First Impressions That Last: How CEOs Set the Tone for Corporate Culture

Examining the Impact of CEO First Impressions on Corporate Culture

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1. Introduction

The influence of CEOs on corporate culture has been a widely studied subject, where culture is typically defined as the norms and values of a firm (Cameron et al., 2006). While the effect of CEO characteristics has been examined, the impact of CEO first impression on corporate culture is an area that is often overlooked (Peterson et al., 2003; Mouta & Meneses, 2021; O'Reilly et al., 2014). The changing business landscape and the need for cultural alignment and stakeholder trust call for a deeper understanding of the long-term effects of CEO first impressions.

Culture is often assumed to develop over time through standardized routines and interactions, yet having a new CEO marks a critical turning point where perceptions start to change and new cultural trajectories are formed (Schein, 2010; O'Reilly et al. 2014). Thus, a central question arises: *Can such early impressions based on the initial strategic actions CEOs have a lasting impact on corporate culture?*

First impressions, often formed within seconds and relying on limited information, can influence how a leader is perceived by internal and external stakeholders (Willis & Todorov, 2006). Research on first impressions shows that they can be formed rapidly based on subtle signals and have a lasting impact on the perception of others, however, the concept remains abstract and difficult to measure (Fiske & Taylor, 2013). In this paper, CEO first impressions are measured by the cumulative abnormal returns (CARs) after CEO's first strategic actions, which serve as a measurable and robust metric for evaluating stakeholder perceptions (Zhang & Wiersema, 2009). Although inherently financial, these responses can function as public signals that influence the internal organizational expectations and set the foundation for the leader's cultural impact (Park & Berger, 2004).

Stakeholders may have different reactions to the same leader, however, the effect of these impressions is likely to vary from one firm to another, depending on the size (Mubeen et al., 2021). In larger companies, media coverage may amplify or weaken a leader's public image, whereas closer interaction between CEOs and employees in smaller firms can increase the visibility and influence of first impressions (Zhu, 2013, Ling et al. 2008).

Overlooking the influence of early perceptions during leadership transitions is problematic, since they shape internal culture long before formal strategies become effective (Cameron, 2008). This raises a key managerial challenge: *To what extent should firms acknowledge the impact of the CEO first impression on corporate culture, especially across firms of different sizes?*

Thus, based on these concepts, this paper aims to enhance the academic knowledge and applied decision-making about leadership transition and culture development, encouraging organizations to acknowledge the role of first impressions in the formation of organizational culture. This will be done by analysing data from S&P 1500 firms in the years of 2006 to 2020.

2. Theory and Hypotheses

2.1 Literature Search

To ensure the theoretical and empirical relevance of the study, a focused literature review on the relationship between CEO first impressions and corporate culture is conducted, guided by Upper Echelons Theory (Hambrick & Mason, 1984; Hambrick, 2007). The review aimed to identify both conceptual insights and empirical approaches for measuring the key variables. Keywords such as "CEO first impressions", "organizational culture", "leadership behavior", and "Upper Echelons Theory" with Boolean operators were used to refine results and minimize the inclusion of unrelated or irrelevant studies. To recognize the difficulty of obtaining direct psychometric data from top executives, literature using proxy variables is conducted, particularly studies examining early strategic actions and market reactions to CEO decisions.

Furthermore, the search strategy included literature on how corporate culture is defined, conceptualized, and measured. Studies on firm size are investigated, particularly its role in moderating executive influence and strategic change. The search was primarily conducted through academic databases including Scopus, Web of Science, and Google Scholar, and was complemented by using the snowballing technique. Studies from the last 5–10 years were prioritized, though foundational theories were also incorporated where relevant. The review was organized by thematic categories to critically compare different perspectives, highlight empirical gaps, and inform the hypothesis development.

2.2 Upper Echelons Theory

The key theoretical foundation of this study lies in the Upper Echelons Theory (UET) by Hambrick and Mason (1984), which states that top executive characteristics significantly influence the organizational outcomes of a firm. UET builds upon the theory of bounded rationality in strategic decision-making by Cyert and March (Cyert & March, 1992; March, 1993). It argues that characteristics of top executives, such as age, professional background, education, and social class, significantly influence the strategic decisions, firm direction and outcomes (Hambrick & Mason, 1984). Executives interpret situations through their personalized lenses shaped by their own experiences, values, and personalities (Hambrick, 2007). This perception shapes executives' choices and overall firm performance, supporting the view that organizations may, to some extent, reflect the characteristics of their top leaders (Hambrick, 2007). In turn, the theory uses these external characteristics of executives as proxies for underlying psychological and cognitive traits, which are difficult to observe or measure directly (Hambrick and Mason, 1984).

While UET has primarily been applied to strategic and performance-related outcomes (Carpenter et al., 2004), it also offers a useful lens for examining corporate culture. Since organizational culture is partly shaped by leadership interpretations and actions, especially in the early stages, it can be seen as an indirect reflection of the CEO's impact (Boivie et al., 2012). Although not originally designed to address cultural dynamics, UET's emphasis on executive interpretation makes it a useful lens for understanding how CEOs might shape cultural values within their firms.

Even so, the UET has its limitations. Its deterministic nature causes it to focus primarily on observable traits and does not directly address psychological or emotional dimensions (Hambrick & Mason, 1984). This is mainly because psychometric data is difficult to obtain, making external characteristics a more practical proxy for top executive strategic decision making (Hambrick, 2007). Furthermore, other key limitations include reverse causality and endogeneity (Hambrick, 2007). For instance, executives are often attracted to companies whose values align with their own personality traits, rather than actively working to shape the company's values themselves (Hambrick, 2007). Likewise, boards typically hire CEOs based on traits they believe are important for the firm and its strategic decisions. (Wowak et al., 2014, Cannella et al., 2008) Thus, CEO characteristics may reflect the organization's context rather than influence it, challenging the assumed direction of causality.

In light of this, recent work by Kowalzick and Appels (2022) challenges the deterministic assumptions of UET by showing that more hubristic CEOs tend to have consistent behavioral patterns over time, even in the case of poor performance or organizational change. This suggests that some psychological characteristics may have stronger and more stable influences than demographic proxies. Consequently, as UET uses external characteristics as a proxy for deeper cognitive traits, this simplification risks underestimating the role of some psychological characteristics.

2.3 Corporate Culture

Corporate culture has been studied by numerous scholars and practitioners due to its high relevance in understanding how organizations function and distinguish themselves. As a starting point to understand the diverse definitions of organizational culture, it is useful to first explore the broader notion of culture itself.

