

Chinese CEO and Listed Firm Performance in Malaysia: Does Culture Matter?

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Motivation of the Research

The fast-growing Southeast Asian economies over the last century is believed to have rooted from the active participation of overseas Chinese through several waves of migration from Southern China.¹ Today, more than 30 million Chinese live outside of China and over 20 million of them in Southeast Asia (Lockard, 2013). Chinese have long sailed to Southeast Asia to trade and many of them eventually became dominant in the commercial sector of many economies. The 'Chinese century' in the Southeast Asian economies spanning from around 1700 into mid 1800s had witnessed the arrival of an increasing number of migrants to trade or mine for tin and gold. During World War II, western businesses were disrupted due to the invasion and occupation of Japanese troops. After the war, Chinese firms took over the markets which were previously belonged to western firms (Samphantharak, 2011).

Despite being minority in the local population, with the exception of Singapore (about 70 percent) and Malaysia (about 20 percent), the percentage of Chinese CEO in listed firms is higher than the percentage of their population. Their influences in the corporate sector in Southeast Asia are undeniable. Family firms listed in local stock exchanges are mostly owned by Chinese. They also believed to have the most corporate ownerships, and managerial dominance in corporate top management like CEO and directorship. While ownership issue is often used in political agenda, it also receives widespread attention in academic research. The managerial dominance issue, on the other hand, does not receive much deliberation in both policy and academic context. The following table reports the size of Chinese CEO in the local listed companies in Southeast Asia. It is obvious that the percentage of Chinese CEO is much higher than the ratio of Chinese population, even for Chinese dominated country like Malaysia and Singapore, although Singapore is well known for their management of human capital by merit.

¹ Official migration of Chinese to Southeast Asia has been continuously recorded since the 16th century, but the big waves of migration from Southern China happened during the colonial era in the 19th century until early 20th century. This is encouraged by the colonial government to support Industrial revolution in Europe which consumed massive primary products from Southeast Asia, especially tin and rubber (Samphantharak, 2011).

Table 1: The Influence of Overseas Chinese in Southeast Asia

Countries	Chinese in Population	Chinese CEO in Public Listed Companies
Indonesia	1.2%	3.4%
Malaysia	22.6%	66.4%
Philippine	1.8%	25%
Singapore	74.3%	81%
Thailand	< 1%	4.7%

Sources: Percentage of Chinese population were obtained from the official statistics from The World Factbook, compiled by Central Intelligence Agency, except for the case of Philippine where the data on Chinese is not clear. Hence, we obtained the estimates from Wikipedia. The percentage of Chinese CEO in public listed companies are calculated by the author based on the latest data from Osiris database.

What makes overseas Chinese stand out from the others as the candidate for managerial leadership in the industry? Is it their religion, education, culture, or could it be that Chinese managers are predominantly inheriting family business? Perhaps, a more relevant question in this context is whether Chinese managers have better performance to ensure business success? If so, what are the essential enabler for such appointment to be biased towards Chinese? Overseas Chinese in Southeast Asia are predominantly multi-religion, and this can be true even within a single family. Majority of them are either practicing Buddhism or Taoism, but many others are Protestant, Methodist, as well as followers of other religion like Islam and Atheism. In short, religion cannot be the reason why Chinese managers are preferred.

Overseas Chinese, as is the case with their Chinese ancestors, emphasizes education. However, education is an explicit hiring condition that employer uses as a filter. Moreover, in the last three decades, global education quality has reached a high level where degree holders are common on the streets, unlike half a century ago. Employer can easily recruit candidates for managerial positions with equal competitive education profile regardless of races and ethnics. Hence, education too, cannot be the reason why a Chinese manager is appointed.

The most possible reason for the dominance of Chinese manager in Southeast Asia is both their managerial skills and values shaped by Chinese culture, or if they are working in their own family firm, hence, a succession CEO. Family manager is a widely investigated academic topic in strategic management and corporate governance, and the recent governance literature even documented family ownership as a common phenomenon in Southeast Asia and the family succession plan does play a role in their business sustainability (Classens et al., 2000). These governance literature however, do not emphasize family ownership in Southeast Asia, which

are predominantly owned by overseas Chinese. On the other hand, in the context of culture, although Chinese in Southeast Asia are segregated into many different clans or groups of dialect, most of them are well verse in Mandarin, the official language in China, as well as by all Chinese in other parts of the world, thanks to the unification of Qin dynasty 2000 years ago. Regardless of dialects, all Chinese also share the same writing system, with the symbolic Chinese character that was again the product of unification in Qin dynasty. They also share the same popular folklores and celebrate major festivals like Chinese New Year, Qingming, Duanwu, Ghost festival, Mid-Autumn, and Dongzhi, just to name a few. These are believed to be another pillar of Chinese culture as they shape the value, judgement, lifestyle, activities and many aspect of lives. Another commonality of all Chinese races is the worship of Confucianism. Confucianism is not a religion, it is a common aspiration of Chinese that remained as the essence of Chinese culture that shape their common morality like entrusted education (Confucius is also known as the Great Teacher), obedience to authority, interpersonal harmony, family royalty and affiliation kinship, and individual responsibility (Fu et al., 2004). Therefore, besides language, writings, folklore, and festival, we can agree that Confucianism is another main pillar of Chinese culture that built the thinking and values of an individual.

