

St. Petersburg University
Graduate School of Management
Master in Corporate Finance

**TOP MANAGEMENT CHARACTERISTICS
AND COMPANY FINANCIAL PERFORMANCE:
AN EMPIRICAL STUDY**

Master's Thesis by the 2nd year student
Concentration — Corporate Finance
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St. Petersburg
2017

**ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ
ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ**

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Направление подготовки	38.04.02 “Менеджмент” (Профиль: Корпоративные финансы)
Год	2017
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Описание цели, задач и основных результатов	<p>Как следует из исследований и практики корпоративного управления, характеристики топ-менеджеров оказывают значительное влияние на финансовые результаты компании. Исследования по этой теме могут дать ценную информацию о формировании эффективной команды топ-менеджеров.</p> <p>Целью этой магистерской диссертации является выявление взаимосвязи между характеристиками генерального директора и финансового директора и финансовыми показателями компании, измеряемыми с помощью бухгалтерских показателей. Для достижения этой цели были изучены особенности корпоративного управления в России. Кроме того, для формулировки гипотез исследования, был проведен анализ существующей литературы по теме корпоративного управления и влияния характеристик генерального директора и финансового директора на финансовые показатели компании. Наконец, были протестированы эмпирические модели для получения результатов о существовании взаимосвязи между личностными характеристиками руководителей и результатами деятельности компании и разработки управленческих рекомендаций полученных результатов.</p> <p>Результаты исследования демонстрируют, что определенные характеристики генерального директора (например, занятость, предыдущий опыт работы в компании на разных должностях, отраслевой опыт) и определенные характеристики финансового директора (возраст и срок пребывания на должности) оказывают значимое влияние на такие финансовые показатели компании, как ROA, ROE, EPS и DPS.</p>
Ключевые слова	Корпоративное управление, генеральный директор, финансовый директор, финансовые показатели

ABSTRACT

Master Student's Name	Anastasiia B. Trofimova
Master Thesis Title	Top management characteristics and company financial performance: an empirical study
Faculty	Graduate School of Management
Main field of study	38.04.02 “Management” (specialization: Master of Corporate Finance)
Year	2017
Academic Advisor's Name	Yulia B. Ilina
Description of the goal, tasks, and main results	<p>Based on corporate governance research and practice, characteristics of top-managers are believed to have a significant impact on the financial results of the company. The research on this topic can give valuable insights on the forming high performing top-management team.</p> <p>The goal of the following thesis is to identify the relationship between CEO and CFO personal characteristics and the financial performance of the company, measured by accounting based values. To achieve this goal the specifics of corporate governance in Russia were studied. Moreover, the literature review on the topic of corporate governance and influence of CEO and CFO characteristics on the financial performance was done to formulate hypotheses of the study. Finally, the empirical models were tested to obtain results on the existence of the relationship between personal characteristics of executives and performance of the company and to develop managerial implications of the obtained results.</p> <p>The study suggests that there is a significant influence on certain characteristics of CEO (busyness, previous experience in the company on different position, industry experience) and certain characteristics of CFO (age and tenure on the position) on the financial performance of the company measured by such indicators as ROA, ROE, EPS and DPS.</p>
Keywords	Corporate governance, CEO, CFO, financial performance

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Introduction

The corporate governance is designed to reduce the moral hazard and to ensure the required level of company's performance. Due to the high importance of the governance and increasingly higher attention to the executives' personalities, the question of characteristics of the board of directors and top managers that have a positive impact on the performance of the company is becoming increasingly relevant for researchers. Most of the works on corporate governance concentrate on the analysis of board of directors and the qualities of the members of the board. However, the analysis of the CEO and CFO influence on the financial performance can also bring a very important result for the companies since these positions can be occupied by external managers and the choice should be done based on the qualities of the manager.

Talking about the traditional view of the firm, in this paradigm corporate policies are determined only by technology and product market conditions, while managers have no role in determining corporate policies. As a result, it can be assumed that financial results do not have a strong correlation with the personal qualities of top-management. This can be explained by such theoretical assumptions as managers being somewhat homogeneous and thus perfect substitutes (the neoclassical view), or as managers' heterogeneous preferences and characteristics are irrelevant since a single person cannot easily affect corporate policies and results (Beber, Fabbri, 2012).

On the other hand, some theories suggest that executives can have the influence of the corporate decision-making; moreover, these influences can follow their personal incentives, which can be not aligned with the company's. One of the most suitable theories to describe the nature of these disorganizations is the principal-agent theory. Jensen M. and Meckling W. (1976) were one of the pioneers to discuss the agent problem, determining the agency costs and issues associated with the "separation of ownership and control". This problem is generated by the fact that the manager (agent) bears only the fraction of the costs and benefits generated by the company and, as a result, performs to maximize their own utility, sometimes harming the utility of other outside stakeholders (principals), e.g. debt holders or shareholders.

Standard agency models suggest that managers can indeed alter the goals and results of the company as well as policies they follow, for example, to achieve personal opportunistic objectives. However, there is no strong evidence of altering the corporate policies, which can weaken the evidence of changing the final financial results. As a result, the characteristics of the top managers of the company on the company's policies, performance, goals, and strategies have

become increasingly important over time and researchers began to develop theories around the connection between managers' qualities and companies' performances.

The characteristics of the managers in top position and their influence on the decision-making process and the results and policies of the company were under investigation for decades. One of the earlier works by Dearborn and Simon (1958) was dedicated to the analysis of the problem solutions by functional managers in comparison to each other. Already then authors determined that there is a difference in terms of problem perception and solution seeking based on the goals and tasks in their respective functional areas and background even though they are motivated to consider it from a company-wide viewpoint. Hambrick and Mason (1984) in their work suggest that executives' background and experiences shape the choices they make which can be considered as a start to more in-depth analysis of the connections between personal characteristics, education, experience of top management and performance of the company, policies that management follow and the way decisions are made. On the other hand, the research on the influence of CEO characteristics on financial performance is quite limited, since researchers still concentrate more on the board of directors' impact on financial performance. Additionally, the characteristics of CFO are rarely considered as influents on the company's performance. Therefore, different characteristics should be taken into consideration, such as cognitive characteristics, education, connections and other. This issue is analyzed by Vintilă G., Mihaela O., and Ștefan C. (2015) and Peni, E. (2014). Despite mixed results, the following papers giving valuable insight on the nature of the connection between the characteristics of executives and the results of the company.

As a result, the analysis dedicated to the problem of CEO and CFO characteristics can contribute to the development of the theoretical base on the question and can provide managerial implications for Russian companies. The suggestion about the separation of the roles of executives can be formulated as well as the role of specific characteristics in the realization of certain management strategy.

The main *research problem* is to determine whether there is a relationship between CEO characteristics / CFO characteristics and company's financial performance based on Russian public companies.

The *questions* that needed to be answered to achieve the goal are as follows:

- Is there a link between CEO busyness and financial performance of the company;
- Is there a relationship between previous experience of CEO during crisis and the financial performance of the company;
- Is there a relationship between previous experience in management positions in finance of CFO have and the financial performance of the company;

- Is there a positive relationship between the CEO tenure as Chief Executive Officer and firm performance;
- Is there a positive relationship between the CFO tenure as Chief Financial Officer and firm performance.

The goal of the following thesis is to identify the relationship between CEO and CFO characteristics and the financial performance of the company, measured by accounting based values. To achieve this goal and answer the stated above research questions, following research objectives were set:

- To conduct a literature review of existing research on the topic of corporate governance and connection between the CEO and CFO characteristics and company financial performance;
- To study the specifics of the corporate governance in Russia;
- To conduct an empirical study to test developed hypothesis on the existence of the relationship between characteristics of top executives and performance of the company;
- To develop theoretical and managerial implications of the obtained results.

The methodology of the study is based on the analysis of dependent characteristics of company performance, such as ROA, ROE, EPS and finally DPS, based on certain characteristics of CEO and CFO of Russian public companies. Econometric modeling is applied and regression models are constructed for the analysis.

In this paper, both theoretical and practical contributions are expected to be made. The main theoretical value of the paper is to find evidence about the relationship between the characteristics of CEO and CFO and financial performance of the company, from both internal and market perspective obtained from the Russian market. Practical implications are expected to contribute to the guidelines, which board members or recruiters follow in order to choose the executive to match corporate goals.

The research consists of an introduction, two main chapters: analysis of existing theoretical background of the topic, description of research methodology, empirical study as well as a description and analysis of the main findings and discussion, and finally the conclusions, theoretical and managerial implications and limitations of the research.

First part is the theoretical framework of corporate governance and its importance in the framework of strategic management of the company. The analysis of the literature starts with the basic definition of the corporate governance followed by the different theories devoted to the question of corporate governance and its influence on the strategic decisions of the company.

This part is followed by the description of the current state of corporate governance in Russia and its specifics in terms of an average portrait of top-managers compared to developed economies. Further, the definition of company's performance and description of main theories on how corporate governance can influence these performance indicators are discussed. The final part of this chapter is dedicated to the formulation of the hypothesis based on the existing pool of research papers as well as distinguished unique characteristics of the top-management labor force in Russia.

The second part is devoted to the methodological framework of the research based on the research gap identified in the first part. In this chapter, the dataset of the analyzed companies was presented together with the main variables description based on the analysis of executives' characteristics and their influence on the performance of the company. The results based on the conducted empirical models analysis are presented and analyzed. Finally, this chapter includes the discussion of the findings, comparison of the findings with the relevant research.

The paper concludes with the summary of the results, managerial implications of the findings, limitations of the work and suggestions for further research.

Chapter 1. Literature review

1.1. Corporate governance: theoretical framework

Corporate governance is important from the standpoint of the economic health of the corporation and welfare of the society. According to the definition of the OECD, corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants within the corporation, such as the board of directors, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set and the means of attaining those objectives and monitoring performance (Clarke T. 2004). Corporate governance reflects and enforces the company's value and contributed to the firm's legitimacy and the credibility of its decisions and reporting (Luo Y. 2007)

There are a lot of theories devoted to the nature of corporate governance and its development. Clarke T. (2004) divided the main definitions and dilemmas on corporate governance into six main theories (see Table 1). These theories give an outlook on the cradles of corporate governance strategies, the nature of the relationships between agents and their influence on the corporate governance structure and, finally, on the dynamics of the corporate governance development.

Table 1. Corporate governance framework

<i>Nature of the corporate governance</i>	
Economic foundations	Development of corporate governance is bound to economic development to resolve economic problems or pursue economic opportunities; management became separated from ownership as a result of an open-market economy.
External pressures	Based upon the view that corporate governance has to match external environment; the strategic choices are made based on institutional forces changes; governance is about the network and flows between independent units and agents.
<i>Relationship between managers and owners</i>	
Agency theory	Based upon the contractual view of the firm and utility-maximizing intentions of the individual actors; corporate governance as a

	mechanism to provide shareholders with the assurance that managers will achieve results that are in the shareholders' interests rather their own interests.
Stewardship theory	Based upon the view that there is no conflict of interests between managers and owners; governance structure is aimed at ensuring effective coordination between managers and owners
<i>Drivers of corporate governance development</i>	
Stakeholder theory	Based upon the view of the firm as a set of relations rather than bundles of assets; governance assures that managers adopt stakeholders' perspectives; a sense of corporate citizenship.
Theories of convergence	Convergence of corporate governance regimes to Anglo-Saxon model. Internationalization of finance, open and global equity markets; market—driven choice of corporate governance to ensure transparency and disclosure.

To sum up these theories, corporate governance is arising from the fact that in the modern world the ownership and management are separated and based on this the new structure of decision-making should be adopted. This separation of duties and risk-bearing responsibilities can have both negative and positive results; regardless, corporate governance should aim at achieving high performance while balancing the interests of both internal and external stakeholders of the company. Basically, the good corporate governance aligns the actions of executive management with the interests of shareholders and creates incentives for top managers and board of directors to act according to the value creation strategies.

Corporate governance should ensure not only the opportunity to get access to the capital markets due to a high level of transparency but also to assure and reward monitoring of corporate operations (OECD, 2012). As a result, it must, at a minimum, meet the criteria of corporate accountability and corporate transparency to reduce risks for actors on financial markets.

However, the corporate governance does not only cause extra costs on the organizational level to maintain a certain level of transparency and to assure coordination of management and owners goals. It also provides a number of benefits for the company, which creates competitive advantage and gives access to financial and other resources.

