RESEARCH BRIEF

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CEO Duality and the Role of Managerial Discretion

Research appeared this year in the *Journal of Management Studies* that examined how board characteristics and a firm's cultural environment influence whether or not a board adopts a CEO duality governance structure (i.e., the CEO also serves as the chair of the board). The authors theorized that three board characteristics –independence (the percentage of outside vs inside directors), human capital (age, sex, tenure, knowledge and skill of board members), and ownership (stock holdings) –are related to the adoption of a CEO duality governance structure. Furthermore, these relationships depend on the extent that firms' cultural environments support CEO discretion, or the power that the board gives the CEO to make decisions.

Key Takeaways:

- Independent boards, boards with predominantly older members, or boards with female members are more likely to adopt a CEO duality governance structure.
- Boards with higher levels of formal education or more stock holdings are less likely to adopt a CEO duality governance structure.
- The relationship between board characteristics and the adoption of CEO duality governance structure depends on the extent that the firm operates in countries that support high CEO discretion.

The authors analyzed data from 297 relevant studies that were published between 1987 and 2018 with sample firms across 32 countries/regions. They found that boards that are highly independent are more likely to adopt the CEO duality governance structure; this relationship is stronger when firms operate in countries that support high CEO discretion (such as the US and Australia). Furthermore, boards with predominantly older or female board members are more likely to adopt a CEO duality governance structure. In contrast, when board members have higher levels of formal education or have more stock holdings, they are less likely to adopt a CEO duality governance structure. When firms operate in countries that support high CEO discretion, a CEO duality governance structure becomes even less likely when board members have stock holdings. These findings explain how the features of a board might impact the extent to which a CEO holds more than one role within an organization (CEO duality governance structure), suggesting that boards wishing to have high levels of governance might need to consider the board member combinations. The authors caution that because their findings are based on prior studies that are cross-sectional, causal conclusions cannot be drawn.

Source: Wang, G., DeGhetto, K., Ellen, B. P., & Lamont, B. T. (2019). Board antecedents of CEO duality and the moderating role of country-level managerial discretion: A meta-analytic investigation. *Journal of Management Studies*, *56*(1), 172-202.