This study is interested to investigate whether Chinese CEO in Malaysia, with the above mentioned common traits, are related to firm performance. Malaysia is chosen because it is the country with the third largest number of overseas Chinese in Southeast Asia after Indonesia and Thailand (Statista, 2018). Identifying someone in Indonesia or Thailand as a Chinese is not an easy matter, if not impossible. As a result of intermarrying between Chinese and locals over the years, it is hard to distinct Chinese Indonesian from the rest of the population, either by physical characteristics, languages, names or lifestyles. Furthermore, the policy of Indonesian government in the early 1990s strongly advocated the assimilation of Chinese into Indonesian society. The assimilation has been easier for Chinese in Thailand. In Thailand, many Chinese has taken up Thai names. Unlike Indonesia or Thailand, Chinese in Malaysia have not become as assimilated as other Southeast Asian Chinese. Malaysian Chinese is the second largest ethnic group after the ethnic Malay majority. Across the years, Malaysian Chinese has learnt to adapt to the customs of the local Malays while retaining their ancestral culture. They still use Chinese name, attend Chinese schools, use their own dialect and celebrate Chinese festivals. Therefore, Malaysian Chinese should provide a better representation of overseas Chinese than Indonesia and Thailand.

Hypothesis Development

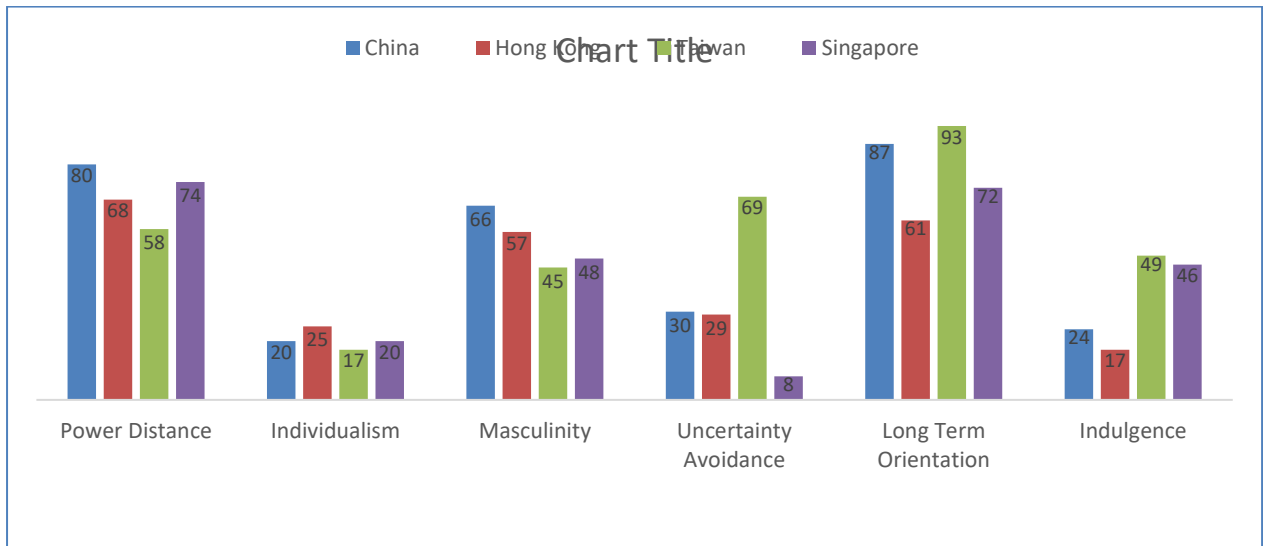
Culture is the collective programming of the mind which differentiates members of one group of people from another (Hofstede, 2001). Empirical evidence have shown that culture affects managerial philosophies (Laurent, 1986), management and leadership styles (Child, 1981), and motivational techniques (Sirota and Greenwood, 1971). Culture also has significant impact in the formation of personality (Ciroka, 2014). From the perspective of a business organization, personality of the Chief Executive Officer (CEO) is of utmost importance as he/she is the leader of the organization. CEO personality is hypothesized to be related to a broad set of organizational outcomes through the effect on organizational culture (O'Reilly III et al., 2014).

Based on Hofstede, (2001), the six main dimensions of culture are respectively power distance, individualism masculinity, uncertainty avoidance, long term orientation and indulgence. Except for uncertainty avoidance which is clearly related to lower risk taking, the other five dimensions are less obvious in risk taking context. Power distance is defined as the extent to which societies accept the inequalities in power (Hofstede, 2011). Ashraf et al. (2016) argued that risk taking is higher in societies that scored low in power distance as they are more independent and less conforming and so they ought to encourage mobility and innovation. Chui et al. (2010) links individualism to overconfidence and reward seeking, which can be translated into risk taking. As a result, Boubakri et al. (2017) stated that high power distance and high uncertainty avoidance reflect risk aversion, while high individualism reflect risk taking. Long term orientation societies have the tendencies to prioritize long-range implications and impacts of their actions. Lumpkin et al. (2010) found long term orientation to be negatively associated with risk taking in family firms. The relation of masculine and indulgence with risk taking are less covered in the literature. Masculine societies are success oriented and hence are willing to sacrifice leisure time for work. On the contrary, societies with high indulgence emphasize on leisure time and their gratification for personal desires are in priority. The former is more to risk taking behavior while the latter is more to risk averse behavior.

We examine Hofstede's cultural dimensions scores of mainland China, Taiwan, Hong Kong and Singapore, all of which are dominated by Chinese population, and found that Chinese culture can be characterized as high in power distance and long term orientation, above medium in masculinity, and low in individualism, and uncertainty avoidance (except for Taiwan). The

score for indulgence is low for China and Hong Kong but moderate for Singapore and Taiwan. The scores are shown in the following diagram.

