealing with uncertainty and environmental changes that may occur. The prestige power of the CEO is invaluable because it allows the CEO to obtain key information, access limited resources, and, most importantly, benefit from the experience of more seasoned peers (Blagoeva, Mom, Jansen, & George, 2020; Flickinger, Wrage, Tuschke, & Bresser, 2016). Prestige power has been shown to positively influence a firm's image, thereby minimising the firm's unsystematic risk (Hamidlal & Harymawan, 2021). Fang, Lee, Chung, Lee, and Wang (2020) found a positive correlation between CEO Prestige power and firm performance, a finding that aligns with research conducted by King, Srivastav, and Williams (2016). These findings support the approach/inhibition theory of power, which posits that prestige power activates the

behavioural approach system, resulting in favorable organisational outcomes, including enhanced firm performance. Based on the aforementioned discussion, we posit the following hypothesis.

H₃: CEO prestige power has a positive impact on firm performance.

2.2.5 CEO expert power and firm performance

The particular capabilities, experience, and personality of the CEO are linked with the firm's self-motivated capabilities (Hussain, Tian, Ashraf, Khan, & Ying, 2023). A CEO attains expert power when he or she becomes experienced and skilled enough to address the potential issues facing their firm. Experience in a specific industry serves as a demonstration of the CEO's expert power. Expert CEOs effectively manage both internal and external issues in unstable environments, leading to better firm performance. Strategic decision making and firm performance are influenced by CEO charisma, expertise, and reference power (Agle, Nagarajan, Sonnenfeld, & Srinivasan, 2004; Waldman, Javidan, & Varella, 2004). Even though the CEO may not be directly involved in the firm's financial processes, he or she can influence the CFO's decision-making (Feng, Hardin, & Wu, 2022; Gounopoulos & Pham, 2018). Additionally, Lewellyn and Muller-Kahle (2012) noted that there is a favorable relationship between the firm value and CEO tenure, as longer tenure allows CEOs to gain deep industry knowledge and technical expertise which aids in organizational operations. Li, Li, and Minor (2016) and Um-E-Roman et al. (2021) found an insignificant relationship between CEO expert power and firm performance. Conversely, Fang et al. (2020) and Ting, Chueh, and Chang (2017) demonstrated a positive influence of CEO expertise on bank performance. Another study conducted by Hamidlal and Harymawan (2021) showed positive relationship between CEO expert power and organizational performance. The expert power of CEO tends to increase firm performance, a notion supported by social psychology theory. Increased power from the expertise of CEO activates approach system, leading to better firm outcomes. Based on these considerations the following hypothesis is presented.

H₄: CEO expert power has a positive impact on firm performance.

2.2.6 CEO family power and firm performance

CEOs that belong to the firm's founding family or who are the founder themselves have greater access to power and can influence

the strategic decision-making while enjoying a strong relationship with board members (Sheikh, 2018). Such CEOs have both symbolic and managerial roles that help them attain explicit and implicit power over the board. This power also enables them to make key decisions for the firm and allocate resources according to their interests and agendas (Finkelstein & Hambrick, 1989; Wijethilake & Ekanayake, 2020). A founding family CEO's function may be regarded through two lenses: power and interest alignment. On the one hand, appointing a founding family member as CEO confers enormous authority and influence inside the organization. Individuals in such positions often exert considerable influence over pivotal organizational decisions, guiding the firm's strategic direction. This concentration of power can have an impact on organizational dynamics and lead to a power imbalance between the CEO and other stakeholders (Anderson & Reeb, 2004; Chua, Chrisman, & Sharma, 1999).

A CEO from the founding family serves as a bridge aligning the family's goals with the broader corporate goals. These CEOs inherit interest in the long-term prosperity and growth of the business. Their decisions and actions are frequently underpinned by a commitment to safeguarding the family's reputation, assets, and legacy. This commitment often aligns with the priorities of the company's stakeholders, such as its employees, shareholders, and customers (Gomez-Mejia, Cruz, Berrone, & De Castro, 2011).

