Moderating Effect of CEO Tenure on the Relationship between Intellectual Capital and Financial Performance of Listed Firms in Nairobi Securities Exchange, Kenya

*Chelogoi, Stephen, Cheboi, Josephat and Tenai, Joel
Department of Accounting & Finance, School of Business & Economics, Moi University

*Corresponding Author's Email Address: stevechelo36@gmail.com

Abstract

The purpose of this paper was to investigate the moderating effect of CEO tenure on the relationship between intellectual capital and financial performance of firms listed in Nairobi Security Exchange. The longitudinal research design was used. The study targeted 64 firms in Nairobi Security Exchange. Secondary data (financial reports) to obtain financial performance information from 48 firms from Capital Market Authority Statistical Bulletins and Nairobi Securities Exchange Handbook for a period of twelve years from 2006 to 2017. Both descriptive and inferential statistics were analyzed on the data. Pearson's correlation coefficient, multiple regression and research hypotheses were tested using hierarchical multiple regression analysis which was adopted to assess the direct and indirect effects of Innovation Capital on financial performance. The results indicated the significant moderating effect of CEO tenure on the relationship between intellectual capital efficiency and financial performance of listed firms in Nairobi Security Exchange (β= 0.02; ρ<0.05). The CEO tenure is positively associated with the quality in low to moderate tenure. The present study has highlighted the importance of CEOs' tenure in promotion of tactical flexibility in the deployment of intellectual capital components in tandem with the shifting operating environment to impact on firm performance. The results guide CEOs and firm stockholders of listed firms on how to maximize firm performance. Unlike previous studies which focused on developed and emerging economies, this study centered on a developing economy, and the findings are consistent with the propositions of the dynamic capabilities' theory

Keywords: CEO Tenure, Intellectual Capital, Financial Performance

INTRODUCTION

Recently, the complexities of the global business environment characterized by growing market competition and advancing technological developments, have created a high level of uncertainty among companies in all industries, reinforcing the need for corporate organizations to be more vigilant about the business success (Gavrea, Ilies, & Stegerean, 2011). Financial performance is perhaps the most critical thing. This hyper-competition entails continuously enhanced performance, which is the objective of any company since organizations can flourish and progress only through success. Concerning the intermediation aspect, firms ' financial performance has significant implications for countries ' economic development. Good financial performance reflects the investors ' investment (Palaniappan, 2017). It, in turn, fosters additional investment and leads to economic development. Poor corporate performance, in contrast, may lead to firm collapse and crises that have negative effects on economic growth. Therefore, since the Great Depression that ended in 1940s, analysis of financial performance of listed companies has gained traction among scholars across the world.

Intellectual capital (IC) is a term that has gained ground significantly because companies are increasingly designing models based on knowing where the human factor plays a central role (Shamsuddin *et al.,* 2015). The specific experience, expertise, principles, and strategies

of each business can be converted into a market value that can, in turn, affect profitability and enhance performance and maritime quality (Bijani and Ranani, 2014). The function of intellectual capital in an agency is to create worth throughout efficient management of its scarce resources. this can successively boost the overall performance of the company (Bijani and Ranani, 2014). In the past, companies' success, profitableness and rate in the essential rely upon tangible property like land, infrastructure, and instrumentation (Nuryaman, 2015). At some point of this generation of intelligence, intellectual capital has developed as an essential aspect of the attention of the business. Intellectual capital involves the complex process of collection of resources such as information, expertise, networks, functional processes as well as organizational and individual relations that create firm value (Demartini & Trucco, 2016). In the current era of globalization, economic-sector technological developments triggered firms to implement management strategies from labor-based firms to knowledge-based firms (Purwaningsih, 2018). As a result, more emphasis has also been given to both the value of intellectual capital among corporate management. Capital is considered a catalyst among a firm's performance.

