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DOES SUPERIOR LEADERSHIP LEAD TO SUPERIOR PERFORMANCE

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Abstract:

Since 2005, *Barron's* magazine has published a list of "The World's Best CEOs." In this paper, we examine the performance of selected companies over a one-year period following survey publication compared to a matched set of "unexcellent" companies. We analyze performance on a financial and accounting basis using stock returns and seven financial ratio measures. We find a statistically significant higher return from the "unexcellent" portfolio compared to the Top CEO portfolio. The correlation among pairs of the seven financial ratio measures has several statistically significant similarities between the two portfolios; however there are several clear differences which could indicate differences between the two portfolios.

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Introduction:

The role of chief executive officer (CEO) is filled with great challenges. CEOs must make high pressure decisions, keep their workforce satisfied, and most importantly, satisfy their shareholders. In the past few years, as America has struggled to break out of a recession, even more attention and pressure has been placed on high profile CEOs. Shareholders and board members throughout the country must be cautious with who they select to lead their organizations.

Investors select stocks in their portfolios in an attempt to maximize returns, subject to their risk tolerance. Some believe the best way to invest is to follow a specific strategy. Scholars have analyzed investment strategies from the contrarian investment technique (e.g., Chan, 1998), to momentum-based techniques (e.g., Jegadeesh and Titman, 1993). Tracking of news stories provides a basis for some investors to make decisions. Many scholars (e.g., Fang and Peress, 2009) believe that regardless of the validity of the news stories, stocks prices will be impacted. Besides daily news stories, there are many respected publications that issue annual analysis of companies. Many of these publications release surveys identifying the most respected companies or the best companies to work for. Several scholars (e.g., Filbeck et al, 1998) use *Fortune* Magazine's "100 Most Admired Firms" as a source for creating a portfolio. Other respected publications release similar surveys dealing with topics ranging from leadership, to the impact of the departure of a CEO (Canella and Hambrick, 1993). Other scholars (Koh, 2009) indicate the impact of CEOs who have won a significant award has on the financial reporting of an organization.

While the investing public is concerned with the character and morals of a CEO, one often wonders how much impact a CEO actually has on the financial performance of a corporation. While CEOs do yield significant power, they are often one of several thousand people in a large organization. This raises the question as to whether a single person identified as a superior CEO is actually associated with the superior financial or accounting performance of a firm. This paper will analyze the performance of companies managed by CEOs named by *Barron's* magazine to "The World's Best CEOs." The paper will use methodology employed by Clayman (1987) to distinguish between excellent and "unexcellent" companies, as a result of her investigation of companies included in Peters and Waterman's (1983) "In Search of Excellence." This paper will create a matched set of "unexcellent" companies by ranking companies based on inferior one-year return, five-year return, and five-year earnings per share growth. The thirty companies with the worst combined scores will be termed "unexcellent" for that year. The data collected will be used to analyze whether there are advantages to investing in companies led by a great CEO or if having a great CEO leads to superior accounting measures. Techniques previously used by McGuire, Schneeweis, and Branch (1990) will be used to compare several accounting-based measures between the two portfolios, excellent vs. "unexcellent."

The follow section contains a detailed discussion of previous literature in this area of study. Next, there will be a discussion of the sample methodology and data collection methods. A description of the hypothesis and results follow. Finally, conclusions from the research and areas of possible future research will be presented.

Literature Review:

The idea of earning a superior return on an investment relative to risk tolerance is desired by all investors. One strategy attempted to achieve this is called momentum investing, which is selecting securities to purchase that are currently trending upward or selling securities that are trending downward. Jegadeesh and Titman (1993) examined the momentum investment strategy, buying past winners and selling past losers, to see if it could net a higher return than the market. They found that this strategy was successful at gaining an abnormal return over the time period from 1965-1989; however, these abnormal returns dissipated after a two-year period. One explanation of these abnormally high returns followed by negative returns is that investors who exploit these strategies shift prices away from their long-run values and cause a temporary change, which in time is corrected, causing another shift back. This interpretation of momentum investment is consistent with past research that accounted the shifts to “positive feedback traders.” Jegadeesh and Titman could not conclude that trading on this type of momentum would provide long-term significant abnormal returns.

An investment strategy in opposition to momentum trading is the contrarian style. Many academic researchers and investors believe that abnormal profits can be earned by buying losers and selling winners in the stock market. Chan (1988) analyzed the returns when employing this strategy. His research assumed that the risk of winners varied less than the risk of losers over different periods of time. In order to negate this varying amount of risk, he used the Capital Asset Pricing Model, to determine the appropriate return for each security given their varying levels of risk. His results showed an abnormal return when employing the contrarian strategy; however, he believed that when fully adjusting for the additional risk of firms classified as

losers, the abnormal returns were economically insignificant. Finally, he determined the contrarian style did not lead to any significant market shifts or changes in the long-run security prices based on analyst overreactions, unlike the findings of Jegadeesh and Titman (1993) when employing the momentum strategy.

One person who has seen consistent success in his investing for many decades has been Warren Buffett. Buffett uses the value investing strategy. With this investing strategy, investors attempt to locate stocks that trade for less than their intrinsic values. Piotroski (2000) analyzed the returns of portfolios that used the value investing strategy. His goal was to prove that investors could earn superior returns by adopting a few simple screens based on historical financial performance. He concluded that applying his adopted screens to a portfolio of high book-to-market firms can produce a statistically significant return. Warren Buffett has seen significant success with this strategy, and Piotroski suggested that others could as well.

Other investors tend to make their investment decisions based on the companies that are brought to their attention through media exposure. Barber and Odean (2008) proposed that when potential investors have the ability to invest in a large number of securities, they will be attracted to those with the most attention-grabbing ability, good or bad. When purchasing a security, there are thousands of choices and it is extremely difficult for investors to filter financial information. Even though investors will not purchase every security that is brought to their attention, they will purchase fewer securities that are not. Barber and Odean (2008) sorted companies based on three different characteristics: abnormal trading volume, extreme one-day returns, and whether or not they are subject to news coverage. As they had predicted, individual investors do display attention-driven buying behavior. They conclude attention-driven buying is a result of the high

volume of available securities, and the time limits of investors to educate themselves on each one.

Similar to Barber and Odean, Fang and Peress (2009) believe that the media can have an effect on security pricing. Fang and Peress (2009) argue that regardless of the validity of the media's news, the stock price will be impacted. They analyzed cross sectional relationships between media coverage and expected stock returns. Their results show significant return premium on stocks with little or no media coverage. They believe their results suggest mass media's power to influence security pricing comes from its ability to reach mass amounts of people, not from its ability to form opinions. Their findings suggest that you cannot earn abnormal returns by only investing in companies frequently discussed by media outlets.