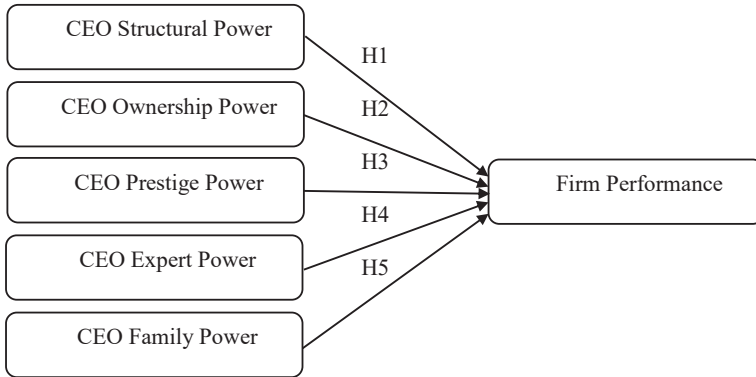
However, it is crucial to highlight that interest alignment is not always guaranteed, and conflicts can occur between the founding family's interests and those of other stakeholders. Founding family CEOs may put their personal and family interests ahead of the firm's larger goals, resulting in agency problems and possible power abuse (Bennedsen et al., 2020; Villalonga & Amit, 2006). Researchers have discovered that in developing nations such as Pakistan, CEO roles are frequently held by family members, who wield substantial authority within the firm (Javid & Iqbal, 2008; Kamran & Shah, 2014).

In the field of entrepreneurship, scholars found a positive impact of family CEOs on organisational performance. Studies such as those by Javeed and Lefen (2019) and Axelson and Baliga (2008) provide evidence of this positive association. By virtue of being a member of the founding family, the CEO is considered powerful and according to the behavioural approach system, tends to focus on the positive outcomes in decision making while ignoring the negative ones. Hence, our fifth hypothesis is as follows.

H₅: CEO family power has a positive impact on firm performance.

Having established our five guiding hypotheses, we now present a conceptual framework that serves as the intellectual roadmap for this study.

Figure 1: Conceptual Framework



3. Methodology

3.1 Data and Sampling

The sample for the current study consists of Pakistani non-financial firms which have been listed on the Pakistan Stock Exchange (PSX) for the past 12 years (2008-2019). This timeframe was selected not only to capture a range of global economic conditions, including the aftermath of the 2008 global financial crisis, but also to align with key updates in Pakistan's Code of Corporate Governance. The 2012 and 2017 revisions to the Code, for instance, introduced significant changes in corporate governance practices, making the 12-year span particularly relevant for a robust longitudinal analysis. Annual reports of the firms, CEO profiles, and data stream were used to gather data of the study variables. We excluded financial firms because they are heavily regulated and characterised by different traits compared to those of other sectors of the economy. Moreover, the data excludes the firms for which data was not available for at least one sample year in the timeframe. Hence, the final sample consisted of 110 companies from 2008 to 2019 making a data set of 1320 firm-years.

3.2 Measurement

Table 1: Variable Measurement

Variables	Measurement	Source
CEO Structural Power	Dichotomous variable takes a value of one if the CEOs is also the chair, and zero otherwise.	Veprauskaitė & Adams (2013); Zou et al. (2021).
CEO Ownership Power	Percentage of total share of the firm owned by CEO	Muttakin et al. (2018); Zou et al. (2021)
CEO Expert Power	The years of experience of CEO	Haider & Fang (2018)
CEO Prestige Power	Number of directorship positions held by CEO on the other boards in a particular year	Gunasekarage et al. (2020); Zou et al. (2021)
CEO Family Power	Takes a value of 1 if the CEO is also a founding family member and 0 otherwise	Sheikh (2019)
Return on Assets	The ratio of operating profits to total assets	Javeed & Lefen (2019); Munisi & Randøy (2013)
Return on Equity	The ratio of operational profit to shareholder equity	Javeed & Lefen (2019)
Tobin's Q	Sum of total debt, preferred stock, and market value of equity, divided by total assets	Tien et al. (2020)
Firm Size	Natural logarithm of total assets of the firm	Haynes et al. (2019); Li et al. (2018)
Firm Age	Number of years the firm has been listed on the Pakistan Stock Exchange (PSX)	Um-E-Roman et al. (2021)
Firm Growth	The percentage change in yearly sales	Ye et al. (2020)
Market to Book Ratio	Market capitalisation divided by book value	Chowdhury (2019)
CEO Education	Number of years spent in education	Hurley & Choudhary (2016)
Board Size	Number of directors on the board	Vitolla et al. (2020)