The concept of performance of firm has gained prominence in the research agenda of corporate finance. Profitable companies are creating wealth, hiring people, encouraging creativity and paying taxes where profits increase. Consequently, while most of the listed companies in the NSE have posted better performance, others have encountered diminishing fortunes and subsequently brought under receipt (Dženopoljac, Janoševic, & Bontis). Finding out the impact of elements of intellectual capital on financial performance may offer understanding into what drives up and down performance at NSE and provide valuable lessons for both business and policymakers. Although indicators of financial performance of publicly traded companies in developed economies has been extensively researched, their results are mixed or non-existent of such study in Securities Exchange in Kenya call for one. A company improves its performance by acquiring or creating a resource or resource combination that allows it to outperform its competitors (Muhammad and Ismail, 2009). There really is no question that high-performance firms are those that evolve constantly, focusing on their workers ' skills, knowledge and technology instead of resources such as equipment. Intellectual capital has been dubbed the new engine for corporate development to generate new awareness (Muhammad and Ismail, 2009). It is increasingly recognized that any organization's success depends significantly on its employees' understanding, implementation, and integration. Successful companies rely more on workers ' skills and knowledge than on tangible assets. Dženopoljac, Janoševic, & Bontis, (2016) contend that the knowledge economy supports the fact that business depends on wealth creation through development, activity, and consumption of the company’s intellectual capital.

Longer CEO tenure will result in corporate performance gains, only if positive employee relations are attained (Wang *et al*., 2009). The degree towards how CEO tenure influences company-employee affairs will somewhat reflect the performance impact of CEO tenure. Gibbons and Murphy (1992) concluded that a long tenure with a company helps the CEO build their reputation.

Many researchers have attested that the knowledge-led economy is now the leading form of business. Industries need to focus on growth and stability for intellectual capital output (Jordão & Almeida, 2017; Sardo, Serrasqueiro, 2017). The significance of Intellectual Capital (IC) has a world view of enhanced business results. It is considered a source of assets and financial performance driver, thereby establishing both market competitive advantage and sustainability. To the extent that financial goals are or have been achieved financial performance applies to that extent. It was used always for a period of time and could even be used to compare similar firms with the general economic performance of a

company (Onyekwelu, Okoh, & Iyidiobi, 2017) to argue that money performance may be a parameter that dictates, but rather an organization makes completely different components.

LITERATURE REVIEW

The focus of the business in the knowledge economy moves from financial and physical resources to high-level technology operations. CEOs are trustworthy to create, extend and refine the IC embedded into the company's employees, departments and processes (Keenan & Aggestam 2001). In every organization, IC occurs regardless of the efficiency of management boards. The degree towards how CEO tenure influences company-employee affairs will somewhat reflects the performance impact of CEO tenure. Based in current research, it is expected that right from when they come into office, managers are averse to exaggerate their company's performance. Gibbons and Murphy (1992) concluded that a long tenure with a company helps the CEO build their reputation. Gibbons and Murphy (1992) argued that at the outset of its career, the market was not aware of the potential of a CEO. CEOs never leave a business to a different company.

Fama (1980) and Hambrick and Fukutomi (1991) suggest that with current and past results the business assesses manager's skills in terms of tenure. There are also likely to be strong incentives for short-term CEOs to disclose good performance. Similarly, if in the current period short-term, earnings-based CEOs are actively considered to be hostile journalists, they are inexperienced at the outset of the blog. The duration in office is a vital feature of a business leader as it marks unique duration of strategizing, ideals, goals and ultimate decision (Wiersema & Bantel, 1992). Hambrick and Fukutomi (1991) hold the view that managers who stay in office for too long create a paradigm, become less flexible, inclusivity and focus on specific projects. However, they raise their understanding of business projects and influence. The long term of the top management group has been suggested that they are reluctant to change their corporate strategy because they know the company policy and procedures. The long average group tenure is reducing the communications rate, according to Wiersema and Bantel (1992), because members are prone to expect the views of others. In contrast, the long-term community can be segregated from existing information sources. Accounting research (Magro *et al.,* 2018) shows a link between CEO's term of office and differentiation of financial policy-making. Managers are more averse to exaggerate income during the commencement of their tenure (Ali & Zhang, 2012). Liu and Sun (2010) find that the members of the Committee are negatively related to the administration of the revenues as long-term directors hold deep experience and knowledge of the activities that result in effective control positions.