While Fang and Peress (2009) believe that the media may report invalid news, one valid way attention is brought to a firm is through the announcement of their quarterly earnings. Each quarter investors anxiously await firms' earnings announcements. For many companies the media predicts what the earnings will be. If a firm outperforms, underperforms, or meets expectations, there will be an impact on the firm's stock price. May (1971) analyzed the impact of earnings announcements on the firm's stock price by measuring changes in stock price following the earnings announcement. May concluded that price changes in the weeks following the announcements of earnings are statistically significantly higher than the average price changes throughout the year. His findings suggest that investors react based on the financial performance of a firm. Scholars have continued to research other investment strategies and also incorporate the impact of media attention in an effort to identify ways to earn superior returns on investors' portfolios.

Bauman, Conover, and Cox (2002) tested whether abnormal returns can be earned using a growth investing strategy by investigating companies that were recognized by *Business Week* as being “Hot Growth Companies.” Growth investing is investing in securities whose earnings are expected to grow at a higher than average rate compared to their peers. The portfolio of recognized companies significantly outperformed the market thirty-six months before publication. Following publication, the portfolio significantly underperformed a market portfolio. Their results suggest that media attention can have an impact on stock price valuation. Furthermore, they believe that their results dismiss the validity of growth investing. They suggest growth investors bid stock prices up to unrealistic levels, based on false assumptions about growth and sustainability. This process was inflated by *Business Week* publishing the companies in their survey. This inflationary time period is followed by a fall in prices to sustainable levels. High, unrealistic gains are offset by the future losses. While most would see recognition by *Business Week* as a positive, not all positive press results in long-term shareholder gains.

Other researchers have investigated the importance of company reputation on performance. Sanchez and Sotorrio (2007) examined the ability of a firm to create value through the strengthening of corporate reputation. They attempted to create a model that incorporates the factors that are involved when a company improves and builds its reputation over the life of the firm. After establishing their model, an empirical test was conducted, using the top 100 most prestigious firms from Spain in the year 2004, based on their own analysis. Their conclusion showed a relationship between social performance and financial performance. The relationship was non-linear but positive, which suggests that improving reputation could improve financial performance, but only to a certain point. While they do suggest there is a positive relationship

between these two factors, they believe it is very small and would have a minimal impact on the short term returns.

Another way a company can enhance corporate reputation is through projects that illustrate corporate social responsibility (CSR). Stephenson (2009) examined if CSR projects and business ethics policies provided a source of competitive advantage for that firm within the marketplace. Their results indicate the ability to derive a clear competitive advantage through the implementation of corporate social responsibility. However, like Moy's (1971) results, the CSR policies must be implemented throughout each level of the organization and fully embraced at all levels in order to gain a competitive advantage. Stephenson believes the implementation of a CSR program brings a significant number of challenges but find these challenges to be severely outweighed by the benefits from the implementation of the program. A clear advantage can be gained in key areas such as customer relationships and community relationships. CSR is a fairly new and ever expanding concept and the authors of this article believe their paper fully supports the pursuit of CSR programs throughout all levels of an organization.

There is a multitude of ways for a company to expand its reputation. While some investors may respect certain corporations, other companies may not get the same respect since investors have no idea of the nature of the projects these firms conduct. Like *Business Week's* survey of "Hot Growth Companies," many magazines publish different surveys of companies they have analyzed. Several of these publications focus on corporate reputation. Companies who are considered an admired firm have established a strong corporate reputation. *Fortune* magazine is a respected publication that publishes a yearly survey of the companies they consider the most admired firms. One of the first papers to analyze the impact the quality of a firm's management had on a firm's performance, based on a published survey, was done by McGuire, Schneeweis,

and Branch (1990). First, they analyzed the impact a firm's size had on the perception of management. Second, they analyzed the affect being deemed a "quality firm" had on financial performance. To measure firm quality, McGuire et al. used *Fortune* magazine's survey of corporate reputations. Using regression and correlation analysis, they found that measures of risk and return were most highly correlated with the perceived quality of a firm. They also found perceived quality was much more closely correlated with prior financial performance than it was to future performance. This suggests that being deemed a quality firm does not have significant implications of a firm's future success.

Each year, *Fortune* Magazine surveys the "Most Admired Firms." Filbeck, Gorman, and Preece (1998) investigated whether the most admired firms could provide an above average return to investors. Their results showed that a portfolio of *Fortune* magazine's "Most Admired Firms" outperforms the market and a portfolio of the least admired firms. Their findings reaffirm the idea that investing in the most admired firms will yield an above average return. Unlike past findings, their portfolio of the least admired firms did not outperform the market on a statistically significant basis.

Similar to Filbeck and Preece, Vergin and Qoronfleh (1998) investigated *Fortune's* "Most Admired Firms" survey. They discussed how superior leadership through a corporation's critical events could limit deterioration in the public's eye. They cited several critical events for specific corporations, such as the Exxon tanker spill, the Clinton administration's attack on Merck, and lawsuits filed against Phillip Morris. Besides the handling of company's critical events, they also attributed a firm's financial performance as being very important to public

perception. Their study indicates that future stock performance is directly related to a firm's reputation.

In an attempt to further analyze *Fortune* magazine's "Most Admired Survey" Antunovich, Laster, and Mitnick (2000) argued that high-quality firms yield above average returns. They found that a firm's reputation is an integral part of that firm's stock performance. Their findings show the most admired firms, companies that received the highest scores in *Fortune's* AMAC Survey, have higher returns than the least admired firms, companies that received the lowest scores in *Fortune's* AMAC Survey, for at least five years after the survey is published. This suggests that investors under react to firm quality in the short term, with the high quality firms showing above average returns for at least five years. *Fortune's* AMAC survey polls industry executives as well as industry analysts. The results show that industry executive's opinions are a better predictor of returns than industry analysts. This suggests that the executives are more informed than the analysts, who in turn are more informed than the general public.

Finally, Anderson and Smith (2006) updated the work done on *Fortune's* "Most Admired Survey" and also analyzed the idea that a great company is a great investment. They analyzed stocks of *Fortune* magazine's "Most Admired Companies" in the United States between 1983 and 2004. To their surprise, the stocks did outperform the S&P 500 by a statistically significant amount whether purchased on the date of publication or five, ten, 15, or even 20 trading days later. They did not offer a clear explanation for this anomaly, except that perhaps to beat the market, you must focus on the intangibles of a company. For those firms which were selected for the *Fortune* list, their intangibles clearly dominated their peers in the market.

While many researchers have found that investing in a portfolio of the stocks named in *Fortune's* "Most Admired Survey" will lead to increased returns, some researchers had conflicting results. Anginer, Fisher, and Statman (2008) expanded on the previous work of Anderson and Smith by including information from a longer time period than those who previously conducted similar studies. Anderson and Smith (2006) found a portfolio of admired firms would yield statistically significant positive returns, the results of Anginer, Fisher, and Statman contradicted these results. They constructed a portfolio of the most admired firms, companies with the highest long-term investment value which is a component of *Fortune's* AMAC survey, and compared them to a similar portfolio of the most despised firms, companies with the lowest long-term investment value score. Results varied from year to year and, with their analysis, they could not conclude that investing in a portfolio of the most admired firms was an investment strategy that would increase portfolio returns.

