Do CEO Characteristics Matter?

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Analysis on Company's Performance and Corporate Social Actions

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Preface

Praises and thank to the Almighty God, Allah SWT, due to His bless, we can enjoy living on this earth. Thanks to my family in Indonesia, they are the one who keep guiding and supporting me so I can be what I am today. Thanks to my girlfriend, Fella Vanesa Fioretha, who supports me and helps me whenever I need it. Thanks to Indonesian Student Association of Deventer, you guys helped me settled in Deventer and made this city felt like home. Special thanks to Mr. Stefan Schenke who helped me a lot during the process of writing this research, without your guidance, patience and supports, this research will never be finished.

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Abstract

The collapse of Enron in 2001 made policy makers developed new addition to corporate governance regulations. According to OECD (2015) there are 5 principles of good corporate governance which are transparency, fairness, accountability, responsibility and independency. CEOs need to be accountable and responsible to their stakeholders. One of the ways to be accountable to their shareholders is through delivering good performance and being responsible to stakeholders could be reached with good corporate social responsibility practices.

After having several discussions with my supervisor, we came up to an idea that CEO characteristics might be a cause that CEO could deliver different outcomes. This idea is supported by the findings by Collins (2001), he stated that personal characteristics influenced leadership style which could influence performance. Knowing this, we came to a question how do characteristics influence business performance and CSR practices?

In order to answer our curiosity, we set some sub-questions. First, we defined the good-performing and underperforming companies based on their revenues and returns to the shareholders during 2011 until 2015. And then we began to analyze what are the characteristics which are possessed by the good-performing and underperforming CEOs using matrix. Result showed that different characteristics produced different performance.

The next one is the analysis of good-performing and underperforming characteristics on corporate social responsibility reports. We took Apple and Kodak as example because they represented good-performing and underperforming companies at the moment. It showed that good-performing CEO characteristics are discoverable throughout the reports, but the underperforming company also showed good-performing characteristics. It remains unclear whether characteristics affect CSR practices or not. Finally, we found out that CEO characteristics have influence on decision making process and corporate cultures which affect business performance.

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1. Introduction

This chapter will provide the insight of this study, mainly talks about the motivation background of why this research is conducted and then continued by the recent news and facts concerning the topic which are collected through the literatures. Furthermore, it comes to the objective of this research and the questions in order to meet the objective. At last, it explains the how this research is structured.

1.1 Problem Description: Motivation, Observation and Justification

The collapse of Enron in 2001 was a big thing that produced the famous Sarbanes-Oxley act which regulates more about accounting policy and corporate governance (Solomon, 2010). In the early of 2000, they surprised investors by their boosted performance and succeed in achieving 7th position of best performing company on the Fortune 500 list with €81.7 per share at that time (CNN, 2015). Not so long after that, Enron began to disclose their loss in 2001 and they filed protection of bankruptcy at the end of that year (CNN, 2015). In 2002, United States Department of Justice started an investigation towards Enron's activity. Then, it came up that the executives of Enron did illegal transactions and they cooperated with Arthur Andersen, one of the big five accounting firms (CNN, 2015). Due to this case, the Sarbanes-Oxley act was formed in order to regulate better accounting policy and prevents this kind of event to be happened again in the future (Solomon, 2010).

This Enron's case triggered economist and policy makers to develop a set of rules which regulate better company practice thus corporate governance got more attention because of it (Solomon, 2010). Even until now, OECD is still doing the development for better corporate governance practice. According to OECD (2015), there are some principles of corporate governance which are transparency, fairness, accountability, responsibility and independency. Good corporate governance will be achieved when company applies all of those principles (Murwaningsari, 2010). Cooperation and commitment from the whole level of the entity are needed in order to achieve good corporate governance implementation (Murwaningsari, 2010).

According to stakeholder theory, a manager should have a network of relationships to serve which includes suppliers, employees, business partners and environment (Abdullah & Valentine, 2009). This means if a company wants to implement good corporate governance practices, they should be responsible to those stakeholders as well. That is why corporate social responsibility is also a part of corporate governance. On the other hand, company needs to be accountable to their shareholders as well (OECD, 2015). One way to measure this accountability is through business performance itself. There are a lot of factors that influence business performance, one of them is the strategic decisions which made by the executives. Strategic decision also includes how the company will take actions regarding their corporate social responsibility.

According to Papadakis and Barwise (2002), strategic decision making is also influenced by the characteristics of the CEO himself, both personally and demographically. Hogan and Kaiser (2005) stated that personality predicts leadership, they believed that who we are is how we lead. Leadership can also influence business performance, good leadership will build effective teams and deliver good outcomes (Hogan & Kaiser, 2005). According to transformational leadership theory, transformational leaders need to be visionary and enthusiastic so that they can inspire and motivate their followers (Ogbonna & Harris, 2000). Kenneth Lay of Enron is an example of short-term and result-oriented CEO. He and the board of Enron chose to manipulate their financial data to satisfy their shareholders and attract more investors (CNN, 2015). On the contrary, Steve Jobs was a visionary CEO, even though he was kicked out of his own company, he did not give up and kept developing his own ideas which made Apple called him back and he also helped Apple became as success as we know now (Beattie, 2011).

CEOs' characteristics also influenced strategic decisions of corporate social actions. The former CEO of Southwest Airlines, Herb Kelleher, was famous for his humble and friendly figure (Nisen, 2013). He applied a great culture to the company which is employee focus. He believed if his employees are happy, they will deliver great service to their customers as well (Nisen, 2013). Southwest is a good role model of social responsibility to the employees but Kelleher did this long before social responsibility was a thing.

From those examples, we believed that characteristics of the CEO somehow influence business performance and corporate social actions. Then our questions came up, how do CEO characteristics affect business performance and corporate social actions?