The length of office term of a manager is directly reliant on financial output, and a longer term may imply increases in earnings for the company. The features of management and the executive's term of office are endogenous and poor management implies a longer term of office (Dikolli *et al*., 2011). Herly and Sisnuhadi (2011) advocated that the longevity of the board is the key feature of business performance. Longer membership will lead to greater Board expertise and know-how (Roselina, 2009). In fact, leadership managers ' length is linked to performance and power in management (Roselina, 2009). During previous research the power of the directors was equated with the period of the committee (Ozkan, 2011; Roselina, 2009; Bhagat & Bolton, 2008). In addition, Bhagat & Bolton (2008) has carried out an analysis of 136 companies (not including finance companies) listed in Kuwaii for financial year 2009. The study found that the Board's tenure adversely affected companies' performance. The result shows that the healthier the market success, the less effort the management has spent on the property. The same results were also found by Kyereboah-Coleman (2008), who analyzed the relationship in Ghana, the United States and

Malaysia between the Management Board and company's performance and then found a negative association on the company's performance.

In many surveys the leadership position of the CEO was assessed by the sum of years in service. As a part of some form of succession plan frequently introduced, managers typically have short tenures in their roles. This is to discourage unnecessarily long-term contracts from being released which lead to higher management discharge costs if quality is low. Many researchers report varying results on the connection between managers' term in office and a company's performance. Kyereboah-Coleman (2007), for instance, has established a negative link between executive's length of office term and companies' performance in Ghana. Performance-based returns are evidenced in companies where the executive departed prior to retirement. It means that increasing the office time would decrease efficiency. If the CEO remains with a company for a long time, the value is not a justification for the CEO sales increase until the normal retirement age.

Longer CEO tenure means that, on the basis of asymmetry in the information logic, the CEO may have indirect control over the management board. Many investigations have also shown that the office cycle length and audit team structure play an important role in reporting performance. Nonetheless, no inquiries to this day show how the CEO's final decision maker on the delivery of financial information is linked to intellectual capital through corporate financial accomplishment. This study purposes to seal the gap by looking into the reasonable financial performance of CEO investments at the Nairobi Security Exchange for listed companies. Chen et al. (2012) noted that the probability of CEO turnover decreases with tenure when CEO age has been controlled for. Thus, indicating that CEOs are becoming more powerful the longer the position is held (Denis et al., 1997; Morck, Shleifer & Vishny, 1988). Lausten (2002) and González et al. (2015) have arrived at the same conclusions and therefore the control variable CEO tenure was added. CEO tenure is defined as the number of years employed as CEO.

CEOs, in their tenure, are obliged to maximize corporate profits, yet at the same time they are constrained by short term pressures applied to their long-term strategy. But, how is that tenure related to financial performance? There has been an ongoing debate about the relationship between these two aforementioned variables. CEO tenure can have both positive and negative effects on firm performance, depending on the CEO's life cycle seasons (Miller & Shamsie, 2001). The hypothesis guiding this paper is formulated as shown below.

Ho: *CEO Tenure does not moderate the relationship between intellectual capital and financial performance of listed firms in Nairobi Security Exchange*

Ha: CEO Tenure moderate the relationship between intellectual capital and financial performance of listed firms in Nairobi Security Exchange

Theoretical Perspective

This paper is grounded on two theories namely the Agency Theory and the dynamic capabilities theory. Agency theory derived from economic theory. Alchian & Demsetz (1972) expanded it further through Jensen and Meckling (1976). The key agent's role is established by Agency philosophy, while investors are the faces, while the manager is the person who is hired to run the company on behalf of the principal (Clarke, 2004). This theory separates ownership and control of firms. The shareholders are the directors inside the companies, whereas the managers are the agents and the company's board always play a dominant role by taking care of the investors' expectations (Jensen & Meckling, 1976). A pure agency relationship could be the connection between the stakeholders, the owners of

the company and the chief executive. According to the theory of the Agency, managers (CEOs) have additional company data due to operational management over the company compared to the owners of the company.