First of all, following best governance practices improve and sustain the reputation of the company. Transparency and sharing of the principles with external stakeholders can increase the number of external actors who are willing to work with the company. Moreover, financial

institutions and potential shareholders are more willing to give their capital to the company with sustainable corporate governance, which assures the protection of their interests.

Secondly, corporate governance includes instituting policies to stay compliant with local, state and federal regulations and laws. Due to the required level of transparency, it reduces the probability of corruption as well as decreases costs of internal audit procedures.

Thirdly, corporate governance limits the potential for the opportunistic behavior of employees and reduces the possibility of potential fraud and conflict of interest. These guidelines protect the shareholders from the agency problem caused by the separation of ownership and management as well as sets specific distribution of risk and benefit bearing between management and owners.

Finally, good corporate governance gives a sturdy foundation of the working principles and goals, which can boost the financial performance of the company and ensure corporate success and economic growth.

1.2. Corporate governance in Russia

Development of corporate governance in Russia does not have very long history since the privatization process started only in the 90-s and laid the foundation to the corporate governance as we know it. Despite short history of development, these questions are regulated by the variety of laws and codes, such as Civil Code of the Russian Federation, the Federal Laws “On Joint-Stock Companies,” “On the Securities Market,” and “On Protection of the Rights and Legal Interests of Investors in the Securities Market,” as well as specifically designed Russian Code of Corporate Governance.

Insufficient level of corporate governance development in Russia leads to an extensive number of conflicts between managers and shareholders, which leads to aggravation of the principal-agent problem. The most common problem is a dilution of shareholders equity aimed at decreasing the share of external investors. Moreover, major shareholders can harm interests of minority shareholders by controlling financial flows rather than an increase of return on investments and overall business profitability.

Despite the fact that the majority of investors in Russia are institutional investors (such as banks and insurance companies, the access to the information is limited even for them, let alone for private investors. As a result, minority shareholders do not only lack an ability to influence the managerial decisions but also can have no access to information about financial and operation results due to lack of transparency and not compliance with international standards of corporate governance (Bank of Russia Financial Markets Service, 2016).

The first Code of Corporate Governance was developed back in 2002, but it was heavily updated in 2014 to include current best practices as well as changes in the legislation in recent years. The Corporate Governance Code was developed with the participation of the group of experts of the International Financial Center and the Expert Council of Cabinet of Ministers. It describes the basic principles and specific mechanisms for improving corporate governance, contains provisions on shareholders' rights, the role of boards of directors, disclosure, risk management, reward policies, and others.

With the adoption of the Code of the Russian joint-stock companies have received basic guidelines on implementing advanced standards of corporate governance, taking into account the specifics of the Russian legislation and established in the Russian market interrelation practices between stakeholders, employees, executive bodies and other stakeholders participating in company's activities. The code is aimed at not only at clarifying certain laws but also at providing ethical guidelines and higher standards of governance that cannot be included in the law system due to their nature or lack of flexibility. Currently, the code covers seven main principles of corporate governance:

- Shareholder rights and equality of conditions for shareholders exercising their rights;
- Board of directors of the company;
- Corporate secretary of the company;
- System of remuneration due to members of the board of directors, the executive bodies, and other key managers of the company;
- Risk management and internal control system;
- Disclosure of information about the company and its information policy;
- Material corporate actions.

In September of 2016, the analysis of the Code implementation in top 83 Russian companies was conducted by the expert group. It was found that 60% of the 83 companies analyzed fulfill the majority of the Code's positions. At the same time, 21% of companies fulfill the requirements of the code for more than three quarters. As a result, the importance of the corporate governance is increasing and the investment decisions can become more sound since the information about the company's performance under these rules should be more transparent and accessible (Open Government, 2016).

As the evidence from the Russian market show, corporate governance framework has become an important subject to the investment institutions when they are making decisions about investments in the company. The topics of particular importance include independence of the board of directors, transparent dialogue with shareholders and respect of minority shareholders

(OECD, 2015). These issues are more important for international investors, especially from the USA and the UK; however, the importance is increasing for Russian investors as well.

Despite an unstable political climate in Russia, the increase in transparency as well as in the quality of corporate governance in Russian companies had a positive influence on the investors' perception and willingness to invest in Russian corporations. CEOs as internal agents are particularly confident in their own company's revenue growth prospects, while investor confidence tends to vary by industry, but the trend to more positive attitude remains (PricewaterhouseCoopers, 2016).

1.2.1. CEOs in Russian companies

Talking about labor market of top-managers in Russia, it is currently undergoing a lot of systematic changes due to the crisis in Russian economy and trend for increasing the efficiency of top-managers. The structure of the companies is becoming more horizontal, the number of managers is decreasing. For instance, RusGidro is in the process of reorganizing their management structure aiming at decreasing cost of management, increasing the efficiency of the decision-making process and uniting management of different branches to pursue same strategic goals (Podtserob M., 2017). These changes will help RusGidro not only save around 31–168 million rubles on the top-managers remunerations, but also around 0,8–1,4 bln. roubles on increase of efficiency of decision-making.

In the current state of the labor market of top-managers, especially CEOs, Russian companies are valuing very different things from international companies. As of now, hard skills, especially in finance and audit, are predominant competitive advantages of CEOs of Russian companies. For example, at the end of 2016, around 9% of top managers had experience working in consulting firms: while being able to come up with innovative solutions for the problems, they lack the ability to convince others to implement these changes (Gorelova E., 2017). On the other hand, international companies concentrate more on the soft skills of the prospective CEO and their fit to the company needs. As a result, strategic changes have a much higher probability to be implemented in the company while maintaining the unity of workforce and management.

Moreover, position of CEO in Russia is regulated by both Labor code and Civil code of Russian Federation which creates precedents that CEO cannot be fired or changed, especially without “golden parachute” compensation, even if there was a fraud or CEO is on maternity leave or CEO is on long-term sick-leave (Gorelova E., 2017). These situations can damage the reputation of the company, however, due to the constraints of Labor Code shareholders cannot resolve the situation or need to incur substantial losses to change the executive.

Due to these gaps and overlaps in the law of Russian Federation as well as the patriarchal character of the business community, CEOs of biggest companies by capitalization in Russia are predominantly men; same can be said about Board of Directors. Moreover, more often new CEOs do not have previous experience of working in the industry, let alone in the company itself, which puts them in the stressful situation when they need to implement changes, develop strategy and learn more about trends in the industries and peculiarities of the company.

Experts on the labor market of top-management in Russia note that the market for a top management position in the current state is very young which leads to a quite strong distinction of Russian market from the market in the USA and Europe. For example, only recently the average age of the CEO approached 45-50 mark, which is the average age of the executive in advanced economies for quite long time. Simultaneously, there is a significant plummet in numbers of a highly professional labor force of 30-35 years present in Russia, which leads to the possible shifting in the top-management labor force and a potential decrease in average age of the CEO.

At the present turbulent time, business invites different type of managers: they have extensive experience, they have received a good, often international education, as well as international practices and, very importantly, they have the strength, energy, and motivation to transform companies and enterprises, since transformation is one of the main tasks for companies today.

Before 2010, top-managers often chose to make an impression of self-confident, tough, self-sufficient people who did not admit mistakes. Their ability to communicate - listening, willingness to discuss and finding compromises - was rather low, and in the motivation of employees and colleagues, they rather relied on negative factors. After 2010, there was a significant shift in the most valued skills of the CEOs. Modern CEOs still rely more on personal analytical skills; however; at the same time soft-skills start to play a much more significant role for the CEOs - the ability to consult, the ability to select a strong team that is inclined to work out various coordinated decisions. The intuition of modern leaders is reinforced by the ability to quickly respond adequately to changes, to openness to the new (Malyhin M., 2014).

Currently, in Russia the labor market of CEOs is very masculine, there are only 25 women on the position of executive director, most of them work in private business, while, there are almost no women in the first positions in state companies. Moreover, women have lower chances of promotion to top management positions in general - the number of women at the head of the boards of directors of the largest companies is zero, and as the members of the boards of directors - less than 6% (Babitskiy A., 2015).

The portrait of modern CEO in Russia still differs from the average portrait of the CEO in developed economies. First of all, in Russia most common education of the CEO is technical and engineering, while globally for CEOs it is more common to have business or economics degree. Secondly, there much fewer expats on the position of the CEO compared to many top companies globally. Finally, the average tenure of CEOs in Russia is longer than of their colleagues in other countries, especially in Japan, as well as the average experience in the industry.

Moreover, the industries have their specifics in terms of the characteristics of the CEO that they value. For instance, oil and gas industry on average has the oldest CEOs with the longest tenure in the company. Top-managers in this industry tend to have previous experience in the company and grow from the low-management positions. As a result, it is safe to conclude that companies in the oil and gas sector prefer to have very experienced in the industry top-managers due to specifics of the industry. Moreover, the probability of CEOs in this industry of having a specialized education is the highest among other industries in Russia.

Talking about the value of the MBA degree for CEOs in Russia, most of the CEOs of heavy industries do not pursue business education and more keen on relying on hard skills and industry specific knowledge in their strategic decision-making. On the other hand, more customer-oriented industries, light manufacturing and services, tend to have CEOs with business education, more often obtained in international business schools. Also, CEOs in these industries on average have lower tenure and smaller experience in the industry.

Larger companies by market capitalization, due to the specifics of the industries that they operate in, repeat the patterns showed by the oil and gas industry. CEOs of large companies tend to have more industry specific education and experience in the industry before assignment to the top-management position. Moreover, CEOs in larger companies tend to have a higher level of business since the top-managers of the biggest companies occupy positions on the board of directors of other large companies.

Talking about companies with state participation, the CEO portrait is based mostly around different qualities. The most prominent feature of the top-manager of the state-owned companies is the connection with the governmental authorities and personal experience on governmental or political positions. These connections could be informal, for example, friendships, family connections, as well as professional connections or mutual military service experience. Moreover, CEOs of such companies tend to take part in the work of committees of the cabinet and other state bodies. Moreover, these CEOs tend to have overall longer tenure on the position, generally, the longest compared to other companies.

1.2.2. CFOs in Russian companies

The financial director is a rather new position for Russian companies; however, the importance of this role in the company is steadily increasing. Now financial departments do not only play roles of back-offices but also actively participate in the development of the strategy of the company as well as in increase of operating performance. Moreover, the financial director is providing the organization with the necessary information to make managerial decisions through the organization of accounting systems that meet the tasks and needs of the enterprise.

This role in the company is also undergoing many systematic changes, more specifically leadership skills and human resource management skills are becoming the most crucial in the fork of CFO, compared to hard-skills of accounting and internal auditing. The average age of financial director is going down and more companies require MBA degree from prospective financial directors. Moreover, more often the position of financial director is more often occupied by women, which is impossible to say about the position of CEO. For instance, in Europe there are only 11% of female-CEOs, in the USA there are about 12%, while in Russia there are around 15% of female financial directors in biggest companies by capitalization (Storozhenko A., 2017). This change is caused by increasing number of women who pursue accounting education and profession: women are believed to have much more suitable qualities for accounting jobs, such as high levels of concentration, perseverance, and attentiveness. Since around 5% of CFOs eventually are promoted to the position of CEO, this change will have an impact on the corporate governance system in general, creating more opportunities for female managers.

Russian CFO is relatively young compared to their international colleagues, which mimics the difference between Russian and international CEOs. However, the difference in age of Russian and international CFOs in terms of age is decreasing: currently, the average age of the CFO in Russia is 43 years, while in 2007 it was only 40 years.

Similar to the situation with CEOs, the gender balance of the financial officers in Russia is skewed towards the dominance of male executives. On the other hand, the dispersion between genders on the position of chief financial officers in other countries, like Great Britain and Germany, is much more prominent and the percent of females on the position is much smaller.

For large Russian corporations, it seems to be unimportant whether the financial director has a business education or not. However, in smaller organizations and in international companies this factor plays an important role. At the same time, the previous industry experience of the CFO plays an important role during the decision making of assigning the person for the position. In the financial sector, CFOs tend to have very industry-specific experience, while

financial directors in retail usually have experience in different industries before getting the current position (Spencer Stuart, 2017).

