Chapter 1 Introduction

1.1 Research Background and Motivation

Terry Gou (郭台銘), Berry Lin (林百里), Ray Chen (陳瑞聰), Johnny Shih (施崇棠), K.Y. Lee (李焜耀)…they are CEOs among Taiwan's five largest IT firms - fondly referred to as the "electronic five brothers" - according to institutional investors. Simultaneously they are all media magnates who share with movie stars and world class athletes the intense spotlight of fame. Our eyes and ears are tuned to receive any news even gossip and scandals about these business icons. This increasing public attention has turned these business folks into celebrities; one book labels them "Super CEOs" (Gaines-Ross, 2003). The fame of these Super CEOs, however, is not limited to their personal glories. Once granted celebrity status, these CEOs can increase his ability to access resources such as human capital, capital market and raw materials and increase a firm's competitive advantage (Ranft, Zinko, Ferris, and Buckley, 2006). These premiums are often referred to as CEOs capital.

Thus, employing reputed CEOs might be expected to yield tangible performance benefits to a firm by signaling that the CEOs are of high quality and likely to add economic value to the company. In this vein, Deephouse (2000) has argued that reputation facilitates value creation by signaling to current and potential exchange partners, including employees, suppliers, investors, and customers. Winning a certification contest may enhance CEOs' reputation and thus increase the firm's credibility in the eyes of key stakeholders (Fombrun, 1996; Hall, 1992). This credibility, in turn, could, among other things, make

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stock offerings more desirable or attract higher quality employees. Employing reputed CEOs may also allow a firm to enjoy cost savings. First, the status associated with positive certifications may lower a firm's cost of capital. Fombrun and Shanley (1990) showed that the terms for acquiring capital were more favorable for higher status firms. Second, to the extent that certification contests positively influence the perception of a firm's future performance, it may lower supplier perceived risk in transacting with the firm. For example, Podolny (1993) suggested that the status of underwriters affects the due diligence costs of investment banks.

On the other hand, there are reasons to believe that hiring reputed CEOs may not always be to a firm's advantage. Being anointed a star might lead to hubris and overconfidence. Indeed, some research has found that CEOs who have been successful in the past become too confident in their abilities and overestimate the expected returns from their investment decisions. Evidence has been found that well-known CEOs overpay for acquisitions and tend to invest in dubious pet projects funded by internal cash flows. If reputed CEOs start to believe their own press, they may begin to think that they are infallible and pursue risky initiatives that ultimately harm their firms.

Empirical investigation of the economic benefits and cost of CEOs' reputation is important. If reputed CEOs are reflects superior ability, reputed CEOs improves financial performance. However, there are two dimensions of firm performance financial performance and stock market return. While prior research does not provide much basis for distinguishing the effects of reputation on these different performance proxies, it does seem reasonable to expect that reputed CEOs may

have different effects on stock returns versus profitability. Although we do not advance specific predictions about these relationships, we do investigate them as major part of our analysis. Analysts recommend a company's stock based on CEOs' reputation because CEOs with well-established reputation, believed to have high ability, will sustain good performance or turn around poor performance (Gaines-Ross, 2003). On the other hand, will diminish good performance or perpetuate poor performance.

In investigating the effect of capital market, we hypothesize that reputed CEOs often raises the expectations of investors, which increases gaps between expectations and actual performance. The reputation of CEOs is mainly the perceived image of the CEOs by the business community shareholders, boards of directors, analysts, and potential investors (Malmendier and Tate, 2005). Overall, reputation is considered to be the most important characteristic for CEOs to possess, followed by the abilities to maximize profitability, keep quality senior management, and use assets wisely. In this vein, CEOs' reputation has a significant impact on their perception of the companies led areas of greatest impact include likelihood to buy shares in the company that recommend the company as a good alliance partner. On the other hand, if CEOs' reputation mainly reflects the symbolic image of CEOs instead of ability, it also puts more emphasis on the possibility of misperception due to media exposure.

Secondly, in investigating the effects of reputed CEOs on firm financial performance we examine return on assets and return on equity in the year following the media coverage of CEOs.

Thirdly, it may be possible that CEOs with strong reputations earn negative abnormal returns since the euphoria surrounding them has caused investors to be willing to pay too much. Eventually, the firm's operating performance will not be able to deliver the promise, causing a reversal in its share price. There is widespread international evidence of over-reactions in stock markets, whereby firms whose stock prices have appreciated the most over a one to five year historical period have a tendency to underperform subsequently (e.g., Chen and DeBondt, 2004; Clare and Thomas, 1995; DeBondt and Thaler, 1985).

Finally, we also investigate whether CEOs' reputation have effect on firm's strategic dynamism, or the degree of change in an organization's strategy. Strategic dynamism is a central construct in the study of strategic management. Researchers have found that industry conditions (Birkinshaw, Morrison, and Hulland, 1995), organizational size (Chen and Hambrick, 1995), slack (Singh, 1986), and other contextual factors affect the degree of dynamism observed in companies' strategies. But scholars have also found that, after controlling for contextual conditions, executive's characteristics are associated with the amount of flux, or change that occurs in strategies. Researchers have found that CEOs tenure (Miller, 1991) and top management team tenure (Finkelstein and Hambrick, 1996) are negatively related to strategic dynamism. Wiersema and Bantel (1992) determined that the average amount of formal education of top management team members as well as the heterogeneity of their educational specialization that are positively related to strategic change. Thus there is evidence that some executives are more inclined

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to change their company strategies than are others. Reputed CEOs can be expected to favor strategic dynamism. It is through new strategic initiatives, or taking a new direction that reputed CEOs can engage in the exhibitionism that will garner an attentive audience. Merely maintaining the status quo, or simply refining and elaborating on an existing strategy, may seem a reasonable course of action for CEOs who is less visible in public media such an executive may be willing to pursue what Miles and Snow (1978) called a defender strategy or what Levinthal and March (1993) called an exploitation strategy.

Another hard task of this study is to measure the reputation of CEOs. Very few studies, however, have empirically examined whether the reputations of CEOs provide the sought-after benefits and whether the expectation of superior performance of highly reputed CEOs, in fact, is delivered. One of the reasons for the small number of empirical studies related to CEOs reputation is the difficulty of measuring the reputations of CEOs.

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To overcome this concern, I measure CEOs' reputation using two proxies which are most often employed by previous studies: CEOs tenure measured by the number of years the current CEOs has been in that position and media coverage of CEOs (Francis, Huang, Rajgopal, and Zang, 2008; Johnson, Young, and Welker, 1993; Malmendier and Tate, 2005; Milbourn, 2003). The number of business-related articles containing the CEOs name as returned by a search within the five popular newspapers in Taiwan, including the Economic Daily News, United Daily News, Liberty News, Commercial Times, and Apple Daily News.

