EJIF
European Journal of Islamic Finance

Chief Executive Officer's (CEO's) Characteristics and Bank Performance: A Comparative Study of Islamic and Conventional Banks in Tunisia

Noura Zaidi[1*]

[1] University of Sfax, Department of Accounting and Law, Airport Road km 4 – 1013, Tunisia
Corresponding author: zaidinoura7@gmail.com

Davide Calandra[2]

[2] University of Turin, Department of Management "*Valter Cantino*", Corso Unione Sovietica 220, Torino – 10134, Italy
ORCID 0000-0001-5159-7167

Sadraoui Tarek[1]

[1] University of Sfax, Department of Accounting and Law, Airport Road km 4 – 1013, Tunisia

Received: 25/11/2023
Accepted for publication: 28/07/2024
Published: 02/08/2024

Abstract

This study examines the impact of CEO characteristics on bank performance within the Tunisian banking sector, focusing on a dataset of 1,340 professionals spanning from 2018 to 2022. Specifically, we compare Islamic and conventional banks, analyzing CEO traits such as educational background and decision-making authority. Our findings reveal higher customer satisfaction levels in Islamic banks (75%) compared to conventional banks (45%). CEO educational background positively influences bank performance in both bank types, with variations in ideal backgrounds. Larger banks tend to perform better, and greater CEO decision-making delegation enhances performance, contradicting the New Institutional Theory. Additionally, the age and frequency of CEO-board meetings significantly affect conventional bank performance. At the same time, these variables are less significant in Islamic banks due to their smaller size and older CEO demographics. Overall, our research highlights the critical role of CEO characteristics in shaping bank performance. This study provides valuable guidance for organizational leadership and regulatory bodies seeking to optimize banking operations. Understanding the impact of a CEO's educational background and decision-making authority on performance underscores the importance of strategic leadership in navigating dynamic market conditions. These insights are crucial for fostering resilience and competitiveness within the Islamic and conventional banking sectors.

Keywords: Bank performance, CEO's-education, Islamic-banks, Conventional-banks, Delegation of decision-making authority

EJIF
European Journal of Islamic Finance

1. Introduction

Islamic banks, guided by their core principles of human welfare, inclusive economic growth, and fair resource allocation (Mannan, 2015), are gaining rapid prominence as a compelling alternative to conventional banking (Ikra et al., 2021; Bashir et al., 2020). Notably, the increasing volume of literature on Islamic banking reflects a growing recognition of its potential and significance (Hassan et al., 2017a). This sector's emphasis on ethical and socially responsible banking practices distinguishes it within the financial landscape. This research seeks to contribute to understanding how to improve banking performance in general and Islamic bank performance, particularly in the Tunisian context, focusing on the influence of CEO characteristics and decision-making structures on bank performance.

Recent literature predominantly concentrates on lower and middle management in various firms, as well as CEOs and founders of companies. However, limited attention has been given to CEOs in the banking sector. This includes Islamic banks, although their potential impact on economic development is more significant, given their effective control over a substantial part of the economy. The CEO is regarded by (Bertrand and Schoar, 2003) as primarily responsible for the institution's overall operations. As the bank's overall structure architect, the CEO's characteristics significantly influence bank profitability (March and Simon, 1958). In this regard, the CEO's educational background can substantially influence the decision-making process of organizations, subsequently affecting their future performance (King, 2016). This study addresses this inquiry by comparing Conventional and Islamic banks in Tunisian.

In this study, we have applied a rigorous research approach to investigate the relationship between CEO characteristics, decision-making structures, and bank performance in the Tunisian context. Our research methodology comprises a comprehensive data collection approach involving the utilization of diverse sources, including research questionnaires, annual reports of banks, and CEO’s profiles on social networks that have been visited. Our analysis explores customer satisfaction, a critical aspect of our study. Notably, the data points to a significant trend: Islamic banks consistently achieve notably higher levels of customer satisfaction than their conventional counterparts. This finding is a significant highlight, revealing the superior performance of Islamic banks in this crucial area. Our findings also reflect that CEO educational backgrounds, in terms of field and level, significantly matter for bank performance in Islamic and conventional banks. We also explored the role of decision-making authority delegation and its impact on bank performance.

While this topic concerning bank performance has been explored in previous research, several distinctive aspects set this study apart. This paper contributes to the existing literature in three key ways. Firstly, this paper adds to the upper echelon theory by showing that the CEO's educational background, field, and level significantly influence bank performance in Islamic and conventional banks. Notably, it demonstrates that CEOs with a background in finance consistently outperform their counterparts. In addition, CEOs with higher levels of education perform better than others. Furthermore, the findings provide limited support for the idea that CEOs with engineering-related degrees positively impact bank performance, but only within the realm of conventional banks.

Furthermore, our study significantly expands the existing literature on the delegation of decision-making authority and its impact on enhancing bank performance. Notably, this research marks a pioneering effort in the field, as it stands among the first to provide empirical evidence supporting the assertion that a CEO's delegation of decision-making authority leads to improvements in bank performance across both Islamic and conventional banking sectors. Our findings challenge traditional top-down management paradigms, indicating that a more decentralized decision-making structure can yield better firm performance. This shift towards delegation not only aligns with contemporary trends in management but also has practical implications for enhancing the competitiveness and sustainability of Islamic and conventional banks. These findings diverge from the New Institutional Theory (NIT), which posits that a firm's strategy and decision-making processes are shaped by environmental factors beyond the CEO's control. This concern is shared by Bruton et al. (2010) and Meyer & Rowan (1977).

Ultimately, our findings highlight a compelling correlation between a CEO's financial education and propensity to delegate responsibilities, positively influencing bank performance. This noteworthy outcome is primarily observed within the context of conventional banks, aligning closely with the findings reported by Zaidi et al. in their 2021 study. However, it's important to note that we did not find similar evidence within the Islamic banking sector, suggesting potential nuances in the decision-making dynamics specific to these institutions. Furthermore, our research distinguishes itself by encompassing a comprehensive sample of both public and private banks, a departure from the prevailing focus on public banks typically found in economic studies due to the ready availability of data.

Despite the growing body of literature exploring the influence of CEO characteristics and decision-making structures on organizational performance, there remains a notable gap in our understanding of how these factors specifically affect the performance of banks in the Tunisian context, particularly in the context of both conventional and Islamic banks. While existing research has offered valuable insights, there is a need for a comprehensive examination of the relationships between CEO educational backgrounds, delegation of decision-making authority, and bank performance in this unique setting. Understanding the nuanced dynamics that impact the financial outcomes of banks in Tunisia is crucial for practitioners and policymakers seeking to enhance the stability and competitiveness of the banking sector. This study seeks to bridge this gap by conducting a rigorous empirical analysis, shedding light on these relationships, and providing valuable insights for the financial industry.

The rest of the paper is organized as follows: the first section presents the study's conceptual framework and theoretical foundation. The second section reviews the related literature and states the various hypotheses of the study. In the third section, I focus on the data collection process, the presentation of results, the discussion of results, the practical implications and limitations of the study, and provide suggestions for future research.

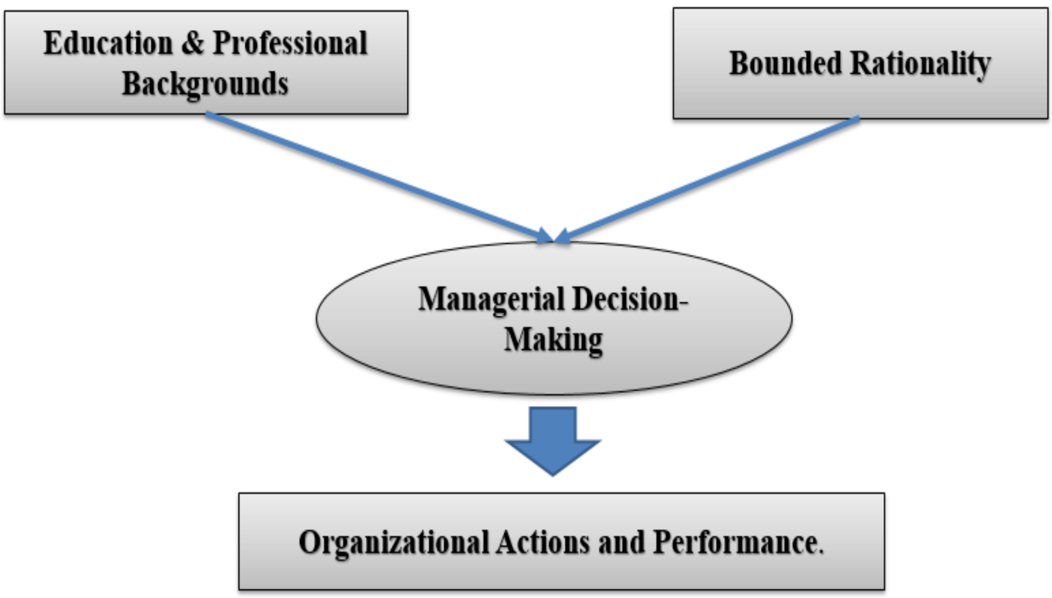
2. Literature review and hypothesis development

2.1. *Foundations of Organizational Decision-Making Theories and Islamic Finance in Tunisia*

This section provides a foundation for our study by explaining key theories that shape executive decisions and offers insights into Islamic finance globally and in Tunisia.