Hofstede et al. (2010) define culture as "the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede et al., 2010, p.6). While this definition provides insights into the concept of culture development, it explains national culture in a macro-level context, whereas this research focuses on organizational cultures, making it unsuitable for the research question. Moreover, it suggests a static perspective on culture, neglecting how

organizational culture is actively created and transformed in organizational settings, especially in response to new CEOs.

Building on Hofstede's foundational work on national culture, Schein (2010) has extended the concept to the organizational level. While Hofstede et al. (2010) stress how society shapes cultural beliefs and values, Schein (2010) has a more insightful perspective, suggesting that behavior within organisations is shaped by previous learning experiences of other group members with regard to dealing with issues of internal cohesion and external alignment. However, despite their theoretical contributions, both scholars failed to operationalize the concept of culture, which makes it challenging to use in empirical studies.

In response, later researchers have created typologies or trait-based models (Quinn and Rohrbaugh, 1981; Denison and Mishra, 1995; Cameron et al., 2006) to facilitate measurement. For instance, Denison and Mishra (1995) operationalized culture into specific traits, such as consistency, mission, adaptability, and involvement, empirically linking them to organizational effectiveness. Similarly, Cameron et al. (2006) built on the Competing Values Framework (CVF) by Quinn and Rohrbaugh (1983, as cited in Fiordelisi & Ricci, 2013) and categorized organizational culture into four types: creation (adhocracy), competition (market), control (hierarchy), and collaboration (clan).

However, these models are quite outdated, and they may oversimplify the complexity and evolving nature of corporate culture in modern organizations. Instead of using traditional models, this study adopts a more empirically grounded and contemporary approach inspired by Li et al.'s (2018) analysis of core values publicly stated by S&P 500 companies. This method reflects the self-reported value-driven nature of corporate culture, offering practically relevant insights. Based on this framework, corporate culture is defined by five characteristics, namely integrity, teamwork, innovation, respect, and quality (Guiso et al., 2014; as cited in Li et al., 2018). Beyond allowing for measurement and comparison between firms, industries, and time periods, this method is well-suited to the current digital era, where stakeholders can closely scrutinize a company's stated values.

2.4 First impressions

Swider et al. (2022) define a first impression as "initial perceptions and inferences based on exposure to cues". These impressions are quickly formed using System 1 thinking (rapid, intuitive, and associative) based on outward appearance and nonverbal cues like behaviour (Willis & Todorov, 2006; Fiske & Taylor, 2013). Although this perspective stresses the automatic and universal nature of first impressions, it neglects the contextual framing and differing interpretations held by various stakeholders (Weick, 1995; Men, 2015).

The first impressions from CEO initial strategic actions create an essential point in an organization that significantly shapes stakeholders' perception of leadership, strategic direction, and

organizational stability. Empirical research reveals that these initial perceptions, commonly developed from limited information, have an enduring effect on crucial outcomes such as perceived leadership credibility, employee involvement, and market valuation (Ma et al., 2020; Bochkay et al., 2023). While some authors, such as Bochkay et al. (2023), highlight the significance of initial strategic choices- often measured through stock market reactions- others, such as Ma et al. (2020), focus on the subjective nature of these impressions, including leadership communication, cultural fit, and sensemaking.

Recent literature grounded on the Sensemaking framework by Weick (1995) suggests that stakeholders actively create first impressions by analyzing the CEO's initial acts in light of their own expectations and life experiences. These interpretations differ depending on the group. For instance, investors value formal signals like strategy announcements or financial results, whereas employees may concentrate on interpersonal tone, such as the communication style and attitude (Ma et al., 2020; Bochkay et al., 2023; Men, 2015). This discrepancy mirrors a broader debate in many existing studies that fail to fully resolve: *Are first impressions driven by tangible behaviors or the subjective lens of observers?*

Despite this discussion, many scholars agree that first impressions are formed rapidly and often have an enduring impact on stakeholder perception and organizational outcomes (Swider et al., 2022; Willis & Todorov, 2006; Holtz, 2015; Rule & Ambady, 2008; Ambady & Rosenthal, 1993). It is crucial to address how first impressions are created, examined, and assessed from a variety of theoretical perspectives.

Gaining valuable insights on CEOs' first impressions requires exploring theories that address both leadership behavior and the different interpretations stakeholders attribute to those actions. Impression Management Theory, initially developed by Goffman (1959) and later expanded into organizational contexts (Bolino et al., 2016), suggests that CEOs intentionally influence impressions through symbolic behaviors and communication. However, this ignores the possibility that such attempts might backfire if they are perceived as being dishonest or inconsistent with company principles.

Additionally, Signalling Theory, grounded in Spence’s (1973) framework of informational asymmetry, argues that initial actions of CEOs act as signals to decrease uncertainty about their strategic goals and competence. Attribution Theory (Heider, 1958; Kelley, 1973), further extended into leadership contexts by Martinko et al. (2007) and Eberly et al. (2011), adds complexity by suggesting that stakeholders frequently overestimate the extent of the CEO’s influence on early organizational outcomes, resulting in strong initial impressions that tend to persist, even when subsequent evidence contradicts them. However, it largely overlooks that signals are filtered through stakeholders' cognitive biases or prior beliefs, potentially leading to significantly distorted interpretations (Fiske & Taylor, 2013).

Considering the theoretical complexities and varied stakeholder interpretations of CEO behavior, understanding the early phases of a CEO's tenure, the first 100 days, appears to be critical as it sets the basis of these crucial first impressions. Nonetheless, discussions continue regarding the most effective strategic approach. Some argue that immediate and rapid decisions develop leadership authority, minimize uncertainty, and create strategic drive (Bauer & Matzler, 2013; Bochkay et al., 2023). Conversely, others point out that acting too quickly without deeply understanding the company can diminish long-term credibility and damage stakeholder trust (Ciampa & Watkins, 1999; Ma et al., 2020). These scholars support a more gradual, relationship-focused strategy that prioritizes learning, listening, and integrating with the company culture (Men, 2015). This dilemma emphasizes a lack of a universal optimal approach, implying that the effectiveness of initial CEO behavior relies on firm context, stakeholder expectations, and cultural fit.

To balance these diverse views, Watkins (2013) introduces the concept of strategic pacing, which refers to an integrated approach in which CEOs closely oversee the execution of plans and internal expectations while simultaneously projecting a public image of decisiveness.