Accordingly, at the expense of shareholders (owners) wealth, managers could act expeditiously and look for personal rents. The subsequent loss to the wealth of shareholders is called the price of the agency. This theory assumes the individualistic, opportunistic and greed of managers (Davis, 1997). On the basis of these assumptions, the idea advises the organization to put less governance in the hands of managers of the Organization. The investors are guaranteed, in conjunction with Jensen and Mackling (1976), that the best judgments can be generated by the managers provided that appropriate opportunities are given and only if the agent is monitored. By addition, the Agency's theory assumes that supervisors and subordinates are divergent and are mainly greedy and selfish. Schmidt and Posner (1983) state that longevity is completely related to tenure as long as it gives rise to a strong dedication to company values. In addition, by demonstrating the tenure mechanism influencing firm performance, Simsek (2007) asserted that long-tenured CEOs have positive impacts on firm performance. This tenure influences firm performance notwithstanding its ability of the CEO to cope with risk-taking activities. Conversely, an additional come occasionally comes with risk, and long-tenured CEOs can establish an improved trade-off that maximizes risk-taking returns as short-tenured CEOs do.

Dynamic expertise approach suggests thriving organizations that provide a swift, scalable response, and leadership resources to organize and deliver internal and external skills efficiently (Teece et al., 1997). Therefore, a selected ability to respond strategically to the requirements of a client should be improved, distinctive and difficult to duplicate (Teece et al., 1997). Dynamic Capability View (DCV) maintains that the crux of talents and capacities does not change in the structural and social control structures that are generated by and carried out by the asset roles in a business, unlike Resource Base View (RBV), which has been based on heterogeneous and reproductive capital. Firms will develop and effectively manage both the tangible and intangible resources. Resources, that embrace the abilities of the firm's staff, its instrumentation, and also the collective skills of the organization, generate streams of services that the firm will deploy. The approach to dynamic capabilities helps to justify why intangible assets, together with the collective data and capabilities of a firm, have always been the most valuable asset category in a variety of industries. The rationale is that information, capabilities and alternative intangibles do not tend to be constrained; they are usually hard to imitate. In today's business climate, defined by fast changes in economic and political systems in phenomena like financial processes and e-business hyper-competition, rapid technological advances, companies can build and model specific strategies that can produce resources, expertise and competitive advantage over a lasting period (Marr et al. 2004). Tseng and Lee (2014) concluded that it is an indispensable need because of the incapacity of the existing Standard Strategic Management Framework to tackle differences in the reliability and use of its information tools to obtain a human adaptive potential that can react quickly to changes in its settings. The foundation for sustainable business success therefore lies in businesses ' agile abilities to develop internal and external capital and expertise to fit evolving conditions quickly (Zahra & George, 2002).

METHODOLOGY

Research Design

The research design conjointly affords the rules and directions to be followed when dealing with the research drawback (Polit & Hungler 1993). This study ran the Panel regression model. Panel multivariate analysis is a regression that involves the amalgamation of time series and cross-sectional knowledge. Panel regression is a crucial methodology of longitudinal analysis as a result of it permits for variety of regression analyses in each spatial (units) and temporal (time) dimensions. Panel regressions forestall the information loss because of the collection; it reduces the quantity of multiple regression issues and it displays higher degrees of significance (Baltagi, 2001 and Balestra, 1992). This method conjointly permits management of individual heterogeneousness, creating it probable to eliminate partiality originating from the existence of individual effects (Hsiao, 2003, Baltagi 2005, Bjron & Friss, 2013). According to Park (2011), panel knowledge is ideally measured at regular intervals like months or years. This study supported a panel knowledge analysis of the Nairobi exchange between 2006 and 2017. The study endeavoured to illuminate the effect of intellectual capital on firm monetary performance (measured in terms of Tobin's Q) on one hand and tempered by CEO tenure so as to induce a handle on the time ordering of variables and to trace individual trajectories over time. Panel style was an ideal approach to be utilized in this study

