A Study on the Impact of Manager's Personality on the financial performance of BSE 100 listed companies in India

Dr. Krunal Soni

Associate Professor, Department of Management Studies, GSFC University, Vadodara

---***---

Abstract

A manager is a pivotal figure who has the ability to expedite the achievement of organisational objectives. Due to the unique historical backgrounds and individual traits possessed by managers, each manager's influence on organisational performance is distinct, resulting in the absence of similar managerial profiles. The primary objective of this research is to demonstrate a correlation between the attributes of managers and their significant impact on the financial performance of firms listed on the BSE 100. The study also focused on identifying the key factors that contribute to the company's enhanced financial performance while considering the demographic characteristics of the managers. These characteristics include age, gender, educational background, total tenure in the BSE 100 listed firms, and total tenure in the specific organisation within the BSE 100 listed firms. The variables in question are considered to be independent parameters of the research. The research used return on equity and return on assets as dependent variables to assess the financial performance of the individual firms, therefore reflecting the fundamental elements that determine their financial success. The research progresses by conducting a comprehensive examination of the existing body of literature with the purpose of identifying earlier studies and using their findings to choose the crucial variables that will enable the researcher to assess the impact of management qualities on the financial performance of enterprises listed on the BSE 100. Following a comprehensive and rigorous review of the existing literature, the study proceeded to determine the optimal research approach with regards to sample size determination, selection of research methodology, sampling design, and other relevant factors. This particular study presents a comprehensive overview of the chapter organisation and the necessary pre-submission chores for the project.

Key Words: *Return on Assets (ROA), Return on Equity (ROE), managers Traits, Financial Performance, BSE 100 listed Companies.*

1. Introduction

According to Alice et al. (2000), the responsibility of authorising these initiatives and making crucial decisions that shape the company's vision and direction lies with the manager. On the other hand, top management personnel focus on individual tasks and team objectives, providing strategic guidance to accomplish the organization's overarching goal. According to Daellenbach et al. (1999), managers have a crucial role in the daily planning, innovation, cost-cutting, and strategic direction of a firm. They function as a filtering mechanism or mirror image, influencing their perception and interpretation of facts based on their cognitive behaviour and personal values. It is widely accepted among academics that the talents and aptitude of managers have a certain degree of effect on the success of a business. However, there are numerous schools of thought on this matter, and there is little evidence to indicate which specific management traits are crucial for a firm's performance. This raises the inquiry as to whether the personal characteristics of a manager are crucial to the success of a firm in today's competitive market. The subject matter of this study is not entirely novel; yet, there are some distinguishing factors that set it apart from previous investigations.

Agency theory provides an explanation for the interrelationship between the agent and the principal. In contrast to shareholders, senior managers are often seen as agents rather than principals. The objectives and preferences of the management may diverge from those of the owners due to the purported self-interested nature of the agent. The underlying principle of this perspective is that agents, in the absence of an effective governance structure, would act in a self-interested manner and use their better knowledge of the company or marketing to their own benefit, disregarding the interests of the owners (Miller & Sardis, 2011). According to Jensen and Meckling (1976), proponents of the theory argue that losses occur when agents do not take appropriate actions or fail to respond in a manner that would be advantageous to the shareholders.

However, as stated by Donaldson and Davis (1991), it is argued that the best way to serve the interests of owners is to ensure that the manager does not hold both the positions of chairman and chief executive officer. Alternatively, an effective incentive structure can be implemented to align the manager's interests with those of the shareholders. The stewardship paradigm, on the other hand, posits that managers possess qualities of sincerity, collectivism, and responsibility towards the resources of the organisation (Davis et al., 1997).

2. Literature Review

Literature Review covers several parameters for the traits of manager which have been taken into the consideration i.e., Age of manager, Gender of manager, Experience as a role of manager in the BSE 100 listed companies.