2.5 Long-term Outcomes of First Impressions

In the context of organizations, positive first impressions often lead to long-term outcomes such as strong stakeholder relationships and higher tolerance for mistakes later (Human et al., 2012 ; Vanneste et al., 2013). However, if these benefits are not considered within the broader context of the organization and the complexity of trust formation, they may be overstated. Based on their core model of organizational trust, Mayer et al. (1995) highlight the significance of perceived ability, benevolence, and integrity, which may not be inferred from the first impression of CEOs. Overconfident CEOs, for instance, may create strong first impressions due to their visible confidence and decisive actions, contributing to the “halo effect” where CEOs are perceived as highly competent, even before the consequences of their actions are clear (Weber & Wiersema, 2017). While CEOs with a high degree of hubris excel at building and sustaining supplier relationships, especially in human-capital-intensive sectors where trust and long-term partnerships are crucial (Phua et al., 2018)- it also raises concerns about superficiality. Overly positive CEOs might appear as insincere and self-serving, which can lead to skepticism among investors (Callahan et al, 2024). This duality emphasizes the need to find the optimal balance for a highly effective impression management strategy while staying aligned with organizational values to avoid long-term damage to reputation (Callahan et al, 2024).

Poor impressions, on the other hand, can have adverse effects, such as resistance, skepticism, or even early CEO resignation, especially if there is an information asymmetry regarding the CEO’s capabilities (Zhang 2008). Performance at the beginning of tenure plays a critical role in shaping the

board's perception, such that a CEO with a poor initial performance is more likely to be dismissed in later years (Burkert & Gehrke, 2023). Furthermore, some scholars argue that resistance is especially apparent if the leader strays from established norms or fails to meet explicit expectations (2016; Jang et al., 2016). Thus, besides being affected by initial performance, addressing organizational norms and expectations is also crucial for a positive first impression.

2.6 Managing First Impressions Effectively

Effective communication is often considered crucial to building lasting relationships. While several scholars presented strategies for CEOs to strengthen their communicative impact, these suggestions tend to overlook situational limitations and rely on ideal organizational conditions. For instance, Wang et al. (2005) suggests that building strong interpersonal relationships with the board and managers enhances leadership as it encourages transparency and teamwork. This idea, based on Leader-Member Exchange Theory, emphasizes relationships that are based on trust, mutual respect, obligation, and improved communication (Wang et al., 2005). However, this approach has been criticized for overlooking power dynamics and power asymmetries in top-down leadership structures (Alvesson & Spicer, 2012).

Likewise, Dewar et al. (2019**)** emphasized that the role of symbolic actions, such as publicly announcing company goals, helps leaders build trust and define the responsibilities of management and the board. Such signalling may assess aligning stakeholder expectations, yet it may be perceived as performative if not followed by consistent behaviors (Mazur, 2019).

Lastly, Manderscheid and Ardichvili (2008) highlight the critical role of understanding and aligning with organizational culture before initiating changes. Such leaders can enable the free flow of ideas and information, which fosters collaboration and creativity. Nevertheless, this assumes that executive leaders possess the time and access required to interpret deeply rooted cultural norms, a presumption that might not be feasible during brief transition periods (Watkins, 2013, p. 41).

Although the literature provides valuable insights regarding the strategic use of communication to shape impressions, it tends to overlook contextual complexity.

2.7 Firm Size

Whether firm size intensifies or weakens the impact of CEO first impressions on corporate culture has long been debated. While empirical evidence suggests that employee relationships in larger firms tend to be weaker, diluting the CEO's image among staff, other research highlights that increased media visibility and complexity in large firms may amplify a leader's symbolic influence (Tansel & Gazioğlu, 2014; Zhu, 2013). These arguments, however, are largely descriptive and do not fully explain

the underlying mechanisms of how firm size affects the relationship between a CEO and the firm's employees.

Structural contingency theory suggests that effective performance depends on the alignment between an organization's structure and contextual variables like size (Donaldson, 2001). Larger firms tend to have more formal hierarchies and standardized procedures (Pugh et al., 1969; Miller, 1987), which reduce direct CEO–employee interactions and weaken the communication of symbolic cues. In contrast, smaller firms typically have flatter, more informal structures (Mintzberg, 1979; Samuel & Mannheim, 1970), allowing employees greater exposure to and interpretation of the CEO's behavior, thereby magnifying the cultural impact of first impressions (Ling et al., 2008). These dynamics reflect the theory of bounded rationality, where, in large firms, increased size leads to more filtering, whereas in small firms, fewer barriers allow first impressions to have a stronger influence (March & Simon, 1958).

However, the literature on strategic change offers contrasting views on the role of firm size as a moderator. From an organizational ecology perspective, larger firms tend to be less responsive to change, compared to smaller firms that change more easily (Hannan & Freeman, 1989; Boeker, 1997). This does support the idea that CEO first impression in larger firms will not be as effective. Contrarily, others argue that larger firms have access to more resources, which can enhance the ability to initiate and sustain change, potentially amplifying CEO influence (Haveman, 1993). These conflicting perspectives show that the moderating effect of firm size is not simply a matter of scale but also of organizational capacity and context (Boeker, 1997).

While both structural and cognitive theories suggest that firm size moderates the cultural impact of early CEO impressions, there are also conflicting arguments on the extent to which firm size can lead to change within a firm.

2.8 Integration of concepts and conclusion

Collectively, the literature suggests that CEO first impressions, formed during the early stages of tenure through observable strategic actions, can significantly shape stakeholder expectations and evaluations (Zhang & Wiersema, 2009). Grounded in Upper Echelons Theory, the main premise is that CEOs project their personal values and cognitive schemas onto the firm, thereby influencing organizational culture (Hambrick & Mason, 1984; Hambrick, 2007). These first impressions operate as signals in a high-uncertainty environment and may be interpreted differently depending on stakeholder groups and firm characteristics (Spence, 1973). While early strategic moves create tangible cues for interpretation, the translation of these cues into lasting cultural traits (integrity, teamwork, innovation, respect, and quality) depends on both the clarity of CEO actions and the firm's structural context (Li et al., 2018, Watkins, 2013).

The practical implications of the impact of first impressions on corporate culture show that CEOs should be intentional in their behavior. However, limitations like endogeneity and reverse causality convey that CEOs may be selected for traits that align with existing company culture, complicating causal interpretations (Hambrick, 2007).