Agarwal, Taffler, and Brown (2007) attempted to expand the research on leadership and shareholder wealth using a database of ratings from a 14 year period, compiled from *Management Today's* survey of *Britain's Most Admired Companies*. They believed their unique access to *Management Today's* database would allow them to work with the quality of management variable directly, and not be constrained from using overall corporate reputation ratings. Their results supported previous research that firms with superior leadership underperformed firms with poor leadership. However, they also found that well-led firms have enhanced value due to higher profitability, ability to sustain superior operating performance for extended periods of time, and the reward of higher market valuation. They suggest superior leadership is efficiently valued by the market, which is the reason there appears to be a minimal relationship between management quality and subsequent returns.

Sarkar and Almudhaf (2005) analyzed the effect of being named to the *Forbe's* "400 Best Big Companies" list has on the market value of selected firms. They used a trading strategy based on the results of an event study, which aims to determine the purpose of abnormal returns associated with market events. They found holding a portfolio of the entire *Forbe's* list does show statistically significant abnormal returns. The returns following publication the *Forbe's* list are lower than the statistically significant abnormal returns seen on a pre-publication basis. Beyond this, they found a portfolio of the bottom ten of the top 400 outperformed the top ten firms for a 36-month post-publication period. They believe their results are consistent with findings of de Bondt and Thaler (1985), who studied over reaction within the marketplace.

Preece and Filbeck (2003) expanded their analysis of the impact on stock prices based on the annual survey published by *Working Mother's Magazine* regarding the "100 Best Firm's for a Working Mother." They compared the returns of a portfolio of family-friendly firms to the returns of a matched sample and the S & P 500. They concluded there is no statistically significant evidence that an investor will "do good by doing good." They concluded that investing in a portfolio of family-friendly firms will not do worse than a similar portfolio of non-family friendly firms. One possibility for this finding is that the cost of implementing these programs is significant and offsets the potential benefits realized through implementation.

Filbeck and Preece (2003) analyzed the returns of companies published on *Fortune's* "Best 100 Companies to Work For" survey to determine if a company's positive work environment has an impact on return for its shareholders. First, they performed an analysis of the market's reaction to the announcement, using the firm's share price as a metric. Following this test, they analyzed the firm's holding period returns. They determined that the market does value

a company being a great company to work at. They conclude that “satisfied employees may lead to satisfied shareholders.”

Edmans (2008) expanded on Filbeck and Preece’s analysis of Fortune’s “100 Best Companies to Work For” survey. She analyzed the relationship between employee satisfaction and long-run stock returns. Like Filbeck and Preece, she used a portfolio consisting of companies from *Fortune* magazine’s “100 Best Companies to Work For.” The portfolio earned a four-factor alpha, a score in which they adjust for overall market performance, firm size, value, and momentum, of 4% from 1984-2005 and outperformed industry as well as characteristics-matched benchmarks. Unlike Filbeck and Preece, she claims her results supported the idea that high levels of employee satisfaction will lead to superior long-run returns. She concludes these results stem from the market’s inability to properly incorporate intangible assets fully into stock valuations, regardless of the existence of such assets being verified by respected sources. She finds her results to be consistent with human relations theory, which states employee satisfaction will cause higher corporate performance. Her paper supports the notion of investors screening stocks based on this survey as well as the implementation of employee-friendly programs into the workplace.

Hogan, Curphy, and Hogan (1994) performed an analysis of what is known about leadership and how they view the importance of leadership in the future. They looked at leadership in the workforce in the coming years. Through their research they observed a shifting workforce and a shifting job market. With a shifting workforce, they believe there will be more competition to hire talent and to manage that talent. They see the abilities of the work force becoming even more important to the success of organizations as we move forward. As the type

of jobs America focuses on shifts, from manufacturing to service, managers will have to be able to manage a more diverse group of people. Also, as technology progresses, managers will be required to be more and more productive. These implications suggest the ability of leaders to effectively lead their employees will become increasingly important in years to come.

Ronald Moy (2004) reviewed Ware, Michaels and Primer's book entitled *Investment Leadership: Building a Winning Culture for Long-Term Success*. In the book, the authors attempted to analyze the factors that make a company great. The authors did not analyze a firm's balance sheet. Instead, they went deeper into the company and analyzed the intangibles that make a firm great. One test the authors analyzed firms was the Myers-Briggs Personality Test. This gave them an idea of the type of people a firm hired and the manner in which they process and make decisions. In the end, they concluded that the common thread between great firms can be summarized with the one word: culture. While the exact culture among these firms may vary, the important thing is that the firms remain loyal to their established culture in the best and worst of times. The culture must be expressed and embraced by all employees, and not just a saying people can read in the mission statement. As Moy put it, these firms must "walk the walk." Firms often undervalue intangibles that could make their company great. Instilling a solid culture throughout a firm could be the smartest and cheapest investment a company could make.

One way to determine desired leadership traits is to survey employees. Bloom and Reenen (2007) created a survey to analyze management practice data from 732 medium-sized manufacturing firms, located in the United States and Europe. Their results suggest there are significant advantages to firms that have better management. They see superior performance from these firms in several different categories: productivity, profitability, sales growth, and

survival. Their study also revealed significantly better managed firms within the United States compared to firms in Europe. While there are disparities between Europe and the United States, they noted much larger disparities between good and poorly managed firms within the individuals markets. They note two reasons for these poorly managed firms continued existence, low market competition and firms being passed down family lines through primogeniture. Overall, their results showed a positive correlation with having superior management. Results that they suggest shows workers prefer to work for firms with superior management, which leads to even greater success for the firm in the future.

Adams, Almeida, and Ferreira (2005) investigated the impact powerful CEOs have on corporate performance. Their sample consisted of a modified list of Fortune 500 companies between the years 1992-1999. They modified their list based on criteria established to determine the CEOs who yielded the most power over their corporation. Their results suggested firms where the CEO has the most power over the corporation; there will be more variability in their stock returns. Also, even though firms with the most powerful CEOs show high variability, their results also showed a statistically significant number of these firm's show the best performance. The study's results point to the importance of having a strong leader. A CEO inevitably has significant power over a company; companies must seek out the best leaders and attempt to train the best leaders to lead in the future. Adams, Almeida, and Ferreira showed the impact powerful CEOs have on stock prices.