The information about the CFOs is not as commonly disclosed by Russian companies as the information about CEOs of Chief Accountants. Due to the imperfections of the legislation concerning the division of roles and responsibilities between Chief Accountant and Chief Financial Officer, some companies do not have the position of CFO or do not fully disclose the information about the manager, who occupies this position. As a result, much less information is available on the personal characteristics of CFOs in Russia.

However, some conclusions could be drawn based on the analysis of the information disclosed by Russian traded companies. For example, CFOs of the largest Russian companies by capitalization also follow similar trends as CEOs in the same companies. They tend to be older than CFOs in smaller businesses and much more experienced. Moreover, generally, they tend to have much more broad experience in finance and in the specific industry that they are working in. Most of them were previously chief accountant in the same company and previously had experience in another position in the company. This indicates high value of experience, more specifically industry specific experience, of the CFOs and willingness to keep the composition of the top management team for longer.

There are also some industry specific characteristics of CFOs that could play role in the decision-making process of assigning a manager to the position. For example, heavy industries, such as energy, mining and oil and gas, tend to have much more experienced managers, including CFOs. Moreover, they give much fewer opportunities for growth for women in the company and, as a result, have much fewer female CFOs compared to the lighter industries. Moreover, lighter industries, especially retail, tend to value MBA degrees of CFOs much higher than heavier industries where they rely on hard skills and experience of the top-management team.

Currently, the Board of directors and managers consider the previous experience as one of the most crucial characteristics of the executive that influence the fit to the prospective position of the company. More specifically, the industry experience, as well as experience and knowledge in finance, accounting, and risk management, are playing an important role when choosing prospective executive. Other areas of expertise, on the other hand, are not considered as crucial (PricewaterhouseCoopers, 2016). On the other hand, the research background on the topic of corporate governance is slim and concentrates mainly on the board of directors, rather than any particular executives, such as CEO, CFO, and others. As a result, the choice of the subject of this paper is highly motivated by the variety of facts.

First of all, the majority of the previous empirical studies are based on the relatively old data taken from the financial results of the companies before Global Financial Crisis of 2008. After this economic catastrophe, it is safe to assume that attitude and optimism of managers on certain decisions, such as debt and capital balance or choice of short-term or long-term debt.

Secondly, the personal characteristics of CFOs were rarely in the center of attention of the researchers. CEOs are usually in the center of corporate finance since they are considered the most powerful actors of organizations as those who undertake the leadership role. On the other hand, CFOs also play an important role in forming the corporate strategy, especially in the questions of finance. As a result, analyzing the influence of the CFOs personal characteristics on the financial strategy can give meaningful insights on the existence of the connection between CFOs personality and financial results.

Finally, there is no significant research on the topic based on Russian companies yet that can give a single definitive answer about the existence of the connection between CEOs and CFOs characteristics and financial results of the company they are working for.

1.3. Corporate governance and financial performance

Measurement of performance can offer valuable information to allow monitoring of the performance of management on different levels, report progress to internal and external stakeholders, improve motivation and communication between employees and between management and owners and pinpoint problems (Waggoner et.al, 1999). Recently, special attention has been dedicated to determining the corporate governance effectiveness through different measurement of firm performance (Al-Matari E.M. et al, 2014).

There is an extensive amount of researchers dedicated to the analysis of future company performance and future stock return based on its past and present position. In the most of those researchers, the past and present performance are measured by using the variety of financial ratios. This strategy is a very traditional approach to evaluating the company performance, yet it is very powerful tool for decision-making process for external and internal stakeholders, such as potential investors, business analysts, and managers of the company. Rather than employing the total amounts observed on financial statements, these analyses were conducted using a number of financial ratios to obtain meaningful and comparable results (Delen D. et al. 2013). These ratios can not only show the health, stability or potential to grow but also help to compare the analyzed company with the industry, runners-up, and benchmarks.

The measures of the financial performance of the company can be divided into two categories: market measures and accounting measures. While market-based measures are characterized by its reflection of future expectations of shareholders and potential investors

regarding company growth and performance, accounting-based measures are mostly back looking on the past performance. Moreover, accounting-based measures are considered to be more precise in evaluation since they are based on the outcomes from management actions rather than estimations and predictions, which are used for market-based evaluation since they can be skewed based on overall level of investors' optimism, market trends etc.

1.3.1. Market-based measures of performance

Market ratios are those most commonly used by anyone interested in an investment in a firm. These ratios are an indication of how well a firm is performing in relation to its share price and book values of its assets and capital. Three most common market-based approach ratios are Tobin's Q, the price-to-earnings ratio, market-to-book ratio, and Cash-Flow per share.

- 1) Tobin's Q – ratio which is calculated as the market value of a company divided by the replacement value of the firm's assets. The ratio can be influenced by market trends and intangible assets of the company, such as intellectual capital. Based on the analysis of Tobin's Q ratio investors can make a decision on investing in the existing company in case of its undervaluation (ratio is smaller than 1) or creating a similar business in case of overvaluation (ratio is higher than 1).
- 2) Price-to-earnings (P/E) – in essence, this ratio indicates the dollar amount that investor should invest in a company in order to receive one dollar of its earnings. Generally, a high P/E ratio means that investors are anticipating higher growth in the future. This ratio is the most useful in comparison to other company's values.
- 3) Market-to-book (M/B) – is used to find the value of a company by comparing the book value of a firm to its market value. In essence, the ratio is aimed to understand if the company's shares are overvalued or undervalued and make the decision, which capitalizes this conclusion.
- 4) Cash flow per share – this ratio examines the cash that is generated for each share in the firm to cover capital expenditure and cash dividends. The ratio measures a company's effort to acquire long-term purchases to better equip it to do business (Masa'deh R. et al, 2015.)

All in all, market-based evaluation of the company's performance is based on the price of the share of the company. These evaluations can be heavily influenced by market trends, economic cycle, and many other reasons. As a result, market-based analysis can be seen as less reliable compared to accounting analysis, which is based on the actual past performance rather than estimations.

1.3.2. Accounting-based values of performance

Accounting and finance textbooks (e.g. Brealey, R.A. et al. 2006; Libby R. et al. 2004) generally organize financial ratios into classes including liquidity, profitability, long-term solvency, and assets turnover ratios. Liquidity ratios show the ability to repay short-term debt with the current financial state of the company; solvency ratios describe the long-term riskiness of the company; profitability ratios examine profit-generating ability of a firm based on sales, equity, and assets; turnover ratios depict the quality of utilizing assets, collecting receivables and managing working capital and, as a result, shows if the company is efficient in generating revenue.

Financial ratios, which are calculated by using variables commonly found on financial statements, can provide the following benefits (Ross, Westerfield, Jordan, 2013):

- Measuring the performance of executives;
- Measuring the performance of departments;
- Relative comparison of the company with the competitors and benchmarks;
- Evaluating of the company performance and deriving its strengths and weaknesses to potential investors;
- Providing information to external stakeholders (e.g. creditors and suppliers);
- Predicting future performance of the company and adjusting its strategic plans.

Main ratios that are used in this paper to evaluate the financial performance of the company are as follows:

- 1) Return on Equity (ROE) – the amount of net income returned to the shareholder's equity. The main ratio that shows the profitability of the company from the shareholder perspective. The ratio shows how much money company is generating with the money that was invested in its capital. The following ratio is compared to the required rate of return of investors to analyze the quality of the performance compared to the desired one.
- 2) Return on Assets (ROA) – profitability ratio that measures the net income produced by total assets. This ratio shows the profitability of the company from the company's perspective since it is taking into consideration all assets, no matter what were the funding. This ratio is dependent on the industry specific since some industries require more assets (especially fixed) than the rest.
- 3) Earnings per Share (EPS) – profitability ratio that shows the portion of a company's profit allocated to each outstanding share of common stock. This ratio is one of the

most important when determining the fair value of the shares and used in the price-to-earnings valuation of the company.

- 4) Dividends per Share (DPS) – profitability ratio from the shareholder point of view that shows the total dividends paid out by a business, including interim dividends, divided by the number of outstanding ordinary shares issued. Dividends are one of the main drivers of shareholder value creation.

However, these financial ratios cannot always be the best measure to compare the company and evaluate its financial performance. Those can easily be distorted by the balance sheet aggregation, for example by shifting the lease agreements off-balance despite leasing being the major asset source. Moreover, different accounting practices, e.g. using FIFO or LIFO, can also distort acquired ratios.

Likewise, there are a large number of other factors that can influence the financial ratios, being both positive and negative. One of those influences can be described as a personality of executives who make decisions in the company, such as the board of directors, CEO, CFO, and others.

1.4.Literature analysis and hypotheses

In the world of open economy, where the majority of big companies and corporations are present in the stock exchange and are willing to attract capital and debt from the financial market, the choice of stock investments is becoming increasingly more difficult and relevant. Investors are developing different models based on a variety of characteristics in order to obtain any estimation about the quality of the stock they are willing to pick for their portfolio. Since investors, particularly individual investors, are well known for paying limited attention to their choice of stocks, they rely on shortcuts to construct their valuation of companies. One of those shortcuts can be based on the CEO and CFO personal characteristics, since usually this information is open and easy to find.

In parallel, two topics have captured academic and public attention in recent times: the role played by CEOs in causing the Global Financial Crisis, and the qualities required of today's CEO to ensure sustained strong performance in the post-crisis economy (Huntley, 2013; Visser, 2010). Since the Global Financial Crisis in 2008, companies are starting to re-think the way they look on the prospective CEO and capitals that are required for high performing executive for the particular company or industry. However, not every board is having an understanding of which features will actually contribute to the financial results of the company in both short and long-term perspectives. Moreover, in choosing the prospective CEO a lot of stakeholders take part, which can complicate the decision-making process, especially if those have a different

perspective towards validating the capital of CEO candidates and which characteristics are needed for a successful executive.

Hambrick (1984, 2007) in his researches claims that the experiences, personal characteristics, and values of managers influence not only the choices that they make but also their interpretation and understanding of the problems that they face in their career. Moreover, their experience is carried throughout their career as part of their cognitive and emotional givens, which serve to filter and support the perception of the particular situation and the decision-making process (see Fig.1).

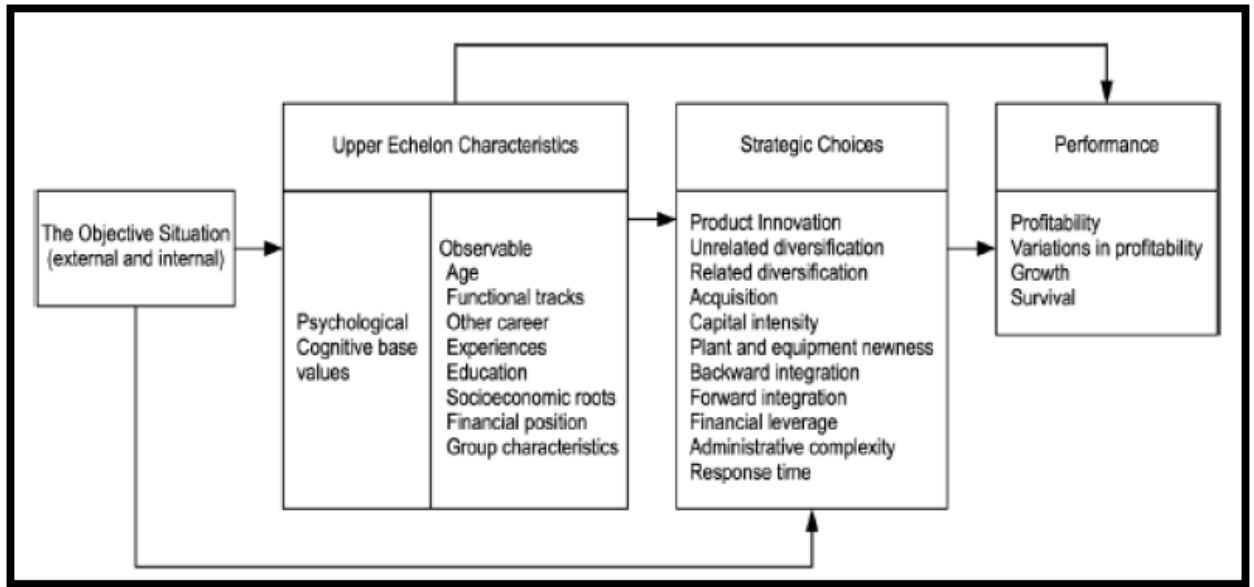


Fig. 1. Upper echelons perspective of organizations

Source: Hambrick and Mason (1984)

The most researched characteristics of executives to be analyzed are being the age, tenure and previous working and educational experience; in the most of the research articles, the person under investigation is Chief Executive Officer, rather than any other top manager. This can be explained by the fact that CEO in most occasions has the biggest influence on the company and its policies and has the biggest responsibility for its success or failures. In addition, the change of the CEO is usually done when the results of the company do not satisfy the board of directors, shareholders and credit holders or when there is a need to change the paradigm of company's strategy and main goals.

