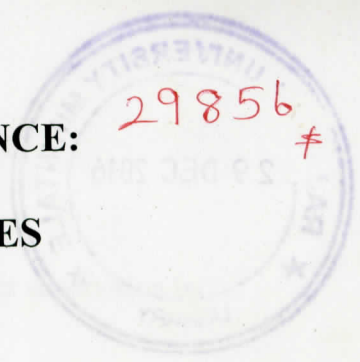




**CEO DUALITY AND FIRM PERFORMANCE:  
EVIDENCE FROM LISTED COMPANIES**



**IN SRI LANKA**



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## ABSTRACT

Corporate Governance as a mechanism helps to align management's goals with those of the stakeholders that are to increase firm performance. Chief Executive Officer (CEO) plays an important role in the corporate governance system. Bifurcating chief executive officer (CEO) duality, an organization CEO concurrently being the Chairman of the Board for the same entity, is being advocated by interested groups such as regulators and shareholders. CEO duality exists where the roles of CEO and Chairman of the Board are held by the same person. The aim of this study is to investigate the relationship between CEO duality and firm performance of listed companies in Sri Lanka during the period of 2009-2011. Further this study examines the impact of CEO duality on firm performance of listed companies. Based on the extensive literature, four board characteristics (board size, director ownership, board meetings and board independence) have been identified as possibly having an impact on corporate financial performance. The data was collected from the secondary data sources such as financial statements (Audited annual Reports) and other secondary sources of listed firms for a period of three years. The sample of this study consists of 100 firms listed in the CSE in Sri Lanka based on market capitalization. For analysis purpose, Pearson's correlation, regression analysis and independent sample t-test were used to examine the hypotheses in this study. The findings reveal that there is a positive relationship between CEO duality and firm performance in terms of Tobin's Q. This study also shows that there is no significant relationship between firm performance and controlling variables, such as board size, board independence, director ownership and board meetings. Further there is no significant difference in firm performance between CEO duality firms & non-duality firms and CEO duality has no significant impact on firm performance. In general, this study provides academics and practitioners with a clear view about the relationship between CEO duality and firm performances of listed companies in Sri Lanka. Further this study suggests to concentrate on the additional corporate governance characteristics that may affect the firm performance by combining related and opposing views of various theories.

**Keywords:** Corporate governance, CEO duality, Firm performance, board size, director ownership, board meetings, board independence.

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