3.2.1 Power dimensions

Five sources of CEO power have been used as separate measures: structural, ownership, expert, prestige and family. CEO duality serves as the measure of CEO structural power and is defined with a value of 1 if the CEO is also the chairman of the board and 0 otherwise (Veprauskaitė & Adams, 2013; Zou et al., 2021). Ownership power is represented by the percentage of CEO's equity holdings in the firm (Muttakin, Khan, & Mihret, 2018; Zou et al., 2021). Expert power, is gauged by the CEO's years of industry-specific experience (Haider & Fang, 2018). Prestige power is measured by the number of outside board directorships held by the CEO (Gunasekarage, Luong, & Truong, 2020; Zou et al., 2021). Finally, CEO family power is defined with a value of 1 if the CEO is also a founding family member, and 0 otherwise (Sheikh, 2019).

3.2.2 Firm performance

Return on assets (ROA) is used as the primary measure of performance (Javeed & Lefen, 2019; Munisi & Randøy, 2013) while return on equity (ROE) and Tobin's Q are used for robustness testing (Amedu & Dulewicz, 2018; Javeed & Lefen, 2019).

3.2.3 Control Variables

In order to enhance the robustness of the study, the research model incorporates several control variables, each chosen for specific reasons.

CEO Education: This variable is calculated as the number of years spent in education by a CEO. It is included to account for its correlation with strategic decision-making (Hurley & Choudhary, 2016).

Company Size: Measured using the natural logarithm of the company's total assets, this variable is included because company size often influences financial performance and managerial practices (Dang, Li, & Yang, 2018; Haynes, Zattoni, Boyd, & Minichilli, 2019; Li, Gong, Zhang, & Koh, 2018).

Firm Age: This variable is determined by the number of years the firm has been listed on the PSX. It is included to capture differences in operational efficiencies between older and newer firms (Um-E-Roman et al., 2021).

Sales Growth: Assessed by calculating the percentage change in yearly

sales, this variable is included to indicate market effectiveness (Ye, Yeung, & Huo, 2020).

Book Value: Calculated using the ratio of market value to book value of total assets, this variable provides insights into market valuation relative to accounting value (Wang, 2017).

Board Size: This variable is included to account for its influence on corporate governance and decision-making processes (Vitolla, Raimo, & Rubino, 2020).

Each of these control variables has been carefully selected to account for factors that could potentially confound the relationship between CEO power and firm performance.

4. Results

4.1 Descriptive Statistics

Table 2: Descriptive Statistics

Variable	Mean	Std. Dev.	Maximum	Minimum
Group A: Firm Performance Variables				
ROA	11.006	13.474	48.879	-36.747
ROE	13.809	16.698	54.450	-40.83
T_Q	33.100	25.952	130.344	-23.408
Group B: CEO Power Variables				
CEO_ST	0.275	0.330	1.000	0.000
CEO_OW	0.070	0.125	0.751	0.000
CEO_EX	3.984	1.588	6.000	0.000
CEO_PR	36.511	11.325	59.000	3.000
CEO_FA	0.563	0.496	1.000	0.000
Group C: Control Variables				
BS	8.220	1.621	14.000	6.000
CEO_EDU	16.575	1.031	18.000	14.000
FG	0.093	0.285	1.002	-1.094
FA	38.205	20.043	142	1.000
MTB	22.835	107.448	2482.120	-1489.880
FS	15.775	1.603	20.457	10.000

Note: The table provides summary statistics for the study variables. Where ROA = Return on assets, ROE = Return on equity, T_Q = Tobin's Q, CEO_ST = CEO structural power, CEO_OW = CEO ownership power, CEO_EX = CEO expert power, CEO_PR = CEO prestige power, CEO_FA = CEO family power, BS = Board size, CEO_EDU = CEO's years of education, FG = Firm growth, FA = Firm age, MTB = Market-to-book ratio, LEV = Leverage, FS = Firm size.