While there is substantial research on first impressions, strategic action, corporate culture and CEO influence, the available literature often treats these in isolation and fails to integrate these concepts. With specific regard to the initial strategic actions of a CEO and the effect of those first impressions on a firm's outcomes. Therefore, this research aims to bridge that gap between concepts and contribute to understanding how a CEOs first impressions can affect a firm's culture across firm sizes.

2.9 Hypotheses

Based on the Upper Echelons Theory and supporting literature on first impressions and organizational culture, this study proposes that the early strategic actions of new CEOs form powerful first impressions that shape long-term organisational culture (Hambrick, 2007). Specifically, it is expected that firms whose CEOs generate more positive early impressions, measured by abnormal cumulative stock returns following initial strategic actions, will present stronger cultural alignment with values such as integrity, teamwork, innovation, respect, and quality (Schein, 2010). Moreover, it is hypothesized that this relationship is moderated by firm size: the influence of CEO first impressions on corporate culture will be stronger in smaller firms, where the CEO's actions are more directly observed and internalized across the organization.

With *first impressions* as the independent variable, *corporate culture* as the dependent variable, and *firm size* as a moderating variable, the conceptual model is as follows:

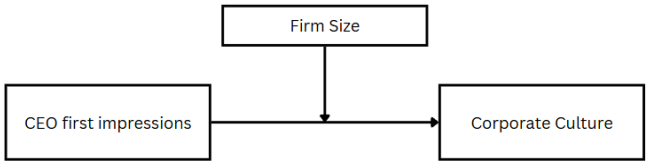

Figure 1: Conceptual model

Therefore, the resulting hypotheses are as follows:

H1a: CEO first impressions are positively associated with corporate culture.

H1b: CEO first impressions are negatively associated with corporate culture.

H2: Firm size moderates the relationship between CEO first impressions and corporate culture, such that the association is stronger in smaller firms than in larger firms.

3. Methodology

3.1. Research Design

Methodological Rationale

Given the abstract nature of the first impression and corporate culture, collecting primary data would have been time-consuming and challenging. Retrospective surveys are prone to recollection bias since participants may struggle recalling what happened a decade ago. Similarly, interviews, on the other hand, often rely on a small sample size, decreasing external validity (Hassan, 2006 & Vasileiou et al., 2018). In light of these limitations, secondary analysis appeared to be the most appropriate research type for ensuring high construct and external validity, enabling longitudinal comparisons across firms and time periods.

Sample selection

The sample data consisted of executive-firm combinations observed over irregular and non-overlapping time intervals. For instance, certain companies were observed from 2007 to 2010, while others were covered between 2016 and 2020. Although this structure introduced both cross-sectional and longitudinal elements, the dataset did not constitute a fully balanced or conventional panel. Moreover, the sample data is also limited to U.S. firms listed in the S&P 1500 index, possibly introducing selection bias. In total, the sample comprised 350 unique executive-firm combinations contributing to 1921 total observations from 2003 to 2020. Firms were randomly drawn from the S&P 1500 index, which includes small-, mid-, and large-cap publicly traded U.S. companies. Firm data were obtained from COMPUSTAT and CRSP/Compustat Merged, stock data from CRSP, and CEO characteristics from ExecuComp.

3.2. Key Variables

Independent Variable: CEO First Impression

Measuring first impressions presents theoretical and methodological challenges due to concepts being of a relatively abstract and subjective nature. As the acceptance rate of questionnaires among CEOs is low (Cycyota & Harrison, 2006), archival stock data and a proxy variable were used to identify the characteristics of executives. This is in line with the proxy-based tradition of Upper Echelons Theory (Hambrick & Mason, 1984) as the study employs an indirect yet theoretically grounded approach by using a variable based on market reactions. The proxy variable, from a subsample of S&P 1500 firms, is based on the cumulative abnormal returns around the first major strategic actions of a CEO, within the initial 30 to 365 days at the company. It is assumed that positive reactions to the CEO's first strategic

actions would create a positive first impression, while any adverse reactions would signal a negative first impression.

Dependent variable: Corporate Culture

The dependent variable, corporate culture, is operationalized by five characteristics: integrity, teamwork, innovation, respect, and quality, which are based on the studies done by Li et al. (2018) and Costa and Opare (2024). The variables were standardized and aggregated to create a single variable for corporate culture. Even though this method simplifies the multifaceted nature of culture by weighting each variable equally, it allows for cross-firm comparison within a large dataset.

Since corporate culture tends to evolve over time, the direct consequences of CEOs might not be observable. To address this, a one-year lag between the dependent variable (measured in fiscal year t+1) and the independent variable is introduced (measured in fiscal year t). This allows for investigating the effects of the *CEO first impression* in year t on the *corporate culture* in the following year (t+1) and improve the causal inference.

Moderating variable: Firm Size

The firm size is a numerical value of the log of sales per firm and moderates the relationship between CEO first impression and corporate culture.

Control variables

To enhance the internal validity of the analysis and isolate the impact of CEO first impressions on corporate culture, a broad range of control variables is incorporated across CEO, firm, and industry levels.

At the CEO level, control variables included *CEO age, CEO tenure*, *CEO industry experience*, *CEO duality*, *CEO ownership*, *CEO's incentive compensation*, and *CEO conservatism* (O'Reilly et al., 2023). At the industry level, *market complexity*, *market competitiveness,* and *market munificence* were considered.

Regarding the firm level, variables such as *firm age*, *performance*, *diversification*, *financial ratios* (*property ratio* and *leverage ratio*), *board independence*, *remuneration committee insider, Delaware incorporation,* and *institutional blockholding* were held constant (Kim Jean Lee & Yu, 2004). Additionally, the market-to-book ratio was included as a firm-level control variable to reflect investor expectations, measuring how the market valuation compares to the value of a firm's assets reported in financial statements (Nugroho, 2020).

Additionally, as the dataset includes CEOs who pursued at least one major strategic action in their first year, the sample may suffer from selection bias. To mitigate concerns related to non-random sample selection, the Inverse Mills ratio was included (Certo et al., 2016).

3.3. Statistical analysis

Statistical tests

The data analysis involved descriptive statistics, a bivariate correlation matrix, and multiple regression analyses. All statistical tests were conducted in RStudio (R version 4.3.1).

Descriptive statistics provided a general overview of the dataset and assessed the quality of the variables. A bivariate correlation matrix was constructed to examine preliminary relationships between variables. Two regression models were used to test the hypotheses, namely, the Ordinary Least Squares (OLS) regression and the Random Effects (RE) panel regression.