The main management theory that supports the fact that top managers, specifically CEO, have an influence on the performance of the firm is the agency theory. Executives can have a different position or goal rather than the board of directors or the company on the whole including all stakeholders. In addition, executives can adopt the policies that follow his or her level of risk-aversion, reputation building plans etc. rather than company's main strategy of development. As a result, the actual decisions made by the top manager of the company may

contradict the goals of other stakeholders and lead to the inefficient or even harmful decisions. Moreover, in the age when the diversity of top-management is getting critical for company's reputation, the executive's choice should be both inclusive and assure the positive changes and overall results within the firm. Consequently, the choice of the executives is seen as an increasingly more meaningful task, so the research on the topic is increasing in popularity.

The reasons behind these conclusions can be summarized in 4 major points:

First of all, manager's decisions can be affected by the level of the overconfidence of the manager. Researchers (such as Barber and Odean, 2001) made a conclusion that male executives tend to be more overconfident rather than their fellow female executives (Alessandro Beber, Daniela Fabbri, 2012). Malmendier and Tate (2005) confirm that overconfident managers may choose debt financing as a preference in their leverage decision which can potentially increase company risk as well as required rate of return. Also, Graham et al (2012) find evidence where more optimistic executives prefer to use more short-term debt rather than long-term debt.

Secondly, the level of risk aversion also differs among the executives and as a result influence the decision-making process and the goals that executive set for the company and themselves (Bertrand, 2011; Croson, Gneezy, 2009). Again, the level of risk-aversion tends to be higher among female executives as well as among older executives. To the extent that female executives tend to be more risk-averse on average than their male peers, women might choose to reduce corporate risk-taking to a level that fits their preferences once they have become executives (Caliskan D., Doukas J.A., 2015).

Additionally, reputation concerns and seeks for managerial promotion can also lead to the difference between executives' policies that are implemented within the company. executives that have been with the firm for longer have less need to establish a reputation (e.g., Gibbons and Murphy, 1992) which can lead to higher risk policies or an increase of the agency problem. Stulz (1996) argues that some executives may take active views when taking risks can lead to managerial promotion. Moreover, the gender can also influence the reputation concerns in a way that if corporate risk-taking is positively correlated with the likelihood that an executive loses his/her job, female or younger executive tend to be more risk-averse and implement rather conservative plans of company development, since they can have much more struggle in finding new job on the same level that older male executives do.

Finally, the diversity of executives career and educational experiences is an important dimension for capturing managers personal characteristics that influence the decision-making process. As a result, it can determine corporate investment and financing decisions, the level of research and development investment, the level of innovativeness and other dimensions of company performance (Conghui H., Yu-Jane L., 2015).

1.4.1. CEO characteristics and financial performance

Getting the best CEO for a firm is critical for many different reasons. From a shareholder perspective, stock prices and firm capitalization rise and fall, after the news of the hiring and firing of a CEO become available to the audience (Tian, Halebian, Rajagopalan, 2011). Moreover, new CEOs usually bring a new perspective on company strategy and development of the business model. For example, CEOs who have a higher level of positivity prefer short-term loan strategies while more conservative executives prefer lower leverages and much more safe cash conversion policies. Credit holders can also react on the appointment of the new executive based on their reputation, level of risk-aversion etc. Banks can implement more favorable credit policies for CEOs with better reputation or for CEOs who have previous experience in the financial sector.

CEOs are appointed with the expectation that they will take sensible management decisions to maximize shareholder value. As a result, over the last decades researchers pay increasingly more attention to the question of the personality of CEO and other top managers and its influence on the company strategy, performance and policies adopted, from dividend payout policies to risk-bearing policies. Practically, researches and studies in various management fields, from finance to human resource (e.g. Hambrick and Mason, 1984) did make conclusions about the existence of the impact of managerial characteristics on organizational outcomes. On the other hand, certain characteristics may increase the probability of opportunistic behavior or simple overconfidence that has a negative influence on the financial results obtained by the company in the long run.

One of the CEO profile characteristics that are analyzed in this paper is CEO busyness. Busy directors are commonly defined as those who hold multiple directorships in multiple companies. Recently overcommitted directors have come under attack as those who can slack their duties, especially in light of increased director responsibilities (Benson B.W. et al, 2015). The main problem of the executives with multiple board memberships is that they can be too busy to monitor and advise management, which consequently may decrease the quality and transparency of corporate governance.

On the other hand, Harris and Shimizu (2004) show that busy directors are important sources of knowledge, experience and they inevitably enhance company's performance during acquisitions, which means that executives with multiple board membership bring their companies more benefits. For example, multiple board membership signals the high quality of a CEO and more effective monitoring and advising.

In the Russian market, there is a pool of CEOs that have multiple memberships on different boards of directors, sometimes of competitive firms. This can bring negative results to

the company's performance: CEO can be absent from management meetings, allocate less time for each company monitoring. In addition, this situation can create the clash of interests. Based on this the first hypothesis was formulated:

H1: CEO busyness is negatively related to financial performance of the company

The second characteristic which is under investigation in this paper is tenure of the CEO in the company. CEO's interests, motivations, and power evolve along their tenure cycle, giving different probabilities of managerial opportunism during different stages of their career. New CEO can experience the problems with communications with the board and misunderstanding. They engage in learning and experimentation and, based on their career development strategy can show different behaviors (Miller, D., Shamsie, J., 2001): opportunistic if they plan to skim all the opportunities of their position for a short period of time or motivated if they are planning to stay in the company.

Long-tenured CEOs, on the other hand, have higher chance to have interests that departure from those of shareholders: they experience low task interest and a reduced inclination to take the risk (Hambrick, D.C., Fukutomi, G.D.S., 1991). On the other hand, long-tenured executives create an understanding of the firm specifics and can develop sympathy to the results that company can achieve (Zona F., 2016). As tenure increases, CEOs become more confident and will take more challenges in their financing decision (Orens, Reheul, 2013).

In Russian companies, CEOs tend to high rather long tenure. Long tenure is seen as the sign of trust and high level of involvement in the company's future. In addition, due to the presence of government authorities in the list of the shareholders of Russian corporation, the CEO appointment and tenure is assumed even greater importance. Based on this the second hypothesis was formulated:

H2: CEO tenure is positively related to financial performance of the company

The last but not the least characteristic of the CEO which will be investigated in this paper is the experience of the CEO. In the existing literature, there are different outlooks on this issue.

The main question, which interests research, is if the financial career of the CEO has an impact on the financial results of the company. Engelberg et al. (2012) claim that connection with banks on the personal level can help business to receive more favorable terms of financing and overall reduce the cost of debt. Custódio C. and Metzger D. (2014) state that the CEO with the financial background can also significantly influence the financial strategy of the company: firms with CEO with financial background tend to have lower cash holdings while maintaining a larger portion of debt.

On the other hand, overall career experience of the CEO can also have a large impact not only on the strategic decisions but also on the financial results of the company. CEOs' decisions can be significantly influenced by their career experiences and can be inconsistent with the optimal strategy for the specific firm or vice versa contribute to the improvement of firm's value. For example, Faccio et al. (2006) in their research show that firms with extensive political connections are more likely to receive bailout assistance.

Contrarily, Huang (2014) states that CEOs' industry experience has a stronger connection with the refocus decisions in case of financial difficulties and stronger influence on the value of the company. Moreover, it is safe to assume that CEOs with industry specific experience have a deeper understanding of the forces that influence the performance of the company as well as the most relevant connections with specialists from the industry. Based on this the third hypothesis was formulated:

H3: Industry experience of CEO is positively related to financial performance of the company

All in all, previous studies confirm that managerial heterogeneity is important for corporate performance certain strategic decisions. As a result, there is a vast variety of the characteristics of CEO, which has an impact on the financial performance of the company. There are plenty of evidence that specific characteristics of the executive will have a different influence on the performance and strategic finance choices. However, the evidence on the Russian market is very limited which means that this paper is contributing to the existing research and gives evidence for the CEOs in Russian companies.

1.4.2. CFO characteristics and financial performance

Despite the fact, that CEO is considered to have the biggest impact on the performance of the company, other executives have enough power to shape the strategy and performance of the firm as well. In terms of financial strategy as well as financial performance, Chief Financial Officer is the one executive that has the most significant impact. As a result, the characteristics of the CFO are worth being investigated.

The decisions of the executive of different levels, for example, CFO of a different gender can not only be factually different but also perceived differently based on gender bias and other constraints. Over the past decades, a substantial amount of literature draws public attention to the systematic differences between male and female CFOs in terms of their accounting, financing and investment decisions (Francis et al., 2013). For example, studies have shown that female CFOs adopt more conservative accounting policies (Francis et al., 2014), are less likely to make significant acquisitions, and are less likely to manipulate earnings (Liu et al., 2015) but more

likely to decrease leverage levels than firms with male CFOs (Huang and Kisgen, 2013). On the other hand, based on gender bias banks tend to claim mortgage collateral and even give less favorable loan deals to firms who have female CFO's (Xixiong Xu et al., 2016). As a result, the potential financial results of the companies headed by executives of different genders can vary a lot due to this bias. Despite having evidence that certain characteristics of the CFO, the research on this topic is still very limited.

One of the characteristics of the CFO that is going to be investigated in this paper is CFO tenure. Cheng, Chi (2014) claims that CFOs with longer tenures have more experience and fit their companies better since the CFOs who do not fit their firms well tend to have a shorter tenure. In terms of the strategic decisions influenced by the tenure of CFO, Murray Z. Frank and Vidhan K. Goyal (2007) found out that CFOs with longer tenure have lower leverage. Moreover, David Naranjo-Gil et al (2008) in their research paper observed the fact that older and more tenured CFO's are less likely to invest in administrative innovation since they do not consider them as the solution to the challenges faced by the company. As a result, the analysis of the influence of the tenure of the CFO and the comparison of the results with those of CEO tenure can give important insights into the problem of executives' tenure. Based on this the fourth hypothesis was formulated:

H4: CFO tenure is positively related to financial performance of the company

The second important characteristic under investigation is the previous experience of the CFO. The literature on this topic is rather limited but still provides some insight on the potential outcomes of the investigation. For instance, David Naranjo-Gil Et al (2008) found out that CFO's with a business-oriented background tends to be more likely to adopt balanced scorecard and benchmark systems as an answer to institutional challenges and as a solution to internal problems of the company. Moreover, it is safe to assume that the previous experience of the CFO can contribute to the financial performance of multiple ways: first of all, extensive experience can make CFO a better fit to the company due to developed skills and obtained knowledge during previous jobs; secondly, previous experience broadens the network of the CFO which can provide the same benefits as the network of the CEO, which was explained previously. Based on this the fifth and final hypothesis was formulated:

H5: Financial experience in top-management positions of CFO is positively related to financial performance of the company

To sum up, the analysis of the characteristics of the CFO can also give a valuable insight into their influence on the financial performance of the company and the comparison of the influence of the CEO and CFO characteristics on financial performance.

Chapter 2. Empirical study

2.1. Research methodology

The aim of this paper is to identify the relationship between a number of characteristics of CEO and CFO and financial performance of the Russian public companies based on the accounting profitability measures, such as ROE, ROA, DPS, and EPS. The results of the research will show if these relationships exist and which characteristics can potentially increase the financial performance of the company.

Research methodology is based upon quantitative methods, which were chosen based on the analysis of previous empirical studies, as well as the nature of the research question. The main instrument of the research is panel data regression analysis based on the chosen independent variables and control variables.