Figure 1: Hofstede’s Cultural Dimensions in Chinese Dominated Countries



With Confucian inherited culture, it is not hard to understand that Chinese have high power distance and is a highly collectivist society where the interests of the group superseded personal goals. As such, risk taking incentive for individuals in a collectivist society is lower. With slightly above moderate scores, masculinity does not seem to be very strong in Chinese culture but it is obvious that Chinese scored low in uncertainty avoidance. In uncertainty avoidance societies, people have low tolerance for uncertainty and therefore, are more risk averse. Chinese have long term orientation and hence are not likely to assume higher risk in their planning. Lastly, Chinese in mainland China scored low in indulgence, but for Singaporean and Taiwanese, the indulgence scores are moderate.

Obviously, Chinese CEO is risk averse. Thus, we are interested to investigate why they manage to deliver superior firm performance and gain favor in CEO appointment. Could it be due to some moderating factors that help them to alleviate firm performance or could it be just due to individual performance. We hypothesized two possible factors to explain why Chinese CEOs albeit being risk averse is able to deliver superior firm performance. They are listed as below:

Hypothesis 1: Chinese CEO can deliver superior firm performance

Hypothesis 2: Education exposure facilitates Chinese CEO to deliver superior firm performance

Hypothesis 3: Corporate board diversity facilitates Chinese CEO to deliver superior firm performance

Methodology

The previous literature has covered how culture affects firm organization structure, business strategy and management changes (Bluedorn and Lundgren, 1993; Lau, 1995; Westwood et al., 1992; Woodman, 1989), but only limited studies compare how overseas Chinese culture affect business performance, and more specifically none provide empirical insights on how much better overseas Chinese is in managing businesses compared to non-Chinese and what are the underlying factors that contribute to this superior performance, if there is any. This study attempts to provide some insights on these issues by examining the relative firm performance of Chinese versus non-Chinese firms in Malaysia. To test on the first hypothesis our baseline model is:

$$ROA_i = \alpha + \beta_1 CCEO_i + \sum \beta_k Control_{k,i} + \varepsilon_i \quad (1)$$

Where i denote firm and ε_{ci} is the error term of the model. The set of k control variables comprises of standard firm performance determinants including firm size, leverage, book-to-market value, firm age, board size and board independency. The model is estimated via a panel based cross-sectional regression controlling also for firm effect and year effect. ROA is a widely used profitability ratio that measures how well a firm is generating profit from its assets. ROA will be replaced with the Tobin's Q measure in the robustness test.

To test for the two further issues, we expand the model to examine whether:

1) Education exposure of Chinese CEO contribute to their delivery of superior firm performance

$$ROA_i = \alpha + \beta_1 CCEO_i + \beta_2 Education_i + \beta_3 (CCEO_i * Education_i) + \sum \beta_k Control_{k,i} + \varepsilon_i \quad (2)$$

Where *Education* is a dummy variable denoted 1 if the Chinese CEO has graduated from overseas. Besides education, we also examined other CEO characteristics such as duality (is a dummy variable denoted 1 if the CEO is also a board of director), gender (is a dummy variable denoted 1 if the CEO is a female), familiness (is a dummy variable denoted 1 if the CEO has family relationship with any of the board of directors) and foreignness (is a dummy variable denoted 1 if the CEO is a foreigner).

2) Corporate board characteristics contribute to Chinese CEO delivery of superior firm performance

$$ROA_i = \alpha + \beta_1 CCEO_i + \beta_2 BCharacteristics_i + \beta_3 (CCEO_i * BCharacteristics_i) + \sum \beta_k Control_{k,i} + \varepsilon_i \quad (3)$$

Where *BCharacteristics* refer to (i) board attendance (is a dummy variable denoted 1 if the directors attended 75% of the board meetings), (ii) board female (is the ratio of female directors over the total number of the board of directors in a firm), (iii) board age (is the average age of directors in a firm), (iv) independency of the board (is the ratio of independent directors to total number of the board of directors), and board size (is the natural logarithm of total number of board of directors).

Sampling and Data Sources

The sample of this study consists of listed firms in the main board of Bursa Malaysia, covering the period from 2009 to 2015. Data on financial information is collected from Thomson Reuters Datastream while board and CEOs' characteristics are collected manually from firm's annual reports and cross checked with information available on firm's official website. Variables collected include race, gender, education, family ties with firm's owner, citizenship (local or foreigner) and education background of the CEOs. We also collected information on board characteristics, which are CEO duality, board size, board independency, ratio of female directors, board attendance, and the number of directorship a director has in public listed firm. Descriptions of the key variables used in this study are shown in Table 2.

Table 2: Variable Descriptions.