1.2 Research Objective

The objective of this study is to reveal how personal characteristics of a CEO affect business performance and corporate social actions, both positively and negatively, based on the outcome of analysis through literature studies.

1.3 Research Question

"*How do CEO characteristics influence business performance and corporate social actions?*"

In order to achieve the objective of this study, we need to answer this main question. In that case, we also need several sub-questions in order to achieve better outcome, we need to know the characteristics of good-performing and underperforming CEOs, and then continued by analyzing their corporate social actions.

To sum up, the sub-questions are:

- *What are the characteristics of good-performing CEOs?*

  First, we need to know which characteristics are possessed by the good-performing CEOs and then we need to analyze it, which are considered important based on the literatures.
- *What are the characteristics of underperforming CEOs?*

  Second, we continue to look for the characteristics which are possessed by the underperforming CEOs. Again we need to analyze the rank of characteristics, which are considered to be important based on the literatures.
- *Do the good-performing and underperforming characteristics have similarities?*

  After analyzing both good-performing and underperforming CEOs characteristics, we compare both of them whether they have similarities between one and another.
- *Do the Corporate Social Actions affected by the characteristics of the CEO itself?*

  Based on characteristics of both good-performing and underperforming CEOs, we will try to look at the corporate social actions and see if characteristics influence CSR or not.

In order to obtain the same understanding of what are going to be mentioned during the whole paper, we would like to define the terms that we used. All definition stated below are based on the literatures and we combined them as the best definition according to us.

- *CEO*: People who lead the publicly traded companies.

- *Business performance*: Measured by the return of investment of shareholders by using company's share price (Ross, Westerfield, & Jordan, 2013). More explanation on chapter 3.
- *Good-performing CEO*: CEO who continually made high positive returns to their shareholders or increased the value of the company's share price.
- *Underperforming CEO*: CEO who continually made negative returns to their shareholders or led the company to bankruptcy or fired before their tenure end.
- *Characteristics*: a typical attribute or quality of a person physically and emotionally, in this case we try to look into the CEO psychological characteristics (Cambridge, 2008).
- *Corporate Social Actions*: Social activities or announcement by the company for their environment and stakeholders (Murwaningsari, 2010).

1.4 Structure of Paper

The structure of this paper is constructed as follows. Chapter 1 is the background of this research, what are the drives that trigger this research and the objectives of this research. Chapter 2 is about the methodology of this research, it explains how this research is conducted. Chapter 3 is the theoretical background of the paper according to theories from the literatures which are being used through this research. Chapter 4 is the analysis of the data which has been obtained through literature study due to answer the questions of this research. Chapter 5 contains the summary of this research and chapter 6 contains reflection of what were the obstacles of this research and what could be better and improved for further research.

2. Methodology

This chapter contains the procedures of how this study is conducted. It was started with collecting data which are needed to support this research, and then continued by analyzing the gathered data and creating conclusion based on the outcome of the analyzed data.

2.1 Collection of Data

In order to answer the main question, first I need to look for the information to answer the sub-questions.

Identification of keywords

It was started by looking for articles that support whether characteristics have an influence towards decision making process of a company or not.

- *Decision making and CEO Characteristics*: first, we need to make sure that we have supporting theories and information that characteristics of the CEO affect decision making process, which is why we used this keyword.

According to Jim Collins (2001), leadership style of a CEO also affected by the characteristics of the CEO itself. So we started to look for more information regarding this topic.

- *CEO Leadership style and CEO characteristics*: this keyword is being used in order to support Jim Collins' finding and get better understanding of the influence of CEO characteristics.
- *Leadership and business performance:* We found out that leadership also influenced by characteristics and it could influence business performance as well. In order to support this, we need some sources related to leadership and business performance.

And then we began to answer the sub questions. In order to answer the first sub question, we started by looking for information about who are the good-performing CEOs, and then continued by what are their characteristics. Next, the second sub question is almost the same as the first one, we started by looking for information about who are the underperforming CEOs, and then we continued our search about the characteristics which are possessed by them. Thus, these keywords are used to look for those information.

- *Good-performing CEO, Best performers*: these keywords are used in order to know who are currently on the list of best-performing CEO and what their achievements are. We need to make the data up to date, so we used the information from recent years, which is from 2011 to 2015.

- *Characteristics of the best performers, traits of successful CEOs*: these keywords are used in order to know the characteristics of the good-performing CEOs.
- *Underperforming CEO, Worst performers*: these keywords are used in order to know who are on the list of recent worst-performing CEO, we also used time range from 2011 to 2015 to keep the data up to date.
- *Characteristics of worst performing CEOs:* these keywords are used in order to know the characteristics of underperforming CEOs.

In order to answer the fourth sub question, we need to look for articles which support whether CEOs characteristics influence corporate social actions or not.

- *CEO characteristics and CSR:* to know the relation between CEOs characteristics and corporate social actions.

We also used CSR report from Apple and Kodak because both represented each the good-performing company and underperforming company.

By combining the findings from those keywords, I found several articles, journals, books and news to support this study.

Where did I found the information?

I made the search through the internet in order to find the articles, journals, news and books. I could not do an observation about the listed good-performing and underperforming CEOs' achievements in the forthcoming year in order to make the findings of this paper stronger, I could also do some interview with some CEOs to know their point of view about influences of CEOs' characteristics, but I do not think that those are necessary for this research because this research is conducted to fulfill the requirement to pass my bachelor degree. So in the end, all the data are collected from the literatures.

How did I obtain the information?