2.1.1. Data

The primary dataset used for the study is constructed from the list of companies that were included in the list of Broad Market Index of Moscow Stock Exchange. Financial institutions and delisted companies were excluded from the list of companies. Further, 11 more companies were excluded due to the unavailability of information on the CEO and CFO during the analyzed period. The final list of analyzed companies consists of 63 companies from various industries, distribution of which can be found in the Fig. 2. The time period that is going to be analyzed, is from 2011 to 2015, which excludes the influence of the global financial crisis of 2008-2009 but includes the crisis in Russia of 2014-2015.

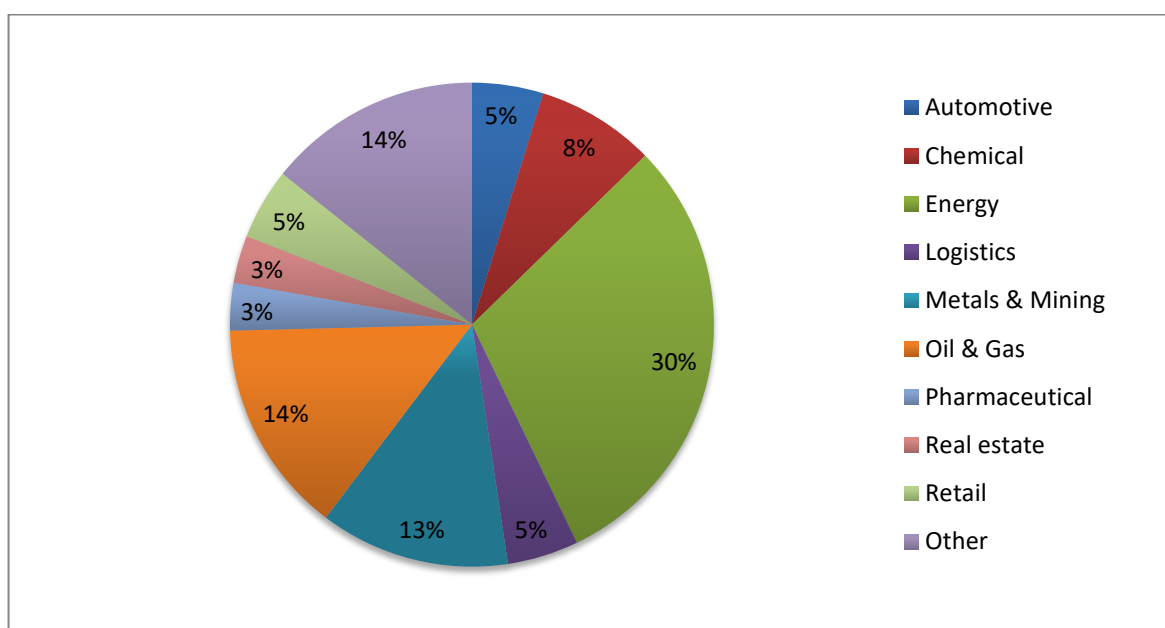


Fig. 2. Sample breakdown by industry

The data about financial performance indicators and financial results of the company was collected using Thomson Reuters Eikon database. The data was collected in Russian Rubles. The information about characteristics of CEO and CFO was handpicked from the Annual reports of the companies presented on their official websites as well as from open sources such as Delovoy Peterburg (Business Petersburg).

2.1.2. Empirical model

For the analysis of the industry specific connection between characteristics of CEO and CFO, two basic models were created. The first model shows the connection between CEO characteristics and financial performance indicator, while the second model shows the connection between CFO characteristics and financial performance.

Model 1:

$$Y_i = \beta_0 + \beta_1 CEO_i + \beta_2 Control_i + \varepsilon_i \quad (1)$$

The vector of dependent variable Y_i is representing the indicators of financial performance (ROA, ROE, EPS, DPS) for every company i in the sample. Vector CEO_i is representing independent variables that are characteristics of the CEO of the company at given year. Vector $Control$ is representing control variables that characterize additional data about the company i . β_0 is perceived to be an unknown scalar quantity, when β_1 and β_2 are presenting vectors of unknowing coefficients in a linear regression equation. ε_i is presenting random error of the model which captures other factors that influence the dependent variable that were not included in the model.

Model 2:

$$Y_i = \beta_0 + \beta_1 CFO_i + \beta_2 Control_i + \varepsilon_i \quad (2)$$

The vector of dependent variable Y_i is representing the indicators of financial performance (ROA, ROE, EPS, DPS) for every company i in the sample. Vector CFO_i is representing independent variables that are characteristics of the CFO of the company at given year. Vector $Control$ is representing control variables that characterize additional data about the company i . β_0 is perceived to be an unknown scalar quantity, when β_1 and β_2 are presenting vectors of unknowing coefficients in a linear regression equation. ε_i is presenting random error of the model which captures other factors that influence the dependent variable that were not included in the model.

2.1.3. Variables description

The first group of variables that is expected to create the basis of the research is those characteristics of the CEO and CFO, which are forming the pool of independent variables (Table 2). Here the basic characteristics like age and gender are included to mitigate possible

moderation effect. Other characteristics, like previous experience or tenure, are included to check the hypothesis developed for the research.

Table 2. Description of independent variables

Variable	Description	Measurement
<i>CEO characteristics:</i>		
CEO age	Variable shows the age of the CEO at the end of a fiscal year.	Discrete variable, the age of the CEO in years.
CEO ed_tech	The variable shows if an executive has obtained a degree in technical field.	Dummy variable, where 1 - technical, 0 – other.
CEO MBA	The variable shows if an executive has obtained MBA/EMBA degree.	Dummy variable, where 1 - MBA, 0 – no MBA.
CEO career_industry	The variable shows a number of years working in the industry at the end of fiscal year rounded.	Discrete variable, the number of years of work in the industry rounded.
CEO tenure	The variable shows a number of years on the CEO position in the company at the end of a fiscal year rounded.	Discrete variable, a number of years in the position rounded.
CEO busyness	The variable shows a number of external boards of directors where CEO is a member.	Discrete variable, the number of boards' memberships.
CEO crisis	The variable shows if the executive occupied the position of CEO during 2008-2009.	Dummy variable, where 1 – was CEO during 2008-2009, 0 – was not CEO during 2008-2009.
CEO insider	The variable shows if the executive was appointed to the CEO position from the outside or he was previously working within the company.	Dummy variable, where 1 - insider, 0 – outsider.
<i>CFO characteristics:</i>		
CFO age	Variable shows the age of the CFO at the end of a fiscal year.	Discrete variable, the age of the CEO in years.
CFO gender	Variable shows the gender of the CFO in the position.	Dummy variable, where 1 – female, 0 – male.
CFO MBA	The variable shows if an executive has obtained MBA/EMBA degree.	Dummy variable, where 1 - MBA, 0 – no MBA.

CFO career_fin	The variable shows a number of years of experience on the top-management position in finance at the end of the fiscal year rounded.	Discrete variable, the number of years of work on top-level positions in finance rounded.
CFO tenure	The variable shows a number of years on the CFO position in the company at the end of a fiscal year rounded.	Discrete variable, number of years in the position rounded
CFO crisis	The variable shows if the executive occupied the position of CFO during 2008-2009	Dummy variable, where 1 – was CEO during 2008-2009, 0 – was not CEO during 2008-2009.
CFO insider	The variable shows if the executive was appointed the CFO position from the outside or he was previously working on the different position within the company.	Dummy variable, where 1 - insider, 0 – outsider.

Next pool of variables is dedicated to the control variables of the model (Table 3). These variables are included in the research in order to remove the mediating effect from the equation. These variables are connected to the firm characteristics, such as size and leverage and they potentially have an influence on the financial performance of the company.

Table 3. Description of Control variables

Variable	Description	Measurement
Firm age	The variable shows the age of the company at the end of a fiscal year rounded.	Discrete variable, a number of years from the company establishment rounded.
Firm size	A proxy variable for firm size, based on firm's total assets at year-end.	Continuous variable, the natural logarithm of total assets of the company in rubles.
Debt ratio	Variable shows the perceived riskiness of the company.	Continuous variable, $\text{Debt ratio} = \frac{\text{Total debt}}{\text{Total assets}} \quad (3)$
Current ratio	The measure of the liquidity and company financial health.	Continuous variable, $\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} \quad (4)$
Crisis	The dummy variable which controls for 2014-2015.	Dummy variable, 0 for 2011-2013, 1 for 2014-2015.

The final set of variables is the set of dependent variables for each of which the empirical models will be constructed (see Table 4). They include accounting ratios for the profitability of the company from firm' and shareholders' perspectives.

Table 4. Description of Dependent variables

Variable	Description	Measurement
ROA	A variable for the profitability of the company relatively to its total assets.	Continuous variable, $ROA = \frac{\text{Net income}}{\text{Total assets}}$ (5)
ROE	A variable for corporation's profitability relatively to the money shareholders have invested.	Continuous variable, $ROE = \frac{\text{Net income}}{\text{Shareholders equity}}$ (6)
logEPS	A variable for profitability allocated to each outstanding share of common stock.	Continuous variable, $logEPS = \ln\left(\frac{\text{Net income} - \text{Preferred Dividends}}{\text{Average outstanding shares}}\right)$ (7)
logDPS	A variable for profitability from shareholders' perspective.	Continuous variable, $logDPS = \ln\left(\frac{\text{Sum of dividends}}{\text{Average outstanding shares}}\right)$ (8)

2.1.4. Sample description

Before the regression analysis of the data aiming at drawing the conclusion on the connections between characteristics of CEO and CFO and financial performance of the company, the descriptive analysis was performed. The descriptive statistics can be found in Table 5.

Table 5. Descriptive statistics of dependent variables

	Mean	Std.Dev.	Min	Max
ROA	0.05986	0.160538	-1.512	0.474
ROE	0.12493	0.247768	-0.847	2.444
EPS	67.31473	164.6919	-109.1	1457.76
DPS	36.01911	140.319	0	1432.38

As it can be seen from the table, the spread of the indicators is rather high, especially when earnings per share in the nominal values. As a result, the indicators should be analyzed taking into consideration industry specific as well.

Average ROA by industry shows quite diverse results (see Fig.3). On the other hand, it is possible to derive the trends that influence all industries. For instance, the majority of the industries showed a steady decline from the 2011 and 2013 and experienced a plummet in 2014 during the crisis and drop of the exchange rate. Some industries were able to recover in 2015, however, it is not that common trend since not all industries can be flexible. Retail, on the other hand, showed an opposite trend: during the deepest crisis in 2014 experienced highest growth rate. This phenomenon can be explained as the retail companies presented in the dataset – for example, Dixy and Magnit, are considered middle segment, that absorbed a lot of consumption during the crisis.

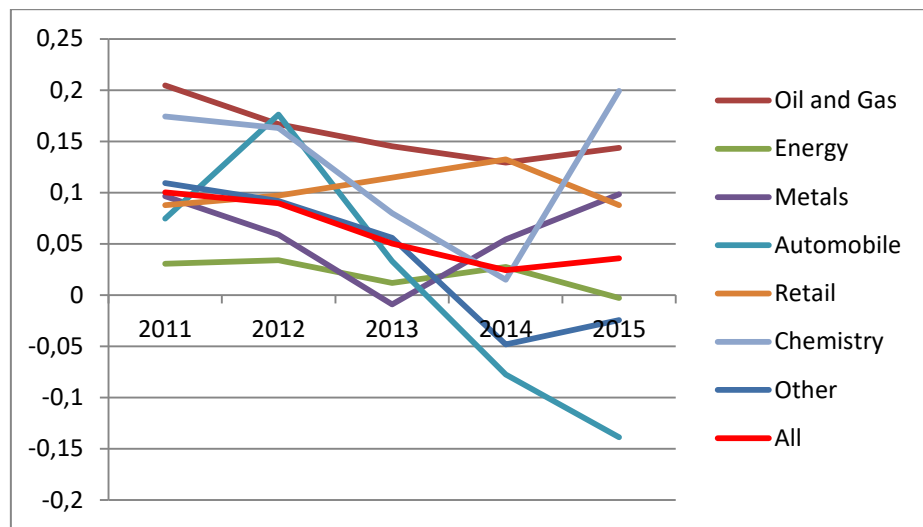


Fig. 3. Average ROA by industry

ROE analysis (see Fig.4) shows very similar results. While the majority of the industries experience decline in 2014, retail showed growth in return on equity. Also, the level of plummet during the crisis seems to depend on the connection with the foreign markets, in terms of supply or sales.