Variable Name	Variable Description
<i>Dependent variables</i>	
Return on assets (ROA)	Net income divided by total asset.
Tobin's Q (Tobin's Q)	Market value of asset over replacement value of asset.
<i>Control Variables</i>	
Firm size (FirmSize)	Natural logarithm of total asset of firm i in year t .
Leverage ratio (Leverage)	Total debt over total asset of firm i in year t .
Market-to-book value ratio (MTBV)	Market value of equity divided by book value of equity of firm i in year t .
Firm age (FirmAge)	The years of incorporation of firm i in year t .
Board size (BoardSize)	Natural logarithm of total number of board of directors.
Independent board (IndpBoard)	Ratio of independent directors to total number of the board of directors.
<i>CEO characteristics</i>	
$D_CEO^{Chinese}$	Dummy variable that equals one if the CEO is a Chinese.
$D_CEO^{Duality}$	Dummy variable that equals one if the CEO is also a board of director.
D_CEO^{Female}	Dummy variable that equals one if the CEO is a female.
D_CEO^{Family}	Dummy variable that equals one if the CEO has family relationship with any of the board of directors.
$D_CEO^{Foreign}$	Dummy variable that equals one if the CEO is a foreigner.
$D_CEO^{ForeignEdu}$	Dummy variable that equals one if the CEO has graduated from overseas.
<i>Board of directors characteristics</i>	
Board age (BoardAge)	Average age of directors in firm i .
Board female (BoardFemale)	Ratio of female directors over the total number of the board directors in firm i .
D_BoardAttendance	Dummy variable that equals one if the directors attended more than 75 percent of board meetings.

Note: This table provides descriptions for the key variables used in the study.

Result and Discussion

Table 3 provides the descriptive statistics of our variables. We report the mean, standard deviation, minimum, median and maximum values for each variable. The variables are grouped

into CEO profile, corporate board characteristics, control variables, and other. Starting with the dependent variable, we document that ROA has a mean of 0.04 and a standard deviation of 0.07. This mean value is much lower than the mean ROA of 0.0914 reported by Yap et al. (2017) in their study with similar sampling time frame from 2009 – 2013. However, this comparison could be misleading since they have a much smaller sample which covers 76 Malaysian firms only.

Turning to the variables proxying CEO characteristics, we found that more than 70 percent of the firms' CEO are Chinese. Only 12 percent of the CEOs in our sample hold duality role in their firms. Female CEOs and foreign CEOs represent a small percentage from the pool, which are 4 percent and 11 percent, respectively. More than 40 percent of the CEOs have family ties with the firm's owner. This observation is not surprising since 70 percent of Malaysian firms are family owned (Claessens, et al. 2000). Last but not least, more than 50 percent of the CEOs in our study have graduated from overseas.

The descriptive statistics for board characteristics show that the mean percentage of female on the board of directors is 9 percent. This percentage is higher than the mean percentage of female directors of 8.61 percent reported in Yap et al. (2017). On average, 94 percent of directors attended more than 75 percent of board meetings. This is in accordance with the corporate governance guideline provided by Malaysia Central Bank which require individual directors must attend at least 75 percent of the board meetings held in each financial year.

On average, the firms in our sample do follow the guideline provided by the Malaysia Central Bank which require that at least one-third of the firm's board members are independent directors. The mean percentage of independent directors is found to be 46 percent. The average total number of directors in our sample firms is 8. In general, board size should be kept to 7 or 8 members as any numbers higher than that, the board is less likely to function effectively (Jensen, 1993). The average age of directors is around 57 years old. This figure is close to the average 58 years old documented by Abdullah and Ku Ismail (2013) in their study on Malaysian board of directors.

Table 3: Descriptive Statistics.

Variable	Obs	Mean	S.D.	Min	0.25	Mdn	0.75	Max
Dependent Variable								
<i>ROA</i>	4384	0.040	0.070	-0.150	0.010	0.040	0.080	0.220
Total Assets (in million)	4464	1.300	2.700	0.042	0.140	0.340	0.950	13.000
Total Debt-to-Total Assets	4456	0.090	0.110	0.000	0.000	0.040	0.130	0.750
Market-to-Book	4466	1.050	0.860	0.210	0.500	0.760	1.290	4.160
Firm age	4474	24.17	15.96	1.000	13.000	19.000	34.000	108.000
Total number of directors	4474	8.000	2.140	4.000	6.000	8.000	9.000	21.000
Ratio of independent directors	4474	0.460	0.120	0.200	0.380	0.430	0.550	0.860
CEO Characteristics								
<i>D_CEO^{Chinese}</i>	4474	0.780	0.410	0.000	1.000	1.000	1.000	1.000
<i>D_CEO^{Duality}</i>	4474	0.120	0.320	0.000	0.000	0.000	0.000	1.000
<i>D_CEO^{Female}</i>	4474	0.040	0.210	0.000	0.000	0.000	0.000	1.000
<i>D_CEO^{Family}</i>	4474	0.440	0.500	0.000	0.000	0.000	1.000	1.000
<i>D_CEO^{Foreign}</i>	4474	0.110	0.310	0.000	0.000	0.000	0.000	1.000
<i>D_CEO^{ForeignEdu}</i>	4474	0.560	0.500	0.000	0.000	1.000	1.000	1.000
Board of Directors Characteristics								
Average directors' age	4474	56.64	5.02	38.40	53.43	56.67	60.00	73.00
Ratio of Female Directors	4474	0.090	0.110	0.000	0.000	0.000	0.140	0.500
% of directors attending >75% of board meeting	4474	94.000	10.000	33.000	89.000	100.000	100.000	100.000

ROA is measured by net income divided by total assets. *FirmSize* is measured by natural logarithm of total assets. *Leverage* is measured by total debt-to-total assets. *MTBV* is measured by market value of equity divided by book value of equity. *FirmAge* is measured by number of years since the firm is incorporated. *D_CEO^{Chinese}* is a dummy variable given value of one if the CEO is a Chinese. *D_CEO^{Duality}* is a dummy variable given value of one if the CEO is also a board of director. *D_CEO^{Female}* is a dummy variable given value of one if the CEO is a female. *D_CEO^{Family}* is a dummy variable given value of one if the CEO has family relationship with any of the board of directors. *D_CEO^{Foreign}* is a dummy variable given value of one if the CEO is a foreigner. *D_CEO^{ForeignEdu}* is a dummy variable given value of one if the CEO has graduated from an oversea university. *BoardSize* is measured by natural logarithm of total number of board of directors. *IndpBoard* is measured by the ratio of independent directors to total number of the board of directors. *BoardAge* is the average of directors' age in a firm. *BoardFemale* is the ratio of female directors over the total number of the board of directors in a firm. *D_BoardAttendance* is a dummy variable given value of one if the directors have attended more than 75 percent of board meetings.