I used literature review approach to finish this research. First, I searched the keywords, as mentioned in the identification of keywords section, through the internet and found a lot of articles, journal and news. And then, in order to minimize the numbers and choose the relevant sources, I did speed reading by reading the highlights and results of the articles or journal. I read thoroughly the news and some of them contained same information between one and another. I used a book by Jim Collins: Good to Great, which is a suggestion from my supervisor and it contains many useful information regarding the characteristics of good-performing CEOs. I found another book by Sidney Finkelstein: Why Smart Executives Fail, this book is interesting because it contains some facts about how a company fell bankrupt and etc. A book by Jill Solomon is also being used to retrieve the theories regarding corporate governance.

In order to gather more information, I also did snowball search through the references of the selected articles, again I searched them through the internet and read them first, then decide whether the articles fit the topic or not. Then, I made the summary of each source for being used as the supportive sources of this study. Finally, I got the certain numbers of sources to support this study.

2.2 Analyzing

After having enough sources that support this research, in order to answer the first sub question, we began to analyze what are the good-performing CEOs characteristics by creating a matrix, and then continued by sorting them based on which one is the most mentioned on the literatures. Then analyzing among one characteristic to another whether they have relation or not.

Same goes to answer the second sub question, we began to analyze the underperforming CEOs characteristics using matrix as well, and then we continued to analyze which characteristics are mostly mentioned, which of those are considered important. Then I analyzed the correlation between one and other characteristics, do they support each other or it is a standalone characteristic.

Then, we continued by comparing two matrixes between the good-performing and underperforming CEO characteristics to see if they are different or if they have similarities to answer the third sub question.

The next step is answering the fourth sub question, we analyzed news and annual report about the corporate social action whether can we see the CEOs' characteristics in it or not.

The final step is we combine those findings from each sub-questions and our common accounting knowledge to answer the main question.

2.3 Concluding

After having data that we need to answer each sub questions, we made them into sub-conclusions and combined them with common accounting knowledge which I had through accounting study in the university in order to answer the main question.

2.4 Making reflection

As the main question and the objective of this research are already reached, we made a reflection of what could have been better and what if we did it in other way. The reflection also contains the obstacles that we faced during the process of conducting this research and also some advices for further research regarding this topic.

3. Theoretical Framework

This chapter provides the theories which are used in this study. First is about the connection of corporate governance and the topic of this study, because the general topic of this study is corporate governance so we need to make this clear in the beginning. Then, continued by defining the relation of CEOs characteristics and decision making process. After knowing the relation between CEOs characteristics and decision making process, we defined the criteria of company performance that we used in this study. So that we can continue to look further to the good-performing and underperforming CEOs characteristics. And then, we defined the term of corporate social actions.

3.1 Relation to Corporate Governance

According to the book by Solomon (2010) corporate governance is mostly developed in United Kingdom. Due to the global financial crisis which caused bank failures and resulting a recession in the United Kingdom, the policy-makers were stimulated to develop corporate governance (Solomon, 2010). The previous regulation showed some weaknesses which are excessive executive remuneration, failures in risk management and internal control systems, weak monitoring, lack of independence in the board, those are some problems that occurred when corporate governance is not really seen as necessary (Solomon, 2010)**.** Then in 2001, the well-known Enron story happened which caught the attention of policy-makers to develop strong corporate governance to prevent such event happening again in the future (Solomon, 2010). The UK and the US policy-makers responded straight away concerning Enron issue, the US produced the Sarbanes-Oxley act and the UK produced Higgs report and Smith report which all contain several corporate governance codes and principles about what a company need to set to prevent thing like Enron happening again in the future (Solomon, 2010). Those set of respond from the US and the UK policy-makers are mainly concerning about strengthening the system of internal controls, but the problem within Enron is not only regarding internal control, instead they have other problem too such as poor risk management, inadequate internal controls and weak monitoring of boards (Solomon, 2010).

According to Solomon (2010), the main concept of corporate governance is a system of checks and balances, both internally and externally, which ensures that companies discharge their accountability to all their stakeholders and act in socially responsible way in all areas of their business activity. Agency theory stated that the one who responsible for all the activity within a company is the CEO and they must be accountable to the shareholders because they are the agent of the shareholders to run the company (Solomon, 2010). Researchers thought that being accountable for the shareholders is not enough, therefore they came up with new theory which is the stakeholders theory (Solomon, 2010). CEOs need to be accountable for their stakeholders because they are also dealing with other elements beside shareholders in order to run the business. Due to the fact that the face of the company and the one who responsible for all business activities of a company is the CEO, we believed that each strategic decision made by the company is mostly involving CEO, and their personal skills and qualities play a part within their decision making process (Collins, 2001). Every decision that they made could affect company's performance itself, so it is crucial to make a right decision for every business process within the company (Collins, 2001). Corporate social responsibility and business performance are two elements that depend on those decisions and according to the principles of good corporate governance, those two elements are needed to be accountable to the stakeholders (OECD, 2015). Thus, we believed that CEOs characteristics may have influence on corporate governance practices of a company. That is what we believed to be the connection of CEO characteristics and corporate governance.

3.2 Leadership

Leaders served as the symbols, representatives and role models to their followers (Bass & Stogdill, 1990). There are several ways to become a leader. Some people became leaders because of inheritance, knowledge or power (Bass & Stogdill, 1990). The kingdom government chose their king or queen based on inheritance, the oldest son or daughter from the previous leader is expected to be the successor (Covey, 2004). Some leaders were chosen because of their power, just like the law of the jungle, the strongest one rule the other with his mighty power (Covey, 2004). Some people also became leaders because their knowledge and capability to handle and lead their followers (Covey, 2004). A leader leads their followers with some behavior called leadership (Bass & Stogdill, 1990; Collins, 2001; Covey, 2004). Some studies showed that leadership style of a leader could affect organization performance (Collins, 2001; Hogan & Kaiser, 2005; Ogbonna & Harris, 2000; Kirkpatrick & Locke, 1991).