1.2 Research Problems and Objectives

The purpose of this paper is to examine whether there is an association among the level of reputed CEOs with the financial performance, stock return and strategy dynamism. CEOs play a key role to both internal and external audiences of their organizations. Stakeholders such as customers, employees, shareholders, industry groups, the financial community and media all perceive and assess CEOs, their organizations, and the correlation between the two according to a diverse and differing range of factors. The underlying argument of the paper is that CEOs reputation is an important factor in the process of making firms known and credible to the public. CEOs embody firm direction, strategies, leadership, and management quality upon which investors make expectations and decisions, while media coverage of CEOs caters news to the public, increases investor recognition of firms and stocks, and improves firm value. Beyond investor recognition, CEOs reputation, as a certification, might highlight CEOs vision, remove uncertainty, add credibility to news, and wield influence on investor decisions, as Dyck and Zingales (2002) put it: people obtain much of their information from the media, which play an important part in selecting which pieces of information to communicate to the public in adding credibility to information provided through other sources.

There are four objectives in this study.

1. CEOs' reputation and financial performance: how will the reputed CEOs are more likely to have better/worse performance next period?

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2. CEOs' reputation and stock market returns: how will publics - another important external stakeholder group - view CEOs media prominence and their reputations?

3. CEOs' reputation and corporate strategy dynamism: how will corporate strategic dynamism (i.e. the economic decisions of product/service purchase, financial investment, research and development) is affected by reputed CEOs?

4. The measurement of CEOs' reputation: in order to explore these issues, this research first reviews existing studies on CEOs' reputation. Then the impact of CEOs information is discussed. Subsequently, the study design is presented along with secondary research.

Our paper shows that reputed CEOs may also have a dark side for shareholders. By increasing CEOs status, the reputed enables CEOs to take actions which destroy value. This study contributes to the literature in at least three ways. First, we contribute to recent research on the role of the media coverage of CEOs in electronic industries. Second, in our study we distinguished between two types of firm performance: financial performance and stock market return.

As a result, from the research background and research problems above, the research objectives driving this study are as follows:

Our paper pursues two primary objectives both to enrich the existed organizational theory and strategic management literatures, and make some useful practical implications. First, we regard CEOs' reputation as a formal construct of significance for the field of organizational theory and strategic management. We proxy for CEOs

reputation using the number of articles containing the CEOs name that appear in the major business newspapers. We follow (Milbourn, 2003) and (Rajgopal, Shevlin, and Zamora, 2006) and argue that more reputed CEOs are cited by the business press more often than less reputed CEOs. To ensure that number of articles is not merely a reflection of CEOs infamy as opposed to reputation, we also conduct some validation checks. The concept of CEOs' reputation opens the way for an array of new insights in such research domains as top management teams, organization design, impression management, executive compensation, governance, executive celebrity, and risk-taking. We highlight several ideas for future research at the end of the paper.

Second, we use CEOs' reputation as a major theoretical element in the study of strategic behaviors of firms. We make empirically test the relation between CEOs' reputation and financial performance (and stock return response). Our results thus provide an alternative explanation for distinguishing the firm performance response to the reputed CEOs and the financial performance or stock market return they achieved.

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Chapter 2 Literature Review

2.1 CEOs Reputation and Media Coverage

2.1.1 CEOs Reputation

Reputation is receiving increased attention in strategic management because it may be an intangible resource leading to sustained competitive advantage (Barney, 1991; Dierickx and Cool, 1989). Reputation often is associated with achievement, which is presented as consistent high performance or responsible behavior, and then serves to establish trust with significant others, thereby resulting in a good reputation.

A firm's reputation is the mostly discussed topic among the reputation fields which defined as it represents public cumulative judgments of firms over time (Fombrun and Shanley, 1990; Gotsi and Wilson, 2001). In an incomplete information environment, since corporate audiences such as shareholders, often rely on the reputations of firms in making investment and consuming decisions, hence reputation-building behavior is strategically important to firms (Dollinger, Golden, and Saxton, 1997; Dowling, 1993; Fombrun and Shanley, 1990; Hirshleifer, 1993; Weigelt and Camerer, 1988). For instances consumers rely on CEOs' reputation because they have less information than the CEOs do about the firm's commitment to delivering desirable product qualities like quality or reliability (Grossman and Stiglitz, 1980).

CEOs' reputation plays a vital factor in determining a

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company's overall image, significantly affecting the behavior of various stakeholder groups be they customers, employees or investors. Further research has show that CEOs with a high reputation are perceived by the market to have high levels of competence, integrity, reliability, and charisma (Park and Berger, 2004).

Collectively, being an ambassador of the company is important for the reputation. For business reasons the CEOs must focus on visibility, talking to media, investors and authorities. This allows the possibility to identify the company with a face and is important for the reputation of the company. Fuller and Jensen (2002) assert that CEOs' reputation is a major determinant of the long-term success and survival of a firm, and Hayes and Schaefer (1999) provide evidence that differences in CEOs ability can affect shareholder wealth. There were three main elements which were thought to drive CEOs' reputation, the single most important of which amongst Current Stakeholders was Credibility. This was followed by communication of a clear vision of company direction and the ability to attract and retain high quality people. Future Stakeholders agreed that Credibility was the most important element but attached more importance to managing a crisis effectively, and caring about customers.

First, reputation is built over time. Second, reputation can have a lasting, long-term impact on the individual or organization in which it resides. Third, reputation is often managed and manipulated through impression management techniques and strategic use of the press. While some CEOs' reputations have

lasting effects, the effect that a powerful CEOs' reputation has on a company often can be both immediate and tangible. CEOs' reputation can be seen as an "intangible" asset that can be viewed as a sort of "brand" that CEOs cultivate. Because CEOs are now seen as the public "face" of the company, this is the individual frequently sought out by the press for explanations/ information.

To our knowledge, Milbourn (2003) is the only paper that explicitly considers CEOs' reputation, measured as the number of press articles citing the CEOs. He shows that compensation contracts given to reputed CEOs (e.g., those with more media-counts) exhibit greater performance sensitivity. Because data on media coverage proxies for CEOs' reputation are available for all firms (because all firms are potential candidates for press coverage), whereas data on other potential proxies are not, we use press coverage-based proxies in our analyses. The paper is structured as follows. CEOs' reputation have concept by integrating reputation, Signaling, and resource-based theories. It concludes by proposing that a more favorable reputation increases performance.