As shown in Figure 1, the Upper Echelon Theory posits that the CEO's bounded rationality, which means that they make decisions within the limits of their cognitive abilities and the available information, combined with their educational and professional backgrounds, influences their managerial decision-making. This, in turn, affects the overall performance of the organization.

Figure 1. The Upper Echelon Theory



Source: Authors' elaboration

According to Hambrick and Mason, the originators of the Upper Echelon Theory (UET), managers' decisions are inherently shaped by their educational and professional backgrounds. Despite CEOs evolving into generalists due to their responsibilities to the entire company, more attention remains paid to decisions within their specific domain than in other areas (Hambrick, 2007; Hambrick & Mason, 1984). Consequently, the theory is grounded in bounded rationality (Cyert & March, 1963; March & Simon, 1958). To comprehend why organisations make specific choices or exhibit certain performance patterns, it becomes imperative to consider the biases and predispositions of their most influential actors (Hambrick, 2007).

European Journal of Islamic Finance - ISSN: 2421-2172
DOI: 10.13135/2421-2172/8871 Published by University of Turin https://www.ojs.unito.it/index.php/EJIF/index

This line of reasoning supports various studies, including Dearborn and Simon (1958), who, in their empirical investigation, illustrate that when faced with a problem, top managers tend to resolve it based on their background and experiences. The influence of the career path on the decision-making process is further affirmed by Stone (1998). Calori et al. (1994) provide evidence that CEOs draw upon their experiences and knowledge to address problems in situations of uncertainty. Alice (2000) lends support to this theory, asserting that "CEOs may rely on known patterns of strategy and action in making decisions during chaotic times" (Alice et al., 2000, p.103) Zaidi et al., (2021).

2.2. New Institutional Theory

The emergence of the new institutional theory can be traced back to the 1980s when Meyer and Rowan (1977) pioneered it, and DiMaggio and Powell (1983) further developed it.

This theory states that the organizational structure cannot be comprehensively understood without considering broader environmental forces Abaya (2012); Zaidi et al., (2021). The institutional theory aims to elucidate how the regulatory framework influences the pursuit of long-term sustainability goals by organizations. Ayaba (2012) argues that firm strategy and decision-making processes are subject to environmental factors beyond the CEO's control; this concern is shared by Bruton et al. (2010). Meyer & Rowan (1977), the founders of the Institutional theory, contend that the CEO's decision-making process and firm strategy are guided by this regulatory framework, a viewpoint shared by Bruton et al. (2010).

2.3. The theory of organizational architecture (TOA)

The theory of organizational architecture (TOA) as a theory of decision allocation explains the distribution of decision-making authority within a company (Brickley et al., 2001). The decentralized organizational design, as opposed to the centralized design, allows actors from the low level in the organization to give their point of view and make their own decisions. This enables the company to deal with the talent pool within it. In this work, we examine the organizational structure of Tunisian banks by visiting 1380 bank agencies to investigate whether decentralized banks outperform others and to compare conventional and Islamic banks.

The delegation of decision-making authority is when someone relies on other people to take action on his behalf. In decentralized organizational structure, there is more delegation of decision-making authority than in centralized one and less workload on the CEO. The delegation of decision-making authority allows the subordinates to decide and participate in the company's decision-making process, which develops skills and capacities. Generally, the larger an organization is, the more the CEO delegate’s decision-making power. In this work, the delegation is from the bank CEO to the agency directors between the bank and their branches. The decentralized decision-making structure is based on the horizontal relationship between the different management levels. In this case, the decision-making agents and the agents who implement those decisions have been separated. Moreover, the results show that the more the CEO delegates decision-making authority, the better the bank performs.

2.4. The Quranic Prohibition of Ribaa: A Clear and Sincere Guidance for Muslims

Islam's unequivocal prohibition of Ribaa, a concept meticulously documented in the Quran, is a testament to the sincerity and clarity of the religion's guidance. The Quran, notably in its longer chapters like Al-Baqara, Al-Imran, and An-Nisa, encompasses a comprehensive set of laws and principles that govern the lives of Muslims, with one of the most crucial rules addressing Ribaa. The Quran explicitly forbids Ribaa in these three chapters, underscoring its significance within Islamic doctrine. The Quran consistently reiterates this message many times. I have selected a specific Quranic verse that unequivocally underscores the prohibition of Ribaa, making it abundantly clear that Muslims should abstain from consuming it. This serves as a fundamental rationale for supporting Islamic banks and avoiding conventional ones in Islamic countries for a religious reason and in other countries for economic reasons. Conventional banks primarily profit from Ribaa, and when you deposit your money in a conventional bank, you indirectly contribute to their earnings. Moreover, if you receive interest on your savings, it constitutes Ribaa, which is strictly prohibited in Islam.

سورة البقرة (2:275):

" الَّذِينَ يَأْكُلُونَ الرِّبَا لَا يَقُومُونَ إِلَّا كَمَا يَقُومُ الَّذِي يَتَخَبَّطُهُ الشَّيْطَانُ مِنَ الْمَسِّ ۚ ذَٰلِكَ بِأَنَّهُمْ قَالُوا إِنَّمَا الْبَيْعُ مِثْلُ الرِّبَا ۗ وَأَحَلَّ اللَّهُ الْبَيْعَ وَحَرَّمَ الرِّبَا ۚ فَمَن جَاءَهُ مَوْعِظَةٌ مِّن رَّبِّهِ فَانتَهَىٰ فَلَهُ مَا سَلَفَ وَأَمْرُهُ إِلَى اللَّهِ ۖ وَمَنْ عَادَ فَأُولَٰئِكَ أَصْحَابُ النَّارِ ۖ هُمْ فِيهَا خَالِدُونَ "

DOI: 10.13135/2421-2172/8871 Published by University of Turin https://www.ojs.unito.it/index.php/EJIF/index

This verse from Surah Al-Baqara strongly condemns usury (Ribaa) and underscores the moral and spiritual consequences of engaging in exploitative financial practices. The verse distinguishes between permissible trade and usury, emphasizing the importance of ethical economic activities and the need to seek guidance from Allah to avoid sinful practices. Muslims are called to adhere to these principles, even if it means opting for Islamic finance solutions that may incur slightly higher costs. Choosing Islamic finance over conventional institutions, which often rely on Ribaa, aligns with Muslims' commitment to living by the principles of their faith and upholding the sincerity and clarity of Islamic teachings. It reflects their religious conviction and dedication to ethical and responsible financial practices that benefit individuals and society.

From my perspective, it is crucial to critique those Muslim-majority countries whose economies heavily rely on conventional banks, as a substantial portion of their profits comes from interest and Ribaa. This practice contradicts the fundamental principles of Islam, which prohibits Ribaa. These countries must promote alternatives, such as Islamic banks, which adhere to religious principles and contribute to a more ethical economy in alignment with Islamic values. It is worth noting that in today's world, being a Muslim does not necessarily mean adhering to Islamic principles. Unfortunately, this generalization extends to Islamic financial institutions as well. Sometimes, they merely adopt a façade of Sharia and Islam, engaging in practices that do not align with Islamic rules.

2.5. Islamic banks

Islamic banks hold a unique position within society, functioning both as financial institutions and as fulfillers of collective religious obligations (Farook, 2007). This duality necessitates merging legal and ethical responsibilities, as emphasized from an Islamic perspective. Compliance with the necessary legal norms is paramount, but equally crucial is the adherence to Shari'ah requirements, which are considered laws in themselves. While applying AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions) standards is not obligatory, it is strongly recommended, as it provides valuable guidance and resolves potential Shari'ah concerns (Calandra et al., 2024). The principles of equality are central in Islam, and Islamic banks are expected to uphold this ethos across all facets of their operations. This encompasses dealings with debtors, banking services to individuals with special needs, and employment policies, where neither gender should be prioritized unless the distinction is solely based on business experience or knowledge.