Table 2 above outlines the summary statistics for a set of variables, categorised into Group A, Group B, and Group C. Group A focuses on firm performance variables, like ROA (Mean: 11.006, Std. Dev.: 13.474), ROE (Mean: 13.809, Std. Dev.: 16.698), and Tobin's Q (Mean: 33.100, Std. Dev.: 25.952). These figures indicate a wide variability in firm performance, suggesting that the firms in the sample are diverse in their financial outcomes. In Group B, the study delves into CEO power dimensions, capturing variables such as CEO structural power (CEO_ST; Mean: 0.275, Std. Dev.: 0.330), CEO ownership power (CEO_OW; Mean: 0.070, Std. Dev.: 0.125), CEO expert power (CEO_EX; Mean: 3.984, Std. Dev.: 1.588), CEO prestige power (CEO_PR; Mean: 36.511, Std. Dev.: 11.325), and CEO family power (CEO_FA; Mean: 0.563, Std. Dev.: 0.496). These statistics underscore the multifaceted nature of CEO influence, with each variable capturing a different aspect of power. Lastly, Group C includes control variables such as board size (BS; Mean: 8.220, Std. Dev.: 1.621), CEO's years of education (CEO_EDU; Mean: 16.575, Std. Dev.: 1.031), firm growth (FG; Mean: 0.093, Std. Dev.: 0.285), firm age (FA; Mean: 38.205, Std. Dev.: 20.043), market-to-book ratio (MTB; Mean: 22.835, Std. Dev.: 107.448), and firm size (FS; Mean: 15.775, Std. Dev.: 1.603). These control variables, with their respective means and standard deviations, add layers of complexity to the study, enhancing its methodological robustness.

Table 3 presents the correlations of the study variables along with their significant values. It can be noticed that the independent variables CEO structural, ownership, expert, prestige power dimensions are significantly correlated with the ROA showing their positive correlation with the performance while CEO family power has an insignificant correlation with ROA. Moreover, the same significant correlation can be observed with ROE and Tobin's Q. The correlation coefficients of the controls can also be noticed in Table 2, indicating the significant correlations with firm performance. Additionally, most of the independent variables are significantly correlated with each other. However, the multicollinearity between any of the two independent variables is not suspected due to the low coefficient values.

Table 3: Correlation Matrix

	ROA	ROE	T_Q	CEO_ST	CEO_OW	CEO_PR	CEO_EX	CEO_FA	CEO_ED	BS	FG	FA	FS	MTB
ROA	1													
ROE	0.60**	1												
Q	0.41**	0.23*	1											
CEO_ST	0.10*	0.10*	0.10*	1										
CEO_OW	0.14*	0.14*	0.14*	0.19*	1									
CEO_PR	0.11*	0.14*	0.12*	0.10*	0.07	1								
CEO_EX	0.13*	0.11*	0.21*	0.01	0.13*	0.01	1							
CEO_FA	0.09	0.07	0.07*	0.08	0.33*	-0.05	-0.15*	1						
CEO_ED	0.01	0.08	0.08	0.15*	-0.02	-0.07	0.06	-0.15*	1					
BS	0.09	0.1	0.09	0.09	0.23*	0.04	0.12*	0.29*	0.09	1				
FG	0.25*	0.27*	0.19*	-0.01	-0.07	0.02	0.03	0.04	-0.08	0.06	1			
FA	0.02	0.05	0.02	0.10*	-0.07	0.07	0.14*	0.09	0.04	0.16*	0.19*	1		
FS	0.17*	0.07*	0.21*	0.03	0.19*	-0.01	-0.03	0.19*	0.13*	0.32*	0.15*	0.13*	1	
MTB	0.08*	0.07	0.17*	0.03	0.08*	0.03	0.01	0.08	0.09	0.09	0.01	0.10*	0	1

Note: The table provides correlations of the study variables. Where ROA = Return on assets, ROE = Return on equity, T_Q = Tobin's Q, CEO_ST = CEO structural power, CEO_OW = CEO ownership power, CEO_EX = CEO expert power, CEO_PR = CEO prestige power, CEO_FA = CEO family power, BS = Board size, CEO_EDU = CEO's years of education, FG = Firm growth, FA = Firm age, MTB = Market-to-book ratio, LEV = Leverage, FS = Firm size, **. P-value < 0.01, * P-value < 0.05.