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2.1.2 Media coverage of CEOs

Media coverage of CEOs are positively and significantly related to CEOS incentive, equity-based pay, and less positively, even negatively related to cash compensation. Apart from higher remuneration, mediatized and charismatic CEOs also extracted some private benefits such as longer tenure. The literature has noted that CEOs have recently become more visible to investors and assumed tasks that are not merely related to management, but public relations and image making (Khurana, 2002). The press has not only

devoted more coverage on CEOs than on firms (Hamilton and Zeckhauser, 2004), but focused more on the personality of the CEOs than on news in depth (Khurana, 2002).

Recent research has suggested that the media coverage may play an important role in constructing such orderings by publicizing and interpreting organizational performance information (Deephouse, 2000; Johnson, Ellstrand, Daily, and Dalton, 2005; Pollock and Rindova, 2003; Rao, Greve, and Davis, 2001).

However, there has been surprisingly little empirical research on whether high exposure of CEOs to the media is actually good for firms or for CEOs themselves. Greater media prominence for a CEOs suggests that the CEOs are generally perceived by the media as a more successful leader, compared to CEOs whose media prominence is less (Hayward and Hambrick, 1997; Hayward, Rindova, and Pollock, 2004). The media's heightened interest in CEOs actions and the visibility of CEOs as superstars reflect the importance of CEOs reputation (Gaines-Ross, 2000).

As is the case with intangibles in general, finding a suitable proxy for CEOs' reputation is challenging. When media prominence for the CEOs are greater, this suggests that the CEOs are generally perceived by the media as a more successful leader, compared to CEOs whose media prominence is less (Hayward and Hambrick, 1997; Hayward et al., 2004).

In addition, CEOs with greater media prominence, on average, possess higher values of characteristics such as competence, integrity, credibility, charisma, etc., traits that increase the CEOs'

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reputation (Park and Berger, 2004) and help them to ensure their firms' long-term success and survival. One stream of research reflects the idea that CEOs with higher reputations will not engage in opportunistic rent-seeking behavior (Fama, 1980; Hayward et al., 2004; Kreps, 1990). A second stream of research suggests that CEOs with higher reputation are encouraged by their firms to use their specific knowledge or expend greater effort through fewer restrictions (Brau and Fawcett, 2006; Prendergast, 2002; Raith, 2005).

2.2 Resource-based, Singling and Agency Theory

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2.2.1 Resource-based Theory and CEOs' Reputation

The resource-based view of the firm focuses on the assets, skills, capabilities, and so forth, tied semi-permanently to a firm that it uses to create competitive advantage in its product markets (Barney, 1991; Caves, 1980; Hall, 1992). The resource-based view of the firm proposed that a favorable reputation is an intangible asset that increases firm performance (Barney, 1991; Hall, 1992). Reputation is receiving increased attention in strategic management because it may be an intangible resource leading to sustained competitive advantage (Barney, 1991). Theoretical and empirical analysis indicated that media reputation was valuable, rare, non-substitutable, and imperfectly imitable, four properties of a resource (Barney, 1991). Thus, media reputation may be useful in reputation research and the resource-based view of the CEOs. Credibility or reputation is also a good way to gain legitimacy.

Some resources are personally endowed (attached to individuals), while some are organizationally endowed (associated with firms). Board members exploit d their individual assets, experience, reputation, and personal networks to provide personally endowed resources to new venture, and leveraged their firm's assets, reputation, and business networks to contribute organizationally endowed resources.

CEOs attribute that may have an influence on CEOs incentives is reputation, defined as the market's perception the ability of CEOs to ensure the long-term success and survival of firm. Burson-Marstellar (2003) show that CEOS' reputation accounts for up to 50% of corporate reputation and has a significant influence on financial analysts' stock recommendations and investors' stock purchase decisions.

The reputations of corporations and CEOS are important because they can be viewed as intangible assets for the firm that can contribute to building and sustaining competitive advantage.

To conclude, it develops a variant of the reputation concept called media reputation, defined as the overall evaluation of a firm presented in the media. Theoretical analysis of its resource properties and empirical testing of its impact on performance provides evidence that media reputation is a strategic resource.

2.2.2 Signaling Theory and CEOS' Reputation

The signaling literature assumes that there is information asymmetry between two parties. To overcome this information gap, the informed party uses tools to signal its value to the uninformed party. Signaling theory can be extended to the information

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asymmetry problem that exists between CEOs and investors. CEOs have more information than investors about their true value.

In particular, investors would like to know the ability of CEOs to generate substantial returns. Investors have to rely on the signals that ability of CEOs sent on their reputation. Thus, by signaling their reputation of ability of CEOs contributed to reducing the problems of information asymmetry. In fact, as Schmidt and Wahrenburg (2003) point out, reputation can be seen as a security given by the agent to the principal. Based on this signaling explanation Lev (2003) suggests that the labor market might perceive a modest degree of earnings management as a sign of competent executives. This same uncertainty makes it difficult for competing firms to quickly make quality demonstrations that would offset the signaling benefits associated with a good reputation. Ability of CEOs with high reputation have proven their ability along several dimensions like competence, integrity, reliability, charisma, etc. (Park and Berger, 2004). Therefore, higher CEOs' reputation is associated with a higher estimate of ability of CEOs to ensure the long-term success and survival of her firm. The information asymmetry between the ability of CEOs and the firm's stakeholders like investors, employees, suppliers, etc. (both incumbent and prospective) about the ability of CEOs to ensure the long-term success and survival of the firm (and hence the stakeholders' stakes in the firm) forces the stakeholders to rely on the ability of CEOs' reputation (Fombrun, 1996; Hamilton and Zeckhauser, 2004).

Thus signaling their reputation to investors helps ability of CEOs reduce the problems of information asymmetry that arise in

their agency relationship consumers rely on ability of CEOs' reputation because they have less information than the ability of CEOs does about the firm's commitment to delivering desirable product qualities like quality or reliability (Grossman and Stiglitz, 1980; Stiglitz, 1989).

To conclude with Signaling theory can be extended to the information asymmetry problem that exists between ability of CEOs and investors. Ability of CEOs have more information than investors about their true value. In particular, investors would like to know the ability of CEOs to generate substantial returns. Investors have to rely on the signals that ability of CEOs sent on their reputation.

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2.2.3 Agency Theory and ability of CEOs' Reputation

Agency theory Jensen and Meckling (1976) offers a theoretical frame work for analyzing the relations set up between the various interested parties in a company, namely the shareholders, the creditors and the managers. It makes it possible to analysis more precisely the underpinning factors in conflicts that arise when one of the interested parties (the principal) delegates the management of his generally financial interests to one of the other actors (the agent) in the firm (Jensen and Meckling, 1976). However, the Agency Theory takes only into account the conflicts that arise due to the way of allocation of financial resources among the firm actors; whereas the conflicts in family firms are also due to the manner of allocating control and specific private benefits (Hart, 1995). Therefore, family firm financial behaviors study dictates to analyze the financing relationship through both the agency theory and the

financial contracting theory.