Correlation analysis

This section examines the strength of the relationship between all variables to check for potential occurrence of multicollinearity. The correlations are tabulated in Table 4. The absolute value of 0.7 is the standard threshold proposed in many textbooks in statistics to imply strong correlation. Since none of the pairs of our variables has a correlation coefficient above 0.7 in magnitude, we can rule out multicollinearity problem in our sample. Hence, all the variables are retained in the panel regression estimations.

Table 5 show the summary descriptive of Chinese CEO over the sample period. We found that the percentage of Chinese CEOs gradually increases from year 2009 to 2015. Nevertheless, having a closer look at the table shows that the percentage of Chinese CEO who are also a board of director, the percentage of Chinese CEO who are female and the percentage of Chinese CEOs who are foreigner decreases over the years, especially after year 2012. In contrast, the percentage of Chinese CEO who have family relationship with the board of directors increases gradually. Lastly, the percentage of Chinese CEOs who received foreign education increases over the years, from about 37 percent to 43 percent.



Table 4: Correlations.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 <i>ROA</i>	1.00															
2 <i>FirmSize</i>	0.15	1.00														
3 <i>Leverage</i>	0.00	0.43	1.00													
4 <i>MTBV</i>	0.13	0.20	0.09	1.00												
5 <i>FirmAge</i>	0.00	0.30	0.06	-0.01	1.00											
6 <i>BoardSize</i>	0.03	0.33	0.15	0.18	0.06	1.00										
7 <i>IndpBoard</i>	-0.04	-0.04	0.02	-0.05	0.12	-0.27	1.00									
8 <i>D_CEO^{Chinese}</i>	-0.03	-0.23	-0.18	-0.14	-0.09	-0.09	-0.13	1.00								
9 <i>D_CEO^{Duality}</i>	-0.04	-0.11	-0.07	-0.04	-0.09	-0.11	-0.03	0.10	1.00							
10 <i>D_CEO^{Female}</i>	-0.07	-0.04	0.00	-0.01	-0.01	-0.03	0.01	0.05	-0.03	1.00						
11 <i>D_CEO^{Family}</i>	0.00	-0.10	-0.06	-0.12	-0.07	-0.02	-0.15	0.38	0.17	0.04	1.00					
12 <i>D_CEO^{Foreign}</i>	0.04	0.02	-0.13	0.11	0.07	-0.01	-0.02	-0.06	-0.01	-0.01	-0.02	1.00				
13 <i>D_CEO^{ForeignEdu}</i>	0.02	0.19	0.09	0.09	0.12	0.05	0.06	-0.20	-0.12	0.00	-0.12	0.13	1.00			
14 <i>BoardAge</i>	0.02	0.02	-0.06	0.03	0.02	-0.15	-0.02	0.05	0.01	-0.01	0.03	0.05	-0.04	1.00		
15 <i>BoardFemale</i>	0.01	0.00	-0.03	0.01	-0.01	-0.01	-0.03	0.07	0.03	0.26	0.18	-0.04	-0.02	0.00	1.00	
16 <i>BoardAttendance</i>	0.03	0.34	0.06	0.03	0.31	0.05	0.08	-0.09	-0.11	0.00	-0.03	0.05	0.07	0.10	-0.11	1.00

Table 5: Summary Descriptive of Chinese CEO over the Sample Period.

	2009	2010	2011	2012	2013	2014	2015
% of Chinese CEO	77.86	77.84	77.31	78.53	78.77	78.51	78.63
	Percentage of Chinese CEOs who						
	Are the board of director	Are female	Have family relationship with BoD	Are foreigner	Received foreign education		
2009	10.72	3.95	41.47	7.33	37.38		
2010	11.08	3.94	42.42	7.73	37.90		
2011	11.27	4.17	42.59	8.33	38.43		
2012	11.06	4.33	43.27	8.17	40.22		
2013	10.70	4.05	42.63	8.10	39.22		
2014	9.92	3.64	42.98	7.77	40.33		
2015	9.74	3.42	43.08	6.84	43.08		

Table 6 shows the results of the baseline model of this study. The baseline model is tested with several regression specifications, including pooled ordinary least square, firm and year fixed effect, 1-way and 2-way standard error clustering. Across all the specifications, the estimates of the control variables are unchanged. *FirmSize* and *MTBV* are shown to be positively related to *ROA* at 1% level of significance, while *Leverage* shows negative relation with *ROA* at 1% level of significance. *FirmAge* and *BoardSize* are found to be negatively related to *ROA* but the level of significance changes across different regression specifications. The estimate of *IndpBoard* show significant positive in year fixed effect as well as firm-year fixed effect with 1-way standard error clustering specifications; the estimate turns into positive in 2-way standard error clustering with and without year fixed effect specification. To our interest, the estimate of $D_CEO^{Chinese}$ only show significant positive in 2-way standard error clustering with year fixed effect. In order to select the best specification to be applied in this study, we rely on the highest R-square regressions, which is the result in column 6. Following the result in column 6, Chinese CEOs do contribute to superior firm performance.

