DA3: 2nd Group Assignment
Yetkin, Cagdas
Gomes, Nuno

Post: Does having a young CEO *makes* firms do better?

On this week's post we are going to address if there is a causal relationship between the age of the CEO and company's performance.

When directing the discussion to how age affects a company's performance, usually people refer to some of the characteristics acquired/developed as people mature and establish a relationship with a management style.

Young CEOs are said to be more knowledgeable regarding technology and the evolution that surrounds them, prone to take risks, disruptive, as well as more impatient and ambitious. On the other hand old CEOs are said to be more calm, more experienced, averse to risk (risk awareness) and more focused on stability. These management styles might have an impact on company's performance, and our work is an initial step towards that assessment.

Recently we've conducted an analysis on this subject using a database that comprehended observations from Hungarian companies between 2011 to 2016, mainly from 2 aggregated industries – Manufacturing and Hotels & Restaurants. We've focused our analysis on 2015 figures assuming as reference 2014 for comparison purposes.

Making the most of the data available we've decided to run several regressions of sales and profit derivatives on age – binary variable that categorized CEOs as young if they were 40 years old or younger and older otherwise.

After several iterations, available to be consulted on our working paper, we were able to identify a possible relationship between some variables and age. Although there seems to be correlation between sales/earnings and age, our regressions reflect low coefficients, that although significant in some controlled environments, are not able to support a possible causal relationship.
Even with the addition of other control variables we were not able to sustain the claim that young CEOs outperform older peers. There is no evident causality.

Even if we were asked to confirm if young CEOs performed better in Hungarian companies that operate on hotels and restaurants and manufacturing, we would have some reserves. Worse if we were to answer in general terms to later extrapolate.

Other variables should be considered, some of them beyond the CEO itself, but even if we were to base our analysis on the CEO (person) we should also consider her/his background, education level, and experience (total and on a specific industry) among other considerations.

The analysis would possibly be more conclusive if there was more data from different countries, companies, industries, agents (CEOS) as well as other micro and macro variables that directly or indirectly impact company's performance– but, as we all know, the world is not perfect, nor the data in it.