Theoretical agency studies explain that the reputation of ability of CEOs is derived from a learning process (Bayesian assessment) about the ability of ability of CEOs (Johnson et al., 1993; Milbourn, 2003). Many agency studies define ability of CEOs' reputation as Bayesian updating about the ability of CEOs. They argue that ability of CEOs' reputation is the adjusted estimate the ability of CEOs using past and current performance information.

2.3 Hypothesis Development

2.3.1 CEOs' Reputation and Financial Performance

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I investigate whether current ability of CEOs' reputation improves future firm performance. Johnson et al., (1993) show that current ability of CEOs' reputation is the ex post consequence of good past performance, which supports the argument that positive reputation is a signal of superior ability. Common wisdom suggests that employing a highly reputed ability of CEOs yields a number of tangible performance benefits for a firm. If positive ability of CEOs reputation reflects superior ability, ability of CEOs' reputation improves firm performance. The ability perspective found in the agency literature advocates the economic benefits of ability CEOs' reputation (Gibbons and Murphy, 1992; Macleod and Malcomson, 1988). As a consequence, the firm may be able to attract higher quality employees, acquire capital at lower rates and transact with suppliers under more favorable terms. Although a reputed ability of CEOs is in fact more skilled or competent than other less-reputed

ability of CEOs, this increased discretion could translate into relatively higher performance for their firms.

On the other hand, there are reasons to believe that hiring a reputed ability of CEOs may not always be to a firm's advantage. Being anointed a reputation might lead to hubris and overconfidence. Indeed, some research found that ability of CEOs who have been successful in the past become too confident in their abilities and overestimate the expected returns from their investment decisions. Evidence has been found that well-known ability of CEOs overpay for acquisitions and tend to invest in dubious pet projects funded by internal cash flows. If reputed ability of CEOs starting to believe their own press, they may begin to think that they are infallible and pursue risky initiatives that ultimately harm their firms. In contrast to the positive signaling effects of reputation, some evidence from the organizations and behavioral finance literatures also suggests the possibility that ability of CEOs' reputation could be detrimental to future firm performance by inducing overconfidence and hubris in ability of CEOs anointed as stars (e.g., Hayward and Hambrick,1997; Malmendier and Tate, 2005). This research has suggested that ability of CEOs who have been successful in the past often become overly confident in their abilities and actions, leading them to overestimate the expected returns from their corporate investment decisions. Hubris is defined as "exaggerated pride or self-confidence" (Hayward and Hambrick, 1997). Hayward and Hambrick (1997) found that ability of CEOs hubris, as measured by recent media praise of the ability of CEOs, led to both the payment of higher

premiums for corporate acquisitions and higher shareholder losses from these acquisitions. The authors argued that ability of CEOs over-confidence in their acquisitions was a direct outcome of the media praise that celebrity ability of CEOs received.

Malmendier and Tate (2008) reported evidence suggesting that overly confident ability of CEOs are more likely to invest in "pet projects" funded by internal cash flows. If being reputed as a star ability of CEOs makes it more likely that an executive will become overly confident in his or her decisions and actions, reputation may lead in some cases to overly risky and ill-advised choices. Malmendier and Tate (2008) argue that good ability of CEOs' reputation leads to behavioral distortions, poorer operating performance and value destruction. Gaps between elevated expectations and poor performance are mostly attributed to a high-profile ability of CEOs because people believe that a symbolic leader determines the success or failure of an organization (Pfeffer, 1977).

To conclude if positive ability of CEOs' reputation reflects superior ability, reputed CEOs will be positively associated with firm's future performance. Analysts recommend a company's stock based on ability of CEOs' reputation because ability of CEOs with high reputation, believed to have high ability, will sustain good financial performance or reverse poor financial performance next period (Gaines-Ross, 2003). A On the other hand, will diminish good financial performance or perpetuate poor financial performance next period.

H_{1a}: Reputed CEOs will be positively associated with firm's future performance (return on assets).

H_{1b}: Reputed CEOs will be positively associated with firm's future performance (return on equity).

2.3.2 CEOs' Reputation and Stock Market Return

There is a significant body of research relating reputation to firm profitability, but some of these studies are based on firms' operating performance (McGuire, Naroff, and Schneeweis, 1988) rather than stock returns, which are the focus of the present study. The impact of reputation on operating performance and firm earnings are arguably only of indirect interest to investors through their effect on current or projected future returns.

In this paper, in order to study the causal effect CEOs' reputation on stock returns. This research question is not trivial and raises a number of empirical problems. CEOs' reputation is determined simultaneously along with stock returns. Second, the fact that stock returns reflect all public information available may lead to a potential endogeneity bias. More specifically, CEOs' reputation and stock market response may be correlated even if the number of news has no effect on returns, because they both depend on other and unrelated newsworthy materials about the firm at the time of disasters. Thus, it is reasonable to suspect that unexplained stock returns will be correlated to the intensity of media coverage. In other words, the firm might be under the public spotlight for different reasons and this may induce more news coverage.

Easley and O'Hara (2004) point out the information would

influence the cross-sectional stock return. Klibanoff, Lamont, and Wizman (1988) find stock and fund's liquidity would significantly increase when they appear in media reports. Meschke (2004) reports when CEOs accepts the media interview, the stock price would be raise.

Dyck and Zingales (2002) argue that the media is one vehicle through which information is aggregated and credibly communicated to the public, and that the media can play a substantial role in reducing the costs of contracting. According to Bushee, Core, Guay, and Wee (2006), the press has the potential to shape a firm's information environment by increasing the amount of information flow in the market, by alerting a broader set of investors to news about the firm, and by reducing the level of information asymmetry across investors. Media may also help investors to coordinate (Morris and Shinn, 2002, Veldkamp, 2006), and temper information asymmetry between informed and non-informed investors (Easley and O`Hara, 2004; Grossman and Stiglitz, 1980).

For example, how reputed CEOs can improve or reduce market efficiency? And, what are the underlying reasons for the impact of newspaper coverage on asset prices? This study provides answers to these questions by analyzing the cross-sectional relationship between abnormal levels of firm coverage by major print media outlets (hereafter, abnormal press coverage) and several mispricing measures. However, argues that the reputation of CEOs are mainly the perceived image of the CEOs by the business community e.g., shareholders, boards of directors, analysts, and

potential investors (Malmendier and Tate, 2008) that the CEOs are of high quality and likely to add economic value to the company.