Table 6: Baseline Results.

	1-way SE clustering			2-way SE clustering		
	(1)	(2)	(3)	(4)	(5)	(6)
FirmSize	0.0137*** (0.0000)	0.0139*** (0.0000)	0.0176*** (0.0000)	0.0189*** (0.0000)	0.0113*** (0.0000)	0.0113*** (0.0000)
Leverage	-0.1009*** (0.0000)	-0.1004*** (0.0000)	-0.0965*** (0.0000)	-0.0956*** (0.0000)	-0.1148*** (0.0000)	-0.1141*** (0.0000)
MTBV	0.0244*** (0.0000)	0.0256*** (0.0000)	0.0210*** (0.0000)	0.0218*** (0.0000)	0.0322*** (0.0000)	0.0326*** (0.0000)
FirmAge	-0.0134*** (0.0000)	-0.0074** (0.0238)	-0.0357*** (0.0000)	-0.0147 (0.1629)	-0.0062** (0.0293)	-0.0054* (0.0666)
BoardSize	-0.0132** (0.0471)	-0.0135** (0.0433)	-0.0146* (0.0633)	-0.0150* (0.0582)	-0.0163** (0.0175)	-0.0163** (0.0178)
IndpBoard	0.0100 (0.4288)	0.0145 (0.2445)	0.0411*** (0.0094)	0.0444*** (0.0048)	-0.0251** (0.0339)	-0.0238** (0.0433)
D_CEO ^{Chinese}	0.0005 (0.9113)	0.0017 (0.7049)	-0.0157 (0.1152)	-0.0161 (0.1110)	0.0077 (0.1085)	0.0080* (0.0955)
Constant	-0.0900*** (0.0000)	-0.1221*** (0.0000)	-0.067 (0.1189)	-0.1456*** (0.0079)	-0.0685*** (0.0005)	-0.0771*** (0.0001)
Firm Dummies	No	No	Yes	Yes	No	No
Year Dummies	No	Yes	No	Yes	No	Yes
Obs	4372	4372	4372	4372	4372	4372
Adjusted R ²	0.1946	0.1992	0.1246	0.1474	0.2096	0.2117

ROA is measured by net income divided by total assets. *FirmSize* is measured by natural logarithm of total assets. *Leverage* is measured by total debt-to-total assets. *MTBV* is measured by market value of equity divided by book value of equity. *FirmAge* is measured by number of years since the firm is incorporated. *BoardSize* is measured by natural logarithm of total number of board of directors. *IndpBoard* is measured by the ratio of independent directors to total number of the board of directors. *D_CEO^{Chinese}* is a dummy variable given value of one if the CEO is a Chinese.

We further tested the relationship between Chinese CEO and firm performance by looking into Chinese CEO characteristics. Table 7 presents the regression results. It seems that Chinese CEOs who have received their education overseas contribute positively to firm performance. However, foreign CEOs who are Chinese, do not contribute to superior firm performance. In fact, it affected firm performance negatively. From these observations, we can deduce that Chinese CEO who are locals are able to deliver better firm performance probably because they have a better understanding on the work culture and ethics. Given that Malaysia has a unique and diverse ethnics as well as cultural background, the challenges faced by foreign CEOs should not be underestimated.

Table 7: Regression Results on Chinese CEO Characteristics.

	D_CEO ^{Chinese} x D_CEO ^{Duality}	D_CEO ^{Chinese} x D_CEO ^{Female}	D_CEO ^{Chinese} x D_CEO ^{ForeignEdu}	D_CEO ^{Chinese} x D_CEO ^{Family}	D_CEO ^{Chinese} x D_CEO ^{Foreign}
FirmSize	0.0114*** (0.0000)	0.0112*** (0.0000)	0.0117*** (0.0000)	0.0113*** (0.0000)	0.0114*** (0.0000)
Leverage	-0.1136*** (0.0000)	-0.1138*** (0.0000)	-0.1141*** (0.0000)	-0.1147*** (0.0000)	-0.1061*** (0.0000)
MTBV	0.0326*** (0.0000)	0.0326*** (0.0000)	0.0329*** (0.0000)	0.0331*** (0.0000)	0.0311*** (0.0000)
FirmAge	-0.0052* (0.0793)	-0.0054* (0.0668)	-0.0054* (0.0658)	-0.0051* (0.0830)	-0.0068** (0.0254)
BoardSize	-0.0151** (0.0334)	-0.0164** (0.0175)	-0.0157** (0.0177)	-0.0165** (0.0132)	-0.0164** (0.0169)
IndpBoard	-0.0228** (0.0559)	-0.0237** (0.0438)	-0.0228* (0.0501)	-0.0182 (0.1181)	-0.0192 (0.1034)
D_CEO ^{Chinese}	0.0079 (0.1227)	0.0081* (0.0950)	-0.0031 (0.6441)	0.0018 (0.7450)	0.0132** (0.0106)
D_CEO ^{Duality}	0.0128 (0.2225)				
D_CEO ^{Chinese} x D_CEO ^{Duality}	-0.0039 (0.7296)				
D_CEO ^{Female}		-0.0082 (0.4850)			
D_CEO ^{Chinese} x D_CEO ^{Female}		0.0023 (0.8537)			
D_CEO ^{ForeignEdu}			-0.0203*** (0.0028)		
D_CEO ^{Chinese} x D_CEO ^{ForeignEdu}			0.0131* (0.0752)		
D_CEO ^{Family}				0.0068 (0.4261)	
D_CEO ^{Chinese} x D_CEO ^{Family}				0.0063 (0.4980)	
D_CEO ^{Foreign}					0.0365*** (0.0001)
D_CEO ^{Chinese} x D_CEO ^{Foreign}					-0.0339*** (0.0065)
Constant	-0.0832*** (0.0001)	-0.0766*** (0.0001)	-0.0694*** (0.0009)	-0.0819*** (0.0000)	-0.0812*** (0.0001)
Year Dummy	Yes	Yes	Yes	Yes	Yes
Obs	4372	4372	4372	4372	4372
Adjusted R ²	0.2132	0.2117	0.2165	0.218	0.2179