2.1. Characteristics of manager and firm's performance of listed companies

- **Based on the Age Factor**

Extensive scholarly work has been dedicated to examining the significance of a manager's age in relation to the performance of a corporation. According to Child (1974), academics have asserted that older managers have diminished cognitive and physical capabilities compared to their younger colleagues and display a greater inclination towards risk aversion. The assertion put forth by McCrimmon and Wehrung in 1990 posits that the propensity of executives to exhibit risk aversion tends to increase as they advance in age. Academically, individuals of this kind often exhibit a preference for stable income streams as opposed to initiatives that carry higher levels of risk but potentially provide greater rewards. Moreover, Chown (1960) asserts that senior managers have a decreased propensity to adopt unique modifications due to their difficulties in generating innovative ideas. Numerous academic inquiries have been conducted to examine the influence of ageing on a company's financial performance. According to research conducted by Ali et al. (2022), there exists a positive correlation between a company's performance and many factors like the age, tenure, ownership, financial education, and professional experience of its managers. Additionally, it was shown that managers who have maintained their posts for an extended duration, possess advanced age, and hold a significant quantity of ownership exhibit superior performance.

- **Based on the Gender factor**

Contemporary political discourse and literary works have increasingly shifted their attention towards the exploration and examination of gender diversity. Many countries have implemented quotas mandating a certain proportion of female representation on corporate boards. The authors assert that it is essential to provide women with opportunities to assume executive positions inside the organisation. In the study conducted by Smith, Smith, and Verner (2006), a positive link was seen between gender diversity and the achievement of business success. Women often exhibit a range of decision-making techniques in the context of investments, enhancing the board's capacity for effective monitoring. In contrast, Barber and Odean (2001) said that males, despite being aware of prospective investment prospects, exhibit more confidence in their investment decisions and engage in more frequent trading activities compared to women.

- **Based on the total time Spend in the company**

There exists a divergence of opinions among scholars about the impact of a manager's tenure on the operational outcomes of firms. While many individuals argue that there is no correlation between the length of a manager's tenure and the profitability of a firm, others assert that there is a clear connection between the longevity of executives and the performance of the organisation. According to Schwenk (1993), managers who possess a longer tenure inside a firm are more adept at comprehending its successful strategy due to their increased access to information, enhanced decision-making authority, and accumulated knowledge. This may potentially empower people to exercise more agency in difficult situations. The long-term presence of managers is expected to contribute to the overall performance of the firm. According to Cho et al. (2019), there exists a positive correlation between the tenure of managers and environmental performance.

2.2. Review on Company Financial Performance

The determination of the value of a company's money may be contingent upon its size. The magnitude of a firm's growth is positively correlated with its level of financial prosperity and managerial proficiency. Huang (2006) asserts that big corporations often exhibit a higher degree of cash flow dependability. While the prevailing consensus acknowledges the notion of giant organisations being "too big to fail," Chen (2004) posits that this assumption may not universally hold true. According to Ross et al. (2010), economies of scale refer to the financial advantages gained by big firms via the reduction of production costs per unit as output levels increase (p. 916). The sizing of businesses is determined by the application of the natural logarithm (Ln) to their aggregate assets, as stated by Setiawan and Rachmansyah (2017).

3. Methodology of Research

3.1. Research Gap

This research used the performance indicators return on assets (ROA) and return on equity (ROE) to investigate whether factors such as managers' age, gender, educational background, tenure in the organization, and tenure as a manager may account for the cross-sectional predictability of anticipated returns on performance (ROE). To ensure comparability with prior research and adherence to the theoretical framework of portfolio models, we use the methodologies and testing procedures employed in previous studies, such as the seminal work by Fama and French (1992), while making appropriate modifications as needed.

3.2. Objectives of the Research

The evaluation of the financial performance of firms listed in the BSE 100 may be conducted by using the metrics of return on assets (ROA) and return on equity (ROE) during a duration of five consecutive financial years, namely from 2017–18 to 2021–2022. The objective of this research is to analyse the impact of management characteristics on the financial performance of companies that are included in the BSE 100 index. The primary emphasis will be placed on two key performance metrics, namely return on assets (ROA) and return on equity (ROE).

3.3. Hypothesis of the Research

A claim that is made to test a theory or presumption is called a hypothesis. It is an unequivocal, testable forecast of the study's outcomes as established by the researchers. The independent variable and the dependent variable are the two variables that are often proposed to be related in a hypothesis. The Hypothesis which has been taken into the consideration for this study are mentioned below:

$H0_1$: There is no significant impact of manager traits on the overall performance of BSE 100 listed companies with reference to Return on Assets parameters.

$H0_2$: There is no significant impact of manager Traits on the overall performance of BSE 100 listed companies with reference to Return on Equity parameters.