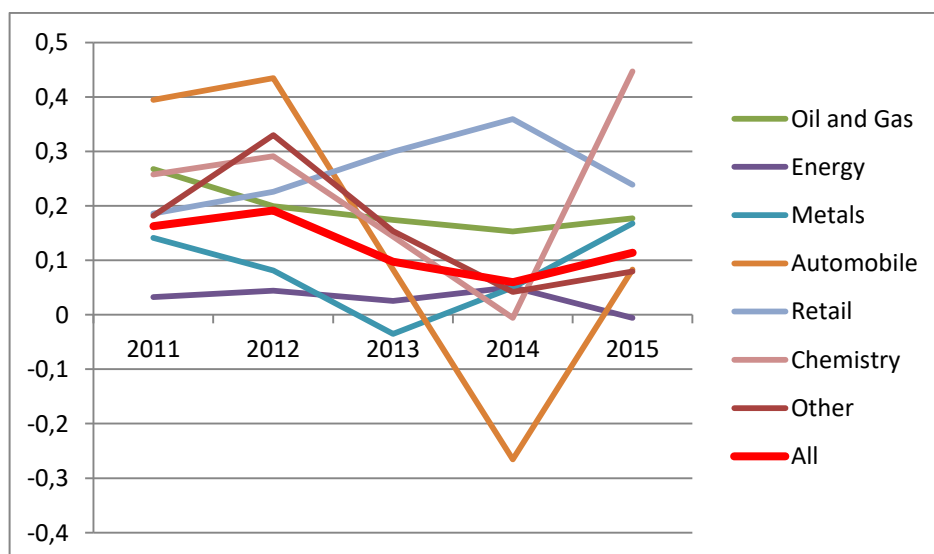


Fig. 4. Average ROE by industry

Trends in earnings per share across the industries are very similar; they were quite steady across 2011-2014, while a lot of the companies experienced a quite high level of growth in 2015. The energy was steadily very low due to the nature of the business – the companies are natural monopolies owned by the government.

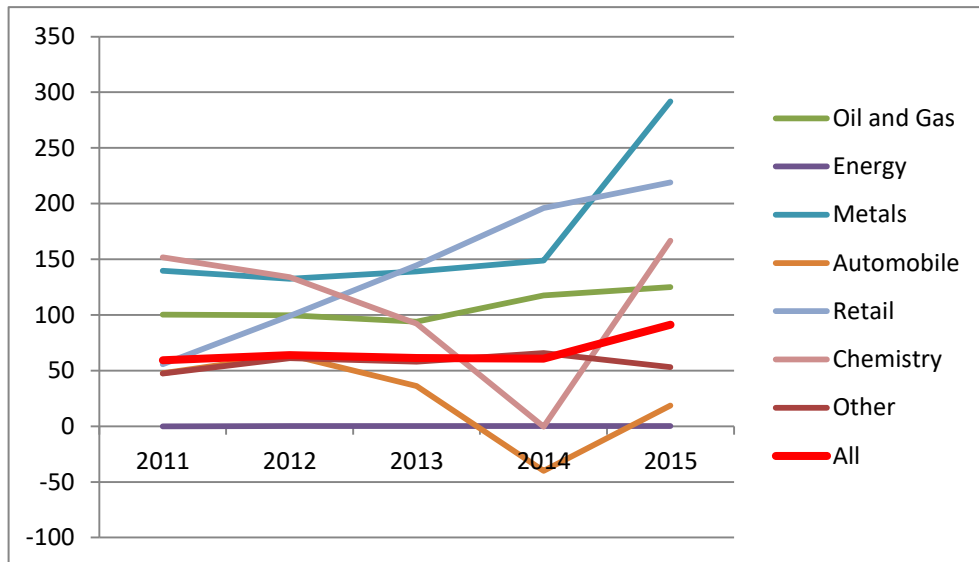


Fig. 5. Average EPS by industry

Finally, an amount of dividends paid in different industries are rather close, the only industry that stands out of the average picture is metal production industry. From 2014-2015 this industry experienced a huge change in average dividend policy – company started to pay higher dividends in relations to their free cash flow rather than their earnings. As a result, the dividends paid were much higher than in other industries.

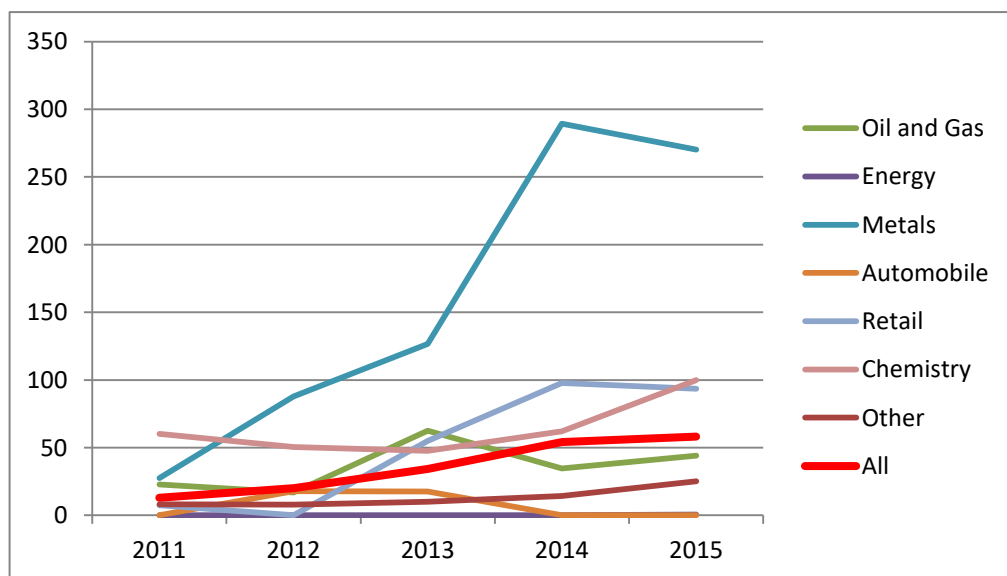


Fig. 6. Average DPS by industry

To conclude, the trends in dependent variables change are relatively similar across industries with some minor differences. On the other hand, to make sure that the indicators are comparable in nominal values as well, EPS and DPS have to be in logarithmic form to reduce the skew of the results due to the high volatility of nominal values.

Secondly, the analysis of average CEO characteristics and CFO characteristics was performed. However, the average descriptive data does not show the average portrait of the corresponding executive due to the quite high difference of the average CEOs and CFOs across industries. As a result, the average portraits of these executives in the company were created based on three most presented industries in the sample – oil and gas, energy and metal industries.

Table 6. Descriptive statistics of CEO characteristics

	Mean	Std.Dev.	Min	Max
CEOage	49.07937	8.060088	32	67
CEOed_tech	0.6698413	0.4710183	0	1
CEOed_MBA	0.2539683	0.4359722	0	1
CEOcar_ind	17.05714	11.30202	1	52
CEOtenure	5.980952	6.318985	1	35
CEObusy	1.625397	2.735586	0	18
CEOcrisis	0.6	0.4906774	0	1
CEOinsider	0.3619048	0.4818161	0	1

Average portrait of CEO

Oil and gas industry: male, from 44 to 67 years old, average age – 56 years, with technical education. He has worked in the industry for over two decades and started his career in the company from a lower position. He occupies the position of CEO for a long time (over 10 years), most probably he was CEO during the financial crisis of 2008-2009. He is also working as a board member of other companies.

Energy: male, from 34 to 61 years old, average age – 47 years, with technical education, on average he is more likely to have MBA degree than in other industries. He has more than 10 years of experience in the industry but quite short (around 3 years) experience in the company. More likely to be an outside director, while having no experience as CEO during the financial crisis. He is also working as a board member of other companies.

Metals: male, from 36 to 65 years old, average age – 48 years, with technical or financial education. He has more than 15 years of experience in the industry, and more than 5 years of experience in the company in CEO position. He is also working as a board member of other companies. He is more likely to have experience as a CEO during the financial crisis.

Table 7. Descriptive statistics of CFO characteristics

	Mean	Std.Dev.	Min	Max
CFOage	44.41587	8.018395	28	69
CFOgender	0.215873	0.4120812	0	1
CFOed_MBA	0.1936508	0.4037535	0	1
CFOcar_fin	13.88571	6.198388	1	34
CFOtenure	4.36246	2.941753	1	16
CEOcrisis	0.4253968	0.4951897	0	1
CEOinsider	0.3015873	0.4596773	0	1

Average portrait of CFO

Oil and gas industry: male, from 28 to 69 years old, average age – 49 years, with an extensive experience in finance (management positions in financial industry or top-management in financial department). He is likely to be appointed to CFO position in the company and that he does not have an experience as CFO during the financial crisis of 2008-2009.

Energy: male, but there is the highest chance across the analyzed industries (30% chance) of CFO being a woman, from 30 to 62 years old, average age – 46 years, has more than 10 years of experience in finance, appointed to CFO position in the company from outside labor force and he has rather short history with the company, around 3 years.

Metals: male, from 33 to 50 years old, average age – 42 years, has more than 10 years of experience in finance, but relatively new to the company (around 3 years of experience). More likely that he was appointed to the CFO position in the company from outside labor force.

It is possible to conclude that in the majority of Russian companies top position is occupied by male executives. Moreover, the average age of the executives is decreasing of the time; however, the tenure of both CEOs and CFOs is rather long: poor financial results do not have a strong influence on the probability of executive change.

Finally, the analysis of the control variable was performed (see Table 7).

Table 8. Descriptive statistics of control variables

	Mean	Std.Dev.	Min	Max
Firm Age	28.60317	28.86744	3	135
Firm Size	12.20119	1.458324	8.248529	16.65178
Debt to Assets	0.325416	0.372745	0	4.576138
Current ratio	1.594349	1.220488	0.07	10.15

The average numbers are very dependent on industries as well. For example, the average age of the company in oil and gas industry is lower than in other industries due to the history of privatization of government property in the 1990s. Moreover, companies in this industry are much bigger – the capitalization of those are much higher since this industry is capital intensive. Companies in metallurgy industry are on average attracting more debt in regards to their total assets and have higher liquidity, in order to cover a higher level of debt. Most presented industries in the dataset, oil and gas, energy and metals, have the higher volatility of current ratio, while other industries have a level of current ratio across companies. Finally, leverage across companies are rather close to each other and are comparable in nominal values.

All in all, despite having quite different nominal values, the trend of change of the dependent variables as well as control variables, for example, leverage or size of the firms, are comparable across the industries. Consequently, the results derived from the empirical model can be used across the industries; however, the strength of the influence may vary across industries.

2.2. Empirical results

Regression analysis was performed on the dataset included 63 companies using Stata package. Random effects model appeared to be the most suitable model for analysis of the collected data due to the static values across years, as well as being commonly used across analyzed literature (Wei Kiong Ting I. et al, 2015; Adams et al, 2009; Vintila et al, 2012). To control for heteroscedasticity, the models included *robust* command.

The first model analyzed was based on the characteristics of CEOs and their influence on the financial performance of the company in the specific industry. The estimated coefficients for all for a model for a specific measure of financial performance models are presented in Table 8.