As a result, reputed CEOs may influence the behavior of investors by drawing their attention to certain securities. Equivalently, one can view the trading of investor decisions as the outcome of their collection of information. They can carry out thorough but expensive analyses based on proprietary data or techniques. Alternatively, they can rely on cheap public information such as that released through the media. Thus, the media may influence the behavior of investors because it provides an inexpensive source of information.

To conclude if higher CEOs' reputation reflects stock market return, CEOs' reputation improves stock return performance. CEOs with a high reputation will improve stock return or decrease stock return next period.

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The above discussion leads to this study's first hypothesis stated in alternate form:

H_2: Reputed CEOs will be positively associated with firm's future stock return performance.

2.3.3 CEOs' Reputation and Strategic Dynamism

Reputation is receiving increased attention in strategic management because it may be an intangible resource leading to sustained competitive advantage (Barney, 1991; Dierickx and Cool, 1989). We summarized in Finkelstein and Hambrick (1996); Carpenter, Geletkanycz, and Sanders (2004) evidence indicates that executives' biases, experiences, and preferences also enter in, affecting strategic choices and company performance. After

controlling for contextual conditions, executives' characteristics are associated with the amount of flux, or change that occurs in strategies (Chatterjee and Hambrick, 2007). Wiersema and Bantel (1992) determined that the average amount formal education of top management team members as well as the heterogeneity of their educational specializations, positively related to strategic change. The CEOs elevated self-image will lead to relative optimism and confidence about positive outcomes, shifting estimates of payoffs for essentially all alternatives in an upward direction (Sanders, 2001; Shapira, 1995).

Hayward et al., (2004) argue that higher CEOs' reputation could arise from over attribution of superior performance to management quality. This can lead to CEOs becoming overconfident and also committed to strategies that worked in the past, hence making the firm less adaptable to changes in their operating environments leading to poor future performance. Reputed CEOs can be expected to favor strategic dynamism. It is through new strategic initiatives, or taking a new direction that reputed CEOs can engage in the exhibitionism that will garner an attentive audience.

Finkelstein and Hambrick (1996) argue that managerial ego, biases, and experiences affect firm strategy because of the ambiguity and complexity that characterize the task of top managers. According to Mischel (1977) strategic decision-making in firms is a "weak situation," one in which the choices of decision-makers vary widely and are hard to predict. Celebrity is created through mass communication and the media's strategically orchestrated efforts to

manage impressions of organizations for an adoring public (Ranft, Zinko, Ferris, and Buckly, 2006). Fuller and Jensen (2002) assert that CEOs reputation is a major determinant of the long-term success and survival of a firm.

In some firms the CEOs makes all the major decisions. In other firms decisions are more clearly the product of consensus among the top executives. If different individuals have different opinions, then the distribution of decision-making power within firms may affect which decisions are made. Managerial decisions may or may not affect firm outcomes, but if they do, both CEOs characteristics and organizational variables could influence firm performance.

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In this paper, we use these ideas to develop a simple hypothesis about how the CEOs' reputation to influence decisions will affect firm performance. Other types or grandiose actions that might be preferred by reputed CEOs-such as large increases in R&D spending, aggressive international expansion, and large-scale new product launches-will similarly tend to generate more strategic initiatives. As a result CEOs' reputation needed an attentive audience, which in turn means they need media prominence (Agrawal and Mandelker, 1987; Shapira, 1995). Thus, reputed CEOs will favor strategic dynamism, in order to deliver a media prominence that will gain attention in a way that strategic stability cannot. I thus posit the following hypotheses to test whether reputed CEOs affect company's strategic dynamism.

H_3: Reputed CEOs are more likely to positive associated with more strategy dynamism.

Chapter 3 Research Methodology

3.1 Data Sources and Sample Selection

Following Hamilton and Zeckhauser (2004), Park and Berger (2004) studies, we select five popular newspapers to build a unique CEOs' reputation database for our research. We choose the years 2006 and 2007 as our study period. In our study, the CEOs are selected by boards of directors while the media coverage refers to the number of times the CEOs press in the newspapers. Our approach involved searching for the term CEOs combined with his name as a key work within five popular newspapers in Taiwan. We classified the CEOs related news in terms of media report tone.

We searched for the term CEOs combined with his (her) name as a key word within the five popular newspapers in Taiwan, including the Economic Daily News, United Daily News, Liberty Times, Commercial Times, and Apple Daily News. We count the number of business-related articles returned by Taiwan News Smart Web in which the name of CEOs appears at least once over a time period of two years prior to the TNS data year. We collect data from the Taiwan Economic Journal (TEJ) and Taiwan News Smart (TNS) database, which select sample is 150 firms of listed electronic industry. The sample period is from 2006 to 2007.

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3.2 Operational Definition of Variables

3.2.1 Independent Variables

CEOs' reputation, in this research we use media coverage of CEOs, which is widely used in the literature to proxy for CEOs' reputation (e.g., Francis et al., 2008; Hamilton and Zeckhauser, 2004; Milbourn, 2003; Park and Berger, 2004; Rajgopal, Shevlin, and Zamora, 2006). When media coverage of CEOs are greater, this suggests that the CEOs are generally perceived by the media as a more successful leader, compared to CEOs whose media prominence is less (Hayward and Hambrick, 1997; Hayward et al., 2004). The first proxy measure of CEOs' reputation is media coverage of CEOs, which is the number of business-related articles containing the name of CEOs. Only selected business publications are search, and these include newswires, business periodicals, and major newspapers. There seem to be two major aspects in this definition of reputation: recognition/perception and characteristic/ ability. I derive MEDIA that is set equal to 1 if the media of CEOs count for the last two years is more than the top 20% of the industry or 0 otherwise. CEOs reputation is proxy by media prominence as the number of business-related articles returned by Taiwan News Smart Web in which the name of CEOs appears at least once over a time period of two years prior to the TEJ data year. Only selected business publications are searched, and these include newswires and major newspapers. The supply of information about CEOs depends in part on incentives that CEOs have to lower the cost of coverage for reporters by granting interviews and issuing

press releases. Therefore, in general, greater media coverage of CEOs reflects higher CEOs' reputation.

The second for reputation is CEOs' tenure defined as the number of years the executive have been CEOs at this firm as of the compensation year from TEJ. we natural log of number of years the CEOs held that position continuously. Number of years is calculated as the difference between the current fiscal year and the year in the date became CEOs field.

The economic interpretation is that the longer is the tenure of CEOs, the greater are the board of director assessments of his ability given that those CEOs have survived previous retention/dismissal decisions. It is important to note that while the theory above distinguishes between CEOs' tenure effect and a reputation effect, I empirically positive that greater CEOs tenure would be associated with greater CEOs' reputation. I employ the number of news articles given the name of CEOs and the company of the CEOs.