3.4. Sampling Plan of Research

Sampling Method	Snowball Sampling method has been taken int the study.
Elements of Sample	**Independent Variables:** Traits of manager: age, gender, experience as a manager and total experience as a manager. Dependent Variables: Return on Assets (ROA) and Return on Equity (ROE)
Sampling Size	**Independent Variable:** All (27) BSE 100 Companies listed Companies manager Traits **Dependent Variable:** Financial Excellence of BSE 100 listed companies for last five years i.e., 2018 - 2019to 2022 – 2023.
Target Population	**Independent Variable:** All the companies manager data in terms of their all traits **Dependent Variable:** All Financial Performance Parameters of BSE 100 listed companies for last five years i.e., 2018 – 2019 to 2022 – 2023.

3.5. Data Analysis Tools and Techniques used in Research

The researcher used log-linear regression and linear regression models in order to accomplish this objective. The study used a basic linear regression model to forecast the effect of management characteristics on the return on assets (ROA) of firms listed in the BSE 100. Additionally, a log-linear regression model was utilised to examine the relationship between the same manager traits and the return on equity (ROE).

The researcher endeavoured to establish the relationship between the dependent variables, specifically Return on Equity (ROE) and Return on Assets (ROA), and the independent variables, namely the age and gender of the manager, as well as the manager's total tenure in the company and total tenure as a manager. This was done prior to employing both the simple linear regression model and the log-linear regression model in the study. The researcher used Pearson correlation analysis to examine the presence of positive or negative associations among the different sets of variables utilised in the study, with the aim of achieving this objective.

3.6. Limitations of the Research

- The study has been limited to the four primary characteristics of the manager of BSE 100 listed businesses, namely age, gender, tenure in the company, and tenure as a manager.

- The financial performance of BSE 100 companies listed with the limited parameters that were taken into it, i.e., return on assets (ROA) and return on equity (ROE), has been considered for the control signal to check the impact of independent variables that have been taken into account under this study.

- To determine their influence on the firm's overall financial performance, the outcomes of the study were only examined in relation to a small subset of company characteristics. As a result, the outcomes may vary if we apply this research to different indexed firms throughout the globe.

- In addition, the analysis was only carried out from the 2017–2018 fiscal year to the 2022–2023 fiscal year. As a result, if we do lengthier research to investigate how manager traits affect the total financial success of BSE 100 listed businesses, the outcomes may vary.

3.7. Flow of Research

The chapters for this study have been organised logically and methodically so that readers in the future will comprehend each and every action that the researchers have performed at each stage. The distinguishing pattern for this investigation has been described below.

- **Introduction:** It basically defined that different variables that have been taken into the study for the identification for impact of Traits of manager (age, gender & experience of manager in the company and total experience of them in the current company with and without manager) on the financial performance of the company i.e., Return on Assets (ROA) and Return on Equity (ROE).

- **Literature Review:** Covers the literature for the past research that have been happened on the specific topics covering all the variables under the study.