Table 9. Summary of regression analysis results based on CEO characteristics

	ROA		ROE		logEPS		logDPS	
	tenure	exp.	tenure	exp.	tenure	exp.	tenure	exp.
CEOage	-0,0027	-0,0033*	-0,0047*	-0,0064*	-0,0429	-0,0440*	0,0392**	0,070***
CEOed_tech	0,0508*	0,0538	0,0397	0,0446	0,2935	0,2996	-0,575**	-0,529**
CEOed_MBA	0,0346	-0,0065	-0,0098	-0,0118	0,1484	0,1437	-0,2943	-0,2466
CEOten_pos	0,0032	-	0,0023	-	0,0241	-	0,0395	-
CEOcar_ind	-	0,0015	-	0,0025	-	0,0063	-	-0,029**
CEObusy	-0,0091*	-0,0063*	0,0003	0,0014	-0,0538	-0,0474	0,1207**	0,1089**
CEOcris	-0,0627**	-0,0593*	0,0618*	0,0681*	-0,1111	-0,0470	-0,0339	0,1473
CEOins	-0,0228	-0,0264	0,0725**	0,0621**	0,5215	0,4846**	0,4757**	0,4603*
FirmAge	-0,023***	-0,021***	0,0002	0,0003	0,0118	0,0125	0,0039	0,0042

FirmSize	0,1115***	0,1159***	0,0093*	0,0149*	0,7969*	0.834***	0.3388**	0.3476**
DtoA	-0,396***	-0,406***	-0,2219	-0,243**	-1,0731	-1.221**	0.0884	0.0125
CurrentRat	-0,0048	-0,0061	0,0025**	-0,0050	0,0767	0.0712	0.1324	0.1404*
Crisis	0,0245	0,0206	-0,0544	0,0545**	-0,0662	-0.0506	-0.0219	0.0404
Prob	0,000	0,000	0,0368	0,0281	0,000	0.000	0.003	0.001
R ²	0,5528	0,5536	0,1108	0,0998	0,1820	0.1871	0.1260	0.1078
Number of obs.	315	315	315	315	242	242	299	299

* *significant at 0.1 level*

** *significant at 0.05 level*

*** *significant at 0.01 level*

The models show that the age of the CEO has a slightly negative relationship with the financial performance of the company; however, this connection is not significant across all models. The strongest relationship found was between the age of the CEO and dividend payout and the relation is positive. Technical education does not show a strong connection with the financial performance, however, it has a consistent negative relation with the dividend payments. MBA education does not have a significant influence on any indicators of financial performance.

Talking about the tenure of the position as well as the industry experience, they do not seem to have a strong link with the financial performance of the company. The only indicator that actually can be influenced by the experience of the CEO is again dividend payout.

Interestingly, busyness has a negative relationship with the return on assets, while having an insignificant connection with the return on equity and earnings per share. Simultaneously, business is positively connected with the dividend payouts.

Finally, for the majority of models, the fact that the CEO had an experience in the company before his appointment to the CEO position has positive significant relations with the financial results of the company.

Talking about the control variables, Firm age does not have that significant link with the financial performance, while the size of the company has significant positive relationships across all models. Leverage does have a negative connection with the returns and earnings, while not having significant relations with the dividends payout; liquidity, on the other hand, has no significant connection with the performance indicators. Finally, the model shows that crisis does not have a significant relationship with the results of the companies.

The second model analyzed was based on the characteristics of CFOs and their relations on the financial performance of the company in the specific industry. The estimated coefficients

for all for a model for a specific measure of financial performance models are presented in Table 9.

Table 10. Summary of regression analysis results based on CFO characteristics

	ROA		ROE		logEPS		logDPS	
	tenure	exp.	tenure	exp.	tenure	exp.	tenure	exp.
CFOage	-0.003***	-0.0038	-0.004	-0.006**	-0.047***	-0.0397	0.0184	0.0362***
CFOgender	0.0091	0.0027	0.0111	-0.0099	1.0303***	1.0736	-0.4271	-0.3124
CFOed_MBA	-0.0065	0.0007	-0.0309	-0.0081	0.2714	0.3183	-0.121	-0.105
CFOten_pos	0.0106***	-	0.0192	-	0.0665*	-	0.0555	-
CFOcar_fin	-	0.003	-	0.0097**	-	0.0078	-	-0.0233
CFOcris	-0.0307*	-0.0146	-0.0586	-0.0281	-0.1711	-0.1698	0.4212*	0.4589**
CFOins	-0.0285	-0.0386	0.0251	-0.0032	-0.0339	-0.0930	-0.3246	-0.3625
FirmAge	0.0001	0.0001	-0.0003	-0.0003	0.0117	0.0126	0.0062	0.0079
FirmSize	0.0046	0.0066	0.0028	0.0021	0.7708***	0.8387	0.4273***	0.4485***
DtoA	-0.341***	-0.3495	-0.1989	-0.1954*	-1.771***	-1.8389	-0.0602	-0.1768
Crisis	-0.0199*	-0.0104	-0.0747	-0.06***	-0.0371	-0.0051	-0.0270	0.0438
Prob	0.000	0.000	0.025	0.0428	0.000	0.000	0.0098	0.0011
R ²	0.5469	0.5245	0.1407	0.0916	0.219	0.2288	0.0942	0.0773
Number of obs.	315	315	315	315	242	242	299	299

* significant at 0.1 level

** significant at 0.05 level

*** significant at 0.01 level

The age of the CFO has the same relationships with the financial results as the age of the CEO: slight negative effect can be seen for the profitability indicators, while there is a positive relation between age of the CFO and dividend payout. Gender of the CFO has a positive connection with the financial performance, yet it is significant only for earnings per share.

MBA degree of CFO does not have any significant relationship with the financial performance of the company as well as the previous experience of the executive in the company before occupying the CFO position. The experience of the CFO position in crisis only has a significant and positive relationship with the dividend payout.

Finally, tenure on the position as well as the experience on the top-management position in finance, they do not seem to have strong connections with the financial performance of the company. However, where the relation is significant, it is consistently positive.

2.3. Findings and discussion

The goal of this study was to investigate if the relationship between characteristics of the executives, more specifically CEO and CFO, and the financial performance of the Russian traded companies, measured by return on assets, return on equity, earnings per share and dividends per share. The relationship was tested on personal characteristics and professional experience characteristics of the executive for accounting-based performance measures. Based on the results obtained by empirical analysis of the data collected it is possible to derive some conclusions.

Primarily, the conclusions should be drawn based on the hypothesis stated in this research.

H1: CEO busyness is negatively related to financial performance of the company

CEO busyness does not have a consistent relationship with all the indicators of the financial performance of the company. On the one hand, busy CEOs seem to provide lower returns on equity, so for this indicator, the hypothesis is supported. However, for ROA and EPS the hypothesis cannot be either supported, not rejected due to the insignificance of the relationship. Similar results were obtained by Pandey et al. (2014) where they did not find a consistent relationship between busyness and financial performance of the company measured by ROA while finding a negative effect on Tobin's Q and ROE due to a lower level of attention diffusion between interests of different companies. On the other hand, busyness has a positive relationship with the dividends per share, hence the hypothesis is rejected for DPS indicator.

H2: CEO Tenure is positively related to financial performance of the company

The tenure of the CEO on the position did not show consistent significant influence on any of the indicators of financial performance analyzed. The relationship between these characteristics and the performance was analyzed by different researchers and the results were contradicting across the researchers. On the one hand, newer CEO may concentrate too much on the short-term earnings goals and be too engaged in the earnings measurement to create a good impression on the Board of Directors and investors (Graham, et al., 2005). On the other hand, long tenure can result in "horizon problem" where long-tenured CEOs, obtaining bigger power, can feel relatively entrenched and removed from pressures to meet short-term earnings targets which ultimately lead to the decrease in earnings and returns (Davidson, et al, 2007). Given these contradictions, the insignificant relationship between tenure and financial performance is not surprising due to oppositely directed possible effects. As a result, the hypothesis can be neither supported, nor rejected.

H3: Industry experience of CEO is positively related to financial performance of the company

Industry experience, similarly to the tenure of the CEO, does not have any significant relationship with the financial performance of the company, measured by ROA, ROE and EPS indicators. As a result, it is safe to conclude that currently, the industry experience does not provide any competitive advantage due to the highly volatile environment and ever changing industry specifics. On the other hand, longer industry experience is connected with low dividends per share. This may be the result of the policy of bigger and more frequent investments in the development of the company, which is typical for long-tenured CEOs (Kaplan S.N. et al, 2012). As a result, the hypothesis is rejected for DPS indicator.

H4: CFO Tenure positively related to financial performance of the company

The CFO tenure was found to have a positive relationship with the financial performance of the company across all the analyzed indicators; however, the relation is significant only for ROA and EPS. These results align with the results of Cheng C. (2014), who states that long-tenured CFOs are best suited for the company and show a deep understanding of internal processes in the company. CFOs tend to quit the company or be dismissed much easier in the case of underperforming than CEOs. As a result, the hypothesis is accepted.

H5: Financial experience in top-management positions of CFO is positively related to financial performance of the company- no strong connection, only with ROE

Finally, financial experience on the top-management position of the CFO does not show very strong and consistent influence on the financial performance of the company, with exception of the ROE indicator. In contrast, Bjoern S. et al. (2013) and Naranjo-Gil D. et al. (2008) found a strong positive relation between CFO experience and the financial results. On the other hand, they analyzed the sample of CFOs in the developed economies, such as the USA, which can explain the difference in obtained results. The position of the CFO in Russia is relatively new and even legislation is still quite vague about the responsibility of the executive on this position. As a result, the influence of the CFO on the financial performance of the company can be limited and not significant across analyzed sample. As a result, the hypothesis can be neither supported, not denied.

Furthermore, the conclusion could be made about additionally analyzed variables.

First of all, CEO age does not appear very important factor which has a connection with the financial performance of the company. The reason behind this can be derived from the fact that the sample of the CEOs is quite homogenous across the analyzed companies. The average age of the CEOs in the industries that were analyzed is pretty similar – around 48 years, which is relatively high. These CEOs already have an extensive experience in the top-management

positions so the connection is not that prominently shown. Cline and Yore (2016) state that there is a non-linear connection between the CEO age and the financial performance and majority of the CEOs in the sample are in the age gap that provides more of a positive influence on the financial performance. As a result, the influence cannot be fully observed on the chosen sample of CEOs.

CFOs age simultaneously has a much more prominent negative relation with the financial performance of the company. This relation can be explained by the fact that young CFOs can be considered as not professional enough due to the lack of appropriate experience on the top-management position in finance. Moreover, the young executive does not have big enough network and can have problems in attracting debt to the company (Naranjo-Gil D. et al., 2008).

Gender cannot be analyzed for the CEO due to the fact that in the sample of the companies there were no female directors. For the CFO, on the other hand, the connection between gender and the financial performance. So, it is possible to conclude that in the analyzed companies there are equal opportunities given to male and female candidates and other characteristics are more valuable for the candidates to fill in this position – education, experience record, recommendations etc.

Talking about education – it does not have a very significant relation with the financial performance of the CEO and CFO, this includes the availability of the MBA degree. These results show that specific education does not give any competitive advantage to the prospective executive and does not have any significant relations with the financial results of the company.

Finally, the previous experience of the executive in the company before taking the position varies across CEOs and CFOs. For CEO previous experience in the company on different positions has a positive influence on the financial performance. Similar results were found by Hambrick, D., Fukutomi, G.D.S. (1991), Fahlenbrach R. (2009) and others. This relationship can be explained by the better fit of the CEO to the company and extensive knowledge of the industry and internal process in the company obtained by the CEO on different positions. As a result, it is more valuable for the company to fill in CEO position by the internal labor force to ensure high performance of the company in the future. On the other hand, for CFO previous experience in the company on other positions does not have a significant influence on the financial performance. This may be explained by the fact that usually CFOs have very homogeneous experience in the field of finance and accounting and there is no additional benefit of this experience being specifically inside the company.

2.4. Managerial implications

The topic of corporate governance is one of the highest researched topics in the finance and accounting fields. Moreover, companies tend to pay more attention to the personal characteristics of the top-management before assigning them for a job – company fit, psychological portrait, available network, etc. On the other hand, the research is mainly concentrated on the characteristics of the board members, their busyness, age, gender, experience etc. Some characteristics of the CEO and CFO and their influence on the financial performance are not that researched yet. Results of this research possess not only theoretical contribution in the existing line of research but also some useful managerial implications for shareholders and board of directors.

The topic of the research is aimed at attracting attention to the CEO and CFO personal characteristics before their assignation to the position in the company or when the decision on the dismissal of the executive. This research shows that these could be a tradeoff between profitability and dividends payout when the CEO is chosen because of the relationships between these indicators and certain characteristics of the executive, for example, industry experience and busyness, have a different impact on operational profitability and dividend policy.

As a result, it is possible to draw the conclusion that personal characteristics and experience of the executive should be taken into consideration when forming the team of top managers. For instance, older CEOs with previous experience in the company on the different position can be associated with higher operational profitability. Moreover, longer-tenured CEOs have much higher chance of delivering better returns on assets and equity, which means that high level of turnover of CEOs can negatively influence the performance of the company. On the other hand, busy CEOs who have a longer experience of the company tend to accept dividend policy with a high payout. This can be explained by the fact that they concentrate on the reputation of the company between investors and, as a result, they favor investors' interests during the process of wealth distribution.