4.2 Regression analysis and hypotheses testing

Table 4: CEO Power and Firm Performance

	Coefficients	Standard Errors
ROA (-1)	0.1109***	0.0326
CEO Structural Power	5.3434***	1.5408
CEO Ownership Power	14.6196***	4.4244
CEO Prestige Power	1.8531***	0.4526
CEO Expert Power	0.2329***	0.0416
CEO Family Power	0.3748	1.4904
CEO Education	-4.9683***	1.0574
Board Size	-0.4700	1.1892
Firm Age	0.1678	0.3856
Firm Growth	16.8251***	2.3621
Firm Size	-6.0163**	2.5786
Market-to-Book	0.0564**	0.0242
Number of Groups	110	
Observations	1100	

***. P-value < 0.01**. P-value < 0.05.

Table 4 presents the findings on the influence of different dimensions of CEO power on firm performance. Utilising the Generalised Method of Moment (GMM) regression, the results indicate that all dimensions of CEO power, except CEO family power, significantly impact firm performance. Specifically, CEO structural power exhibits a positive impact on firm performance, supported by a p-value of less than 0.01, thus confirming hypothesis 1. Similarly, CEO ownership power shows a positive coefficient with a p-value of less than 0.01, providing support for hypothesis 2. Furthermore, both hypothesis 3 and 4 are supported by the results, as the coefficients for CEO prestige and expert power are positive and significant at the 0.01 level.

4.3 Robustness test results

The study conducted a robustness test by utilising two alternative proxies of firm performance. The return on equity served as an accounting measure, while Tobin's Q was used as a market measure. These additional measures were employed to ensure the reliability

of the results. The outcomes of the robustness test can be found in Table 5.

Table 5: CEO Power and Firm Performance (Robustness)

	ROE	Std Err	Tobin's Q	Std Err
ROE (-1)/ Tobin's Q (-1)	0.1491***	0.0316	0.0575	0.0428
CEO Structural Power	5.471**	2.1732	2.4194***	0.7519
CEO Ownership Power	16.78904***	6.2351	6.8276***	1.5718
CEO Prestige Power	1.5962**	0.6283	0.0949*	0.0532
CEO Expert Power	0.2097***	0.0535	0.0274***	0.0075
CEO Family Power	0.1760	1.6760	-1.3410**	0.6137
CEO Education	-3.0796**	1.2727	-0.6450***	0.1042
Board Size	-1.0791	1.7081	-0.2713**	0.1299
Firm Age	1.1774***	0.4454	-0.1144***	0.0397
Firm Growth	21.3158***	2.9616	1.0805***	0.3038
Firm Size	-13.8464***	3.1013	0.1176	0.1480
Market-to-Book	0.0310	0.0230	0.0045*	0.0025
Number of Groups	110	110		
Observations	1100	1100		

***. P-value < 0.01**. P-value < 0.05.

Table 5 depicts that from the five dimensions of CEO power, the following (structural, ownership, prestige and expert) were found to be significantly affecting the return on equity while the final dimension, CEO family power has an insignificant impact. These results are robust, in line with the main analysis of the study. The table also shows that all CEO power dimensions significantly and positively influence the firm performance (Tobin's Q) except CEO family power showing a negative yet significant coefficient. In a nutshell, all results are robust showing the positive impact of structural, ownership, prestige and expert power on ROE and Tobin's Q. The result suggests that CEO family power is also robust while employing the ROE as firm performance measure however, it is not robust in the case of firm performance measured by Tobin's Q.

5. Discussion

H₁: CEO structural power and firm performance

Upon analysing the panel GMM estimation, we observe a positive correlation between the dimensions of CEO power and firm performance. However, an exception arises in the family power dimension, which does not appear to significantly influence variations in the firm performance. A closer examination of the structural power dimension reveals a significant association with firm performance, evidenced by a coefficient value of 5.34 and a p-value of less than 0.01, as delineated in Table 4. This finding robustly supports the study's first hypothesis. Grounding our understanding in social psychology, and specifically referencing the approach/inhibition theory of power, we can postulate that a CEO with pronounced power positively impacts the firm's performance. CEO power (duality structure) may have various advantages, such as speedy implementation of solutions, flexible decision-making in extremely uncertain situations, and efficient decision-making without disclosing information that is strategically significant. The presence of this positive correlation indicates that when CEOs possess a deep understanding of the firm, it can improve investment prospects and strategic orientations, ultimately enabling them to make optimal decisions. In order to help the directors perform their advisory role more successfully, the powerful CEO (CEO-Chairperson) might make his or her knowledge available to them.