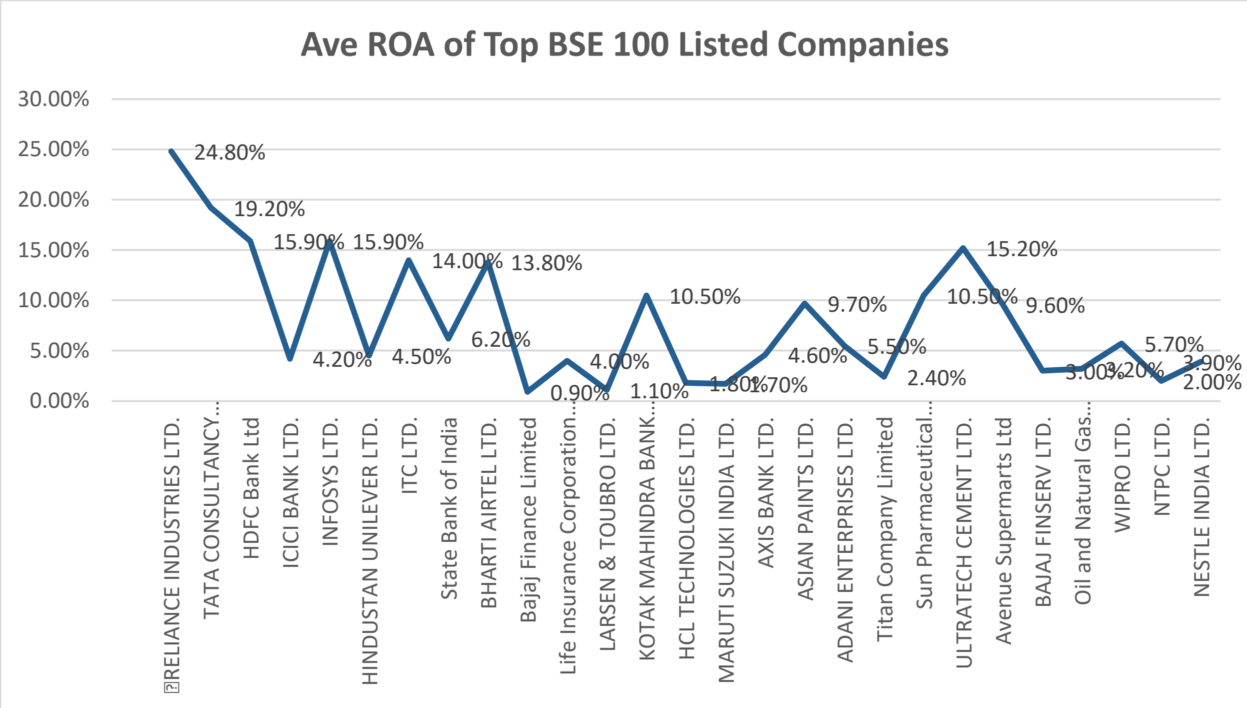
- **Research Methodology:** It shows the different parameters from the identification of problems, objectives of the study, Hypothesis of study and data analysis tools and techniques applicable in the study.

- **Data Analysis Tools and Techniques:** It shows different tools for the data analysis tools and techniques applied in the study.

- **Findings, Conclusions & Suggestions:** It covers the overall findings and conclusion of the research based on the past research that have been done in the study.

4. Data Analysis Tools and Techniques

Figure 1: Return on Assets (ROA) of BSE 100 listed Companies



(Source: Research Result)

The above two graphs are representing the Average Return on Assets (ROA) and Return on Equity (ROE) for each of the companies mentioned in the list of BSE 100 listed companies with their actual financial performance with positive or negative slope of Return. For the ROA, the companies called "RELIANCE INDUSTRIES LTD.", i.e., 24.80%, followed by Persimmon "TATA CONSULTANCY SERVICES LTD.", i.e., 19%. On the other hand, the lowest average return on assets (ROA) has been noted for the company called Bajaj Finance Limited, i.e., 0.90%, followed by the LARSEN & TOUBRO LTD., i.e., 1.1%.

Table 1: Correlation and Regression Result for Impact of manager Traits on Financial Performance (ROA) of BSE 100 Listed Companies

ROA	**Gender of manager**	**Total Tenure of manager as an Employee**	**Tenure as a manager in Company**	**Age of manager in Company**
Pearson Correlation	0.253	0.458	0.254	0.382
Sig. (P) Value	0.102	0.000**	0.013	0.025**
	No Correlation	Positive Correlation	Positive Correlation	Positive Correlation
R value	0.833			
Adjusted R^2 Value	0.741			
Sig Value (Model Summary)	0.000**			
Sig Value (ANNOVA)	0.000**			
Coefficient P Value	0.311	0.000**	0.000**	0.000**
H0 A/R	H0 Accepted	H0 Rejected	H0 Rejected	H0 Rejected

(Source: Research Result)

***$H0_1$:** There is no significant impact of* manager *Traits on the overall performance of BSE 100 listed companies with reference to Return on Assets (ROA) parameters.*

***H1$_1$*:** *There is significant impact of* manager *Traits on the overall performance of BSE 100 listed companies with reference to Return on Assets (ROA) parameters.*