In business industry, a CEO is considered as a leader because they are the one who leads employees and responsible for the business activities. Similarly to the leadership theory, CEO leadership style also influenced business performance. Leadership style is influenced by the personality of the leaders themselves (Covey, 2004; Ogbonna & Harris, 2000). Good leadership style could lead to efficiency and good performance while on the opposite, bad leadership style could create bad working environment which decreased efficiency and willing to work resulting in bad performance (Hogan & Kaiser, 2005). Study by Ogbonna & Harris (2000) presented the relation between leadership style and performance. They explained that corporate culture is the product of leadership style which then affects business performance (Ogbonna & Harris, 2000).

Hogan & Kaiser (2005) believed that an effective leader has these four competencies, (a) intrapersonal skills (regarding personal emotions), (b) interpersonal skills (related to relationship with other people), (c) business skills (planning, coordinating, monitoring business activity) and (d) leadership skills (building and motivating great team). Kirkpatrick & Locke (1991) defined effective leaders have some key traits which are drive (contains vision, motivation, ambition, tenacity, and initiative), leadership motivation (the desire to lead but not to seek for power), self confidence, cognitive ability, knowledge of the business, honesty and integrity. These personality traits could lead to create a good and strong corporate culture which correlates positively to business performance (Ogbonna & Harris, 2000). Leadership style also affect the strategic decision making which then will influence business performance as well. The case of Southwest Airlines showed that leadership style of a CEO influenced business performance. Southwest is considered to be one of the best performing stocks during the past 5 years. Herb Kelleher led this company to success with his servant leadership style, because basically he is a friendly and humble person, he kept personal relationship with all of his employees which made the employees feel as part of the Southwest family and they created a great working environment together. This proves that leadership style of a leader has influence towards business performance and corporate social responsibility.

3.3 Decision making and CEO characteristics

Strategic decision making is an adaptation to external opportunities and threats, and managers are expected to facilitate and guide the company through the adaptation (Papadakis &

Barwise, 2002). There are a lot of things that influence strategic decision making process, one of them is the CEO characteristics itself both personally and demographically (Papadakis & Barwise, 2002). Kaplan, Klebanov and Sorensen (2008) believe that CEOs' talents and abilities affect business performance and they are observable. It is important for a CEO to know the specific knowledge about the business industry rather than applying general knowledge (Kaplan, Klebanov, & Sorensen, 2008). Managers who move from one company to another are tend to bring their previous leadership style to their new company, but sometimes it is not applicable, resulting in different behavior and different performance (Kaplan, Klebanov, & Sorensen, 2008). Some researchers found that CEOs' characteristics correlate positively with business performance, meaning if a CEO possess certain good characteristics, he could deliver good result, and vice versa (Peterson, Walumbwa, Byron, & Myrowitz, 2008; Collins, 2001).

One of the examples that characteristics influence decision making is the story of well-known CEO among automakers, Carlos Ghosn of Nissan, he used to help Nissan avoid their bankruptcy and he even turned Nissan as one of the biggest automakers in the world (Kirkland, 2012). He was appointed by French Renault to help their Japan partner, Nissan, back in 1999. He made unexpected suggestion during that time like cut the costs, closed some factories, terminated some suppliers' connection and sold some assets (Kirkland, 2012). Instead of arguing with him, his colleagues support him and chose to apply his ideas (Kirkland, 2012). Then, Nissan became profitable and Ghosn helped them to avoid bankruptcy (Kirkland, 2012). In 2011, Japan suffered from a huge earthquake, but Ghosn did not give up, instead he kept insisting to boost Nissan profits and market shares by 8% (Kirkland, 2012). We could see that Ghosn took the risks when he saw the chance to improve effectiveness. Dare to take risks is a good characteristic, but it also needs knowledge and good planning, because not everything could go as planned.

The most general CEO characteristics are need for achievement, risk propensity, tenure and education (Papadakis & Barwise, 2002). CEO with high level of need for achievement will try to dominate their environment by using rational and analytical thinking (Papadakis & Barwise, 2002). Risk propensity is needed for fast decision making. Risk-averse CEOs tend to reduce the uncertainty by applying direct monitoring and high control intensity (Papadakis & Barwise, 2002). Tenure plays a part in determining CEOs' visions and their knowledge of the company itself, long-tenured CEOs prefer a standardized communication pattern so that they choose their own top management member in order to reduce internal political debates

(Papadakis & Barwise, 2002). Effective executives differ widely in their personalities, strengths, weaknesses, values and beliefs but they have one thing in common, they get the right things done (Kaplan, Klebanov, & Sorensen, 2008). Effective executives use time efficiently, focus on contribution, make strengths productive, do the important thing first and make effective decision (Kaplan, Klebanov, & Sorensen, 2008). Based on those studies, we could see that strategic decision could be affected by both internal and external characteristics. In this research, we will only focus on the internal characteristics of a CEO.

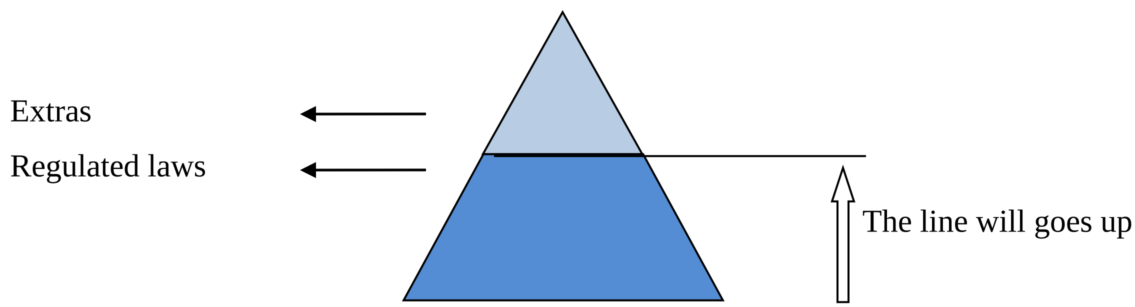
3.4 Definition of Company Performance

There are a lot of ways to measure business performance. Among many ways, we chose to observe the revenues and the changes on the share price (Ross, Westerfield, & Jordan, 2013). It is slightly similar with using rate of returns theory (Ross, Westerfield, & Jordan, 2013). If the share price increased, we believe they have positive return to the investors, which means they perform well. While if the share price decreased, it means they have negative return to the investors and we consider they are underperformed (Ross, Westerfield, & Jordan, 2013).