Another way to test the impact a CEO has is to test company performance following a CEOs departure. Canella and Hambrick (1993) analyzed the effect the departure by top executives of acquired firms had on the firm's performance. The used a sample of 96

acquisitions that occurred between 1980 and 1984 and found that top executive departures had a significant negative impact on post-acquisition performance. Also, they found that providing a former top executive with a top management role in the newly combined firm leads to better post-acquisition performance. Their results suggest that the leadership ability of managers is an intangible that has an impact on a company's value. Decline in performance of a company due to departure of a leader shows the impact leadership has on a company. Regardless of the abilities as a leader, their experiences with that company over time add value to a company that cannot be overlooked.

Chang, Dasgupta, and Hilary (2010) updated the research done by Canalle and Hambrick (1993). They analyzed the impact of CEO departures between the years 1992 and 2002. They wanted to answer the question of whether CEOs really matter. Like Canella and Hambrick, they analyzed the impact a CEO's departure had on the company's stock price following the departure announcement. They noticed CEO departures generally have an impact on the valuation of a company. Their results suggest that differences between firms performance does not stem entirely from assets and other physical goods. They saw a direct relationship between the CEO and firm value.

A study was done by Tosi, Misangyi, Fanelli, Waldman, and Yammarino (2004) based on three characteristics: CEO charisma, their compensation, and the firm's performance. They obtained charisma ratings, compiled from company CFOs and VPs surveys, for Fortune 500 companies over a ten year period. Their results showed a direct relationship between charisma ratings and compensation, which suggests that charismatic CEO's can drastically influence their compensation. However, there was no direct relationship between CEO pay and firm

performance. This means, even though charismatic leaders may be paid more, they are not having a significant positive impact on the firm's performance. While actual firm performance may not be impacted by CEO's charisma, they did find evidence in times of uncertainty highly charismatic CEOs have the ability to maintain shareholder value or even boost the stock price absent of any physical evidence that the firm is better off.

As stated previously, CEOs with charisma often have the ability to win over public perception, and this ability could also lead to national recognition. Wade, Porac, Pollock, and Graffin (2006) used *Financial World's* recognition of "CEO of the Year" to analyze the impact such recognition has on compensation and firm performance. The award is based on criteria identified by key stakeholders as signs of credibility and legitimacy. Their theory was that CEOs who receive recognition will have a positive impact on the firm's future performance. Overall, they found recognized CEOs received higher compensation than those who were not recognized. As for performance, some positive abnormal returns were seen when awards were first announced. However, in the long-run they found a negative correlation between receiving the CEO of the Year Award and company returns. This suggests CEO awards caused the market to over react in the short-run and then reverse directions in the future.

Similar to Wade et al., Malmendier and Tate (2008) analyzed the impact "Superstar CEOs", CEOs who have received a significant award or national recognition, have on their company. They notice that CEO behavior following a significant award often changes: many write books, become more involved in the community, or even attempt to gain more power within the corporation. Their results suggest clear implications for shareholders of firms who have a "Superstar CEO." Malmendier and Tate found firms with this type of CEO see declining

stock performance and overall return on assets for a three year period following the award. They also observed when CEOs received significant recognition, they demanded higher compensation. Even though the firm may not do as well in the following years, the compensation they demanded increases significantly. Finally, involvement in activities that do not positively impact the company significantly increases. Award winning CEO's are asked to sit on outside boards, asked to speak at functions, and even have significantly lower golf handicaps than those non-award winning CEO's. While firms strive to have the best leadership, Malmeinder and Tate show that recognition of strong leadership could have an overall negative impact on a company.

Koh (2009) posed a similar question to Malmeinder and Tate, regarding the impact celebrity CEOs have on financial reporting and firm performance. He used a sample of 269 awards given between 1987 and 2003 to 189 different CEOs. Koh found celebrity CEOs reported financial losses in a more timely fashion than non-celebrity CEOs. Even prior to winning a distinguished award they report losses significantly faster than other CEOs and they even improved on this timeliness after winning the award. This supports Koh's claim that celebrity CEOs have a positive impact on financial reporting. He found some evidence that celebrity CEOs engage in less earnings management, which also supports the reporting of stronger financial statements. Koh also found significant evidence that supported firms with celebrity CEOs have abnormal cumulative average returns. Which he believes is due to a favorable market view of firm success under the celebrity CEO. Koh's results contradicted those of Malmeinder and Tate, with Koh finding CEOs who win awards lead to positive repercussions for their firm.

Similar to other surveys' *Chief Executive Magazine* publishes an annual list of the "Top 20 Companies for Leaders." Filbeck, Gorman, and Zhao (2009) examined the stock performance

of companies selected for their list. They analyzed the effect the announcement had on a named company's stock price as well as the holding period return between survey releases. Their findings did not suggest that the "Best Leaders" firms outperformed a matched sample or the S&P 500 Index based on multi-period holding periods. However, in difficult economic times, firms deemed "Best Leaders" were found to outperform the matched sample on a raw and risk-adjusted basis. While these may be beneficial at times to shareholder's wealth, they could not conclude the actions of an individual leader have an impact on shareholder's wealth.

Clayman (1987) performed a study of excellent companies versus "unexcellent" companies. As a basis for excellent companies she used the 1981 publication of *In Search of Excellence* magazine's survey of 29 companies they deemed as excellent. The publication identified excellent companies based on observer's judgment of their innovativeness and excellence. Companies identified were then screened based on six financial measures: asset growth, equity growth, average ratio of market value to book value, average return on total capital, return on equity, and return on sales. Clayman claimed she went "in search of disaster." She located the 36 companies with the worst combination of the six financial measures at the end of 1980. She analyzed and compared both lists over a four year period, her results were rather shocking. She found about fifty percent of the companies identified as excellent performed worse overall and about fifty percent performed better. Among the companies she identified as "unexcellent," she saw a slightly higher increase in overall performance. In fact, 36 of the 39 companies that were considered "unexcellent" saw an upward shift in their market-to-book ratios. She identified this as the most shocking and important result of her study. Clayman believes this suggest a "reversion to the mean," in which economic forces causes new market participants to enter a lucrative industry and other companies to leave low-return industries.

As previously mentioned, there are several publications that deem CEOs superior to their counterparts. One extremely respected survey is *Barron's* "The World's Best CEOs" survey. Similar to the Clayman article, this paper will use *Barron's* survey as the basis for determining which companies are excellent. Also, this paper will use similar screens to Clayman's in order to determine a portfolio of "unexcellent" companies to compare the Top CEO portfolio to. Finally, similar to the work done by McGuire, Schneeweis and Branch, this paper will use seven basic accounting measures to analyze each portfolios financial performance.

Hypothesis:

This paper will address the following question: Does having a superior CEO lead to a firm having superior financial performance? In order to analyze this question, this paper will test two different sets of data, that can be assumed are fair measures of the leadership of an organization. The first test will be done using the returns a portfolio of “great” companies, named in *Barron’s* “World’s Best CEOs” survey, would have, compared to a portfolio of “unexcellent” counterparts, matched companies termed “unexcellent” based on criteria to follow.