The following equations were used for the Ordinary Least Squares regression:

Model for H1 (Direct effect of CEO First Impressions):

$$CorporateCulture = \beta_0 + \beta_1 * CEOFirstImpression + \beta_2 * Controls + \varepsilon$$

Model for H2 (Moderating role of Firm Size):

$$CorporateCulture = \beta_0 + \beta_1 * CEOFirstImpression + \beta_2 * FirmSize + \beta_3 * (CEOFirstImpression * FirmSize) + \beta_4 * Controls + \varepsilon$$

The following equations were employed to estimate the Random Effects panel regression model:

Model for H1 (Main effect of CEO First Impressions):

$$CorporateCulture_{it} = \beta_0 + \beta_1 * FirstImpressions_{it} + \beta_2 * Controls + u_i + \varepsilon_{it}$$

Model for H2 (Interaction between CEO First Impressions and Firm Size):

$$CorporateCulture_{it} = \beta_0 + \beta_1 * FirstImpressions_{it} + \beta_2 * FirmSize_{it} + \beta_3 * (FirstImpressions_{it} * FirmSize_{it}) \quad (u_i + \varepsilon_{it} + \beta_4 * Controls + u_i + \varepsilon_{it}$$

The panel structure of the dataset, which involves repeated observations of firms over time, prompted the use of panel regression techniques. While the independent variable, CEO first impression, is time-invariant within each CEO-firm pair (which would usually prevent the use of Fixed Effects), the Random Effects model was suitable as it retains such variables and accounts for unobserved firm-level heterogeneity (Wooldridge, 2010). Using both OLS and RE allowed for cross-validation of the findings and sensitivity checks.

In order to determine whether the CEO first impression influence on the corporate culture is strengthened by the size of the company, an interaction term between the CEO first impression variable and firm size was included. This approach allowed for testing whether a significant and positive

interaction effect would lead to a stronger influence of CEO first impressions on corporate culture in larger firms or smaller firms.

Assessing the robustness of results

To assess the robustness of results, several supplementary analyses were conducted. To assess multicollinearity, the Generalized Variance Inflation Factor (GVIF) was used, with results below 2.5 generally having no multicollinearity concern, results above 5 having moderate concern, and results above 10 having severe multicollinearity (O'Brien, 2007). Heteroskedasticity was tested by using the Breusch–Pagan test, and lastly, the normality of residuals was tested using the Shapiro–Wilk test.

In addition, the panel structure of the dataset was addressed by supplementing the OLS analysis with a Random Effects (RE) regression model. The RE model was used to control for unobserved, time-invariant firm characteristics while retaining variables such as CEO first impression, which are constant within firm–CEO pairs. This model also served as a robustness check for the OLS estimates.

To further evaluate the stability of the estimated relationships, additional analyses were conducted. The OLS model was re-estimated without the moderating variable (firm size) to examine the direct relationship between CEO first impression and corporate culture in isolation. Subset analyses by time period were also considered to test whether effects held across different financial years, thereby addressing potential time-specific effects and improving the generalizability of results. Lastly, various visual diagrams were created to visually assess the distribution of the variables.

Together, these diagnostic checks and supplemental estimations provided a comprehensive assessment of model robustness, allowing for increased confidence in the validity and reliability of the findings.

4. Data Analysis

4.1 Results

Table 1 presents descriptive statistics and a bivariate correlation matrix for the variables used in the analysis. In terms of descriptive statistics, the CEOs in the dataset are on average in their mid-50s (M=54.317, SD=5.3832), have an average tenure of 3 years (M=3.0146, SD=2,73), relatively low levels of conservatism (M=0.1844, SD=0.6217), have an average ownership stake of 32.29% in their firms (M=0.3229, SD=0.52), high industry experience (M=10.1677, SD=5.6421), and less than a half also serve as chair of the company's board of directors (M=0.3706, SD=0.4831).

The analyzed firms have an average annual net sales of 8.05 billion dollars (M=8.0488, SD=1.5465), an average of 4 years since inception (M=4.1355, SD=0.6446), a good performance with an average industry-adjusted ROA of 5% (M=0.0571, SD=0.1351, and moderate levels of diversification

(M=0.4136, SD=0.4625). On average, the companies present moderate levels of financial leverage, funding approximately 25% of their total assets with long-term debt (M=0.2485, SD=0.2083), and present a relatively high level of capital intensity in terms of property ratio (M=0.8464, SD=2.6487).

Based on the bivariate correlation matrix, there is a very weak negative correlation between first impressions and corporate culture, with a correlation factor of -0.04. On the other hand, firm age is positively related to firm size, suggesting that older firms are larger, although this effect seems to be moderate. In addition, based on the correlation factor of 0.23, a strong relationship is observed between firm age and CEO age.

Table 2 reports the results of the first regression analysis corresponding with the first hypothesis, measuring the effects of the CEO first impression on corporate culture. Hypothesis 1a predicted that CEO first impressions are positively associated with corporate culture, whereas Hypothesis 1b proposed the contrary, namely that CEO first impressions are negatively associated with corporate culture. The negative and significant coefficient of the CEO first impressions provide support for Hypothesis 1b (β= -3.339, p=0.009).

Table 3 illustrates the results of the second regression analysis, conducted to test Hypothesis 2, which examines the moderating effect of firm size on the relationship between CEO first impressions and corporate culture. Contrary to what was expected, the coefficient of the interaction term is very small and not significant (β= 0.131, p=0.882), and the effect of first impression on corporate culture is not significant (β =- 4.263, p = 0.501).