Furthermore, in cases where these roles are not integrated, conflicts and misunderstandings between chairpersons and CEOs may arise. Consequently, organisations with strong CEOs exhibit more consistent, efficient, and unified strategic decision-making and implementation. When the roles are split, it fosters competition and rivalry, whereas having a single person in both roles prevents any potential conflicts. In other words, a CEO who is structurally powerful offers cohesive leadership to the business, which makes it easier to comprehend how the business operates and decisions are made. CEO duality is a prevalent phenomenon in small business settings in emerging markets, particularly in situations or surroundings with little resources and in businesses that are often family-owned. These findings support the earlier studies of Sheikh and Wang (2012), Yang and Zhao (2014), Marashdeh (2014), Chang, Lee, and Shim (2019), Zalesny and Goncharov (2019), Pham and Pham (2020), and Wijethilake and Ekanayake (2020).

H₂: CEO Ownership Power and Firm Performance

The coefficient of CEO Ownership power is 14.619 (p-value < 0.01), showing a positive relationship of the variables significant at 1%. This result supports hypothesis 2 of this study. The result is consistent from a social psychological perspective. Ownership power minimises the board's influence and allows the CEO to make strategic decisions making (Daily & Johnson, 1997) because it provides a strong performance incentive and ties CEO wealth to shareholder wealth (Combs, Ketchen Jr, Perryman, & Donahue, 2007). The delays and disagreements at the strategic level is decreased and entrepreneurialism is increased by the increased CEO power hence the CEO ownership power directs the business strategy (Amedu, 2016).

According to Jensen and Murphy (1990), the most significant correlation between shareholder wealth and executive wealth is observed in the CEO's direct ownership of shares. As managerial ownership increases, there is a decrease in the managers' tendency to reallocate or reassign resources within the organisation in order to maximise value. Therefore, this financial incentive is more likely to align with the objectives of the shareholders and management, reducing agency conflict and enhancing corporate performance. Previous literature has found a link between management ownership and business performance (Um-E-Roman et al., 2021). They argued that this shows that ownership of shares enables managers and external (non-executive) shareholders to align their interests, which improves performance. Since the cost of agency will be cheaper as a consequence, performance will be enhanced and there will be less tension between the management and the shareholders.

H₃: CEO Prestige Power and Firm Performance.

CEO prestige power having a coefficient of 1.853 along with a significance value of less than 1%, indicates a significant relationship of CEO prestige power and firm performance measured by ROA. Therefore, the CEO prestige power positively impacts the firm performance. Executive outside board relationships are favorable to organisations, in line with what embeddedness approach contends. Furthermore, prestigious CEOs provide the businesses with access to other prestigious professionals, serving as evidence of their legitimising power (Daily & Johnson, 1997). Studies argue that the Prestige power of the CEO is valuable because it enables the CEO to obtain key information, access limited resources and

most importantly, connect the company with more experienced peers (Blagoeva et al., 2020; Flickinger et al., 2016). The results are supported by Hamidlal and Harymawan (2021) who discovered a favorable relationship between CEO prestige power and firm performance. Serving on other boards may imply a greater capacity to manage inter-organisational interdependence through better access to information, according to Fang et al. (2020), which also revealed a beneficial relationship of CEO prestige power and business financial performance. Additionally, Chemmanur and Paeglis (2005) demonstrate that a renowned CEO is capable of acting without outside intervention and producing results. CEOs that hold numerous directorships engage in conversation with other eminent people. This interaction with other top people might strengthen the credibility of the group.

H₄: CEO Expert Power and Firm Performance

The CEO expert power with a coefficient of 0.2329 (p-value < 0.01) indicating a positive impact on firm performance at 1% level, hence the results support the hypothesis 4 of this study. CEOs have a significant impact on organisational performance through their strategic decisions and actions, which ultimately reflect their expert power (industry-specific experience). This may be due to the fact that understanding the business is a valuable trait that can aid CEOs in comprehending elements that may have an economic influence on operations, profits, costs, and other competitive dynamics of the firm. Additionally, prior industry ties might offer priceless knowledge that enhances firm's performance. Fang et al. (2020) and Ting et al. (2017) discover the positive impact of CEO expertise on the performance. A recent investigation by Hamidlal and Harymawan (2021) demonstrates a favorable association between the CEO's expert power and organisational performance. Recent study by Basri & Arafah (2020) suggest that companies might choose experienced, competent, and aggressive CEOs in Indonesia to optimise their reputation and performance. Li and Singal (2017) indicate that CEO characteristics like experience retain substantial connections with business profitability in publicly listed hospitality companies in North America as a sample. The findings of several additional investigations support the same viewpoint (Bandiera, Prat, Hansen, & Sadun, 2020; Saidu, 2019; Wei, Ouyang, & Chen, 2018; Weng & Chen, 2017).