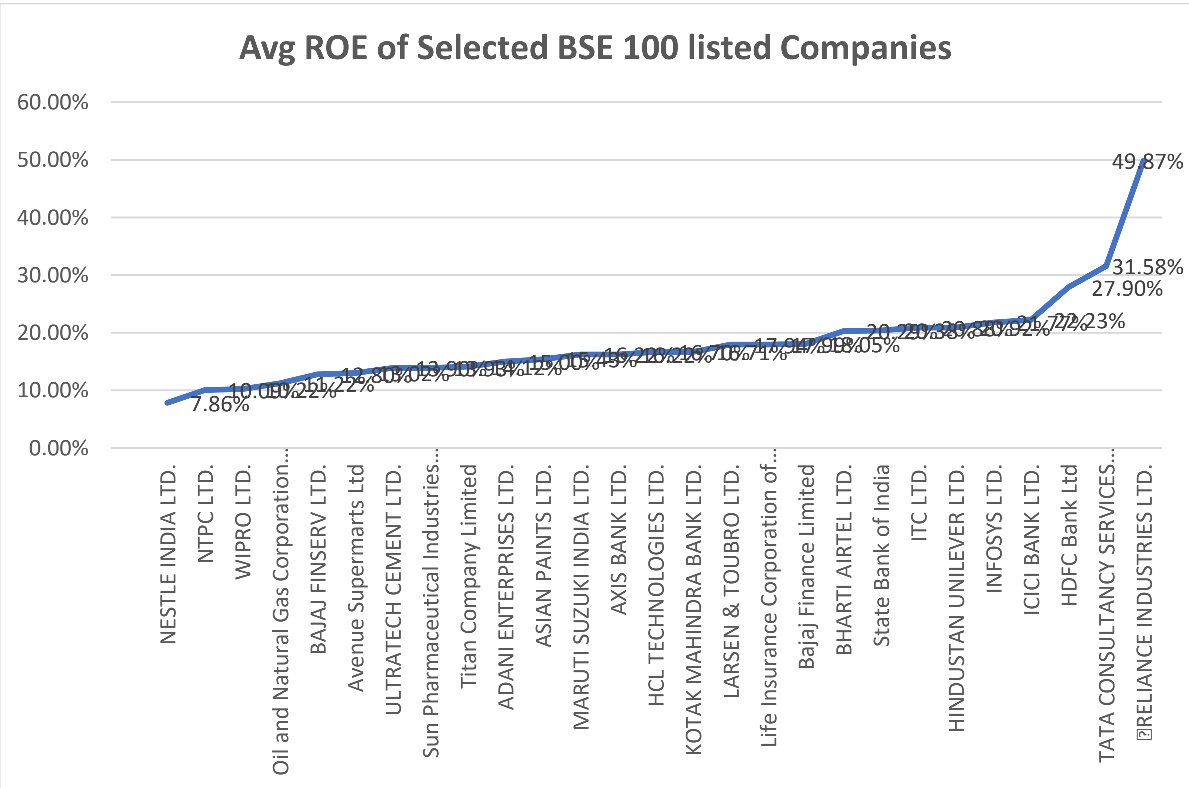
From the above table for the Regression model regarding the impact of Traits of manager for the BSE 100 listed companies for their financial performance with the consideration of Return on Assets (ROA) parameter, it has been noted that there is a significant correlation between the Return on Assets as a financial result parameter of the BSE 100 listed firms along with the Traits of manager i.e. Total Tenure as a manager in the Company and Age of manager in it by seeing the Pearson correlation value. For the regression model, R value is 0.833 which indicates the 83.3%b impact of exogeneous variables (Traits of manager) on the financial performance of the company and Adjusted R Square is 0.741 which represent 64.8% of the impact for the same. Sig value for the Model Summary table is 0.000 which indicates the Model fit to run the regression analysis and P value for the ANOVA table is 0.003 which represent the significant impact of manager traits on the Return on Assets (ROA) parameter of the firm. Coefficient P values for the Total Tenure of manager as an Employee, Tenure as a manager in Company and Age of manager in Company are 0.000, 0.000 and 0.000 respectively which are significantly affecting the financial performance (ROA) of the BSE 100 listed companies while on the other hand, Gender of the manager is having the coefficient table P value is 0.311 which is above the significant level 0.05 and hence here, the researcher needs to accept the null hypothesis and hence, it has been proving no significant impact of Gender of manager on financial performance of the BSE 100 listed companies. The regression model for the same has been mentioned below:
Yi = α + β1X1 + β2X2 + β3X3 + β4X4 + ϵi

Y (ROA) = α + β1(Gender of manager) + β2 (Total Tenure in Company by manager) + β3 (Tenure as a manager) + β4 (Age of manager) + ϵi