Variable	M	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
1. corporate_culture	0	0.6245																				
2. first_impression_30to365	0.0009	0.0531	-0.04																			
3. ln_firm_size	8.0488	1.5465	-0.07	-0.05																		
4. ln_firm_age	4.1355	0.6446	-0.22	-0.03	0.39																	
5. ceo_industry_exp	10.1677	5.6421	-0.16	-0.06	0.22	0.2																
6. leverage_ratio	0.2485	0.2083	-0.01	-0.03	0.14	0.23	0.06															
7. property_ratio	0.8464	2.6487	-0.12	-0.1	0.06	0.11	0.11	0.12														
8. delaware_incorp	0.6616	0.4733	0.16	0.04	-0.08	-0.25	-0.02	-0.05	0.03													
9. mkt_competitiveness	0.3096	0.2978	0.1	0.1	-0.19	-0.16	0.01	-0.17	-0.03	0.05												
10. market_munificence	1.0078	0.0366	0.11	0.04	-0.04	-0.05	-0.02	-0.11	-0.15	0.09	0.04											
11. firm_performance	0.0571	0.1351	0.04	0.06	0.09	-0.01	0.07	-0.01	-0.1	0.01	0.42	0.01										
12. diversification	0.4136	0.4652	-0.15	-0.06	0.12	0.19	0	-0.01	-0.08	-0.09	0.06	-0.07	0.05									
13. instit_blockholding	0.1032	0.0466	0.12	0.05	-0.31	-0.1	-0.1	0.06	-0.03	0.06	-0.02	0.02	-0.03	-0.06								
14. ceo_age	54.317	5.3832	-0.08	-0.05	0.27	0.3	0.07	0.08	0.15	-0.08	-0.05	-0.05	0.04	0.14	0.02							
15. incentive_compensation	0.7851	0.1724	0.07	-0.05	0.35	0.12	0.17	0.1	0.05	0.11	0.04	0.05	0.15	0.03	-0.13	0.11						
16. ceo_duality	0.3706	0.4831	-0.14	0.06	0.33	0.35	0.08	0.04	0.04	-0.09	-0.07	-0.02	0.08	0.14	-0.13	0.21	0.12					
17. ceo_tenure	3.0146	2.73	0.02	-0.04	0.12	0.04	0.09	0.02	0	0.01	-0.1	-0.01	-0.01	0.03	0.04	0.31	0.18	0.22				
18. ceo_ownership	0.3229	0.52	0.01	0.07	-0.32	-0.19	-0.09	-0.01	-0.06	0.05	-0.04	0.09	-0.07	-0.05	0.11	-0.03	-0.11	-0.1	0.18			
19. ceo_conservatism	0.1844	0.6217	-0.12	-0.04	0.06	0.22	0.09	0.07	0.15	-0.05	-0.18	0	-0.01	0.12	-0.06	0.1	0.02	0.09	0.05	0.08		
20. bm_ratio	0.5075	0.6113	-0.17	-0.06	-0.05	0.02	0.02	-0.1	0.27	-0.04	-0.02	-0.09	-0.21	0.01	0.01	0.08	-0.09	-0.02	0.01	0.04	0.03	
21. mills_ratio_action_30to365	-0.3401	0.1926	0.02	0.08	0.53	0.06	0.06	-0.11	-0.11	0.01	0.23	0.05	0.13	0.15	-0.24	0.02	0.29	0.21	0.07	-0.26	-0.07	-0.1

Table 1: Descriptive statistics & Pairwise Correlation Matrix

Variable	β	SE	t	p
(Intercept)	-6,1235	2,0725	-2,9546	0,0032
first_impression_30to365	-3,3387	1,2682	-2,6327	0,0085
ln_firm_size	0,3401	0,0871	3,903	0,0001
ln_firm_age	-0,3672	0,1381	-2,6585	0,0079
ceo_industry_exp	-0,0983	0,0123	-8,0014	0
leverage_ratio	0,0967	0,3343	0,2893	0,7724
property_ratio	0,0514	0,0371	1,3858	0,166
delaware_incorp	0,4386	0,1501	2,9221	0,0035
mkt_competitiveness	0,998	0,3508	2,845	0,0045
market_munificence	5,3527	1,8347	2,9175	0,0036
firm_performance	-0,5592	0,6517	-0,8581	0,3909
diversification	-0,5196	0,1559	-3,333	0,0009
instit_blockholding	7,0046	1,5001	4,6694	0
ceo_age	-0,0239	0,014	-1,7033	0,0887
incentive_compensation	1,3202	0,4221	3,1276	0,0018
ceo_duality	-0,2753	0,1633	-1,686	0,092
ceo_tenure	0,0377	0,0266	1,4153	0,1571
ceo_ownership	-0,0327	0,1442	-0,2268	0,8206
ceo_conservatism	-0,1088	0,1141	-0,9541	0,3401
bm_ratio	-0,7502	0,114	-6,5795	0
mills_ratio_action_30to365	-1,8293	0,8192	-2,233	0,0257

Table 2: Results from First Regression Analysis (H1)

Variable	β	SE	t	p
(Intercept)	-6,1053	2,0767	-2,9399	0,0033
first_impression_30to365	-4,2625	6,3349	-0,6729	0,5011
ln_firm_size	0,3396	0,0872	3,8946	0,0001
ln_firm_age	-0,3661	0,1384	-2,6449	0,0082
ceo_industry_exp	-0,0982	0,0124	-7,9479	0
leverage_ratio	0,097	0,3344	0,2902	0,7717
property_ratio	0,0512	0,0371	1,3797	0,1678
delaware_incorp	0,44	0,1504	2,925	0,0035
mkt_competitiveness	1,0002	0,3512	2,848	0,0044
market_munificence	5,3328	1,84	2,8982	0,0038
firm_performance	-0,5615	0,652	-0,8611	0,3893
diversification	-0,52	0,156	-3,3341	0,0009
instit_blockholding	7,0181	1,5032	4,6687	0
ceo_age	-0,0239	0,014	-1,7019	0,0889
incentive_compensation	1,3177	0,4226	3,1183	0,0018
ceo_duality	-0,2757	0,1634	-1,6878	0,0916
ceo_tenure	0,0377	0,0266	1,4143	0,1575
ceo_ownership	-0,0327	0,1443	-0,2265	0,8208
ceo_conservatism	-0,111	0,115	-0,965	0,3346
bm_ratio	-0,7503	0,1141	-6,5789	0
mills_ratio_action_30to365	-1,8234	0,8204	-2,2225	0,0264
first_impression_30to365:ln_firm_size	0,1306	0,8776	0,1488	0,8817

Table 3: Results from Second Regression Analysis (H2)

4.2 Robustness Checks and Supplemental Analyses

To critically assess the validity and underlying statistical assumptions of the regression model, several diagnostic tests were employed. Firstly, multicollinearity was evaluated using Generalized Variance Inflation Factor (GVIF), with values adjusted for degrees of freedom (GVIF(^1/(2·Df))). For the regression model testing Hypothesis 1 (*Table 4*) , all values remained below the widely accepted threshold of 5 (O'Brien, 2007), with the highest adjusted GVIF noted for mills_ratio_action_30to365 (2.48). These results suggest that there was no multicollinearity among variables in the model. As reflected in *Table 5*, for testing Hypothesis 2, the interaction term (first_impression_30to365:ln_firm_size) demonstrated a higher adjusted GVIF than the accepted threshold of 5 (5.28). However, such inflation is expected for the interaction terms and is generally accepted in this context (Aiken & West, 1991).