Additionally, Islamic banks must provide suitable working conditions for their employees, including prayer facilities. Integrating religion as the foundation of the entire financial system is paramount. As proposed by Brammer et al. (2007), organized religion plays a significant role in establishing and disseminating ethical guidelines that align with religious doctrines. These guidelines provide practical direction for ethical business conduct, and this orientation permeates throughout the business organization. In conclusion, integrating religion as the foundation of the entire financial system is paramount. Religion offers a robust ethical framework that guides economic activities, promoting moral and ethical principles. This foundation instils trust and confidence in financial systems and respects the cultural identity of the people it serves, fostering social cohesion and inclusivity. Moreover, by adhering to responsible and risk-averse financial behavior in line with religious teachings, the financial system can mitigate the likelihood of speculative bubbles, financial crises, and economic instability.

Religious principles that emphasise environmental stewardship and social responsibility can promote sustainable and socially responsible investments, addressing the growing demand for ethical finance. Integrating religion into the financial system allows individuals to align their decisions with deeply held beliefs, fostering conscientious and responsible financial practices. This approach also has a global appeal, attracting clients and investors from diverse religious backgrounds, making it a more inclusive and adaptable model. In summary, integrating religion into the financial system honours personal faith and ensures the overall health and stability of financial markets and institutions.

2.6. Islamic Banks in Tunisia

In 2022, Tunisian Islamic banks, led by Zitouna Bank, the first Islamic bank developed in Tunisia in 2009, achieved notable growth and recognition. Despite economic challenges from the ongoing economic crisis, these banks displayed resilience and profitability, cementing their reputation. The share of assets held by Islamic banks increased by 30% between 2018 and 2022, with positive trends in deposits and credits.

The profit margins, a critical part of Gross Operating Income (GOI), continued to dominate. One of the banks even achieved an exceptional margin exceeding 90%. Meanwhile, the ratio between operating costs and income improved, indicating cost efficiency. Islamic banks experienced substantial growth in their net profit, and Zitouna Bank recovered from previous losses.

The achievements of Islamic banks in Tunisia display their growth and resilience, highlighting the promising path of Islamic finance in the country. Additionally, Banque Zitouna made significant advancements in digital transformation, enhancing customer satisfaction and fostering innovation. These efforts have positioned it as a leader in Tunisia's banking landscape.

Intriguingly, while Islamic banks constitute only 13% of the total number of banks in Tunisia, they have successfully attracted over 25% of customers, boasting an impressive average customer satisfaction rate of 75% compared to the 45% reported by conventional banks. This remarkable achievement underscores Islamic banking services' growing preference and commitment to customer contentment.

Thanks to its efforts, Zitouna Bank has successfully opened 12 new branches. This achievement highlights the rapid progress of Islamic banks, positioning them for even greater success. The expansion of Zitouna Bank's branches underscores the promising trajectory of Islamic banking institutions. Their growth strengthens their presence in the financial sector and reflects the increasing demand for ethical and Sharia-compliant banking services. This positive trend suggests that the future holds immense potential for Islamic banks to flourish and expand further.

2.7. CEO education and bank performance, delegation of decision-making authority

This paragraph review examines the intricate relationship between CEO characteristics, delegation of decision-making authority, and bank performance. It delves into a wealth of research findings that have explored these key determinants of organizational success.

2.7.1. CEO education and bank performance

The existing literature has extensively examined the relationship between a CEO's educational background and firm performance. This has led to varying opinions that offer contrasting perspectives on the subject. The two main schools of thought concerning this relationship can be summarized as follows.

The first school of thought contends that CEO educational backgrounds play a significant role in influencing firm performance. Ayaba's study, which focused on 100 listed firms in the Stockholm Stock Exchange between 2008 and 2010, revealed that CEOs' financial backgrounds have a significant and positive impact on corporate performance. However, CEOs' educational levels did not correlate strongly with firm performance.

Similarly, Jalbert et al. conducted an extensive decade-long study involving a substantial sample of CEOs from major U.S. corporations. Their findings suggested that educational qualifications and the quality of education significantly contribute to CEOs reaching their positions. However, the impact of these factors on the remuneration CEOs receive in that role is rather limited. Notably, they observed that the reputation of a CEO's graduate school had a slight negative association with return on assets but a positive correlation with Tobin's Q. This suggests that the connection between CEO education and firm performance is only mildly correlated, with the specific type of degree potentially influencing this relationship. Furthermore, Jalbert et al.'s subsequent research in 2010 reaffirmed the connection between a CEO's educational background and firm performance.

An alternative standpoint, represented by the second school of thought, challenges the notion that a CEO's educational background substantially impacts firm performance. Several studies have failed to establish a clear correlation between CEO education and organizational outcomes. For instance, Ting et al. (2015) investigated the effect of CEO personal characteristics on financial leverage in Malaysia from 2002 to 2011. Their research showed that CEO profile photos, age, prior experiences, and tenure were significantly related to leverage, but CEO educational background did not significantly influence firm performance. This view contradicts the belief that educational qualifications determine a CEO's ability to enhance a company's performance.

In the case of family-controlled firms, Lin et al. (2007) studied the relationship between CEO backgrounds and firm performance in Taiwan. Their findings revealed a significant association between a firm's operating characteristics and the CEO's background. Interestingly, they demonstrated that a CEO from within the family often proved to be a better choice for enhancing firm performance than a professional CEO. These findings imply that the influence of CEO education on firm performance may vary across different contexts and organizational structures.

While existing literature offers conflicting viewpoints on the relationship between CEO educational background and firm performance, this study aims to contribute to this discourse by examining its implications within the context of Tunisian banks, encompassing both conventional and Islamic institutions. Some studies suggest a positive correlation between CEO educational qualifications and firm performance, highlighting the potential influence of factors such as financial background and the reputation of graduate schools. Conversely, alternative perspectives challenge the notion that CEO education significantly impacts organizational outcomes. For instance, research in Malaysia found that a CEO's educational background is insignificant in determining firm performance. In contrast, studies on family-controlled firms in Taiwan revealed nuanced associations between CEO backgrounds and organizational success. For all of the previous elements, our first hypothesis is:

H1: The CEO's educational background has a positive impact on bank performance

2.7.2. Delegation of decision-making authority and bank performance

Delegation of decision-making authority is an important instrument for shaping managerial incentives. Scholars have studied the factors that determine the degree of decentralization in such organization. Much literature has confirmed that delegation of decision-making authority affects an organization's performance. Senyuta (2013) investigates how the delegation of decision-making authority is related to the performance of the bank's local branches during the period between 2004 and 2008. Results show that delegation of decision-making authority ameliorates quantitative performance; banks generate more profits, but it may deteriorate performance quality; decisions made in the decentralized structure are worse than those made in a centralized one. According to Senyuta (2013), delegating decision-making authority may generate a trade between the quantitative and qualitative performance characteristics.

Tran et al. (2019) explores how the distribution of decision-making authority within the board of directors affects the variability of performance as measured by variation in monthly stock returns, ROA and Tobin's Q. They confirm that not only board concentration of power causes performance volatility; it is also possible that performance volatility modifies how the board decides to delegate authority. They found that the more the decision power is concentrated in the hands of the CEO, the firmer performance variability is. These findings are consistent with those of (Adams et al., 2005; Altunbaş et al., 2019).

Adams et al. (2005) argue that when decision-making authority is concentrated in the hands of the CEO, the probability of either very good or very bad decisions is higher than in organizations in which many people share the responsibility of the decision-making process. However, they found no evidence that firms with decentralized decision-making authority perform better than others with centralized decision-making did. Han et al. (2016), confirm that CEO's power is positively associated with firm performance. According to him, power concentration in the hands of the CEO is a good way to manage such organization. This is contrary to a study by Alexandre et al. (2013), who also investigates whether or not the concentration of power in the hands of the CEO influences corporate performance variability based on the sample of 204 firms in France. They demonstrate that firms headed by a powerful CEO exhibit lower performance volatility.