H₀: The returns of a portfolio of Top CEO Companies will have a greater than or equal return to a portfolio of “unexcellent” counterparts

H_a: The returns of a portfolio of Top CEO Companies will have lower returns than a portfolio of “unexcellent” counterparts

This paper will then test the correlation between seven basic financial measures within a portfolio of Top CEO Companies versus a portfolio of “unexcellent” companies.

H₀: The financial measures of a portfolio of Top CEO Companies and a portfolio of “unexcellent” will have equal correlation throughout seven key financial measures

H_a: The financial measures of a portfolio of Top CEO Companies and a portfolio of “unexcellent” companies will not have equal correlation throughout seven key financial measure

Sample Section:

This paper will test a portfolio of companies with a superior CEO versus a portfolio of companies with “unexcellent” CEOs using *Barron’s* survey of “The Most Respected CEOs” as the basis for the portfolio of the top thirty companies. In order to compare the Top CEO companies to thirty similar companies matched companies will be screened on two levels: market share (+/- 40% compared to Top CEO Companies) and the company can never have appeared on the Top CEO survey. Using these screens, the “unexcellent” companies will be determined using pre-publication measures of 1-year return, 5-year return, and 5-year earnings per share growth. From the pool of companies that meet the requirements, the company with the lowest overall “score” from the earnings measures will be deemed the worst companies. This score will be determined by ranking each stock according to 1 year return, 5 year return, and 5 year earnings per share growth, and adding these three rankings together. The companies with the lowest score will be selected. Originally, the plan was to add these three base metrics together, however due to volatility this measure would not be accurate. For example, some of the measures are extremely volatile, most especially the 5 year earnings per share growth. This volatility can have an extreme impact on the calculations. If a firm has a one year return of 8%, a past five year return of 18% and a 5 year EPS growth rate of 600%, the EPS growth will weigh most heavily on selection. Survey firms that are not publicly traded or that do not have data available on the WRDS databases, using CRSP and COMPUSTAT, their information are eliminated from the potential sample.

The paper will analyze the data based on several factors. The first analysis will be done under the assumption shareholders invest in the company on the date of publication and

rebalance their portfolio each year that the survey is published. This assumption means the portfolio will change each year, with this change the “unexcellent” portfolio will be screened against the new list of Top CEO Companies. This paper will compare the annual returns of the excellent portfolio versus the return of the “unexcellent” portfolio. It will determine the average return of an equally weighted portfolio as well as the standard deviation to determine the statistical significance of the results. Following yearly analysis, the paper will analyze the cumulative return resulting from rebalancing the portfolio following annual publication. This paper will compare the average returns and standard deviations of each portfolio. These two measures will show if there is an advantage to investing in companies that have a Top CEO or if there is an advantage to investing in their underperforming counterparts.

Following this analysis, this paper will use seven basic accounting measures to analyze each portfolios financial performance. The following accounting measures will be used: debt to assets, return on assets, average assets, sales growth, operating leverage, assets growth, and income growth. These seven measures were used to analyze a firms accounting performance in a similar study done by McGuire, Schneeweis, and Branch (1990). This paper will use correlation analysis to determine the relationship between being a Top CEO company and an “unexcellent” company.

Data:

The data is collected based on *Barron's* annual publication of "The Most respected CEOs." *Barron's* began publishing the survey in 2005. Each year, they remind their audience that there is no statistical formula to their list. They obtain it by talking to polling professionals in the industry to determine who they view as the Top CEOs in the world; from this sample they perform some basic undisclosed analysis. In each article they do publish, among other measures, each company's 1 year return, 5 year return, and 5-year EPS growth. This paper will use these three measures to determine the top company's respective counterpart within their industry, the "unexcellent" companies. The potential matched companies will be screened based on two characteristics, as previously discussed.

Originally, the screens for each company was based on SIC code and pair each company with its appropriate counterpart on the *Barron's* survey list. However, SIC code and market share limited the possible number of matching stocks. The best CEOs usually have large market cap, matching based on company size still gives a good representation of CEO responsibilities and pressure, regardless of specific industry. In addition, some "unexcellent" firms may be matched more than once annually with an excellent counterpart. In this situation the repeated company would be included once, and the next best match would be included to replace an already included company. Each Top CEO Company and their matching "unexcellent" counterpart can be seen in Table 1.

After determining the worst companies, based on the "score" system described above, we will conduct a forward looking analysis of the two lists. The paper will analyze a one-year holding period for each company; from publication date to the next year's publication date. Over

this period, the monthly returns for each company will be collected, at which point an average of the twelve month period are used to determine the holding period return. Then, seven additional accounting measures are used to analyze the post publication financial performance. This data is collected for each company in the same manner as earnings data, using the data as a forward looking measure to analyze post-publication performance. As stated earlier, data for companies in the 2009 survey may not be available in this paper's time horizon, however we will still screen the list.

Results:

The results of the investing in an equally-weighted portfolio of Top CEO Companies and “unexcellent” counterparts are presented in Table 2. In every year except 2007, the “unexcellent” portfolio had higher returns than the Top CEO portfolio. In 2005 the “unexcellent” portfolio had a return of 11.98% compared to a return of 1.92% for the Top CEO portfolio. The Top CEO had an even lower return in 2006, at 0.28%, while the “unexcellent” portfolio returned 9.87%. The next year, 2007, both portfolios had negative returns, with the Top CEO Portfolio having a less negative return at -7.67% compared to the -10.85% return of the “unexcellent” portfolio. In 2008, both portfolios’ returns remained negative. However, the “unexcellent” portfolio began to outperform the Top CEO portfolio again, with returns of -5.24% and -9.21% respectively. 2009 saw significant increases in both portfolio returns, the “unexcellent had almost double the Top CEO Portfolio with a return of 120.08% compared to 59.66%.

In years, 2005 and 2009 the differences between the two portfolios were statistically significant at the 10% level for a one-tailed t-test, with p-values of .0555 and .0773. In 2008, the difference between the two portfolios was significant at the 5% level, with a p-value of .0253. In these three years, it can be assumed that the differences in these two portfolios were not random and grouping the two portfolios based on our assumptions had an impact on the returns a potential investor would have seen. In 2006 and 2007 the results were not significant at even the 10% level, 2006 had a p-value of .1169 and 2007 had a p-value of .3059. These results suggest any differences noted in the returns of the portfolios could have happened at random and the grouping requirements would not have had a significant impact on the returns a potential investor

would have observed. The three years in which the p-values were significant at the 10% or 5% level the “unexcellent” portfolio outperformed the Top CEO portfolio.

The overall five –year return a potential investor would have earned had they rebalanced their portfolio each year on the publication date of the survey was also tested. The simple holding period returns for the Top CEO companies showed a return of -10.59%, while the “unexcellent” portfolio” showed a positive return of 11.61%. The raw returns show a significant difference in potential returns; these results also have a p-value at .00456. This suggests the results are significant at the 1% level and that a potential investor could have seen a significantly higher return investing “unexcellent” companies compared to equal investment in a portfolio of Top CEO Companies.