Variable	GVIF	Df	GVIF^(1/(2*Df))
first_impression_30to365	1,115965	1	1,056392446
ln_firm_size	4,476756	1	2,115834587
ln_firm_age	1,95488	1	1,398170233
ceo_industry_exp	1,185583	1	1,088844801
leverage_ratio	1,194989	1	1,093155524
property_ratio	2,376662	1	1,54164263
delaware_incorp	1,244212	1	1,115442513
ff_industry_12	56,427372	10	1,223416944
mkt_competitiveness	2,690337	1	1,64022468
market_munificence	1,108859	1	1,053023741
firm_performance	1,91233	1	1,382870204
diversification	1,296852	1	1,138794099
instit_blockholding	1,203852	1	1,097201896
ceo_age	1,405317	1	1,18546067
incentive_compensation	1,305814	1	1,142722188
ceo_duality	1,534238	1	1,238643613
ceo_tenure	1,304098	1	1,141971103
ceo_ownership	1,387223	1	1,177804313
ceo_conservatism	1,240161	1	1,113625161
bm_ratio	1,197625	1	1,094360544
mills_ratio_action_30to365	6,139621	1	2,477825862

Table 4: Multicollinearity Diagnostics for H1 Regression

Variable	GVIF	Df	GVIF^(1/(2*Df))
first_impression_30to365	27,831608	1	5,275567079
ln_firm_size	4,482025	1	2,117079356
ln_firm_age	1,961296	1	1,400462781
ceo_industry_exp	1,196663	1	1,09392093
leverage_ratio	1,195037	1	1,093177479
property_ratio	2,379337	1	1,542509968
delaware_incorp	1,248829	1	1,117510179
ff_industry_12	58,00621	10	1,225106163
mkt_competitiveness	2,695161	1	1,641694551
market_munificence	1,114769	1	1,055826217
firm_performance	1,913335	1	1,383233531
diversification	1,297175	1	1,138935907
instit_blockholding	1,208237	1	1,099198344
ceo_age	1,405373	1	1,185484289
incentive_compensation	1,307926	1	1,143645924
ceo_duality	1,534676	1	1,238820407
ceo_tenure	1,304124	1	1,141982487
ceo_ownership	1,387224	1	1,177804738
ceo_conservatism	1,260559	1	1,122746187
bm_ratio	1,197745	1	1,094415369
mills_ratio_action_30to365	6,154262	1	2,480778507
first_impression_30to365:ln_firm_siz	27,828268	1	5,275250515

Table 5:Multicollinearity Diagnostics for H2 Regression

Furthermore, heteroskedasticity was evaluated by using the Breusch-Pagan test, which led to a statistic of 97.175 with 30 degrees of freedom and a corresponding p-value < 0.001. This indicates a statistically significant pattern of changing variance in the residuals, thereby suggesting heteroskedasticity. However, as can be seen from *Figure 2*, the Residuals vs. Fitted values plot demonstrated a slight funnel shape model, indicating that the extent of heteroskedasticity is relatively minor. Although this may influence the precision of standard errors, the coefficient estimates remain unaffected. Nevertheless, while robust standard errors were not included in the current model, this is recognized as a limitation, as it may influence the accuracy of estimated standard errors.

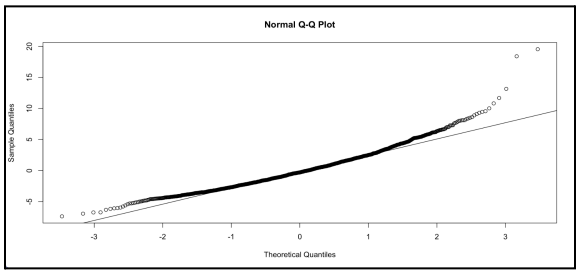

Figure 2: Residuals vs. Fitted Plot

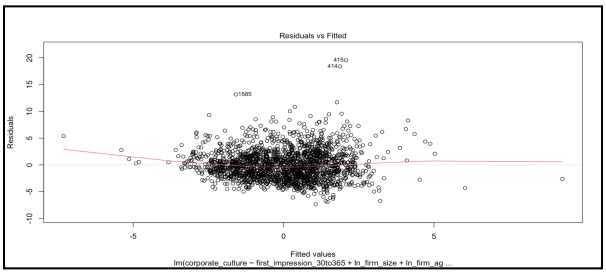

Figure 3: Normal Q-Q Plot

Additionally, normality of the residuals was examined using the Shapiro–Wilk test, which yielded a W static of 0.96171 and a significant p-value ($p < 2.2e\text{-}16$). This reveals a statistically significant deviation from normality. A graphical examination of the Q–Q plot presented above (*Figure 3*) shows residuals aligned with the theoretical normal line in the center, yet small deviations occurred at both ends.

Furthermore, to account for the panel structure of the data set, Random Effects Model was performed alongside the OLS regression analysis.

First, H1 with CEO first impressions as the independent variable was tested. As seen in *Table 6*, the results show that CEO first impressions did not significantly estimate corporate culture (β = –2.51, p = 0.191). Despite the coefficient suggesting a negative relationship, the effect is not statistically significant.

To examine H2, a second random effects model was used, with firm size and an interaction term between CEO first impression and corporate culture. As shown in *Table 7*, results indicated a significant positive influence of first impression on corporate culture (β = 20.53, p = 0.0126), as well as a negative interaction with firm size (β = -3.54, p = 0.00398). This demonstrates that the positive impact of CEO first impressions on corporate culture is stronger in smaller firms, with the effect becoming less pronounced in larger firms.