ROA is measured by net income divided by total assets. *FirmSize* is measured by natural logarithm of total assets. *Leverage* is measured by total debt-to-total assets. *MTBV* is measured by market value of equity divided by book value of equity. *FirmAge* is measured by number of years since the firm is incorporated. *BoardSize* is measured by natural logarithm of

total number of board of directors. *IndpBoard* is measured by the ratio of independent directors to total number of the board of directors. $D_CEO^{Chinese}$ is a dummy variable given value of one if the CEO is a Chinese. $D_CEO^{Duality}$ is a dummy variable given value of one if the CEO is also a board of director. D_CEO^{Female} is a dummy variable given value of one if the CEO is a female. D_CEO^{Family} is a dummy variable given value of one if the CEO has family relationship with any of the board of directors. $D_CEO^{Foreign}$ is a dummy variable given value of one if the CEO is a foreigner. $D_CEO^{ForeignEdu}$ is a dummy variable given value of one if the CEO has graduated from overseas.

Does Corporate Governance Mechanisms Facilitate Chinese CEOs to Deliver Superior Performance?

We further examine whether corporate governance mechanisms in a firm facilitate the relationship between Chinese CEO and firm performance. The focus is on board attendance (*BoardAttendance*), the ratio of female directors on the board (*BoardFemale*), average age of the directors (*BoardAge*), ratio of independent directors (*IndpBoard*) and total number of board of directors measured in natural logarithm (*BoardSize*). The results are tabulated in Table 8.

Out of the five board characteristics we examined, only two are significant, namely, *BoardAttendance* and *BoardAge*. *BoardAttendance*, which is a measure of board activeness, indicate that the more active the board, the higher the firm performance. A director who attend board meetings more than a person who rarely attended board meetings would surely have a better understanding of the operation in the firm and thus would be able to play a better monitoring role. Effective monitoring helps to reduce agency problem and would positive impact on firm performance. Board age is shown to facilitate Chinese CEOs to deliver superior firm performance. The average age of the directors in our sample firm is 57 years old it ranges from 52 to 62 years old. Younger directors appear to be more open to new approaches and therefore could be more supportive of CEOs daring moves to bring up the firm's performance.

Table 8: The Influence of board characteristics to the Impact of Chinese CEO on Firm Performance

	$D_CEO^{Chinese} \times$ <i>BoardAttendance</i>	$D_CEO^{Chinese} \times$ <i>BoardFemale</i>	$D_CEO^{Chinese} \times$ <i>BoardAge</i>	$D_CEO^{Chinese} \times$ <i>IndpBoard</i>	$D_CEO^{Chinese} \times$ <i>BoardSize</i>
<i>FirmSize</i>	0.0107*** (0.0000)	0.0112*** (0.0000)	0.0116*** (0.0000)	0.0113*** (0.0000)	0.0114*** (0.0000)
<i>Leverage</i>	-0.1101*** (0.0000)	-0.1132*** (0.0000)	-0.1156*** (0.0000)	-0.1143*** (0.0000)	-0.1145*** (0.0000)
<i>MTBV</i>	0.0322*** (0.0000)	0.0325*** (0.0000)	0.0324*** (0.0000)	0.0327*** (0.0000)	0.0327*** (0.0000)
<i>FirmAge</i>	-0.0055* (0.0600)	-0.0052* (0.0753)	-0.0052* (0.0784)	-0.0054* (0.0675)	-0.0056* (0.0582)
<i>BoardSize</i>	-0.0121* (0.0929)	-0.0158** (0.0230)	-0.0170** (0.0146)	-0.0164** (0.0178)	-0.0273*** (0.0179)
<i>IndpBoard</i>	-0.0201* (0.0877)	-0.0223* (0.0554)	-0.0233** (0.0489)	-0.0062 (0.7596)	-0.0231** (0.0488)
$D_CEO^{Chinese}$	-0.0667** (0.0264)	0.0059 (0.2880)	-0.0518 (0.1568)	0.0194 (0.1707)	-0.0243 (0.3218)

D_BoardAttendance	0.0072				
	(0.7396)				
D_CEO ^{Chinese} x	0.0789**				
D_BoardAttendance					
	(0.0139)				
BoardFemale		0.0330			
		(0.2328)			
D_CEO ^{Chinese} x		0.0174			
BoardFemale					
		(0.5834)			
BoardAge			-0.0011**		
			(0.0371)		
D_CEO ^{Chinese} x			0.0010*		
BoardAge			(0.0877)		
D_CEO ^{Chinese} x				-0.0238	
IndpBoard				(0.3816)	
D_CEO ^{Chinese} x					0.0157
BoardSize					(0.1929)
Constant	-0.0867***	-0.0816***	-0.0176	-0.0860***	-0.0554**
	(0.0021)	(0.0000)	(0.5945)	(0.0001)	(0.0222)
Year Dummy	Yes	Yes	Yes	Yes	Yes
Obs	4372	4372	4372	4372	4372
Adjusted R ²	0.2215	0.2167	0.2123	0.2118	0.2122