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3.2.2 Dependent Variables

Firm performance, this research measure firm performance using both financial performance (ROA, ROE) and stock returns (RET) following most previous studies (Coughlan and Schmidt 1985; Engel, Hayes, and Wang, 2003; Lambert and Larcker 1987; Weisbach 1988). Accounting earnings have an advantage over stock returns in measuring short-term profitability (Weisbach, 1988). Annual return on equity for a firm is the measure of the firm's earnings performance in this study. This is calculated by

dividing earnings before extraordinary items for a particular year by the average of the book values of shareholders' equity taken from the beginning and end of that year. Annual firm stock return is the measure of annual stock performance for the firm. I employ stock returns as a market performance measure. Stock returns are calculated using the three-factor model (Fama and French, 1992).

1. Return on assets.
2. Return on equity.
3. Stock return.

Strategic dynamism, or the degree of change in an organization's strategy, is a central construct in the study of strategic management (Chatterjee and Hambrick, 2007).

Our measure is follows prior research (Westphal, Seidel, and Stewart, 2001) in measuring changes in key resource allocation indicators:

1. Advertising intensity (advertising/sales).
2. Research and development intensity (R&D/sales).
3. Selling, general, and administrative (SGA expenses/sales).
4. Financial leverage (debt/equity).

We chose these four indicators because they are controllable by the CEOs and are important strategic choices in our sampled industries. We first calculated the absolute change (without regard to direction) on each dimension for each firm between the prior year and the focal year. We then standardized each dimension over all observations (mean=0; s.d=1). Finally, we summed the four standardized indicators to yield our composite measure of strategic dynamism.

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3.2.3 Control Variables

We controlled for potentially confounding factors at three levels: the CEOs, the firms, and the industry.

CEOs control, because the tendency to engage in grandiose or dynamic strategies may vary with age, we controlled for CEOs' age. To control for the CEOs structural power (Finkelstein, 1992), we controlled for the percentage of company stock owned by the CEOs, which is another basis of power.

Industry controls, we controlled for the industry's central tendencies for each of our dependent variables by including the industry average (for all firms in the sample, always excluding the focal firm) in each year, for each dependent variable.

We included these controls, respectively, for each firm level dependent variable examined. We also included a dummy variable for our two industry sectors (coded one for the computer sector).

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3.3 Research Design

To examine the economic benefits of CEOs' reputation, this study set the following regression model we established the panel-data linear regression model in equation 3-1:

$$PERFORM_t = \beta_0 + \beta_1 PERFORM_{t-1} + \beta_2 MEDIA_{t-1} + \beta_3 TENURE_{t-1} + \Sigma\rho_k Z_{kt} + \text{YEAR INDICATOR} + \text{INDUSTRY INDICATOR} \quad (3\text{-}1)$$

$PERFORM_{t-1}$ the firm's performance measured by ROA_{t-1} (the firm's returns on assets), ROE_{t-1} (the firm's returns on equity) or RET_{t-1} (the stock returns of the firm). The reputation of CEOs is measured by $MEDIA_{t-1}$ (the press coverage count of the CEOs set equal to one if the CEOs were in the top 20% media exposure of the industry for the last two years or zero otherwise), and $TENURE_{t-1}$ is measured by the number of years the current CEOs have been in that position in the current firm. The coefficient β_2 and β_3 measures how the firm performance varies with CEOs' reputation.

The coefficients β_1 measure how firm performance varies with earnings performance, ROA, ROE, and RET, respectively. In line with the standard principal-agent model and prior research, I predict that these coefficients are positive, which is consistent with the notion that CEOs are rewarded for improving the performance of their companies. That $\Sigma\rho_k Z_{kt}$ are the vector of control variables such as CEOs' age, CEOs' ownership, and firm size. Year indicator and industry indicator variables are included in the regressions to control for observed and unobserved year and industry effects, respectively. We are mainly

interested in whether CEOs with high reputation are more likely to continue prior good performance than CEOs with low reputation.

Next, I examine the effects of CEOs reputation on strategic dynamism. To test the third set of hypotheses (H3), I estimate the following linear regression model in equation 3-2:

$$SD_t = \beta_0 + \beta_1 SD_{t-1} + \beta_2 MEDIA_{t-1} + \beta_3 TENURE_{t-1} + \Sigma\rho_k Z_{kt} + \text{YEAR INDICATOR} + \text{INDUSTRY INDICATOR} \quad (3\text{-}2)$$

Where SD_t we summed the four standardized indicators to yield our composite measure of strategic dynamism. CEOs reputation is measured by $MEDIA_{t-1}$ (the press coverage count of the CEO) or $TENURE_{t-1}$ (the number of years the current CEOs have been in that position in the current firm), and $\Sigma\rho_k Z_{kt}$ is the vector of control variables such as CEOs' age, CEOs' ownership percentage, firms size. Consistent with prior research, I predict a positive coefficient on SD_t in their relations with CEOs reputation.

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Chapter 4 Research Results

4.1 Descriptive Statistics

Descriptive statistics of the variables used to test the hypotheses are presented in Table 4-1. The mean (median) of ROA is 12.09% (11.40%), the mean (median) of ROE is 13.09% (14.97%) which suggests that the distribution of ROA, ROE are not skewed. Although the mean value of ROA is similar to that of ROE The mean (median) of RET is 29.19% (21.11%). The standard deviation of RET (53.19) is much greater than that of ROA (11.60), ROE (18.80), which suggests a wider range of RET than that of ROA, ROE. The mean of TENURE is 10. The standard deviation of MEDIA (17.23) is greater than that of TENURE (8.18). The mean and median of SD 1.17 are 1.17 and 0.67 respectively.

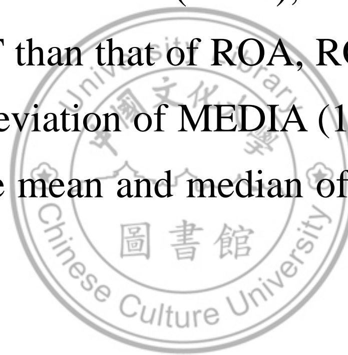
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Table 4-1 Descriptive Statistics

	N	Mean	Median	25_{th}	75_{th}	Std.dev
ROA	150	12.09	11.40	6.25	16.80	11.60
ROE	150	13.09	14.97	7.07	21.3	18.80
RET	150	29.19	21.11	-2.55	48.27	53.19
MEDIA	150	9.24	4	2	7	17.23
TENURE	150	12.76	10	7	18	8.18
SD(%)	150	1.17	0.67	0.32	1.23	1.76
CEOs age	150	54.24	54.5	51	57	7.55
CEOs own	150	4.55	19.07	0.39	5.88	8.68
Firm size	150	1.39	1.388	0.69	1.95	1.62

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Notice:

1. ROA = the return on assets of the firm defined as net income before extraordinary item divided by total assets.

2. ROE = the return on equity of the firm defined as earnings before extraordinary item divided by total equity.

3. RET = Annual stock return.

4. MEDIA = the press coverage count of the CEOs that equals 1 if the CEOs was in the top 20% media exposure of the industry for the last two years, 0 otherwise.