These results reject this papers null hypothesis, that the returns of a portfolio of Top CEO Companies will have a greater than or equal return to a portfolio of “unexcellent” companies. This papers results supports investing in a portfolio of “unexcellent” companies, rather than investing in a portfolio of Top CEO Companies. The findings in this paper support Clayman’s (1987) findings. As stated earlier, she compared 29 companies identified as excellent by *In Search of Excellence* magazine. She matched up her “unexcellent” portfolio in a similar manner as we did. Her “unexcellent” portfolio significantly outperformed their excellent counterparts, and even outperformed S&P 500 by 12.45% annually. Clayman contributes these surprising results to “a clear example, of reversion to the mean.” She attributes this to a properly functioning marketplace, in which new competitors are attracted to markets by the potential for high returns and others are encouraged to leave markets that are not providing sufficient returns

(Clayman 61). On top of this, she believes excellent companies underperform due to the market over-anticipating future growth and future return possibilities (Clayman 63).

Similar to Clayman, we believe a significant portion of these results can be attributed to the market over-estimating the potential of a Top CEO company. Being named a Top CEO comes with a significant amount of pressure, the public is now aware of every decision you make. Initially, they may be optimistic about the year following the announcement. However, if the CEO is unable to match the media hype, their stock price will suffer. The optimism could quickly become pessimism. On the opposite end of the spectrum, companies selected to our “unexcellent” portfolio were companies who had seen the worst returns in the market. Expectations for them were extremely low; any positives achieved by these companies could have been met with extreme optimism from the public. The very different expectations for the individual corporations, paired with strong market reactions could have been a contributing factor to the differing returns observed between the two portfolios.

After performing analysis on the returns of these portfolios, the portfolios were analyzed again based on the correlation between seven financial measures. Results of correlation analysis can be found in Table 3. Several of the measures show statistically significant correlation in both the Top CEO portfolio and the “unexcellent” portfolio. Out of 21 possible statistically significant relationships, ten of the relationship in the Top CEO portfolio show statistical significance, while only seven of 21 relationships in the “unexcellent” portfolio show statistical significance. Within the Top CEO portfolio there are three relationships significant at the 10% level: ROA and Debt/Assets, Sales Growth and ROA, Assets Growth and Sales Growth. The Top CEO portfolio has three relationships that are significant at the 5% level: Sales Growth and Average Assets,

Operating Leverage and Average Assets, and Income Growth and Average Assets. Finally, there are four relationships that are significant at the 1% level: Sales Growth and Debt/Assets, Average Assets and ROA, Sales Growth and Income Growth, Operating Leverage and Income Growth. The portfolio of “unexcellent” companies only has two relationships that are statistically significant at the 10% level: Income Growth and ROA, Income Growth and Assets Growth. In the “unexcellent” portfolio there are also only two relationships significant at the 5% level: ROA and Debt/Assets, Sales Growth and Average Assets. In conclusion, there three relationships significant at the 1% level: Average Assets and Debt/Assets, Income Growth and Debt/Assets, Assets Growth and ROA.

While both have a similar amount of statistically significant correlations, there are only two matching relationships that are statistically significant in both portfolios: Debt/Assets to ROA and Average Assets to Sales Growth, this can be seen in Table 4. The correlation between Debt/Assets and ROA in both portfolios is positive, highlighted in gray in the table. However, the correlation between average assets and sales growth is positive for the “unexcellent” portfolio and negative for the Top CEO portfolio. Table 5 highlights the correlations that show statistical significance in each portfolio, but is not statistically significant in the other portfolio. There are eight correlations that are statistically significant amongst the Top CEO companies and not in the “unexcellent” companies. As for the “unexcellent” companies, there are five correlations that show statistical significance amongst these companies and are not significant for the Top CEO companies. These findings support this papers alternate hypothesis, the financial measures of a portfolio of Top CEO Companies and a portfolio of “unexcellent” companies will not have equal correlation throughout the seven key financial measures.

Table 3 indicates the correlation and statistical significance of each correlation. There is higher significant correlation throughout the Top CEO data. This is most evident in the sales growth. Five of the six relationships show significant correlation, while only one of the “unexcellent” matches shows significant correlation. This suggests when evaluating a Top CEO, an important category is the impact they have had on a company’s sales. While increased may indicate good performance by a CEO, the most important goal for any CEO should be increasing the value of the company for stakeholders. If CEOs focus on the sales of a company, they may be overlooking true value adding projects. This is indicated by the lower returns of Top CEO Companies, discussed earlier. If CEOs have the potential to be identified as a Top CEO based on sales growth, their incentives could be skewed. Another item that is evident from Table 3 is the relationship between Top CEOs and Average Assets. Four of the six correlations show statistical significance, compared to only two of the six in the “unexcellent” portfolio. Again, this indicates CEOs have an incentive to increase company’s assets each year. Like sales growth, this is a respectable goal, however increasing assets should not come at the expense of shareholder wealth. The relationship of Average Assets and Sales Growth suggests CEOs that improve these figures are perceived as great, while they may not be achieving the most basic function of their jobs: increasing shareholder wealth.

Conclusions:

In this paper we have investigated the effects of having a Top CEO on a company's returns and financial performance. We found that companies led by the World's Best CEOs do not see higher returns than matched "unexcellent" companies. The rebalanced portfolio of "unexcellent" companies sees higher holding period returns, and statistically significant higher returns over the five year period. However, we also found that correlation amongst seven basic financial measures that are a fair judge of firm performance, are much highly correlated to firms with a Top CEO, then to firms who are considered "unexcellent," which could be due to skewed incentives for Top CEOs. Being named a Top CEO could cause the CEOs to focus on different accounting measures rather than maximizing shareholder wealth. While this research is interesting and adds to our understanding of firms deemed to be run by a Top CEO, more research would need to be done to indicate the impact a CEO has on shareholder's wealth. *Barron's* claims there is no statistical formula to their survey each year, however some of the measures analyzed for correlation could serve as a proxy. Future research could be done using more in depth financial analysis and a similar survey to compare the results.