Y (ROA) = 0.331 + 0.311 (Gender of manager) + 0.324 (Total Tenure in Company by manager) + 0. 257 (Tenure as a manager) + 0.440 (Age of manager) + ϵi

Y (ROA) = **0.331** + + **0.324** (Total Tenure in Company by manager) + **0. 257** (Tenure as a manager) + **0.440** (Age of manager) + ϵi **………………………………………………….(1)**

Figure 2: Return on Equity (ROE) of BSE 100 listed Companies



(Source: Research Result)

The above two graphs are representing the Average Return on Assets (ROA) and Return on Equity (ROE) for each of the companies mentioned in the list of BSE 100 listed companies with their actual financial performance with positive or negative slope of Return. For the ROE, the companies called "RELIANCE INDUSTRIES LTD.", i.e., 49.87%, followed by Unilever "TATA CONSULTANCY SERVICES LTD.", i.e., 81.5%. On the other hand, the lowest average return on assets (ROA) has been noted for the company called NESTLE INDIA LTD., i.e., -7.86%, followed by the NTPC LTD., i.e., 10.89%. It represents the almost flat scenario in terms of the return on equity is concerned for the selected BSE 100 listed companies in India and no much difference have been noted among the performance of the selected companies that have been taken into the particular study.

Table 2: Correlation and Regression Result for Impact of manager Traits on Financial Performance (ROE) of BSE 100 Listed Companies

ROE	Gender of manager	Total Tenure of manager as an Employee	Tenure as a manager in Company	Age of manager in Company
Pearson Correlation	0.410	0.223	0.237	0.159
Sig. (P) Value	0.117	0.000**	0.014**	0.015**
Interpretation	No Correlation	Positive Correlation	Positive Correlation	Positive Correlation
R value	0.789			
Adjusted R² Value	0.754			
Sig Value (Model Summary)	0.000**			
Sig Value (ANNOVA)	0.000**			
Coefficient Value for Variables	0.114	0.000**	0.014**	0.003**
H0 A/R	H0 Accepted	H0 Rejected	H0 Rejected	H0 Rejected

(Source: Research Result)

Y (ROE) = 0.514+ 0.781 (Gender of manager) + 0.234 (Total Tenure in Company by manager) + 0. 348 (Tenure as a manager) + 0.440 (Age of manager) + ϵi

Y (ROE) = **0.514+ 0.234** (Total Tenure in Company by manager) + **0. 348** (Tenure as a manager) + **0.440** (Age of manager) + ϵi …………………………………………………… **(2)**

$H0_2$: *There is no significant impact of* manager *traits on the overall performance of BSE 100 listed companies with reference to Return on Equity (ROE) parameters.*

$H1_2$: *There is significant impact of* manager *traits on the overall performance of BSE 100 listed companies with reference to Return on Equity (ROE) parameters*.

From the above table for the Regression model regarding the impact of Traits of manager for the BSE 100 listed companies for their financial performance with the consideration of Return on Equity (ROE) parameter, it has been noted that there is a significant correlation between the Return on Equity as a financial result parameter of the BSE 100 listed firms along with the Traits of manager i.e. Total Tenure in the Company, Total Tenure as a manager in the Company and Age of manager in it by seeing the Pearson correlation value. For the regression model, R value is 0.789 which indicates the 78.9% impact of exogeneous variables (Traits of manager) on the financial performance of the company and Adjusted R Square is 0.754 which represent 75.4% of the impact for the same. Sig value for the Model Summary table is 0.000 which indicates the Model fit to run the regression analysis and P value for the ANOVA table is 0.000 which represent the significant impact of manager traits on the Return on Equity (ROE) parameter of the firm. Coefficient P values for the Total Tenure of manager as an Employee, Tenure as a manager in Company and Age of manager in Company are 0.000, 0.014 and 0.003 respectively which are significantly affecting the financial performance (ROE) of the BSE 100 listed companies while on the other hand, Gender of the manager is having the coefficient table P value is 0.114 which is above the significant level 0.05 and hence here, the researcher needs to accept the null hypothesis and hence, it has been proving no significant impact of Gender of manager on financial performance (ROE) of the BSE 100 listed companies. The regression model for the same has been mentioned below:
Y (ROA) = 0.172 + 0.0.124 (Gender of manager) + 0.457 (Total Tenure in Company by manager) + 0. 318 (Tenure as a manager) + 0.624 (Age of manager) + ϵi