Gur et al. (2016) examine the effect of trust on decision delegation. They mention that a Decentralized decision-making structure in higher-trust environments is a good way to enhance corporate management, which in turn increases firm performance through three channels: it reduces the cost of information transfers, organizations respond more rapidly to market changes, and ameliorates work conditions, which increase the level of job satisfaction. Bloom et al. (2012) highlighted that trust is the basic determinant of power delegation, affecting firm performance. According to them, the CEO have to choose which decisions to make by himself and which ones to delegate. The more the CEO trusts his managers the more he delegates decisions (Bloom et al.2012).

Dlugosz et al. (2017), in their paper titled "Decision-making delegation in banks", examine the bank organizational structure, specifically the location of deposit rate-setting authority (whether branches set locally the deposit rate to respond to local shocks or not). Results show that the more branches make decisions independently, the better they perform. According to Dlugosz et al. (2017), decentralization of decision-making authority guarantees a quicker response to local shocks, which in turn enhances bank profitability given that the bank sector is characterized by the importance of soft information for their decision-making (Dlugosz et al. 2017).

Canales &Nanda (2012) confirm that decentralized banks, which give more discretionary power to their branch managers over lending decisions, participate more in financing small businesses in competitive banking markets. However, they choose firms when they have market power. According to Canales & Nanda decentralized organizational structure's effectiveness depends on the context of the institutional environment. They conclude that decentralized banks are more responsive to their competitive lending environment. Skrastins et al. (2014), based on a sample of 2,000 bank branches in India during 1999- 2006, document that bank hierarchical structure leads to reduced loan performance; it affects both the quantity and the quality of loans. Results also show that more decentralized branches perform better than others as they said, "Delinquencies on loans in more decentralized branches are lower by 30 per cent, and a similar loan portfolio in the decentralized branch generates a 15 per cent higher return for the bank" (Skrastins et al., 2014, p 3).

Pathan (2009) further explores how board structure affects firm performance and examines the effect of CEO power on bank performance, as measured by the CEO's ability to influence board decisions. Based on the sample of 212 large US bank holding companies from 1997 to 2004, results show that the more the bank board participates in the decision-making process and effectively monitors the manager to limit his misbehaviours, the higher the bank's performance is. In conclusion, Pathan (2009) confirms that CEO power deteriorates banks' performance and may damage sustainability.

Existing studies have offered mixed findings on the relationship between decision-making delegation and bank performance, highlighting both the potential benefits and drawbacks of decentralized decision-making structures. However, within the Tunisian banking landscape, where Islamic and conventional banks coexist, there is a unique opportunity to explore how decision-making authority is structured and its implications for bank performance. By examining the dynamics of decision-making delegation within Tunisian banks, this study sheds light on how empowering CEOs and managers to make strategic decisions can lead to enhanced performance metrics. Specifically, delegating decision-making authority will foster a more agile and responsive banking sector, enabling banks to adapt quickly to market changes, capitalize on opportunities, and effectively manage risks. Moreover, by empowering branch managers and board members with decision-making authority, banks may cultivate a culture of innovation and accountability, ultimately driving improved financial performance. Therefore, this research contributes to a more comprehensive understanding of the complexities of decision-making processes in the Tunisian banking sector, focusing on elucidating the mechanisms through which decision-making delegation positively influences bank performance. Our second hypothesis is:

H2: Delegation of decision-making authority positively affects bank performance

3. Methodology

This section addresses the research method adopted. In the first section, we primarily present the research philosophies that have guided this research. While discussing the research methods, this section generally discusses the definition of variables and the coding process. The later part presents and analyzes the main results.

3.1. Research design and data collection

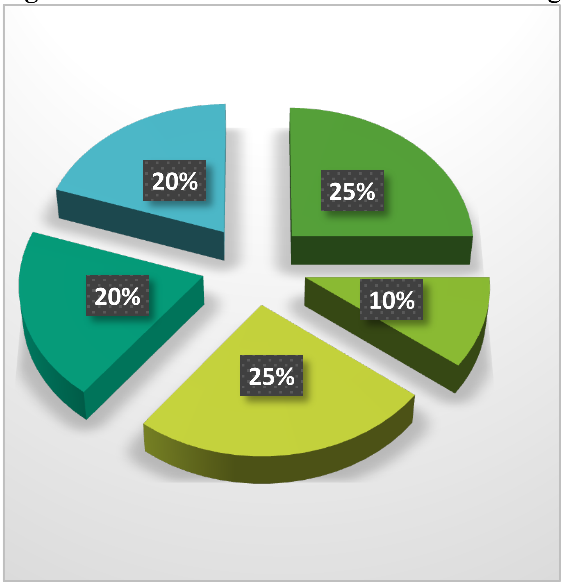
This study draws upon a variety of data sources. The primary source is a research questionnaire, supplemented by manually collected information from banks' annual reports spanning 2018 to 2022. The accuracy of the data was verified through cross-referencing with information available on the banks' websites, the Central Bank of Tunisia (BCT), and the Tunisian Stock Exchange's website (BVMT). Moreover, information regarding the personal characteristics of CEOs was gathered by examining their profiles on social networks, reviewing online articles, and, in some cases, through direct inquiries during visits to their respective banks.

3.2. Population and sampling plan

The analysis is based on a sample of Tunisian bank CEOs from 2018 to 2022. To build this dataset, we embarked on a comprehensive data collection process. This rigorous approach led us to compile a dataset comprising 1,380 banking professionals. From this initial pool, we applied a selective criterion. Specifically, we retained banks to obtain detailed information regarding CEO educational backgrounds, including the types of degrees they held, such as undergraduate or postgraduate (Figure 1 and Figure 2). To gather this specific information directly with the CEOs through personal interviews, sometimes making an appointment and sending an electronic copy before the meeting or extracting relevant data from their profiles on various social networks.

The questionnaire was distributed to 1,380 individuals, encompassing CEOs, branch managers, and other banking professionals from both public and private banks across conventional and Islamic banks in Tunisia. Our analysis was performed on a sample representing 80% of all banks in Tunisia. Notably, five banks, namely BTK, QNB, BFT, BFPME and Citi Bank, were excluded from the study due to their unavailability on the stock exchange and a lack of online-published annual reports. These banks also had a limited number of branches. Out of the initial sample, 41 responses were excluded because they did not provide all the necessary information we required.

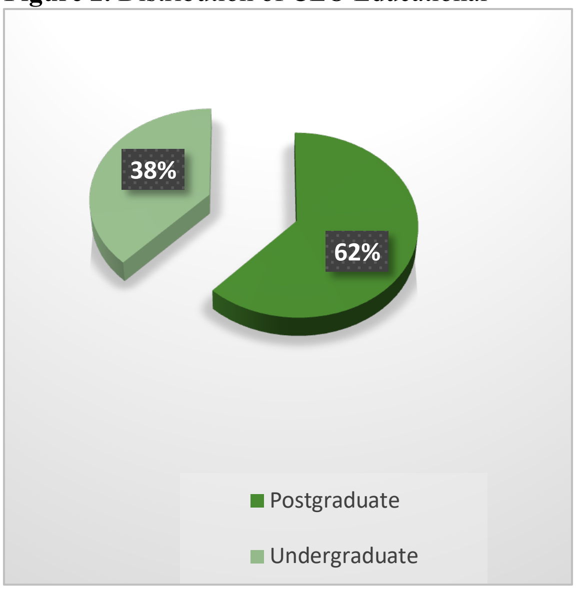
Figure 1. Distribution of CEO Educational Background



Source: Authors' elaboration

Figure 1 illustrates the educational backgrounds of CEOs, which can be categorized into five distinct groups. Among these, 25% of CEOs had a financial background, and an equivalent percentage had a management background, making it the most common educational profile in the sample. Engineering backgrounds accounted for 10%, while economics and other backgrounds comprised 20% of the total.

Figure 2. Distribution of CEO Educational



Source: Authors' elaboration

Figure 2 reveals that 62% of the CEOs held postgraduate degrees (Masters or Doctorates), while 38% possessed undergraduate degrees.

3.3. Definition and coding of independent variables

In this research, both dependent and independent variables have been employed, primarily focusing on CEO and bank characteristics as the independent variables. The analysis also incorporated controls for traditional factors known to impact bank performance. The study utilized a range of discrete and continuous variables. For discrete variables, dummy variables were introduced. These dummy variables are binary, taking the value of 0 or 1. A value of 0 indicates the absence of the variable, while 1 signifies its presence. Using dummy variables was necessitated by including qualitative independent variables, specifically representing various CEO educational backgrounds such as finance, engineering, economics, management, and others. The independent variables were employed to elucidate the variations in the dependent variable.