Tables and Charts:

Table 1: Matched Ticker Symbol's for Top CEO and "Unexcellent" Companies

2005	
<u>Top CEO</u>	<u>Match</u>
AAPL	FON
ADSK	CNA
BP	VIA
BRK	T
BRK	SBC
COH	MEDI
CFC	CCU
E	IMN
ERTS	AT
XOM	MSFT
GE	C
HSY	INTC
JNJ	SWY
LEH	AMAT
LXK	USB
NSANY	VZ
PEP	WYE
PGR	GPS
RYAAY	UIS
TOL	BEAS
TM	CMCSA
VNO	XLNX
WIT	KMG
WWY	MWV
XTO	MMC
XRX	EDS

2006	
<u>Top CEO</u>	<u>Match</u>
AAPL	VIA
MT	SEBL
BP	TXN
BRK	AMGN
BRK	CCU
COH	GM
CFC	KR
DNA	PFE
GE	MSFT
LM	MMC
LEH	S
NJ	CBM
PEP	AIG
PG	WMT
PGR	LLY
RYAAY	HUN
SAP	UIS
TESOF	QLTI
TOL	AMIS
UTX	DOW
VNO	XL
WFC	KO
WFMI	MWV
XTO	PPG
XRX	LLY

2007	
<u>Top CEO</u>	<u>Match</u>
AAPL	TYC
MT	BSX
BRK	T
BRK	FNM
BLK	GM
COH	CA
CFC	CBS
DISH	IPG
EXPD	EK
FDX	FRE
GE	MSFT
LEH	CCE
NWS	EMC
NWS	CALD
PG	PFE
RYAAY	WPI
SAP	TPC
TESOF	AGII
UTX	NWL
VNO	T
WFC	CCE
WFMI	CALD
XTO	AMAT

2008	
<u>Top CEO</u>	<u>Match</u>
AAPL	WMT
MT	C
BRK	AMGN
BRK	AIG
BLK	BSX
CAJ	CNO
CSCO	BAC
COH	SLM
DE	S
DISH	PWE
EXPD	CA
FDX	CMCSK
GE	SWY
HPQ	COP
IBM	KO
MRK	DOW
MON	HD
PG	WMT
RIMM	MS
RYAAY	WEN
SAP	RF
TESO	FBCM
XTO	PPG

2009	
<u>Top CEO</u>	<u>Match</u>
ABT	BAC
AMZN	TWC
AAPL	LLY
MT	C
BRK	INTC
BRK	TWX
BLK	BSX
CAJ	SOV
CSCO	AMGN
DTV	MER
XOM	MSFT
FDO	CMCSK
FDX	TYC
DNA	C
HPQ	PFE
IBM	T
JPM	KO
MCD	DB
MON	CIM
PG	IP
RIMM	TWX
RYAAY	GCI
TSM	SKIL
TESO	VTG

Table 2: t-Test Paired Two Sample for Means Results

2005		
	<i>Top CEO Return</i>	<i>Unexcellent Return</i>
Mean	0.019179637	0.119829447
Variance	0.083352835	0.047523775
Observations	25	25
Pearson Correlation	0.304475172	
Hypothesized Mean Difference	0	
df	24	
t Stat	-1.654223396	
P(T<=t) one-tail	0.055551842*	
t Critical one-tail	1.710882067	
P(T<=t) two-tail	0.111103684	
t Critical two-tail	2.063898547	

2006		
	<i>Top CEO Return</i>	<i>Unexcellent Match</i>
Mean	0.002791826	0.098785864
Variance	0.097108669	0.029670675
Observations	22	22
Pearson Correlation	-0.076275635	
Hypothesized Mean Difference	0	
df	21	
t Stat	-1.225576194	
P(T<=t) one-tail	0.11696302	
t Critical one-tail	1.720742871	
P(T<=t) two-tail	0.233926039	
t Critical two-tail	2.079613837	

*=	Significant at 10% Level
**=	Significant at 5% Level
***=	Significant at 1% Level

2007		
	<i>Top CEO</i>	<i>Unexcellent Matches</i>
Mean	-0.076727763	-0.108455673
Variance	0.044493956	0.055894016
Observations	20	20
Pearson Correlation	0.247562895	
Hypothesized Mean Difference	0	
df	19	
t Stat	0.515725777	
P(T<=t) one-tail	0.30599761	
t Critical one-tail	1.729132792	
P(T<=t) two-tail	0.61199522	
t Critical two-tail	2.09302405	

2008		
	<i>Top CEO</i>	<i>Unexcellent Matches</i>
Mean	-0.921161897	-0.524989207
Variance	0.630945069	0.093029698
Observations	23	23
Pearson Correlation	-0.249655561	
Hypothesized Mean Difference	0	
df	22	
t Stat	-2.066970519	
P(T<=t) one-tail	0.025351475**	
t Critical one-tail	1.717144335	
P(T<=t) two-tail	0.050702949	
t Critical two-tail	2.073873058	

*=	Significant at 10% Level
**=	Significant at 5% Level
***=	Significant at 1% Level

2009		
	<i>Top CEO</i>	<i>Unexcellent Matches</i>
Mean	0.596631726	1.200834043
Variance	0.15027483	2.651284676
Observations	18	18
Pearson Correlation	-0.127051445	
Hypothesized Mean Difference	0	
df	17	
t Stat	-1.489462986	
P(T<=t) one-tail	0.077341901*	
t Critical one-tail	1.739606716	
P(T<=t) two-tail	0.154683801	
t Critical two-tail	2.109815559	

Compilation 2005-2009		
	<i>Top CEO Return</i>	<i>Unexcellent Return</i>
Mean	-0.105935155	0.116112711
Variance	0.431397739	0.762543349
Observations	108	108
Pearson Correlation	0.382792501	
Hypothesized Mean Difference	0	
df	107	
t Stat	-2.656018269	
P(T<=t) one-tail	0.004558025***	
t Critical one-tail	1.659219312	
P(T<=t) two-tail	0.00911605	
t Critical two-tail	1.982383312	

*=	Significant at 10% Level
**=	Significant at 5% Level
***=	Significant at 1% Level

Table 3: Correlation Results

Top CEO							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.5349 ***	0.1257	-0.1879 *	-0.1001	-0.0330	-0.1449
ROA	-0.5349 ***	1.0000	-0.2972 ***	0.4198 ***	-0.1339	0.1312	0.1690
Average Assets	0.1257	-0.2972 *	1.0000	-0.2227 **	0.2176 **	-0.1158	-0.2547 **
Sales Growth	-0.1879 *	0.4198 ***	-0.2227 **	1.0000	-0.1111	0.4669 ***	0.1828 *
Operating Leverage	-0.1001	-0.1339	0.2176 **	-0.1111	1.0000	-0.0602	-0.1843 *
Assets Growth	-0.0330	0.1312	-0.1158	0.4669 ***	-0.0602	1.0000	0.0618
Income Growth	-0.1449	0.1690	-0.2547 **	0.1828 *	-0.1843 *	0.0618	1.0000

Unexcellent Matches							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.2522 **	0.1982 *	-0.0897	0.0173	-0.0795	-0.1982 *
ROA	-0.2522 **	1.0000	-0.0438	-0.0385	-0.0985	0.1990 *	0.5064 ***
Average Assets	0.1982 *	-0.0438	1.0000	0.2630 **	-0.0431	0.1857	0.0602
Sales Growth	-0.0897	-0.0385	0.2630 **	1.0000	-0.0180	0.0175	0.0240
Operating Leverage	0.0173	-0.0985	-0.0431	-0.0180	1.0000	-0.0235	0.0022
Assets Growth	-0.0795	0.1990 *	0.1857	0.0175	-0.0235	1.0000	0.4034 ***
Income Growth	-0.1982 *	0.5064 ***	0.0602	0.0240	0.0022	0.4034 ***	1.0000