3.5 Definition of Corporate Social Action

Back in the 1990s, corporate social responsibility was not common in the business industries. Researchers developed CSR in the early 2000 and focused on social part which one of them is paying fair wages to the employees and contributes in community-based programs (Flammer, 2012). Nowadays companies are required to present financial information and non-financial information, such as governance report which contains the corporate social responsibility. People nowadays also have high awareness of environment which might affect their interest in investing activities (Flammer, 2012). In 1989, Exxon spoiled some oils which considered as one of the most damaging accident to the environment, but it only slightly affected their stock price in that time, comparing to British Petroleum accident back in 2010, BP's stock price fell down for almost 50% (Flammer, 2012). Based on those incidents, we assume that people awareness of environment is better these days. So, in order to fulfill those interests, companies put more efforts in keeping sustainability and be more eco-friendly. The CSR is also developing with these environmental issues, more companies do some activities related to support sustainability and contribute to create healthy environment even though they are not obliged to do that (Flammer, 2012).

If we look back in the 90s, there was no interest of corporate social responsibilities, and then it began to put more attention to the related business parties like employees and suppliers, and recently it developed more into environmental awareness (Flammer, 2012). Based on those facts, we made a model regarding corporate governance development.



Model of CSR Development

The development of CSR is going to the top direction. It was started from the bottom with no concern to other than profit and financial issues, then it began with focus on employees and suppliers which now is also required by corporate governance law to mention what the companies did to them. Those are the regulated by law right now, and nowadays, company also starts to put more attention to the environment as well because they begin to realize that in order to sustain, they need to keep the environment alive. They are not obliged to do this, but due to the increasing of people's awareness regarding environment, they voluntarily do it. The fact that CSR might affect share price also made company chose to apply better CSR practices to attract investors (Flammer, 2012). There might be things that will come up soon after this environmental thing which could affect the share price as well which we put them as extras in the model above.

4. Data Analysis

We have discussed that CEO personal characteristics have some kind of influence towards strategic decision making process. Based on their achievement, we divided them into two groups, the good performing CEOs and bad performing CEOs. Good performing CEOs are CEOs who managed their company to achieve their goal or led their company to new innovation which leads to increase of share price and high revenues.

4.1 Good Performing CEOs

Based on the source articles, they mentioned that each CEO has their own influence towards company's strategic decision. According to Graham, Harvey, & Puri (2012), CEO's traits play a part in decision making process such as Merger and Acquisition decision.

Characteristic of Good Performing CEOs	Visionary	Strategic	Optimist	Adaptability	Determination	Communicative	Inspires Other	Develop People	Risk Takers	Integrity	Self-Awareness	Intuitive	Competent	Charismatic	Employee Focus
Good to Great (Collins, 2001)	X	X	X	X	X	X		X	X	X	X	X	X	X	
Characteristics and Qualities of Top Performers (Reagan Consulting Inc., 2011)	X	X	X	X	X	X	X		X	X			X	X	X
Which CEO Characteristics and Abilities Matter (Kaplan, Klebanov, & Sorensen, 2008)	X	X		X	X	X	X		X	X		X			X
CEO Positive Psychological Traits (Peterson, Walumbwa, Byron, & Myrowitz, 2008)	X	X	X	X	X	X	X	X		X	X	X		X	X
Characteristics Associated with CEO Success (Wood & Vilkinas, 2007)	X	X	X		X	X	X	X		X	X	X	X		X

Table 1 Characteristic of Good Performing CEOs

They mentioned that CEOs who have higher risk tolerance will do more Mergers and Acquisitions rather than them who are more risk averse (Graham, Harvey, & Puri, 2012). That study proved that CEO characteristics have influence in certain way to make decision of what will their company do next. Based on that, the matrix above will shows what are the characteristics which possessed by good performing CEOs.

After reading through those articles, those are the mentioned characteristics which lead to CEOs succession. The most mentioned characteristics are visionary, strategic, determination, communicative and integrity. Visionary means CEO has to set targets about what to achieve within their tenure and it also gives insight to the shareholders about what to expect from him (Kaplan, Klebanov, & Sorensen, 2008). Strategic means CEO knows what to do to achieve those goals (Peterson, Walumbwa, Byron, & Myrowitz, 2008). Determination means CEO must put their efforts in order to achieve those goals and also means he put company's interest above his own interest (Reagan Consulting Inc., 2011). Communicative also crucial because the goals must be known by all level in the company so that they will work together to achieve it, in shorter word, they must have goal congruence and communicative is important to be possessed by a CEO to make that happen (Reagan Consulting Inc., 2011). CEO also must have integrity in order to gain trust by their employee and also shareholders (Kaplan, Klebanov, & Sorensen, 2008).