3.3.1. CEO educational background

The educational backgrounds of CEOs are categorized based on their highest qualification in a particular field of study. To gauge CEO educational training, dummy variables have been generated to signify each educational background. For instance, the dummy variable "Finance" takes 1 if the CEO holds a finance-related degree and 0 otherwise. This same coding procedure is applied to economics, management, engineering, and other backgrounds. Due to the considerable diversity in CEO training, the educational backgrounds have been limited to engineering, finance, management, and economics since these are the most prevalent in the dataset. All other backgrounds are collectively represented by the dummy variable "Other".

3.3.2. CEO Educational Level

The educational level variable has been categorized into two primary groups. A dummy variable has been established, taking the value of one if the CEO has a postgraduate qualification and zero otherwise. CEOs holding only a bachelor's degree (baccalaureate + three years/baccalaureate + four years) have been grouped within the undergraduate category. In the postgraduate category, CEOs possessing master's and doctorate degrees have been combined. Only CEOs with at least a bachelor's degree were considered and included in the educational background variable to ensure consistency.

3.3.3. CEO gender

CEO gender serves as a noteworthy variable, representing an element of CEO characteristics aimed at exploring the influence of women's participation in top management teams. Nevertheless, the observed sample comprises men (98%). While we anticipate that this variable may not yield significance in the study due to the predominantly male sample, we still include it as a control variable.

3.3.4. CEO tenure

CEO tenure is incorporated into this study as a control variable. The CEO's tenure denotes the duration the CEO has spent working within the same bank. Numerous scholars have affirmed that CEOs with prolonged tenure enhance bank performance because their extensive experience within the same organizational context equips them to navigate diverse challenges. As emphasized by Ayaba (2012), a CEO with a lengthier tenure in a company constitutes an asset for overall firm performance. Therefore, it is hypothesized that banks led by CEOs with longer tenures outperform others.

3.3.5. CEO age

CEO age is a discrete variable utilized in this study. Hermann and Datta (2006) demonstrated that younger CEOs are more risk-takers and more adaptable to change. According to their findings, younger CEOs possess enhanced physical and mental capacities for processing and analyzing information. Conversely, some argue that older CEOs, with their accumulated experience, are more prone to making sound decisions. In this study, the sample comprises CEOs aged 40 and above. Drawing from this analysis, it is hypothesized that banks led by younger CEOs outperform those guided by their older counterparts. Consequently, age is expected to hurt bank performance.

3.3.6. Delegation of decision-making authority

To know whether the bank uses decentralized or centralized decision-making authority, the question "What is the proportion of the delegation of decision-making authority (credit files)? We have been asked to test the decentralization o organizational structure. The answers are in percentage form. The more the CEO trusts the branch manager, the more he delegates decision-making authority. The percentage of the delegated files measures the CEO-manager confidence. I guess the more the CEO delegates decision-making authority, the better the bank performs.

3.3.7. Bank size

The size of a bank is presented by the number of bank agencies collected from the annual reports of banks and their websites. A large number of bank agencies is a sign of a large bank. I guess that larger banks outperform others.

3.4. Dependent variable: Bank performance

Return on equity (ROE) was used and calculated as the ratio of net income to shareholders' equity to assess bank performance. However, it is worth noting that several authors have pointed out limitations associated with using ROE as an indicator of bank performance. This metric overlooks the impact of inflation, risk, and potential shortcomings (Ayaba, 2012). The average bank performance over five years was utilised to enhance the precision of measuring bank performance and ensure that it genuinely corresponds to the study period. This approach guards against the potential that a one-year value might be significantly influenced by events unrelated to the current CEOs managing the bank. Adopting a five-year interval aligns with the practices of previous studies (Carpenter et al., 2001; Koyuncu et al., 2010; Ayaba, 2012).

4. Results

The methodology will proceed in two stages. First, we will test the validity of our questionnaire. Then, regressions will be carried out to judge the explanatory nature of the various variables when introduced simultaneously. Finally, we will describe in detail the various tests that are being carried out.

4.1. Validation of the questionnaire

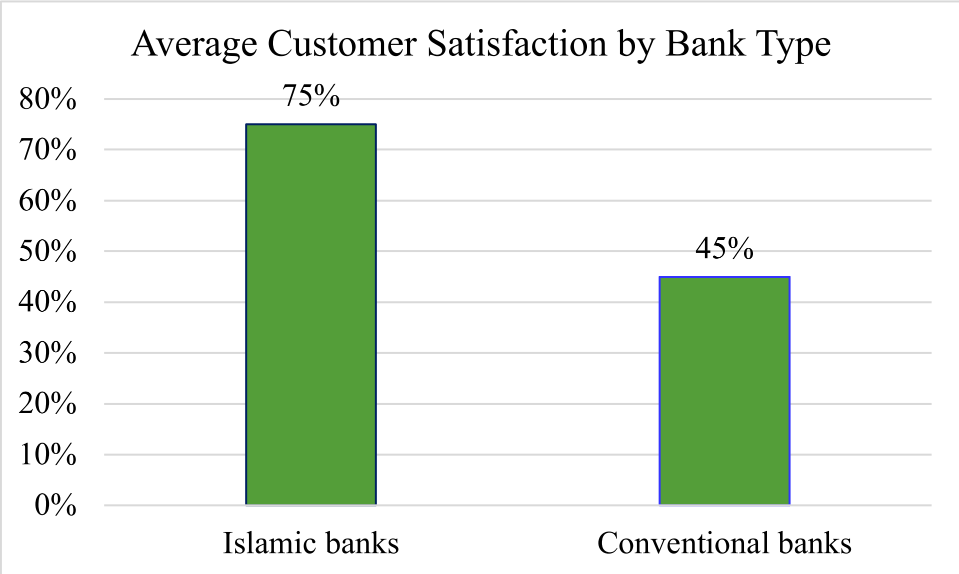
Validity refers to the credibility of the conclusions drawn in a study. It pertains to whether an indicator or measurement effectively captures the concept it claims to represent (Bryman & Bell, 2007). In this research, the selection and coding of variables have been guided by theories within the subject area. Extensive literature within this field has also played a crucial role in coding. Additionally, a significant portion of the data used in this study is sourced from the annual reports of the Tunisian banks. These banks adhere to regulations set by Tunisian regulatory authorities to ensure that the information provided to investors meets established standards.

To further enhance the accuracy of the information used in this paper, I have cross-referenced data from multiple sources to validate details about CEOs, such as their age, educational background, and banking experience. In cases where conflicting information emerged, the bank was excluded from the sample (BTK, QNB, BFT, TSB, BFPME, Citi Bank). Regarding measuring bank performance, bank size, and CEO characteristics, a thorough review of existing literature was conducted to ensure alignment with measures employed by previous researchers. Based on these efforts, this study upholds the validity criteria. This part of the research aims to test the validity of the above-mentioned questionnaire and to see how respondents respond to these items. We tested the validity of the internal consistency of our questionnaire by performing a Cronbach's Alpha (α = 0,795), which is largely significant. This measure indicates internal consistency in your questionnaire or test, meaning that the items within are highly reliable and consistently measure the same underlying concept.

4.2. Unlocking Islamic Finance: A Path to Customer Satisfaction and "Baraka"

Our research has given special attention to a specific set of information we consider extremely important. We are particularly interested in how satisfied people are with the banking services they receive. We started our presentation with this data because it shows how well Islamic banks are doing (Figure 3). We found that, on average, customers of Islamic banks are happy, with a 75% satisfaction rate. This is quite different from customers of regular banks, who have a 45% satisfaction rate. To clarify this difference, we have created a comparison chart below that shows the big gap in satisfaction levels between Islamic and conventional banks.

Figure 3. Customer satisfaction



Source: Authors' elaboration

This visual representation supports what we have discovered and backs up the reasons behind our upcoming suggestion about supporting Islamic finance. It highlights how important Islamic banks are in creating happy customers, going beyond conventional banking services and embracing the meaningful concept of "Baraka" in Islamic finance. Therefore, we strongly recommend that people in Tunisia and elsewhere seriously consider using Islamic finance. This is not just about numbers; it represents the satisfaction of making financial choices with deeper meaning.

4.3. Regression analysis

In this study, we used multi-regression analysis because there are two or more explanatory variables. In the regression analysis, I created dummy variables for each of the various types of educational background. These dummy variables were necessary because I had to convert each of the qualitative independent variables into quantitative variables so that I could run a multi-regression analysis to assess the impact on each variable.