5. TENURE = measured by the number of years the current CEOs has been in that position in the current firm.

6. SD (%) = Strategic dynamism, or the degree to which an organization's strategy changes.

7. CEOs own = ownership is defined as the ratio of the number of shares owned by the CEOs after adjusting for stock splits to total shares outstanding.

8. CEOs age = age of the CEOs.

9. Firm size = firm's market value of equity measured as the market capitalization (in millions) at the fiscal year.

Pearson correlations are presented in Table 4-2, which presents correlations among basic variables such as MEDIA, TENURE, ROA, ROE, and RET. MEDIA is positively associated with ROA, ROE ($r=0.015$, $p<0.10$), whereas MEDIA is positively related to RET ($r=0.59$, $p<0.01$).

TENURE is positively associated with ROA, ROE ($r=0.68$, $r=0.86$, $p<0.01$), whereas TENURE is positively related to RET ($r=0.74$, $p<0.05$).

A correlation between ROA, ROE and RET are significantly positive ($r=0.180$、$r=0.217$, $p<0.01$), which shows a high association between accounting performance and market performance.

Table 4-2 Correlation Matrix

	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. ROA_t	**1**	**0.917*** **	**0.180** **	**0.22***	**0.68***	**0.155** **	**-0.058**	**-0.038**	**0.186** **
2. ROE_t		**1**	**0.217*** **	**0.44***	**0.86***	**0.176** **	**-0.043**	**-0.019**	**0.112***
3. RET_t			**1**	**0.59***	**0.74***	**0.13** **	**0.058**	**0.19**	**-0.081**
4. $MEDIA_t$				**1**	**0.56***	**0.091***	**0.092**	**-0.47**	**0.734*** **
5. $TENURE_t$					**1**	**0.65**	**0.226*** **	**0.218*** **	**0.26**
6. SD_t						**1**	**-0.088**	**1.32** **	**-0.76**
7. CEOs age_t							**1**	**0.106**	**0.121** **
8. CEOs own_t								**1**	**-0.67**
9. Firm $Size_t$									**1**

*** Correlation is significant at the 0.01 (2-tailed).
** Correlation is significant at the 0.05 (2-tailed).
* Correlation is significant at the 0.1 (2-tailed).

4.2 Empirical Tests

I examine whether CEOs with high reputation perform better (proxy by ROA) than CEOs with low reputation as shown in Table 4-3. The cross-sectional annual data are from year 2006 to 2007. ROA is the firm's returns of assets of the prior year adjusted by two-digit industry, $MEDIA_{t-1}$ is the press coverage count of the CEOs (1=if the CEOs was in the top 20% media exposure of the industry for the last two years or 0=otherwise), $TENURE_{t-1}$ is the number of years the current CEOs have been in that position in the current firm.

The results show that $MEDIA_{t-1}$ has significantly positive coefficients ($\beta_2=0.7$, $p<0.01$), the results suggest that High reputation CEOs are more likely to have better financial performance next period, which is supports the (H_{1a}). The results show that $TENURE_{t-1}$ has positive coefficients but not significantly ($\beta_3=0.52$, $p<0.01$), the results indicate that high reputation CEOs more likely to have better financial performance next period, which is consistent with Hypothesis 1a in this paper.

It appears that when CEOs' reputation is higher, the well-known CEOs have the ability to maintain good performance, consistent with studies that suggest that higher CEOs reputation to ensure the long-term success and survival of her firm (Fuller and Jensen, 2002) .

Table 4-3 CEOs' Reputation and Firm Performance

	ROA_t	
Intercept	16.27 (3.14)***	15.94 (3.05)**
ROA_{t-1}	0.72(16.15)***	0.70 (15.68)***
$MEDIA_{t-1}$	0.07 (1.70)**	
$TENURE_{t-1}$		0.52(0.54)
CEOs age_{t-1}	-0.22(-2.35)**	-0.21(-2.17)**
CEOs own_{t-1}	-0.05(-0.82)	-0.04(-0.66)
Firm $size_{t-1}$	-0.42(-0.64)	0.42(0.95)
Year dummy	Yes	Yes
Industry dummy	Yes	Yes
F-Statistic	58.67	57.25
Adjusted R^2	0.66	0.65
N	150	150

*** Indicate significant at the 0.01 (2-tailed).
** Indicate significant at the 0.05 (2-tailed).

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In Table 4-4, I examine whether CEOs with high reputation perform better (proxy by ROE) than CEOs with low reputation. The cross-sectional annual data are from year 2006 to 2007. ROE is the firm's return on equity of the firm defined as earnings before extraordinary item divided by total equity, MEDIA is the press coverage count of the CEOs (1=if the CEOs was in the top 20% media exposure of the industry for the last two years or 0=otherwise), TENURE is the number of years the current CEOs have been in that position in the current firm.

The results show that $MEDIA_{t-1}$ has significantly positive coefficients (β_2=0.13 p<0.01), the results suggest that high reputation CEOs are more likely to have better performance next period which supports the ($H1_b$). The results show that $TENURE_{t-1}$ has positive coefficients but not significantly (β_3= 0.21, p<0.01), the results indicate that high reputation CEOs are more likely to have better performance next period, which is consistent with Hypothesis 1b.

The results suggest that CEOs with high reputation are more likely to be sustaining good financial performance or reverse poor financial performance next period (Gaines-Ross, 2003).

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Table 4-4 CEOs' Reputation and Firm Performance

	ROE_t	
Intercept	26.88(2.92)***	26.58(2.86)***
ROE_{t-1}	0.54(11.22)***	0.53 (10.98)***
$MEDIA_{t-1}$	0.133 (1.73)*	
$TENURE_{t-1}$		0.21(1.38)
CEOs age_{t-1}	-0.36(-2.17)**	-0.38(-2.19)**
CEOs own_{t-1}	-0.06(-0.53)	-0.07(-0.59)
Firm $size_{t-1}$	-0.18 (-0.16)	1.29(1.64)*
Year dummy	Yes	Yes
Industry dummy	Yes	Yes
F-Statistic	28.42	27.31
Adjusted R^2	0.48	0.46
N	150	150

*** Indicate significant at the 0.01 (2-tailed).
** Indicate significant at the 0.05 (2-tailed).
* Indicate significant at the 0.1 (2-tailed).