Target Population and Sample

The study target population included all firms listed in the Nairobi Security Exchange in Kenya. According to Capital Market Authority(CMA) reports (2016), there are 67 listed firms in Nairobi Security Exchange by 2006-2017. However, listed firms that were included in the study were those that were fully trading on NSE during the study period. Those firms that listed after 2006 and those that were suspended were omitted from the study. Firer and William (2003) and Shiu (2006) posit that firms with a negative net worth or reduced value of Human or Structural Capital did not form part of the study sample. Companies whose information was unreachable (absent from the yearly financial records, due to deregistration or other reasons) were exempted from the sample. A sample comprising of 48 firms that met all the above criteria were available for this study, thus yielded 576 firm-year observable data.

Empirical Model

The study endeavoured to use hierarchical regression models to test the direct effect of the study variables. The investigation models were as follows;

The study model had the inclusion of the interaction between the moderator (CEO tenure) with the sum of the Intellectual capital elements which was significant. Hence model ten equation was:

$$FP_{it} = 0.96 - 0.03\text{FSize}_{it} - 0.03\text{FAge}_{it} - 0.59\text{IND}_{it} + .12\text{VAIC} + + - .003\text{VAIC} * \text{CT} + \varepsilon \cdots\cdots \quad (1)$$

FP_{it} is firm performance, FSizeit= firm size, $FAge_{it}$=Firm age, IND_{it}= Industry of sector and ε_{it} = error term error term, all for firm *i* at time *t.* (random variation due to other unmeasured factors). Whereas HC, SC, CE and INEC were human capital, structural capital, capital employed and innovation capital. VAIC*CT is the interaction between CEO tenure and Intellectual capital and ε is the error term associated with this model.

Data analysis

For the presentation of data, mean, standard deviation skewness, and kurtosis were used. It offers statistical and graphical procedures for a clear and understandable way of summarizing a collection of data. Descriptive statistics enable the study in a sensible way to simplify large amounts of data. Descriptive statistics were used to explicitly summarize and understandably represent empirical findings (McDaniel and Roger, 2010). Correlation and multiple regressions analysis were also used to estimate the causative relationship between intellectual capital and firm performance what is more as various variables chosen. For the analysis of correlation and regression, SPSS version 20 package was used. The statistic indicates the direction of the affiliation, whether or not or not positive or negative (Bryman & Bell, 2007; Field, 2009). This research determined the coefficient of multiple correlations or the explanatory power of the modified model "R^2" to check the reliability of the model's linear fit. Multiple regression models were used here because many independent variables existed. Furthermore, with the range of explanatory variables in the model, this figure consistently increases. The analysis further examined the derivative of R^2 called the modified coefficient of correlation in this context. In the analysis, the determination coefficient (R-square) was used to demonstrate the model's predictive and explanatory strength.

RESULTS AND DISCUSSION

Regression Results for Moderation Effects

The results indicated the significant moderating effect of CEO tenure on the relationship between intellectual capital efficiency and financial performance of listed firms in Nairobi Security Exchange (β= 0.02; ρ<0.05). The CEO tenure is positively associated with the quality in low to moderate tenure. Nonetheless, even at high levels of CEO tenure, investor interests can be protected in the presence of a diligent board. Longer CEO tenure can contribute to gains in corporate performance only if a positive relationship between relations among employees is achieved (Wang et al., 2009). However, empirical studies have shown that no extremely short or extremely long tenures contribute positively to a business' financial performance (Hambrick & Fukutomi, 1991).

Fig 1 shows Graphic representation of moderating effects of CEO tenure in the medium on the indirect link between Intellectual Capital Efficiency and firm Financial performance intention (conditional indirect effect based on Z (CEO tenure in medium) when W (performance) is low). In general, one can infer from the findings of the study that CEO tenure have moderating effect on the relationship between independent variables and financial performance. This shows a significant presence of moderating effect of CEO tenure on the relationship between independent variables and financial performance.