4.3.1. Model 1: CEO educational background and bank performance

Model 1 explores the relationship between CEO educational backgrounds and financial bank performance. This analysis is divided into two sub-models: Model 1-1 focuses on conventional banks, while Model 1-2 examines Islamic banks. The central question this model aims to answer is how the educational background of a bank CEO influences the bank's financial performance, specifically as measured by the return on equity ratio (ROE).

Both sub-models aim to illuminate the relationship between CEO educational backgrounds and bank performance, with the ultimate goal of providing valuable insights into the banking sector in Tunisia. By comparing the results of these two models, we can also conclude any variations in the influence of CEO education based on the type of bank, whether conventional or Islamic.

4.3.2.Model 1-1: CEO educational background and conventional bank performance

In this model, we investigate the relationship between the educational backgrounds of CEOs and conventional bank performance in Tunisia (Table 1). We use the return on equity ratio (ROE) as a key performance measure to determine how the CEO's educational qualifications affect conventional banks' financial performance.

Table1. Summary of model 1-1 educational background and bank performance using return on equity ratio (ROE) to measure Conventional bank performance.

Variables	Beta	P-Value	Expected Relationship	found relationship
Finance	,305	,000***	+	+
Management	,053	,000***	+	+
Engineering	,181	,000***	+	+
Economics	-,245	,000***	+	-
EDLEVEL	,350	,009***	+	+
Dependent Variable: average return on equity ratio (AROE)				
*, **, ***, respectively signification at 10%, 5%, 1%				

Source: Authors' elaboration

Hypothesis 1 states that the CEO's educational background, both level and field, is positively associated with bank performance. To examine this hypothesis within the framework of Tunisian conventional banks, I incorporated variables related to the educational background of CEOs. Given the presence of five distinct educational backgrounds (finance, management, economics, engineering, and other backgrounds), dummy variables were introduced. The software automatically excluded the "other backgrounds" variable). The variable "educational level" was also introduced, taking the value 1 to indicate that the CEO has a postgraduate qualification and 0 otherwise.

The results obtained from the linear regression of Model 1-1 in Table 1 reveal that 72.2% of the variation in the dependent variable (AROE) is accounted for by the independent variables. The resulting R^2 holds a significant value of 0.000, less than the p-value of 0.05 at a 95% confidence level. This signifies the statistical significance of the regression model at this confidence level. The F-statistic, measuring overall model significance, yields a value of 693.170 with a highly significant p-value ($p < 0.0001$).

Analysis indicates a positive influence of CEO financial education and engineering education on conventional bank performance, with respective coefficients of (β= 0.305) and (β=181), both statistically significant at the 1% level. This aligns with the concept that banks led by CEOs with a finance-related or engineering-related degree attain significantly higher levels of bank profitability than those led by CEOs with diverse backgrounds such as management and economics.

Conversely, institutions guided by CEOs with an economics background exhibit a performance disadvantage compared to finance, engineering, and management. The coefficient for this interaction is negative (β=-0.245) and statistically significant at the 1% level. Furthermore, the results reveal that CEOs with postgraduate qualifications enjoy a higher performance advantage (β=0.350) compared to their counterparts, and this effect is significant at the 1% level. These findings not only align with prior research (Custódio and Metzger 2014; Anderson et al., 2018; Gounopoulos et al., 2018; Zaidi et al., 2021; Zaidi et al., 2023) but also substantiate the principles of the upper echelon theory, thus confirming the first hypothesis of our research.

EJIF
European Journal of Islamic Finance

4.3.3.Model 1.2: CEO educational background and Islamic bank performance

In this model, we delve into the connection between CEOs' educational backgrounds and Islamic banks' performance in Tunisia. We assess their performance using the return on equity ratio (ROE) as the key performance measure. The primary objective is to understand the influence of the CEO's educational qualifications on the financial performance of Islamic banks.

Table 2. Summary of model 1-2 educational background and bank performance using return on equity ratio (ROE) as a measure of Islamic bank performance

Variables	Beta	P-value	Expected Relationship	found relationship
Finance	,720	,000***	+	+
Management	,119	,041**	+	+
Engineering	-,030	,510	+	-
Economics	-,027	,597	+	+
EDLEVEL	,323	,000***	+	+
Dependent Variable: average return on equity ratio (AROE) *, **, ***, respectively signification at 10%, 5%, 1%				

Source: Authors' elaboration

The linear regression analysis of Model 1-2 in Table 2, conducted to test Hypothesis 1, indicates that 66.8% of the variation in the dependent variable (AROE) is accounted for by the independent variables. This resulting R^2 attains a significant value of 0.000, which is less than the p-value of 0.05 at a 95% confidence level. Consequently, the regression model demonstrates significance at this level of confidence. The F-statistic of 67.331, with a highly significant p-value ($p < 0.0001$), reinforces the overall significance of the model.

The findings reveal a positive and statistically significant impact of CEO financial education on bank performance (β=0.720) at the 1% significance level. This result aligns with the notion that banks led by CEOs with a finance-related degree achieve significantly higher profitability levels than those led by CEOs with diverse backgrounds such as management, engineering, and economics. Additionally, some evidence indicates that CEOs with a management-related degree markedly improve bank performance.

Furthermore, the findings indicate a notable performance advantage among CEOs with postgraduate education (β=0.323), demonstrating statistical significance at the 1% level. However, the data do not conclusively support that CEOs with an engineering background outperform their counterparts. These results not only align with previous research (Custódio and Metzger 2014; Anderson et al., 2018; Gounopoulos et al., 2018; Zaidi et al., 2021; Zaidi et al., 2023) but also substantiate the principles of the upper echelon theory, thereby confirming Hypothesis 1 of our study.

EJIF
European Journal of Islamic Finance

4.3.4. Model 2 Decentralization of decision-making authority and bank performance

Model 2 delves into the relationship between the delegation of decision-making authority within banks and their financial performance. It encompasses two sub-models: Model 2.1 concentrates on conventional banks, while Model 2.2 focuses on Islamic banks. The primary objective of Model 2 is to examine how the delegation of decision-making authority within a bank affects its financial performance, with a particular emphasis on the average return on equity ratio (AROE).

4.3.5. Model 2.1: Decentralization of Decision-Making Authority and Conventional Bank Performance

In Model 2.1, we scrutinize the extent to which decentralization of decision-making authority influences the financial performance of conventional banks in Tunisia. This sub-model aims to reveal whether banks that delegate decision-making authority more effectively exhibit improved financial performance, as measured by AROE. By analyzing the results, we aim to gain insights into the impact of decentralized decision-making structures in conventional banking.

Table 3. Summary of model 2-1 Decentralization of decision-making authority and bank performance using average return on equity ratio (AROE) as a measure of bank performance; Tunisian conventional banks

Variables	Beta	P-Value	Expected Relationship	found relationship
Delegation	,479	,000***	+	+
BRANCHES	,366	,000***	+	+
Meetings	,031	,018**	+	+
GENDER	-,031	,011**	+	-
AGE	-,008	,506	+	+
DUALITY	,161	,000***	-	+
Dependent Variable: average return on equity ratio (AROE)				
*, **, ***, respectively signification at 10%, 5%, 1%				

Source: Authors' elaboration

Hypothesis 2 states that the Delegation of decision-making authority positively affects bank performance. To test for this hypothesis in the context of conventional banks, variables related to bank organisational structure have been used into model 2-1. Table 3 above presents the regression results. The variable of interest is the proportion of delegated files decided in the agency delegation. The set of controls includes firm size, measured by the number of branches, CEO meetings frequency, CEO duality, Age and Gender. The average ROE ratio measures bank financial performance.

The R2 for this model is equal to 0,807. This means that 80.7% of the variation in the dependent variable (AROE) is explained by the independent variables. This R^2 gives a significant value of 0,000, which is less than the p-value of 0.05 at the

95% level of confidence. Thus, this indicates that the regression model is significant at this level of confidence. With an F-statistic of 926.742 and a p-value of 0.000 (highly significant), this indicates the model's overall significance.

In addition, the number of branches positively impacts bank performance (β=0,366), and it is significant at the level of 1%, which means that larger banks outperform their peers. In addition, there is little evidence that banks managed by dual-role CEOs outperform others (β=0,161), and this impact is significant at the level of 1%. In the context of conventional banks, the best performers are banks with decentralized decision-making authority, which delegate more decision-making authority. In addition, larger banks with more branches are more likely to perform better than others. Moreover, banks managed by CEOs who hold the positions of Chief Executive Officer (CEO) and Chairman of the Board of Directors outperform their peers.