Optimist, adaptability, inspires other, employee focus and intuitive followed as the second rank from the list. Optimist is CEO believes in themselves and their employee that they can achieve those goals (Peterson, Walumbwa, Byron, & Myrowitz, 2008). Adaptability means CEO can respond and make decision depends on the current situation which is faced by the company (Collins, 2001). A CEO needs to inspire their employee to work harder and achieve more by showing good attitude towards them so they will be more motivated by looking at their CEO and they know that they follow the right person (Reagan Consulting Inc., 2011). Intuitive means sometimes CEO needs to take risks and made decision based on what they believe, it might be based from their previous experience or maybe just a hunch (Wood & Vilkinas, 2007). A CEO also needs to focus on their employees because without them, the company will not work as it supposed to be (Peterson, Walumbwa, Byron, & Myrowitz, 2008). CEO need s to concern about their needs and tries to create a nice working environment which will boost employees to work even better (Peterson, Walumbwa, Byron, & Myrowitz, 2008). The Southwest Airline under the leadership of Herb Kelleher is the best example of an employee focus company. They established a nice working environment which allows their employees to explore their talent and develop more. They are famous of their FUN-LUV attitude, which is a fun working environment with loving as their way to do it. Kelleher believes that if your employees are satisfied, they will deliver satisfying service to the customers as well and that worked well.

On the third rank, there are develop people, risk takers, self-awareness charismatic and competent. A CEO needs to develop their employee in order to sustain their quality and prepare next candidate to fill the vacant position in the management board (Collins, 2001). Develop employees also trigger to discover more of what they have and what they can improve so that they can come up with new innovations and ideas which can contribute to the business (Collins, 2001). Successful CEO also a risk taker, he bravely made decision with high risk but he chose those choices based on predicted outcome, not just blindly chose them (Collins, 2001). Self-awareness means good CEO knows his limit, they want to hear critics and advices because they believe, they cannot run the whole operation of the company by himself, and he realized that his employees also have right to speak out their ideas (Collins, 2001). A good CEO also competent, he knows what is he doing and what he tries to achieve by doing that (Wood & Vilkinas, 2007). He knows the business environment and he knows what to do to respond to that. He works on his field and he is capable because he has knowledge of it, which called competent. Charismatic is something you cannot learn, it is some sort of personal appeal which make people believe that the CEO is respectable and they follow him because they trust him (Reagan Consulting Inc., 2011).

We found out that these characteristics created clusters which correlate one characteristic to other characteristic. We expect a good leader will have all of those qualities, because those characteristics cannot stand alone, some characteristic needs other supporting characteristics as well. For example, visionary-strategic-optimist-determination and communicative related to each other. A good CEO set goals, he knows how to achieve it, means he is strategic, then he optimist that those goals are achievable, so he determined to achieve those goals, and he has to be communicative to align whole level of the company to those goals. Adaptability-risk taker-self awareness-intuitive and competent also related to each other. If something unplanned happen, he wants to go out from his comfort zones which means he is adaptable, he makes decision out of it which is risky, but he relies on his knowledge and intuition to made that decision and he knows his limit, he does not forced things to happen, he follows the procedures. Communicative-inspires other-develop people-integrity-charismatic and employee focus are also related to each other. A good CEO is communicative, they are willing to listen to other over new ideas, they focus on people, they develop them and inspire them, but they need integrity and charisma to attract people so that other people will also listen to them.

So, based on the analysis, we found 15 characteristics which are mentioned in those 5 sources. Among all of them, the most mentioned characteristics are visionary, strategic, communicative, determination, and integrity. And then followed by optimist, adaptability, inspires other, build team and/or develop people, risk takers, high self-awareness, intuitive, charismatic and employee focus. We also found out that those 15 characteristics have connection between one and another. They support each other so we made some clusters which defined their connection.

4.2 Underperforming CEOs

Same procedure also applied to the underperforming CEOs characteristics. We observed companies which have declined share price over the last 5 years. Even some of them went bankrupt. Reading through articles about characteristics of underperforming CEOs, we made a matrix to support our analysis.

Characteristics of Bad Performing CEOs	Afraid of Change	Delusive	Not Communicative	Dominant	Big Ego	Apply One Thing to All	Do not Accept Advices	Kick People Who Do not Support	Perfectionism	Aiming to be Popular	Break Rules	Lack of Transparency	Value Loyalty Rather than Potential
Why Smart Executives Fail (Finkelstein, 2003)	X	X	X	X	X	X	X	X					
Why CEOs Fail (Dotlich & Cairo, 2003)	X	X	X	X		X	X		X	X	X		X
The Reasons CEOs Fail (Makovsky, 2012)		X	X			X	X	X					
Traits of a Terrible Leader (Young Entrepreneur Council, 2015)	X		X		X		X					X	X
The 10 Traits of Failure (Cardone, 2011)	X	X		X	X		X	X	X		X		

Table 2 Characteristics of Underperforming CEOs

On the first rank, the articles mentioned most of failed CEOs do not listen to other people, they believe they are the only one who is capable and know everything (Finkelstein, 2003). Other people just help him and their opinions are nothing, so they do not accept advices from other (Finkelstein, 2003). On the second rank, there are delusive, afraid of changes and not communicative. They are delusive because they are too confident that things will go as they want, and they set high targets without thinking whether those are achievable or not (Finkelstein, 2003). It is good to have high level of confidence, but if it is too much, it will not be good either.

They also afraid of changes, they stayed too long in their comfort zone and they do not want to change, this happened to Kodak when they were one of the leading company in camera market, then suddenly their competitor released digital camera, they knew this and they had the technology to match their rivals, but the management board chose not to do anything about it so in the end, they were too late to apply those changes and it led them to performed badly during the following years and finally bankrupt in 2012 (Finkelstein, 2003). The Kodak management board was too comfort in their zone so they might be thinking that those changes are not necessary. Some of CEOs also failed because they are not communicative. They have good vision and good strategy but they cannot communicate it through all of their employees so that goal alignment and goal congruence are not established (Makovsky, 2012).