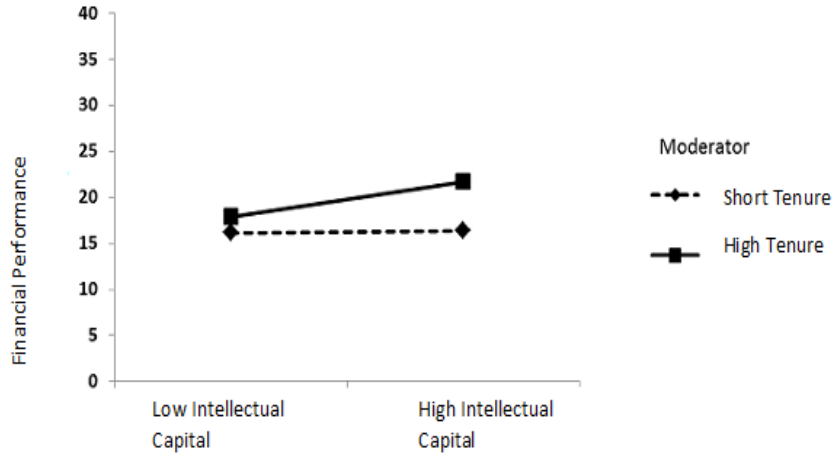

Figure 1: Moderating effect of CT on VAIC and FP

Table 1: Regression Analysis Results

Tobin's Q	Model 1 Coef.	Model 2 Coef.	Model 3 Coef.
Constant	3.09(0.60) **	0.64(0.35) **	.96(6.68) *
Controls			
Age	0.02(0.00) **	0.00(0.09)	-.03(0.37)
Industry	-0.99(0.22) **	-0.50(0.16) **	-.59(3.26) **
Firm Size	-0.26(0.07) **	-0.03(0.32) *	-.03(0.35)
Predictors			
HCE		0.18(3.17) **	
SCE		0.06(0.03) **	
CEE		0.15(0.04) *	
INCE		0.08(0.04) *	
IC			
Moderator			
CEO Tenure		0.04(0.01) **	
Interactions			
HCE*CT		-0.07 (-2.89) *	
SCE*CT		0.01 (-3.06) *	
CEE*CT		0.05 (-2.71) *	
INCE*CT		0.03(0.69)	
IC*CT			-.00(-2.17) *
R-sq: within	0.020	0.173	0.1428
R-sq: between	0.313	0.443	0.3102
R-sq: overall	0.260	0.389	0.280
R-sq change	0.260	-0.001	-10.87
Sigma_u	0.686	0.503	.587
Sigma_e	0.424	0.390	.404
rho	0.723	0.619	.619
Wald $\chi 2$ (3)	33.760	16.750	113.90
Prob > $\chi 2$ =	0.000	0.060	0.000
Durbin Watson	1.021	2.130	1.916
Total panel observations	576	576	576

**significance level 0.01, *significance level 0.05; figures in parenthesis are t-statistics; source: Research Data, (2018)

The study investigated whether the tenure of the CEO was related to the financial performance of firms' publicly trading in the Nairobi Security Exchange. The results of the study revealed a significant positive influence on Tobin's Q (β1=.02659, p-value= 0.000 which is less than α= 0.05). It was therefore concluded that the tenure of the CEO had a positive and significant effect on the financial performance of the firms in Nairobi Security Exchange. Empirical studies have demonstrated that neither extremely short nor extremely long tenures make a positive contribution to a business ' financial performance (Hambrick & Fukutomi, 1991).