4.3.6. Model 2.2: Decentralization of decision-making authority and Islamic bank performance

On the other hand, Model 2.2 focuses specifically on Islamic banks. Exploring whether the decentralization of decision-making authority affects their financial performance compared to conventional banks. Through this sub-model, we seek to ascertain how Islamic banks' unique operational principles intersect with decentralization and subsequently influence their financial outcomes.

Table 4. Summary of model 2-2 Decentralization of decision-making authority and bank performance using average return on equity ratio (AROE) as a measure of bank performance; Tunisian Islamic banks

Variables	Beta	P-Value	Expected Relationship	found relationship
Delegation	,285	,004**	+	+
BRANCHES	,595	,000***	+	+
Meetings	-,041	,382	+	-
GENDER	-,050	,234	+	-
AGE	,013	,761	+	+
DUALITY	,010	,820	-	+
Dependent Variable: average return on equity ratio (AROE)				
*, **, ***, respectively signification at 10%, 5%, 1%				

Source: Authors' elaboration

Hypothesis 2 states that the Delegation of decision-making authority positively affects bank performance. To test this hypothesis in the context of Tunisian Islamic banks, variables related to bank organizational structure have been used in model 2-2. The R 2 is equal to 0,713. This means that the independent variables explain 71.13% of the variation in the dependent variable (AROE). This R^2 gives a significance value of 0,000. This thus indicates that the regression model is significant at the 1% confidence level. The F-statistic: 68.901 with a significant p-value ($p < 0.000$), indicating the model's overall significance.

Table 4 above presents the regression results for hypothesis 2 in the context of Tunisian Islamic banks. The agency delegation positively and significantly impacts bank performance (β= 0,285). Also, the number of branches positively and significantly impacts bank performance (β=0,595). However, there is no evidence that banks led by dual-role CEOs outperform others. In conclusion, the best performers are banks with decentralized decision-making authority who delegate more. In addition, larger banks with more branches are more likely to perform better than others. However, there is no evidence that banks managed by CEOs who hold the positions of Chief Executive Officer (CEO) and Chairman of the Board of Directors outperform their peers. These results confirm the hypothesis number 2 of our research.

5. Discussion

In summary, both models show that various predictor variables significantly impact the return on equity for both conventional and Islamic banks. However, the specific variables and their effects differ between the two banking sectors, reflecting each type of institution's unique characteristics and operations. The conventional bank model explains a slightly higher proportion of the AROE variance than the Islamic one.

The regression results for conventional banks reveal a noteworthy relationship between CEOs' educational backgrounds and bank performance. Notably, CEOs with educational backgrounds in finance and engineering positively influence bank performance, leading to enhanced bank profitability. In contrast, CEOs with economic backgrounds appear to have a comparatively lower performance advantage. Furthermore, it is worth highlighting that CEOs holding postgraduate degrees tend to exhibit a superior performance advantage.

Similarly, in the context of Islamic banks, a parallel pattern emerges, where the educational background of CEOs continues to impact bank performance. More specifically, CEOs with a financial education background still exhibit a higher positive influence on bank performance. There is little evidence that CEOs led by Management degrees outperform others. Interestingly, postgraduate CEOs in Islamic banks maintain a notable performance advantage.

From Model 2, we conclude that the delegation of decision-making authority has a positive and significant effect on bank performance in Islamic and conventional banks. For conventional banks, the CEO’s duality positively and significantly affects bank performance. However, no evidence exists that Islamic banks managed by dual-role CEOs outperform others.

In conclusion, the findings suggest that the CEO’s educational background significantly influences both types of banks, although the specific fields of education leading to enhanced performance differ. These results deviate from the principles of the institutional theory proposed by Meyer and Rowan (1977) and DiMaggio and Powell (1983). The institutional theory posits that the firm's strategy and decision-making processes are shaped by environmental factors beyond the CEO's control, a notion supported by Abaya (2012) and Bruton et al. (2010). Abaya (2012) contends that a CEO's educational background lacks a significant impact on firm performance, asserting that firm profitability results from the environmental and social regulatory framework influencing organisational management and decision-making. Our study contributes to the literature by unravelling this intricate relationship and demonstrating that bank performance is intricately linked to the CEO's educational background, encompassing the level and field of education. The findings challenge the tenets of the new institutional theory, an extension of the original institutional theory by DiMaggio et al. in 1983, which posits that firm performance is better explained by external events, regulatory frameworks, and other forces beyond the CEO's direct influence.

6. Conclusion

Based on the comprehensive analysis conducted in this study, several key findings have emerged regarding the relationship between CEO characteristics, decision-making authority, and bank performance within the Tunisian banking sector. Our research employed a robust two-stage methodology, beginning with validating our questionnaire to ensure its reliability, followed by regression analyses to explore the intricate dynamics between various variables and bank performance.

Firstly, our investigation revealed significant disparities between conventional and Islamic banks, particularly in customer satisfaction levels. Islamic banks exhibited notably higher customer satisfaction rates than conventional banks, underscoring the distinctiveness of their services and the meaningful concept of "Baraka" inherent in Islamic finance. These findings strongly advocate for considering Islamic finance as a viable and customer-centric alternative within the Tunisian banking landscape.

In delving deeper into the influence of CEO educational backgrounds on bank performance, our analyses illuminated intriguing variations between conventional and Islamic banks. While CEOs with backgrounds in finance and engineering demonstrated a positive impact on bank performance in conventional banks, the effect was primarily observed in finance-related degrees for Islamic banks. These nuanced differences emphasize the importance of tailored recruitment strategies and continuous CEO development to optimize performance across both banking sectors.

Furthermore, our exploration into the decentralization of decision-making authority unveiled noteworthy distinctions between the two types of banks. While both conventional and Islamic banks benefitted from decentralized decision-making structures, the mechanisms at play differed, with conventional banks showcasing the significance of dual-role CEOs in driving performance. These findings underscore the need for adaptive corporate governance strategies to optimize performance in alignment with the unique operational principles of each banking sector.

However, it's essential to acknowledge our study's limitations. The findings are context-specific to the Tunisian banking sector, and caution must be exercised in generalizing the results to broader contexts. Additionally, establishing causation over correlation within the observed relationships presents a limitation inherent to the study design.

Moreover, our research challenges conventional economic theories, particularly the Institutional Theory, by highlighting the substantial influence of internal factors, such as CEO attributes and decision-making structures, on bank performance. This prompts a reevaluation of existing theoretical frameworks and calls for future investigations that delve deeper into the causal relationships between CEO characteristics, decision-making authority, and bank performance across diverse global banking sectors.

In conclusion, our study underscores the significance of CEO characteristics and decision-making authority in shaping bank performance within the Tunisian banking sector. The practical implications of our findings advocate for tailored recruitment strategies, continuous CEO development, and adaptive corporate governance mechanisms to optimize performance across both conventional and Islamic banks. By providing a nuanced understanding of the intricate relationship between CEO attributes, decision-making structures, and bank performance, our research contributes to the ongoing discourse surrounding sustainable banking practices and strategic management in the banking industry.

References

Adams, R., Almeida, H., Ferreira, D., (2005). “Powerful CEOs and their impact on Corporate Performance”. The Review of Financial Studies. 18 (4), 1403–1432.

Alexandre D. Lucas A. (2013). “Concentration of Power and Corporate Performance Variability” Electronic copy available at: http://ssrn.com/abstract=2225355.

Alice, O., Andrews, T., & Welbourne, M. (2000). “The People/Performance Balance in IPO firms: The Effect of the Chief Executive Officer’s financial Orientation Entrepreneurship Theory and Practice, 25(1), 93-107.

Altunbaş Y., Thornton J. and Yurtsev U. (2019), “Finance Research Letters” https://doi.org/10.1016/j.frl..05.020.

Arumona, J., E. Olayinka, L. Onmonya, and V. Omotayo. (2019). Board financial education and firm performance: evidence from the healthcare sector in Nigeria. Academy of Strategic Management Journal 18 (4): 1–10.

Ayaba H. (2012). “Chief Executive Officer’s (CEO’s) Educational Background and Firm Performance An empirical study on Manufacturing and IT listed firms in the Stockholm Stock Exchange” Master thesis in Umeå School of Business and Economics.