ROA is measured by net income divided by total assets. *FirmSize* is measured by natural logarithm of total assets. *Leverage* is measured by total debt-to-total assets. *MTBV* is measured by market value of equity divided by book value of equity. *FirmAge* is measured by number of years since the firm is incorporated. *D_CEO^{Chinese}* is a dummy variable given value of one if the CEO is a Chinese. *BoardSize* is measured by natural logarithm of total number of board of directors. *IndpBoard* is measured by the ratio of independent directors to total number of the board of directors. *BoardAge* is the average directors' age in a firm. *BoardFemale* is the ratio of female directors over the total number of the board of directors in a firm. *D_BoardAttendance* is a dummy variable given value of one if the directors has attended board meetings more than 75 percent.

Robustness Test

To test the robustness of our results, we use Tobin's Q, which is also a popular measure for firm performance, as the dependent variable. Our result shows that Tobin's Q increases by increasing Chinese CEOs who are female. This is however contradicting with the results of the previous analysis in this study that female Chinese CEOs do not exert any significant effect on firm performance as measured by the ROA. The result indicates that the feminine characteristics of the female Chinese CEOs during decision making for the firms are able to take into account the long term value of the firms. On the other hand, we obtain consistent finding with the previous analysis using ROA that foreign Chinese CEO is significantly related to lower Tobin's Q.

Table 9: Regression Results on Chinese CEO Characteristics using Tobin's Q as the Dependent Variable

	Dependent Variable: Tobin Q				
D_CEO ^{Chinese}	-0.2445** (0.0466)	-0.2340** (0.0407)	-0.1033 (0.4578)	-0.192 (0.1019)	0.0589 (0.2848)
D_CEO ^{Duality}	-0.2773* (0.0912)				
D_CEO ^{Chinese} x D_CEO ^{Duality}	0.2624 (0.1160)				
D_CEO ^{Female}		-0.2749** (0.0137)			
D_CEO ^{Chinese} x D_CEO ^{Female}		0.3157** (0.0245)			
D_CEO ^{ForeignEdu}			0.1852 (0.2206)		
D_CEO ^{Chinese} x D_CEO ^{ForeignEdu}			-0.1518 (0.3299)		
D_CEO ^{Family}				-0.3373** (0.0201)	
D_CEO ^{Chinese} x D_CEO ^{Family}				0.2167 (0.1216)	
D_CEO ^{Foreign}					1.7680*** (0.0006)
D_CEO ^{Chinese} x D_CEO ^{Foreign}					-1.7694*** (0.0007)
Obs	4008	4008	4008	4008	4008
Adjusted R ²	0.0397	0.0390	0.0402	0.0437	0.1288

ROA is measured by net income divided by total assets. *FirmSize* is measured by natural logarithm of total assets. *Leverage* is measured by total debt-to-total assets. *MTBV* is measured by market value of equity divided by book value of equity. *FirmAge* is measured by number of years since the firm is incorporated. $D_CEO^{Chinese}$ is a dummy variable given value of one if the CEO is a Chinese. $D_CEO^{Duality}$ is a dummy variable given value of one if the CEO is also a board of director. D_CEO^{Female} is a dummy variable given value of one if the CEO is a female. D_CEO^{Family} is a dummy variable given value of one if the CEO has family relationship with any of the board of directors. $D_CEO^{Foreign}$ is a dummy variable given value of one if the CEO is a foreigner. $D_CEO^{ForeignEdu}$ is a dummy variable given value of one if the CEO has been graduated from oversea university.

Conclusion

This study examined whether Chinese CEOs deliver superior firm performance and see if culture has a role to play in the issue. The empirical study is conducted on Malaysia data because Malaysia is a multi-racial society, which allow us to compare whether Chinese CEO outperform their non-Chinese counterparts. Using firm data from 2009 to 2015, our results provide the support for the hypothesis that Chinese CEOs do deliver superior firm performance. Further analysis on various CEO characteristics show that education increases the ability of Chinese CEO, especially if they graduated from overseas. Indeed, Chinese culture emphasizes education. It is the aim of most Chinese families to let their children to gain access to top quality international education. Nevertheless, our result also show that foreign Chinese CEOs do not have this advantage. One possible explanation is that foreign Chinese CEOs lack the understanding of local customs and business ethics. Since the migration of their ancestors, over the years, Malaysian Chinese have learnt to adapt to local Malay customs as well

as the customs of other races. Relatively, they have an edge over the local non-Chinese CEOs and foreign CEOs.

This research also suggest that healthy corporate governance mechanism is important to facilitate the delivery of better firm performance by Chinese CEOs. The more frequent board meetings attended by Chinese CEOs, the better will be the firm performance. The average age of Chinese directors also matter, where higher average age contribute to better performance. This inadvertently suggest that Chinese CEOs possess some quality traits that enable them to deliver superior performance and this could probably due to their culture belief where they need to accumulate wealth for their descendants. As they aged, the urge to deliver better firm performance might become stronger as they feel that time is getting short. All in all, culture affect a CEO's personalities and this in turn affect his/her decision making and firm performance.

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