CEOs are obligated to increase corporate profits in their lifetime, while at the same time being constrained by short-term demands on their long-term strategy. Findings from this study revealed a positive and significant relationship between the CEO's tenure working for firms in Nairobi Security Exchange in Kenya and their financial performance. The impact on firm performance of the executive's tenure is more uncertain than other features. Studies have suggested that the uncertainty of market participants about the ability of CEOs with tenure that is reduced for certain reasons affect firm financial performance. Ali and Zhang (2015) demonstrated that, by overestimation of earnings, shorter-tenured CEOs tend to adopt more conservative financial reporting practices. Increases in corporate performance would result in longer CEO tenure (Wang et al., 2014). Adams, Almeida, and Ferreira (2005) argued that the company normally gains higher power from CEOs with higher tenure. The objective of this study was to establish the moderating effect of CEO tenure on the relationship between intellectual capital and financial performance of listed firms in Nairobi Securities Exchange, Kenya. To achieve this objective, the following hypothesis was tested.

Hypothesis *(HO)* *CEO Tenure does not moderate the relationship between intellectual capital and financial performance of listed firms in Nairobi Security Exchange.*

The results indicated the significant moderating effect of CEO tenure on the relationship between intellectual capital efficiency and financial performance of listed firms in Nairobi Security Exchange (β= 0.02; ρ<0.05). Longer CEO tenure can contribute to gains in corporate performance only if a positive relationship between relations among employees is achieved (Wang *et al*., 2014). Longer tenured CEOs are progressively less attuned to market and client demands due to the amount of expertise they have gained and the extent to which they are entrenched. In other words, they refuse to respond appropriately to consumer preferences due to their excessive investment in the company and commitment to the status quo.

According to organization theories, long-lasting CEOs can become powerful for three reasons (Hill and Phan, 1991). First, the CEO's power can improve with tenure as a result of a good performance record. Furthermore, long-lasting CEOs may affect the board structure. The appointment of more new members of the board may be influenced by an expanded CEO, thereby rendering a Board obedient and supportive to the CEO. Third, CEOs will increase their relative power by having control over the process and internal information systems. Informational structures and procedures controls that allow CEOs to maintain the relevant information or influence the Board agenda. Theory and data also show that tenured CEOs have a greater impact on the board. The forced turnover of tenured CEOs should thus report exactly what the Board does on behalf of its investors, but it provides bad information about its competences and the future of the company from its coerced turnover of the non-tenured CEOs. Fich (2005) shows the positive reactions of the stock industries to the election of CEOs on the boards.

The Fahlenbrach et al.(2010) report also disputes the argument that stock prices are sensitive in positive ways if managing directors are named. However, Jackling and Johl (2009) suggest the duality of CEO seemed to weaken quality in a long-term context. This may result in long-term CEOs being less worried with organizational growth and less prone to inclusion into their governance structures of an organization degree governing committee. Decreases in management quality and coordination seem to support the hypothesis that businesses with long-standing CEOs may also become agent-driven. And yet, there could also be further, plausible explanations for the incidence of additional lenient boards among long-tenured CEOs. Next, boards with long-term CEOs may take up the role of board members by taking a further position rather than an agency approach. In other words, boards of long-term CEOs should understand that the CEO is told about the length of his / her time by noninheritable superior corporations. The board therefore decides to use this expertise for the benefit of the directors.

CONCLUSION AND RECOMMENDATION

This study successfully extended knowledge by testing whether or not CEO tenure could moderate the various relationships between intellectual capital components and firm financial performance. Intellectual capital is gaining prominence since tangible assets are no longer a viable option in gaining a competitive advantage in the knowledge-based economy. The study finds that the effect of Intellectual capital on firm performance negatively relates to CEO tenure. From the theoretical explanation when the CEO has more tenure, the board meets less involved in decision making. The results of the current paper have some implications for companies with regard to their CEOs ' tenure. That shareholders shouldn't rush to fire the CEO, if a CEO is not performing as anticipated. The firm value will do the same, as tenure increases. The findings will be useful to several shareholders in making informed decision about the tenure of the CEO who will be running their businesses. Further research may consider using additional models to establish the correlation between CEO tenure and firm financial performance through the use of various models in multiple security exchanges.

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