On the third rank, there are dominant, big egos and kick people who do not support them. I think these 3 traits related to each other, most of failed CEOs had dominant influence in decision making process which allows them to decide which option that they will take. But in those processes, a dominant CEO with big ego will not listen to other, they will force other people to support them whether that option is not a good one, and if anyone does not support them, they will punish him, or maybe even worse, fire him (Finkelstein, 2003). Samsung was once entered the automakers business, their CEO was blindly had big ego that they should compete in the car industry business. The management board opposed this idea but because the CEO of Samsung was also the owner of the company, so he had a very dominant influence at that time. Even though the management board did not agree with the idea of Samsung entering car industry, but they had no option except actualizing their CEO's desire. As results, Samsung cars were not popular and finally they sold that department to Renault (Finkelstein, 2003).

Some outsider CEOs are also failed to shine due to their belief that their past experience could be applied to the new environment without realizing that the business market where they were into is totally different from their previous experience (Dotlich & Cairo, 2003). For example, Ron Johnson, a successful manager of Apple retail stores who helped Apple to boost their sales with his idea, appointed as the CEO of J.C. Penney. He confidently applied the same strategy to J.C. Penney, he even brought his colleagues from Apple to help him in managing the company. He tried to make copy of Apple culture and Apple strategy, with people who he brought from Apple as well, but he failed. The market of gadget industry might be different from clothing line. Sometimes same strategy works, but it is also uncertain (Makovsky, 2012).

On the fourth rank, perfectionism, break rules, and value loyalty more than potential followed. Some CEOs failed because they were too perfectionist. Perfectionism leads to low tolerance level, which means they expect high results from their employee and if it is not met, they will eventually punish or even fire their employee (Dotlich & Cairo, 2003). Some CEOs were also failed because they broke the rules (Cardone, 2011). Just like Enron's famous tale, its CEO, Kenneth Lay, allowed manipulation of financial data which leads to boost their performance and attract more investor, and they broke the rules to make things better on paper, but in reality, they did not perform that well. It led them to bankruptcy and became the famous accounting scandal. Some CEOs also failed because they valued people who served them for long time rather than people who have potential to make company better (Young Entrepreneur Council, 2015). It leads to create a boyhood link between them and disrupt development of the company.

Based on that analysis, we found 13 characteristics of underperforming CEOs. The most mentioned characteristics are they do not accept advices, afraid of changes, delusive and not communicative. And then followed by dominant, big ego, apply one thing to all, kick people who do not support, perfectionism, aiming to be popular, break rules, lack of transparency, and value loyalty rather than potential.

4.3 Comparison Between the Good-Performing and Underperforming Characteristics

After knowing the characteristics of good-performing and underperforming CEOs, we compared the findings of both. It turned out that both of them have some similarities. The similarities could be either too much of a characteristic or lack of certain characteristic. It also could be the opposite characteristic of the other.

Among the characteristics of good-performing and underperforming CEOs, there are some characteristics which we considered to be similar. Optimistic and delusive sounds similar. Delusive come up from a CEO who is too optimist to achieve the certain targets with less awareness of their own capability. Some studies said that underperforming CEOs are also visionary and strategic, but they cannot communicate it to all entity level within the company which makes the goals and strategies unachievable. The underperformed CEOs lack of communication skill compared to the good-performing CEOs. The good-performing CEOs are adaptable and willing to take the risks in some circumstances while the underperformed CEOs are afraid to get out of their comfort zones and that is what made them left behind the competitors, for example Kodak. The good-performing CEOs have great determination to work harder and deliver better results to the shareholders, while underperformed CEOs only focus to themselves, they aim to be popular, be the one who take the credit if things go well and blame others if things go wrong. The good-performing CEOs inspire people, they develop people and some of them focus on their employees, while the underperforming CEOs are dominant, they do not want to hear other advices, they give credit to the most loyal employee and they do not develop employee's potential.

Based on the analysis between the good-performing and underperforming CEOs characteristics, we conclude that basically the good-performing and underperforming CEO possesses same characteristics, but the underperforming CEOs just have either less or too much of those characteristics.

4.4 CEOs Characteristics and Corporate Social Action

Back in the early 1990s, social responsibility was not as famous as now. Proven by the Exxon's oil incident in 1989 which was considered to be the most damaging accidents to the environment at that time, only slightly affects the share price of Exxon (Flammer, 2012). In comparison, the spoil of British Petroleum in 2010 had a huge impact on BP's share price. After that incident, BP's share price decreased up to 50% from its initial price (Flammer, 2012). These accidents showed that environment is getting more attention from people and investors compared to the early 1990s.

CEOs awareness of environment and social actions are also increasing through these years (Flammer, 2012; Godos-Diez, Fernandez-Gago, & Martinez-Campillo, 2010; Huang, 2013;

Manner, 2010). Sustainability and go green campaign is common nowadays. CEOs are competing to attract people attention by using those terms. In this section, we would like to analyze whether we can see CEOs characteristics, both the good-performing and underperforming, in their corporate social actions or not. We took Apple and Kodak as example, because during 2011 until 2015, Apple is considered as one of the best performers in the stock market and the information regarding Tim Cook, Apple's CEO, characteristics are much more available rather than other CEOs. We took Kodak because they were declining during 2011 until 2015 which we considered as underperforming company.

We took the most mentioned characteristics from both the good-performing and underperforming CEOs' characteristics as our variables to be observed in Apple's and Kodak's CSR report. The characteristics that we expect to see in good-performing companies are visionary, strategic, determined and communicative, while on the underperforming side are afraid of change, non-communicative, delusive and do not accept advices. Apple made two separate reports, one report is supplier responsibility report which contains the social actions that Apple took concerning their suppliers and employees. It contains some code of conduct that they have to fulfill and some employees and suppliers-related programs. The second one is environmental responsibility report. This report contains Apple's responsibility program concerning environment. We examined both reports from 2011 up to 2015 and found some discoveries as follows:

- Apple did a good job by being responsible to their employees and suppliers, they complied with the law. They also explained the problems and how Apple responded the problems, which we considered as communicative.
- Visionary and strategic are also observable in their environmental responsibility reports. They have a target to use 100% renewable energy in each of their business activities. In order to achieve that, they have planned some programs such as reduced carbon emission, used renewable water for production process and used eco-friendly material for their products.
- However, these programs are led by a vice president of environmental initiatives. It is unclear whether the ideas of doing those programs came from Tim Cook, the CEO of Apple, or not.