Variable	β	SE	t	p
(Intercept)	7,149701	2,09135	3,4187	0,000629
first_impression_30to365	-2,51384	1,92297	-1,3073	0,191121
ln_firm_size	0,128685	0,111088	1,1584	0,2467
ln_firm_age	-0,59573	0,249022	-2,3923	0,016744
ceo_industry_exp	-0,04445	0,020961	-2,1207	0,033951
leverage_ratio	0,568717	0,38509	1,4768	0,139718
property_ratio	0,05304	0,038442	1,3797	0,167667
delaware_incorp	0,804704	0,312049	2,5788	0,009915
mkt_competitiveness	0,551362	0,481023	1,1462	0,2517
market_munificence	-2,17045	1,459235	-1,4874	0,136913
firm_performance	0,968515	0,541091	1,7899	0,073465
diversification	-0,34022	0,1987	-1,7123	0,08685
instit_blockholding	2,911764	1,251874	2,3259	0,020023
ceo_age	-0,06888	0,022553	-3,0543	0,002256
incentive_compensation	-0,19818	0,34373	-0,5765	0,564249
ceo_duality	-0,14418	0,172719	-0,8347	0,403863
ceo_tenure	0,203886	0,028552	7,141	9,27E-13
ceo_ownership	0,095877	0,165061	0,5774	0,563698
ceo_conservatism	-0,07501	0,191198	-0,3923	0,694828
bm_ratio	-0,25089	0,09643	-2,6018	0,009273
mills_ratio_action_30to365	1,223764	0,822739	1,4874	0,136902

Table 6: Random Effects Regression Results for H1

Variable	β	SE	t	p
(Intercept)	6,8349022	2,0926483	3,2661	0,00109
first_impression_30to365	20,5377438	8,2314179	2,495	0,012594
ln_firm_size	0,1429738	0,1111829	1,2859	0,198466
interaction_term	-3,5445889	1,2307879	-2,8799	0,003978
ln_firm_age	-0,6223344	0,2494859	-2,4945	0,012615
ceo_industry_exp	-0,0492557	0,021035	-2,3416	0,019201
leverage_ratio	0,5619906	0,3845195	1,4615	0,143867
property_ratio	0,0413781	0,0386481	1,0706	0,284332
delaware_incorp	0,7845535	0,3126187	2,5096	0,012086
mkt_competitiveness	0,5325198	0,4812996	1,1064	0,268544
market_munificence	-2,0182323	1,456749	-1,3854	0,165919
firm_performance	0,9749542	0,5399829	1,8055	0,070992
diversification	-0,3548718	0,1985367	-1,7874	0,073867
instit_blockholding	2,5066683	1,2565216	1,9949	0,046051
ceo_age	-0,0640733	0,0226277	-2,8316	0,004631
incentive_compensation	-0,2284014	0,3430357	-0,6658	0,505524
ceo_duality	-0,1326491	0,1724304	-0,7693	0,441721
ceo_tenure	0,1993602	0,0285781	6,976	3,037E-12
ceo_ownership	0,0883999	0,1658027	0,5332	0,59392
ceo_conservatism	-0,0097052	0,1924664	-0,0504	0,959783
bm_ratio	-0,2589708	0,0962551	-2,6905	0,007135
mills_ratio_action_30to365	1,1065805	0,8240237	1,3429	0,179305

Table 7: Random Effects Regression Results for H2

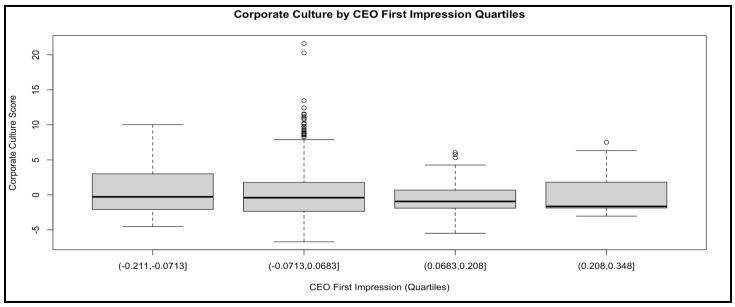

Figure 4: Boxplot Diagram Illustrating CEO first impressions and corporate culture

A box plot was generated to visually assess the distribution, central tendency, and potential outliers of the data. It illustrates corporate culture scores across quartiles of first impression, ranging from

low to high. The slight positive trend suggests that higher first impressions correspond to higher median corporate culture values. This pattern implies a potential relationship between initial perceptions and perceived strength of corporate culture, consistent with the prior research that reveals that leaders' perceived image and early strategic actions shape organizational values. (Lord & Maher, 1991; D'Aveni, 1996). Nevertheless, differences between quartiles are small, thus, the effect appears to be relatively modest.

Histograms were generated to gain insight into the distributional properties of the main variables. The distribution of CEO first impressions (*Figure 5*) displays a normal distribution, with most values concentrated between -0.1 and 0.1. Based on the clusters around the mean, CEO first impressions are neutral, with few extreme values. In addition, slightly asymmetric tails indicate a mild deviation from normality, although it does not raise concerns about skewness.

In contrast, the distribution of corporate culture scores (*Figure 6*) is positively skewed, with most observations below the mean and a long tail reaching toward higher values. Thus, corporate culture values for most firms are low if the exceptionally high ones are disregarded. Since right-skewed distributions are common in firm-level perceptual data (Chatman & Jehn, 1994), the pattern may relate to the degree to which firms invest in culture-building initiatives.

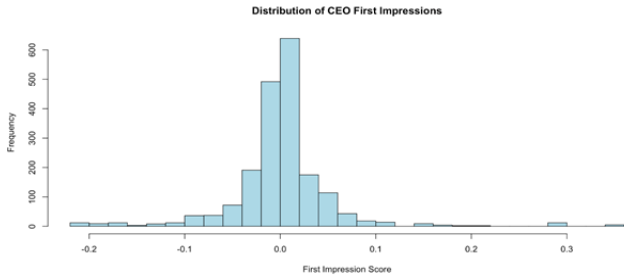

Figure 5: Histogram of CEO First Impressions

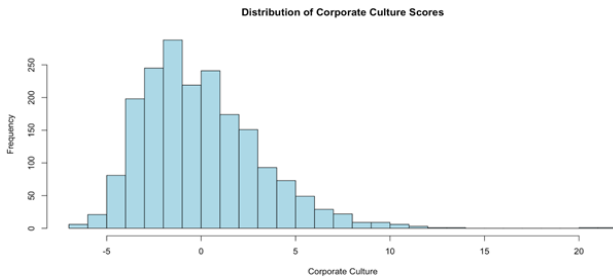

Figure 6: Histogram of Corporate Culture

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Declaration of AI Use

OpenAI's ChatGPT was used as a support tool during the development of this thesis. It assisted in improving the structure, clarity, and academic tone of some sections, assisted with paraphrasing and summarizing literature, provided feedback on drafts, and checked citation formatting.

We confirm that the final version reflects our own thinking and work, and that the use of AI followed academic integrity guidelines.