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In Table 4-5, I examine whether CEOs with high reputation perform better than CEOs with low reputation as shown. Presents the linear regression models test CEOs' reputation with stock returns (RET). The cross-sectional annual data are from year 2006 to 2007.RET is the firm's stock returns of the prior year adjusted by two-digit industry median, $MEDIA_{t-1}$ is the press coverage count of the CEOs (1=if the CEOs was in the top 20% media exposure of the industry for the two years or 0=otherwise), $TENURE_{t-1}$ is the number of years the current CEOs have been in that position in the current firm.

The results show that $MEDIA_{t-1}$ has positive coefficients (β_2=32.11 p<0.01), the results suggest that high reputation CEOs more likely to have better stock return next period which supports the, which is consistent with (H_2). The results show that $TENURE_{t-1}$ positive coefficients but not significantly (β_3=0.018, p<0.01), the results indicate that high reputation CEOs are more likely to have better performance next period, which is consistent with Hypothesis 2.

The findings of the study would significant influence on financial analysts' stock recommendations and investors' stock purchase decisions (Burson-Marstellar, 2003).

Table 4-5 CEOs' Reputation and Stock Returns

	RET_t	
Intercept	66.19(2.08)***	27.42(1.31)
RET_{t-1}	0.97(9.47)***	0.02 (9.44)***
$MEDIA_{t-1}$	32.11 (1.55)	
$TENURE_{t-1}$		.018(0.03)
CEOs age_{t-1}	-0.380(-0.37)	-0.30(-0.28)
CEOs own_{t-1}	-0.15(-0.21)	-0.38 (-0.52)
Firm $size_{t-1}$	-20.63(-2.86)***	-12.11 (-2.56)***
Year dummy	Yes	Yes
Industry dummy	Yes	Yes
F-Statistic	20.56	19.75
Adjusted R^2	0.39	0.38
N	150	150

*** indicate significant at the 0.01 (2-tailed).

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In Table 4-6, we summed the four standardized indicators to yield our composite measure of strategic dynamism. The cross-sectional annual data are from year 2006 to 2007. SD is the firm's strategy dynamism of the prior year adjusted by two-digit industry median. $MEDIA_{t-1}$ is the press coverage count of the CEOs (1=if the CEOs was in the top 20% media exposure of the industry for the two years or 0=otherwise), $TENURE_{t-1}$ is the number of years the current CEOs have been in that position in the current firm.

The results show that $MEDIA_{t-1}$ has significantly positive coefficients (β_2=1.28, $p<0.01$). The results indicate that CEOs with high reputation are more likely to positive associated with more strategy dynamism, which supports the Hypothesis 3.

The coefficient of $TENURE_{t-1}$ is positive but not significantly (β_3=0.01, $p<0.01$), it indicates that high reputation CEOs are likely to more strategy dynamism next period, which is consistent with Hypothesis 3.

These results appear that CEOs' reputation is positively associated with strategic dynamism. For our measure of strategic dynamism, reflecting changes in resource deployment, these findings add to the evidence that company strategies are highly susceptible to human factors in the executive suite (Bertrand and Schoar, 2003; Finkelstein and Hambrick, 1996)

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Table 4-6 CEOs' Reputation and Strategy Dynamism

	SD_t	
Intercept	1.48 (0.84)	1.87 (1.05)
SD_{t-1}	0.88 (27.22)***	0.88 (26.77)***
$MEDIA_{t-1}$	1.28 (2.04) **	
$TENURE_{t-1}$		0. 01 (0.06)
CEOs age_{t-1}	-0.02 (-0.80)	-0.03 (-0.90)
CEOs own_{t-1}	-0.01 (-0.40)	0.00 (0.01)
Firm $size_{t-1}$	0.55 (2.50) **	0.21(1.44)
Year dummy	Yes	Yes
Industry dummy	Yes	Yes
F-Statistic	156.63	151.44
Adjusted R^2	0.84	0.83
N	150	150

*** Indicate significant at the 0.01 (2-tailed).
** Indicate significant at the 0.05 (2-tailed).

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Chapter 5 Conclusion

In this study, we empirically test whether CEOs' reputation provides economic benefits: Financial performance, stock market return and strategy dynamism. Although much prior research has examined firm determinants of this relative use in performance measures, little research has been conducted on how reputed CEOs affect it. These findings add to the evidence (Gibbons and Murphy 1992; MacLeod and Malcomson 1988) argues that CEOs' reputation reflects the superior ability of CEOs and thus improves firm performance. If we view reputation reflecting CEOs' ability, we can conclude that CEOS' reputation will improve financial performance (ROA, ROE). Moreover it will improve stock market return (RET). This practical implication is that the higher reputed CEOs, the greater the raise in profitability. Besides, the higher reputed CEOs would improve the public's understanding of the firm which decreases information asymmetry. The results also suggest that investors can invest in a company based on a reputed CEOs once firm performance slides.

Interestingly, following from the theoretical argument that reputed CEOs favor actions that attract an attentive audience, we find considerable evidence that reputed CEOs are positively with strategic dynamism. Reputed CEOs gravitate to more strategic dynamism. Thus this study presents a step forward on the way to understanding the complex relationship between CEOs' reputation and organizational effectiveness. These findings add to the evidence that company strategies are highly susceptible to human factors in the executive

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suite (Finkelstein and Hambrick, 1996; Bertrand and Schoar, 2003), and they particularly highlight the role of CEOS' reputation in generating bold strategies. This study contributes to the understanding of a more complete picture of the economic benefits of CEOs' reputation.

There are several limitations to this study. First, both CEOs' tenure and media coverage of CEOs counts might not be good proxies of CEOs' reputation. Both proxies may be affected by firm size and political processes that are more related to the symbolic images of CEOs than their ability. These two proxies, however, are the most widely used measures of reputation in the previous literature (Francis et al., 2008; Johnson et al., 1993; Malmendier and Tate 2005; Milbourn 2003). Previous studies have provided validity tests to check whether CEOs tenure and media coverage are reasonable proxies of CEOs' reputation. Milbourn (2003) uses CEOS tenure, outside-hired CEOs, and past performance as the proxies of CEOs' reputation. CEOs' tenure, however, might be one of the consequences of CEOs' reputation and past performance might be one of the determinants of CEOs reputation (Johnson et al., 1993). Thus, CEOs' tenure and past performance are not reasonable proxies to examine an association between CEOs' reputation and future performance.

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