On the other hand, we also checked Kodak's global sustainability reports. We could only find reports from 2011 until 2013, we could not find the following years. Our analysis came up as follows:

- Kodak is visionary and strategic, shown by their social responsibility goals and their actions to meet those goals. They also mentioned the challenges that they faced to accomplish those goals, which we considered that they are communicative as well.
- However, during these three years, Kodak had two different CEOs. In 2012, they filed their bankruptcy and forced their CEO, Antonio Perez, to pass the baton to new successor by the end of 2013.
- Same as Apple, they also have director of health, safety, environment and sustainability who is responsible for entire Kodak's social responsibility programs which also means that it remains unclear whether the idea of those programs came from their CEO or not.

From the findings that we mentioned above, we could see that Apple, the example of good-performing company, showed that some of good-performing CEO characteristics were discoverable in their CSR reports but we could not say that those characteristics were the one which influenced Apple to do those programs. On the contrary, we could not see the underperforming CEO characteristics from Kodak's CSR reports. On top of that, we discovered some characteristics which are supposed to be possessed by the good-performing CEOs. Based on these findings, we concluded that CEO characteristics might not affect corporate social responsibility practices.

5. Conclusion

CEOs are paid highly to do their job, running the company. But why they could deliver different results between one and another? After several discussions, we came up to an idea that characteristics of each CEO might influence those diversities. Some studies support this theory that characteristics somehow affect business performance and corporate social responsibility practices. Knowing this made us curious, how do the characteristics influence both business performance and CSR practices?

In order to answer our curiosity, we set some sub-questions as well. First, we defined the good-performing and underperforming companies based on their revenues and returns to the shareholders during 2011 until 2015. And then we began to analyze what are the characteristics which are possessed by the good-performing and underperforming CEOs using matrix. Based on the outcome of the matrix analysis, we found 15 characteristics which are mentioned on the sources. Among all of them, the most mentioned characteristics are visionary, strategic, communicative, determination, and integrity. And then followed by optimist, adaptability, inspires other, build team and/or develop people, risk takers, high self-awareness, intuitive, charismatic and employee focus. We also found out that those 15 characteristics are related between one and another characteristic. They formed some clusters which proved that they are connected to each other.

Then we continued to the underperforming CEO characteristics. Based on the analysis, we found 13 characteristics of underperforming CEOs. The most mentioned characteristics are they do not accept advices, afraid of changes, delusive and not communicative. And then followed by dominant, big ego, apply one thing to all, kick people who do not support, perfectionism, aiming to be popular, break rules, lack of transparency, and value loyalty rather than potential.

Third, we compared the good-performing and underperforming characteristics. It turned out that they have similarities, for example, an underperforming CEO could be visionary, strategic and optimist as well, but they lack of communication skill that made them failed. Some characteristics also showed that the underperforming CEO could either lacking or having excessive characteristics, for example, a CEO needs to be optimist, but being too optimist is not good, it could lead to delusive.

The next one is the analysis of good-performing and underperforming characteristics on corporate social responsibility reports. We took Apple and Kodak as example because they represented good-performing and underperforming companies at the moment. It showed that good-performing CEO characteristics are discoverable throughout the reports, but the underperforming company also showed good-performing characteristics. It remains unclear whether characteristics affect CSR practices or not.

The results of those analysis added by the theory of leadership showed that characteristics affects business performance both positively and negatively through decision making process and corporate culture. However, it is still unclear whether characteristics affect CSR practices or not, added by the fact of Southwest Airlines that success by applying great corporate culture which derived from their CEO, Herb Kelleher. Further research needs to be done to make this clear.

6. Reflection and Further Research

This research is conducted to fulfill the requirement in order to finish accounting study in Saxion University. During the process of conducting this research, we faced some obstacles both from internal and external. Externally, some literatures cannot be used because they were too old and we afraid that they are not fit to the present situation. The challenge to form a good research question is also tough, in the beginning, we only planned to compare the characteristics between good performing and underperforming CEOs, but after having several discussions, we thought that the question does not have relation to the main topic, which is corporate governance. Then, we added corporate social responsibility and business performance as our topic. The procedures of conducting this study also could be better if we used primary data like interviews, or we also could use specific CEOs as our indicator. From those, we could come up with stronger outcomes. In the end, literature studies were chosen because we think that it is not rational if we forced to make interviews and etc.

After reading and analyzing several articles, we found out that people tend to take credits if they do something good, but people tend to blame others if they get something bad, which we think this is a basic human character, they want to be praised but they do not want to take the blames. This is also what happened with the CEOs, the articles of good-performing CEOs' characteristics can easily be found but there are a lot of articles of underperforming CEOs which mentioned that they were failed because of their competitors did better, the change of the industry, and so on. They blamed external factors without looking into themselves. From this, we came to an idea that success people tend to be introspective, who look into them, while failed people tend to be extrospective, who look into other external factors to be blamed.

Our selection of examples might not be right because Apple and Kodak might be well established companies so that it is more difficult to see the effects of CEOs' characteristics rather than in startup companies.

For further research, if it will be done in literature study, it might be better to set some CEOs as indicator and observe them for some times. If it will be done through interviews or surveys are also good, because the data will be the facts that happened in the business industry. Further research regarding relation of characteristics and CSR practices is also researchable in order to continue the findings on this research.

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