Y (ROA) = 0.172 + **0.457** (Total Tenure in Company by manager) + **0. 318** (Tenure as a manager) + **0.624** (Age of manager) + ϵi ………………………………………………………**(2)**

5. Findings, Conclusions and Scope of Study

Findings and Conclusions: In this study the basic focus of the researcher was to identify the impact of Traits of manager of BSE 100 listed companies on the financial revenues/ performance of the firm, it has been noted that there is significant impact of Age of manager, Total Tenure of manager in the company, Total Tenure as a manager in the company due to which it has been reflected in the performance of these companies in terms of the Return on Assets (ROA) and Return on Equity (ROE). Gender as a Traits of manager has no significant impact on the performance of these firms.

Scope of the Study: Other factors that can affect predicted returns in terms of other financial performance metrics for the companies, such as the price-earnings ratio (P/E ratio), earnings per share (EPS), net profit ratio, gross profit ratio, etc., should be included in future study. Both quantitative and qualitatively measurable factors may be included in the set of variables. Second, only the last five years' worth of ROA and ROE were utilised in the study; however, the authors may expand this time span in the future for a more thorough analysis.

References

Child, J., 1974. Managerial and organizational factors associated with company performance part I. Journal of Management studies, 11(3), pp.175-189.

Chown, S.M., 1960. A factor analysis of the Wesley Rigidity Inventory: Its relationship to age and nonverbal intelligence. The Journal of Abnormal and Social Psychology, 61(3), p.491.

Naseem, M.A., Lin, J., ur Rehman, R., Ahmad, M.I. and Ali, R., 2019. Does capital structure mediate the link between MANAGER characteristics and firm performance?. Management Decision.

Ali, R., Rehman, R.U., Suleman, S. and Ntim, C.G., 2022. MANAGER attributes, investment decisions, and firm performance: New insights from upper echelons theory. Managerial and Decision Economics, 43(2), pp.398-417.

Smith, N., Smith, V. and Verner, M., 2006. Do women in top management affect firm performance? A panel study of 2,500 Danish firms. International Journal of productivity and Performance management.

Barber, B.M. and Odean, T., 2001. Boys will be boys: Gender, overconfidence, and common stock investment. The quarterly journal of economics, 116(1), pp.261-292.

Schwenk, C., 1993. Management tenure and explanations for success and failure. Omega, 21(4), pp.449-456.

Cho, C.K., Cho, T.S. and Lee, J., 2019. Managerial attributes, consumer proximity, and corporate environmental performance. Corporate Social Responsibility and Environmental Management, 26(1), pp.159-169.

Huang, G., 2006. The determinants of capital structure: Evidence from China. China economic review, 17(1), pp.14-36.

Setiawan, D., Phua, L.K., Chee, H.K. and Trinugroho, I., 2017. MANAGER turnover and firm performance in Indonesia. The Indonesian Capital Market Review, 9(1), p.1.

Fletcher, J., 1997. An examination of the cross-sectional relationship of beta and return: UK evidence. Journal of Economics and Business, 49(3), pp.211-221.

Chan, K.C. and Chen, N.F., 1988. An unconditional asset-pricing test and the role of firm size as an instrumental variable for risk. The Journal of Finance, 43(2), pp.309-325.

Fama, E.F. and French, K.R., 1992. The cross-section of expected stock returns. the Journal of Finance, 47(2), pp.427-465.

Amihud, Y. and Mendelson, H., 1989. The effects of beta, bid-ask spread, residual risk, and size on stock returns. The Journal of Finance, 44(2), pp.479-486.

Miller, D. and Sardais, C., 2011. Angel agents: Agency theory reconsidered. Academy of Management Perspectives, 25(2), pp.6-13.

Davis, J.H., Schoorman, F.D. and Donaldson, L., 1997. Davis, Schoorman, and Donaldson reply: The distinctiveness of agency theory and stewardship theory. Academy of Management. the Academy of Management Review, 22(3), p.611.

Davis, J.H., Schoorman, F.D. and Donaldson, L., 1997. Davis, Schoorman, and Donaldson reply: The distinctiveness of agency theory and stewardship theory. Academy of Management. the Academy of Management Review, 22(3), p.611.