H₅: CEO Family Power and Firm Performance

The present study did not find a relationship between CEO family power and firm performance. According to research findings, these various family management structures can either favorably or negatively affect a firm's value, or they can have no effect at all (O'Boyle, Pollack, & Rutherford, 2012; Peng & Jiang, 2010). The current result is aligned with the idea that family CEOs who are hired due to their family relationship and may be relieved from some curriculum standards, hence they may not have the required set of managerial skills (Cummings & Knott, 2018). The presence of a limited family circle does not always tend to assure the availability of an appropriate candidate over time. Instead of appointing family members to the top management team (TMT) out of dynastic pride, which may not professionalize the team effectively, it might be better to include non-family members who are either already employed or new to the family business. (Serafin, 2020). Moreover, it is also argued that founding family CEOs are oriented toward the status quo and make conservative decisions (Martino, Rigolini, & D'Onza, 2020). Hence this strong commitment to the success of the firm more likely leads the CEOs to pursue decisions that follow the legacy even though they are ineffective or inappropriate for the current business dynamics (Abebe & Anthony, 2013).

6. Implication to management

Organisations may use the study's findings to identify and grow leaders who possess the required aspects of CEO power. This knowledge of power sources and expressions may help guide specific leadership development programs that focus on improving decision-making abilities, creating influential networks, and successfully utilising resources. Organisations may improve overall performance by cultivating and empowering leaders with the proper power dimensions. Furthermore, the study emphasises the benefits of a concentrated power structure in which the CEO has extensive decision-making authority. Organisations can evaluate and alter their structures in order to centralise decision-making power in qualified leaders, which can be accomplished by revising reporting lines, delegating authority, or providing decision-making autonomy. Aligning the organisational structure with the established aspects of CEO power can increase the efficiency of decision-making. Furthermore, by using agency theory to challenge the negative view of concentrated CEO authority, firms may develop a culture that supports and celebrates strong leadership. This may be accomplished through fostering empowerment, encouraging risk-taking, and

rewarding risky actions, eventually molding a favourable view of CEO power and improving overall organisational performance.

7. Theoretical Implications

This study has important theoretical implications for understanding CEO power and how it affects corporate performance. From the position of agency theory, the study contradicts the prevalent negative perspective commonly associated with concentrated power by giving empirical support for the beneficial impacts of CEO power. The findings are consistent with the Approach/Inhibition power hypothesis, offering insight on the importance of powerful CEOs in driving organisational performance. Furthermore, by acknowledging the particular dynamics of family-owned firms, the introduction of the family power component broadens the current literature. This study adds to the theoretical understanding of CEO power by stressing the relevance of individual characteristics of power and emphasising the necessity of seeing power concentration favourably rather than negatively. Overall, these theoretical implications deepen our understanding of CEO power and offer new perspectives for future research.

8. Conclusion, Limitations, and Recommendations for Future Research

In the present study, we conducted an in-depth examination of the relationship between CEO power and firm performance in Pakistan. Utilising the GMM estimation technique, our analysis revealed that most dimensions of CEO power positively correlate with firm performance, with the notable exception of family power. These findings not only hold across various performance metrics but also align well with the theoretical underpinnings provided by the approach/inhibition theory. In particular, the data suggests that CEOs with greater power are generally more effective in enhancing firm performance compared to their less powerful counterparts. While these insights contribute to the existing literature, it's important to acknowledge the study's limitations. Firstly, the research is based on a limited dataset comprising 110 PSX listed firms from 2008 to 2019, which may affect the generalisability of our findings. Secondly, the study does not account for CEO transition periods, a factor that could potentially influence the dynamics between CEO power and firm performance. Lastly, we relied solely on observable measures of CEO power, excluding potentially informative variables like

CEO compensation or pay slice due to data limitations. Given these constraints, it is recommended that future research should consider extending the study to multiple countries for a more comprehensive understanding and include additional measures of CEO power, such as compensation or pay slice, to provide a more nuanced view of the subject matter.

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