Bashir, M., Ali, M., Akther, N., Lam, M., Mohd Paiz, N. and Islam, M.A. (2020). “Developing an integrative customer satisfaction model: an application of customer experience in Malaysian E-banking services”, International Journal of Advanced Science and Technology, 20, pp. 868-881.

Berger, R., Dutta, S., Raffel, T, Samuels, G. (2016). “Innovating at the top: how global CEOs drive innovation for growth and profit. Palgrave Macmillan”.

Bertrand, M., and A. Schoar. (2003). Managing with style: the effect of managers on firm policies. The Quarterly Journal of Economics 118 (4): 1169–1208.

Bloom, N., Sadun, R., Van Reenen, J., (2012). “The organization of firms across countries”, Quarterly Journal of Economics, 1663-1705.

Brammer, S., Geoffrey Williams, and John Zinkin. (2007). “Religion and Attitudes to Corporate Social Responsibility in a Large Cross-Country Sample.” Journal of Business Ethics 71(3):229–43.

Brickley J. A., Smith C. W., Zimmerman J. L., 2001, Managerial economics and organizational architecture, Irwin-Mac Graw Hill

Bruton G. Ahlstrom D. Li H. (2010). “Institutional Theory and Entrepreneurship: Where Are We Now and Where Do We Need to Move in the Future?” Baylor University.

Calandra, D., Lanzalonga, F., & Biancone, P. P. (2024). Exploring IFRS in Islamic finance: a bibliometric and coding analysis of emerging topics and perspectives. International Journal of Islamic and Middle Eastern Finance and Management.

Calori, R., G. Johnson et P. Sarnin (1994). “CEO's Cognitive maps and the scope of the Organization”, Strategic Management Journal, 15, 437- 457.

Canales & Nanda (2012). A darker side to decentralized banks: Market power and credit rationing in SME lending. Journal of Financial Economics, 105(2), 353–366. https://sci-hub.se/https://doi.org/10.2308/acch.2005.19.3.123).

Cyert, R. M., March, J. G. (1963). “A behavioral theory of the firm”, Vol. 2. Cambridge, MA: Blackwell Business».
Dearborn D. and Simon H. (1958). “Selective Perception: A Note on the Departmental Identifications of Executives” Published by: American Sociological Association. 21(2), pp. 140-144
DiMaggio, P.J., & Powell, W.W. (1983). “The Iron cage revisited: Institutional isomorphism and collective rationality in organizational fields”. American Sociological Review, 48, 147– 160.
Dlugosz J., Gam Y., Gopalan R., Skrastin J. (2017). “Decision-making delegation in banks” Olin Business School at Washington University.
Erickson, M., M. Hanlon, and E.L. Maydew. (2006). Is there a link between executive equity incentives and accounting fraud? Journal of Accounting Research 44 (1): 113–143.
Farook, Sayd. 2007. “On Corporate Social Responsibility of Islamic Financial Institutions.” Islamic Economic Studies 15(1):31–46.
Gottesman, A.A., and M.R. Morey. (2006). CEO educational background and frm fnancial performance. Journal of Applied Finance 20 (2): 70–82.
Guner, A., U. Malmendier, and G. Tate. (2008). Financial expertise of directors. Journal of Financial Economics 88 (2): 323–354.
Gupta, N., and J. Mahakud. (2020). CEO characteristics and bank performance: evidence from India. Managerial Auditing Journal 35 (8): 1057–1093. https://doi.org/10.1108/MAJ-03-2019-2224.
Gur, N. and Bjørnskov, C. (2016). “Trust and Delegation: Theory and Evidence”.
Hambrick, C.D. (2007) “Upper Echelons Theory: An Update” Academy of Management Review, 32 (2), 334-343.
Hambrick, Donald C. and Phyllis A. Mason (1984). “Upper Echelons: The Organization as a Reflection of its Top Managers,” Academy of Management Review, IX, 193-206.
Han, S., Nanda, V., Silveri, S. (2016). “CEO power and firm performance under pressure”. Financial Management, Summer, 369-400.
Hannan, M.T., & Freeman, J.H. (1977). “The population ecology of organizations”.
Hassan, M.K., Aliyu, S. and Brodmann, J. (2017), “An introduction to Islamic banking and finance”, The Most Important Concepts in Finance, Edward Elgar Publishing, New York, NY.
Kesner, I.F., and T.C. Sebora. (1994). “Executive succession; past, present and future”. Journal of Management 20 (2): 327–337.
Kim, K.H., H.A. Al-Shammari, B. Kim, and S.H. Lee. (2009). “CEO duality leadership and corporate diversification behaviour”. Journal of Business Research, 62(11): 1173–1180.
King, T. (2016). “What's in an education? Implications of CEO education for bank performance”, Journal of Corporate Finance, http://dx.doi.org/10.1016/j.jcorpfin.2016.01.003
Ikra, S.S., Rahman, M.A., Wanke, P. and Azad, M.A.K. (2021). “Islamic banking efficiency literature (2000–2020): a bibliometric analysis and research front mapping”, International Journal of Islamic and Middle Eastern Finance and Management, 14(5), 1043-1060
Li, M., Lu, Y., Phillips, G. (2019). “CEOs and the product market: when are powerful CEOs beneficial”? Journal of Financial and Quantitative Analysis, 54
Mannan, M.A. (2015). “Islamic Banking in Bangladesh: progress and Potentials, Islami Bank Bangladesh Limited”, Dhaka, Bangladesh, pp. 5-7.
March, J. G., Simon, H. A. (1958). “Organizations” New York, NY: Wiley.
Masoud, N. (2017). “How to Win the Battle of Ideas in Corporate Social Responsibility: The International Pyramid Model of CSR.” International Journal of Corporate Social Responsibility 2(1), 4.
Matsunaga S.R., and E.P Yeung. (2008). Evidence on the impact of a CEO’s financial experience on the quality of the firm’s financial reports and disclosures. Financial Accounting and Reporting Section (FARS) Paper, 41.
Meyer, J.W., & Rowan, B. (1977). “Institutional Organizations: Formal Structures as Myth and Ceremony”: American Journal of Sociology, 83(2), 340-363.
Meyer, John W. and W. Richard Scott. (1983). “Organizational Environments: Ritual and Rationality”. London: Sage. 296 pp.
Milliken, F.J., and L. Martins. (1996). “Searching for common threads: understanding the multiple effects of diversity in organizational groups”. Academy of Management Review 21 (2): 402–433.
Mitroff, I. I., and E. A. Denton. (1999). “A Spiritual Audit of Corporate America: A Hard Look at Spirituality, Religion, and Values in the Workplace”. San Francisco: Jossey Bass.
Noura Z., Tarek, S., & Daniel, L. (2023). “Ceo’s field of study and bank attention to digital transformation: moderating role of CEO characteristics”. Journal of Economics and Economic Education Research, 24(S2),1-15.
Norburn, D. (1989). “The chief executive: a breed apart”. Strategic Management Journal 10 (1): 1–15.

Nourhen Sallemi and Ghazi Zouari. (2023) “The effect of CEO characteristics on Takaful performance” International Journal of Disclosure and Governance, 20, 70–82. https://doi.org/10.1057/s41310-022-00161-5
Pathan, S., (2009). “Strong boards, CEO power and bank risk-taking”. J. Bank. Finance 33, 1340–1350.
Rajagopalan, N., and D.K. Dutta. (1996). “CEO characteristics: does industry matter?”. Academy of Management Journal 39 (1): 197–215.
Salancik, G.R., and J. Pfefer. (1978). “Who gets power – and how they hold on to it: a strategic contingency model of power”. Organizational Dynamics 5 (3): 3–21.
Schrand, C.M., and S.L.C. Zechman. (2012). “Executive overconfdence and the slippery slope to financial misreporting”. Journal of Accounting and Economics, 53 (1–2): 311–329
Senyuta O. (2013). “Delegation and performance” Published by Charles University in Prague, Center for Economic Research and Graduate Education (CERGE) and Economics Institute of the ASCR.
Skrastins J. & Vikrant V. (2019). “How Organizational Hierarchy Affects Information Production” The Review of Financial Studies, 32(2), 564–604
Tran H. and Turkiela J., (2019) “The powers that be: Concentration of authority within the board of directors and variability in firm performance”, Journal of Corporate Finance.
Wegge, J., C. Roth, B. Neubach, K.H. Schmidt, and R. Kanfer. (2008). “Age and gender diversity as determinants of performance and health in a public organization: the role of task complexity and group size”. Journal of Applied Psychology 93(6): 1301–1313.