Regarding the CFO personality, it also has a significant impact on the performance of the company. For instance, younger CFOs can be considered not experienced enough and, as a result, delivering worse performance. Moreover, CFO position can be filled in from both the internal labor force and an external one, it does not have a significant effect on the financial performance of the company. However, often a change of the CFO in search of the one with the high performance can negatively influence the performance of the company because the longer tenure of the CFO on the position is associated with better results.

To draw more specific conclusions, it is possible to presume that different characteristics have an inconsistent influence on different types of value creation strategies. For example, if the company prioritized the value creation for the shareholders by providing higher returns on assets and equity, thereby increasing the value of the company, the CEO should possess the following characteristics: first of all, CEOs should be relatively young and flexible; however, the non-linear relationship between age and returns should be considered. Secondly, CEOs with technical education and previous experience within the company on different positions tend to deliver higher operational results, especially in the manufacturing industries. Finally, CEOs should have a limited number of board of directors that they are a member of because overcommitment can lead to poor operational results. Similarly, younger CFOs tend to provide higher operational performance due to their flexibility and attitude towards risk. Moreover, they have to have previous experience in the financial positions rather than any other position in the company.

On the other hand, different characteristics of executives should be considered as desirable in the case of prioritizing dividends payouts rather than operational performance. For example, older CEOs with much longer experience in the company, especially on different positions prior to the assignment to the CEO positions tend to choose strategy involving high dividend payouts. Moreover, busyness also contributes to the potential increase of the amount of dividends. On the other hand, CEOs with technical education prefer to implement strategies involving investments in innovations and technical excellence rather than dedicate retained earnings to dividends payout. CFO characteristics, on the other hand, have relatively small influence on the dividend policy of the company.

All in all, due to the fact that the sample includes Russian trading companies from the diverse industries, the conclusions can be applied in different industries. Moreover, these models can be tested on the larger sample of companies to draw more general conclusions.

2.5. Research limitations

The key objective of this research was to analyze the relationship between characteristics of the CEO and CFO and financial performance of Russian traded companies. Despite the fact that objective was reached and the research has both contributions to the existing pool of literature on the topic and managerial implications, research has some limitations, which can shape the direction of future research.

The first limitation is connected with the sample of companies. Despite the fact that the companies in the dataset are quite homogeneous since they are included in the Broad Market Index of Moscow Stock Exchange, the sample is quite small. As a result, the expansion of the

sample to all companies trading in Russia can benefit future research and create more significant results.

Secondly, due to the fact that industry specifics are not included in the analysis, further research can benefit from analyzing subsamples based on the industry specifics. This research can provide more specific recommendations for certain industries that can benefit from different profiles of executives.

Furthermore, the list of variables that represent the CEO and CFO characteristics can be extended. Due to the nature of the business in Russia, ties with government and previous military experience can have a significant influence on the financial performance of the companies. Moreover, the existing network of the executives and their reputation can also give a useful insight on the financial results impact. These characteristics cannot be obtained without fieldwork, as a result, the questionnaires and interviews with executives and boards of directors can extend the implications of the research.

Although there are some clear limitations in the research, the results obtained still have clear managerial implications. The limitations do not diminish obtained results but rather set a clear direction for future research. Current results can still be used by various stakeholders who are interested in creating a high-performance team of top managers.

Conclusions

The following study was aimed at the analysis of existing relationship between characteristics of top managers, more specifically chief executive officer and chief financial officer, and accounting-based performance indicators, such as ROA, ROE, EPS, and DPS, in Russian traded companies that were included in the Broad Market Index in 2011. The formation of the highly efficient top-management team is crucial for company's success both in short and long run since top management is responsible not only for operational excellence but also for strategic decision making.

To achieve the goal of the paper the literature review on the topic of corporate governance was done to discover the influence of the certain characteristics of CEO and CFO characteristics on the financial performance of the company. Moreover, the specifics of corporate governance in Russia were studied. Based on this analysis the hypotheses of the study were formulated. Finally, the empirical models were tested to obtain results on the existence of the relationship between personal characteristics of executives and performance of the company and to develop managerial implications of the obtained results.

As far as the existing body of research goes, characteristics of CEO and CFO are not the center of attention of researchers who are investigating an impact of corporate governance on the performance of the company. However, existing research still supports the idea that personal characteristics of executives have an impact on the financial performance of the business. For instance, one of the pioneers of the analysis of influence of corporate governance and managers' characteristics on the performance of the company Hambrick (1984, 2007) finds that the experiences, personal characteristics, and values of managers influence not only the choices that they make but also their interpretation and understanding of the problems that they face in their career.

However, the actual influence of certain characteristics can vary across industries and countries. For instance, the busyness of directors can be the sign of respect, knowledge and experience valuable for the company. On the other hand, busyness can lead to absenteeism and lack of attention to the company's performance. Similarly, the tenure of an executive can lead to increase of financial results due to the established relationship between executive and board of directors and other stakeholders, better fit to the company and a better understanding of internal processes. On the other hand, it can have a negative impact due to the higher chance of agency problem and less innovative approach to the strategic decisions.

The following misalignments in the results can be based on the specifics of the analyzed markets as well as industry specifics. As a result, due to the limited number of researches done on the corporate governance, more specifically personalities of top-managers rather than a board of directors, the following thesis contributes to the existing pool of literature on the topic as well as creates useful managerial implications.

In this empirical study, the dataset was constructed based on the Russian traded companies that were included in the Broad Market Index of the Moscow Stock Exchange at the end of 2011. This sample is rather homogeneous in terms of the level of capitalization and investors perspective on the presented companies. These companies presented various industries, which makes the results applicable to the broad spectrum of companies in Russia. The data on the performance of the companies and characteristics of their executives was taken through 5 years period: from 2011 to 2015.

The results of the empirical study show that the characteristics of the chief executive officer and chief financial officer indeed have an impact on the financial results of the company. As a result, these characteristics need to be taken into consideration during forming of the team of top management to ensure efficiency of the team.

The results obtained by the empirical models support the following conclusions:

- Young executives tend to deliver lower level of operating performance;
- Education of an executive does not have significant influence on the financial performance of Russian companies;
- Industry experience of the CEO does have negative effect on the dividend payout, while does not affect the operating excellence;
- Experience of the CFO on the top-management positions in finance does not have strong impact on the financial performance of the company;
- Busyness of the CEO can have a negative effect on the operating performance of the company; however, it can positively influence dividend payout;
- Tenure on the position of the CFO has positive relations with the financial results of the company; tenure of the CEO on the position, on the other hand, does not have consistent significant impact;
- Previous experience of executives on different positions in the company has a positive relationship with financial performance indicators delivered.

The following study gives a theoretical contribution to the existing pool of literature on the corporate governance in Russia as well as the theoretical framework of the CEO and CFO characteristics influence on the financial performance of the company measured by accounting-

based performance indicators. Created statistically significant models can be used in the future evaluation of expected influence of the CEO or CFO characteristics on the performance of the business.

Regarding the managerial implication of this research, it creates the framework, based on which the decision on assignment or dismissal of the executive can be made. The evaluation of the prospective results that certain CEO can contribute all else being equal, shareholders can choose an executive, which will take sensible management decisions to maximize shareholder value.

While considering theoretical and practical contributions of the research conducted in this master thesis, it is necessary to mention that there are limitations of the conducted research, which were unavoidable and set the research gap for future research. First of all, the sample of the companies (63 companies for the period of five years) is quite small. As a result, the conclusions, despite being drawn on the homogenous sample of companies, still can remain unobserved on this sample. Secondly, the industry specifics was not taken into consideration in this empirical study, which also let some research gap for analysis of samples of companies, operating in the same industry. Finally, the list of characteristics of the CEO and CFO analyzed is not exhaustive, so in future research, some other characteristics can be taken into account, such as ties with the government, reputation etc.

All in all, the goal of the research was accomplished and this thesis draws conclusions about the relationship between CEO and CFO personal characteristics and the financial performance of the company, measured by accounting based values. Despite some limitations of the research, the conclusions bear valuable managerial implications and outline the directions for further research.

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Appendices

Appendix 1. List of the companies

	Company name	Code	Industry
1	Aeroflot-Rossiyskiye Avialinii PAO	AFLT	Airline - Other
2	AFK Sistema PAO	AFKS	Industrial group – Other
3	Akron PAO	AKRN	Chemical
4	ANK Bashneft' PAO	BANE	Oil & Gas
5	Avtovaz PAO	AVAZ	Automotive
6	Chelyabinskiy Tsinkovyi Zavod PAO	CHMK	Metals & Mining
7	Dal'nevostochnaya Energeticheskaya Kompaniya PAO	DVEC	Energy
8	Dal'nevostochnoye Morskoye Parokhodstvo PAO	FESH	Logistics – Other
9	Dixy Group PAO	DIXY	Retail
10	Dorogobuzh PAO	DGBZ	Chemical
11	Enel Rossiya PAO	ENRU	Energy
12	FSK YeES PAO	FEES	Energy
13	Gazprom Neft' PAO	SIBN	Oil & Gas
14	Gazprom PAO	GAZP	Oil & Gas
15	GMK Noril'skiy Nikel' PAO	GMKN	Metals & Mining
16	Gruppa Cherkizovo PAO	GCHE	Food – Other
17	Gruppa Kompaniy PIK PAO	PIKK	Real estate
18	Gruppa LSR PAO	LSRG	Real estate
19	Inter RAO YEES PAO	IRAO	Energy
20	Irkutskenergo PAO	IRGZ	Energy
21	Kamaz PAO	KMAZ	Automotive
22	Korporatsiya VSMPO-AVISMA PAO	VSMO	Metals & Mining
23	M.video PAO	MVID	Retail
24	Magnit PAO	MGNT	Retail
25	Magnitogorskiy metallurgicheskiy kombinat OAO	MAGN	Metals & Mining
26	Mezhregional'naya raspredelitel'naya setevaya kompaniya Urala OAO	MRKU	Energy
27	Mobil'nye Telesistemy PAO	MTSS	Telecom – Other
28	MOESK PAO	MSRS	Energy
29	Mosenergo PAO	MSNG	Energy
30	Mosenergosbyt PAO	MSSB	Energy
31	Mostotrest PAO	MSTT	Construction - Other
32	MRSK Tsentra i Privolzh'ya PAO	MRKP	Energy
33	MRSK Tsentra PAO	MRKC	Energy
34	MRSK Volgi PAO	MRKV	Energy
35	Nizhnekamskneftekhim PAO	NKNC	Oil & Gas
36	NK Lukoil PAO	LKOH	Oil & Gas
37	NK Rosneft' PAO	ROSN	Oil & Gas

38	Novatek PAO	NVTK	Oil & Gas
39	Novolipetsk Steel PAO	NLMK	Metals & Mining
40	Novorossiyskiy morskoy trgovyi port PAO	NMTP	Logistics – Other
41	Ob'yedinennaya Aviastroitel'naya Korporatsiya PAO	UNAC	Aircraft building – Other
42	OGK-2 PAO	OGKB	Energy
43	Organicheskiy Sintez KPAO	KZOS	Chemical
44	Pharmstandard PAO	PHST	Pharmaceutical
45	PhosAgro PAO	PHOR	Chemical
46	Protek PAO	PRTK	Pharmaceutical
47	Quadra-Generiruyushchaya Kompaniya PAO	TGKD	Energy
48	RAO Energeticheskiye Sistemy Vostoka PAO	VRAO	Energy
49	RBK PAO	RBCM	Media – Other
50	Rossiyskiye Seti PAO	RSTI	Energy
51	Rostelekom PAO	RTKM	Telecom – Other
52	Severstal' PAO	CHMF	Metals & Mining
53	Sinergiya PAO	SYNG	Alcoholic beverages - Other
54	Sollers PAO	SVAV	Automotive
55	Surgutneftegaz OAO	SNGS	Oil & Gas
56	T Plyus PAO	VTGK	Energy
57	Tatneft' PAO	TATN	Oil & Gas
58	TGK-1 PAO	TGKA	Energy
59	TransContainer PAO	TRCN	Logistics – Other
60	Trubnaya Metallurgicheskaya Kompaniya PAO	TRMK	Metals & Mining
61	United Company RUSAL Plc	RUAL	Metals & Mining
62	Uralkaliy PAO	URKA	Chemical
63	Yunipro PAO	UPRO	Energy