*= Significant at 10% Level
 **= Significant at 5% Level
 ***= Significant at 1% Level

Table 4: Similar Statistically Significant Relationships

Top CEO							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.5349 ***	0.1257	-0.1879 *	-0.1001	-0.0330	-0.1449
ROA	-0.5349 ***	1.0000	-0.2972 ***	0.4198 ***	-0.1339	0.1312	0.1690
Average Assets	0.1257	-0.2972 *	1.0000	-0.2227 **	0.2176 **	-0.1158	-0.2547 **
Sales Growth	-0.1879 *	0.4198 ***	-0.2227 **	1.0000	-0.1111	0.4669 ***	0.1828 *
Operating Leverage	-0.1001	-0.1339	0.2176 **	-0.1111	1.0000	-0.0602	-0.1843 *
Assets Growth	-0.0330	0.1312	-0.1158	0.4669 ***	-0.0602	1.0000	0.0618
Income Growth	-0.1449	0.1690	-0.2547 **	0.1828 *	-0.1843 *	0.0618	1.0000

Unexcellent Matches							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.2522 **	0.1982 *	-0.0897	0.0173	-0.0795	-0.1982 *
ROA	-0.2522 **	1.0000	-0.0438	-0.0385	-0.0985	0.1990 *	0.5064 ***
Average Assets	0.1982 *	-0.0438	1.0000	0.2630 **	-0.0431	0.1857	0.0602
Sales Growth	-0.0897	-0.0385	0.2630 **	1.0000	-0.0180	0.0175	0.0240
Operating Leverage	0.0173	-0.0985	-0.0431	-0.0180	1.0000	-0.0235	0.0022
Assets Growth	-0.0795	0.1990 *	0.1857	0.0175	-0.0235	1.0000	0.4034 ***
Income Growth	-0.1982 *	0.5064 ***	0.0602	0.0240	0.0022	0.4034 ***	1.0000

*= Significant at 10% Level

**= Significant at 5% Level

***= Significant at 1% Level

Table 5: Correlation Results with Highlighted Differences

Top CEO							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.5349 ***	0.1257	-0.1879 *	-0.1001	-0.0330	-0.1449
ROA	-0.5349 ***	1.0000	-0.2972 ***	0.4198 ***	-0.1339	0.1312	0.1690
Average Assets	0.1257	-0.2972 *	1.0000	-0.2227 **	0.2176 **	-0.1158	-0.2547 **
Sales Growth	-0.1879 *	0.4198 ***	-0.2227 **	1.0000	-0.1111	0.4669 ***	0.1828 *
Operating Leverage	-0.1001	-0.1339	0.2176 **	-0.1111	1.0000	-0.0602	-0.1843 *
Assets Growth	-0.0330	0.1312	-0.1158	0.4669 ***	-0.0602	1.0000	0.0618
Income Growth	-0.1449	0.1690	-0.2547 **	0.1828 *	-0.1843 *	0.0618	1.0000

Unexcellent Matches							
	<i>Debt/Assets</i>	<i>ROA</i>	<i>Average Assets</i>	<i>Sales Growth</i>	<i>Operating Leverage</i>	<i>Assets Growth</i>	<i>Income Growth</i>
Debt/Assets	1.0000	-0.2522 **	0.1982 *	-0.0897	0.0173	-0.0795	-0.1982 *
ROA	-0.2522 **	1.0000	-0.0438	-0.0385	-0.0985	0.1990 *	0.5064 ***
Average Assets	0.1982 *	-0.0438	1.0000	0.2630 **	-0.0431	0.1857	0.0602
Sales Growth	-0.0897	-0.0385	0.2630 **	1.0000	-0.0180	0.0175	0.0240
Operating Leverage	0.0173	-0.0985	-0.0431	-0.0180	1.0000	-0.0235	0.0022
Assets Growth	-0.0795	0.1990 *	0.1857	0.0175	-0.0235	1.0000	0.4034 ***
Income Growth	-0.1982 *	0.5064 ***	0.0602	0.0240	0.0022	0.4034 ***	1.0000

*= Significant at 10% Level
 **= Significant at 5% Level
 ***= Significant at 1% Level

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EDUCATION

The Pennsylvania State University, The Behrend College, Erie, PA

The Schreyer Honors College

B.S. Finance with Honors in Finance, Minor in Economics

Thesis: Does Superior Leadership Lead to Superior Performance?

Thesis Advisor: Dr. Greg Filbeck

PROFESSIONAL EXPERIENCE

PNC Financial Services Group, Pittsburgh, PA

Real Estate Finance Summer Intern – Summer 2010

- Completed full loan analysis and end of internship presentation to CEO
- Performed account management during National City merger
- Aided management with loan analysis

Meaden & Moore, Cleveland, OH

Summer Analyst – Summer 2009

- Completed several annual inventory with senior members
- Learned process and completed on site audits
- Completed tax returns and other projects for management

LEADERSHIP EXPERIENCE

Schreyer Honors College – Encourages academic excellence, global perspective, leadership and civic engagement

Beta Gamma Sigma – The International Honors Society for Collegiate Schools of Business

Omicron Delta Kappa – National leadership and honor society for college students

Lambda Sigma – National honor society for second year students dedicated to fostering leadership, scholarship, fellowship and service.

Penn State Summer Leadership Conference 2008 – Three-day conference that brings Penn State student representatives together from across the commonwealth.

PSU Behrend Honors Program Assistant – Planned academic programs and recruitment programs for Behrend Honors students

HONORS

Black School of Business Student Marshall – Achieved the highest grade point average in the Black School of Business

Even Pugh Senior Scholar Award – Top 0.5% of Penn State University Senior Class

Even Pugh Junior Scholar Award – Top 0.5% of Penn State University Junior Class

Behrend Finance Award- Most outstanding finance student

Kenneth L. Spencer Award – Outstanding academic performance within the Black School of Business

The President Sparks Award

The President's Freshmen Award

Outstanding First Year Student – Behrend – recognizes a first year student who demonstrates outstanding promise of character, scholarship, leadership, and citizenship, through achievements in the first year of study.

ACTIVITIES

Behrend Varsity Soccer

- Four year varsity soccer player
- Member of the most winning senior class in Behrend Soccer History
- Competed in NCAA Division Three Men's Soccer Championship
- Won 2009 ECAC Men's Soccer Tournament
- Four year AMCC Academic All-Conference

TOPS Soccer Program

- Paired with handicap child from Erie community
- Help child learn to play soccer and build relationship