

## CEO TURNOVER AND FIRM PERFORMANCE: SYSTEMATIC LITERATURE REVIEW

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### Abstract

A literature review based on 464 articles succeeded in identifying variables, countries, perspectives, and research methodologies in the context of research on CEO Turnover that has been carried out so far. The study results found that most CEO Turnover studies used a quantitative empirical approach. Experimental, survey, and combinative research methods are becoming more relevant to provide a better picture of CEO Turnover. Apart from that, future research regarding CEO Turnover can use several variables that have a rare frequency of occurrence, namely CEO Ownership, Management turnover, and CEO Payment. It is still open to developing new research related to the research theme of CEO Turnover and its relationship to Firm Performance.

**Keywords:** CEO Turnover Time, Firm Performance, Agency Theory, Upper Echelon Theory, Systematic Review, Bibliometrics

**JEL Classification:** G14, G32, G34, G38, M41

### INTRODUCTION

Bidang Coughlan & Schmidt (1985) initiated research on CEO Turnover by examining 249 companies and containing 597 observations. The results of his research provide empirical content for alternative claims about the consequences of corporate internal control procedures. In the same year, Samuelson *et al.*, (1985) also conducted research that concluded that management changes had an effect on the company's activity units such as sales, expenses, and so on, but overall it had no effect on the company. Other findings found a relationship between organizational performance and the origin of the organization or new managers from outside the company. The result is that management successors from within the company have performance above the industry average; while external candidates are relatively preferred when their performance is below the industry average. Managers from within the company are more likely to maintain previous performance while managers from outside tend to keep risks to a minimum.

To the best of our knowledge, no bibliometric analysis of the term 'CEO Turnover' has been conducted. The new research is generally related to accounting carried out by Merigó & Yang, (2017).

The aim of this paper is to fill the gap by providing an extensive bibliometric analysis of the literature related to this term to answer the following:

1. How are CEO Turnover articles classified?
2. What are the CEO Turnover research trends? What research topics are the subject of more publications?
3. What future CEO Turnover topics provide opportunities for further research?

This research is structured as follows. Part One discusses the introduction to the study and research questions. Next, Part Two explains the methodology used in this structured study based on bibliometric analysis assisted by PoP software and the GS database. The results and discussion related to the results of grouping keywords displayed with VOSviewer are discussed in Part Three. The final section concludes the study by presenting limitations and recommendations for future research.

## LITERATURE REVIEW

The literature review was conducted using systematic, explicit, and reproducible methods (Garza-Reyes, 2015), or mind mapping methods that emphasize the limits of knowledge. Bibliometric reviews are commonly used in scientific disciplines and focus on the quantitative study of journals, books, or other types of written communication (Heersmink *et al.*, 2011). Data were analyzed using bibliometric techniques based on a bibliometric analysis protocol consisting of a) determining search keywords; b) obtaining initial search results; c) improving search results; d) collecting initial data, and e) analyzing the data. Bibliometric techniques are used to represent the quantitative side of research results in the form of journal articles, books, or other types of written communication (Heersmink *et al.*, 2011; Van Raan, 2003). Next, to obtain more comprehensive analysis results, article content was identified and grouped based on objectives, variables, countries, and methodology in MsExcel workbook format. This study is based on a structured or systematic review method with the aim of producing a systematic summary related to various research on the theme of investor beliefs and CEO Turnover. The structured review method used is based on two criteria to select articles containing the topic of CEO Turnover. Determining this aspect of the criteria is what differentiates it from conventional literature reviews. Some of the criteria used are:

1. Selection of appropriate and relevant keywords to search for articles in electronic databases. The keywords 'CEO Turnover Time' and Firm Performance were used to filter each article. This was done to ensure that the articles obtained were truly in accordance with the theme raised in this study, namely regarding CEO Turnover.
2. The type of article chosen for the data analysis process is to only use articles published by peer-reviewed international journals in English. This study does not use articles from thesis conferences, dissertations, or books for the reason of ensuring the study is up to date.
3. Articles from across fields or multi-disciplines are used to open opportunities to obtain articles outside the scientific and social fields to increase the diversity of perspectives.

The detailed stages of bibliometric analysis will be explained in the following subsections.

### Method

The first step in conducting bibliometric analysis is to search for articles on the topic of CEO Turnover. This article search process lasted for 2 (two) months, with the help of Publish or Perish (PoP) software. This software was developed by Professor Anne Will Harzing from Tarma Research Software Pty Ltd-Melbourne (Bensman 2011). The database for the data collection process in this study uses Google Scholar by considering aspects of accessibility and completeness of data sources. The keywords used were CEO Turnover' and Firm Performance. Then, for further research, the researcher determined that the article title must contain the words CEO Turnover. Apart from these search conditions, other conditions such as year of publication are used as criteria.

### RESULTS

Search results with the keywords explained in point 2.1 obtained 980 articles as initial data. These articles were published in the period ranging from 1984 to 2020. This was done because CEO Turnover research in the field of financial science was pioneered by Coughlan & Schmidt, (1985) examines internal control mechanisms and related management changes with the observation years 1977-1980, then Samuelson *et al.*, (1985) examines the impact of CEO turnover on company performance. CEO Turnover. The following are the results of journal data collection from Publish or Perish (PoP).

**Table 1: Journal Data Collection Results**

Indicator	Results
Query	Journal, <i>CEO Turnover on Firm Performance</i>
Source	Google Scholar
Years	1985 - 2020
Papers	980
Citations	186607
Cites Year	5331.63
Cites Paper	190.42
Authors Paper	2.25
h_index	202
g_index	423
PoP hI norm	145
PoP hI annual	4.14

Notes:

The naming of the components in the indicators (e.g. query, source, etc.) still uses the English version according to the results of the PoP.

Based on table 1, the search process using PoP software resulted in 312 articles published over a 35-year period (1985 to 2020), with a total of 186,607 citations or the equivalent of 5,331.63 citations/year.

### Improved search results

The next step in bibliometric analysis is to separate articles based on article sources such as journals, books, proceedings, etc. The details can be seen in Table 2.

**Table 2: Number of Articles Based on Publication Type/Source**

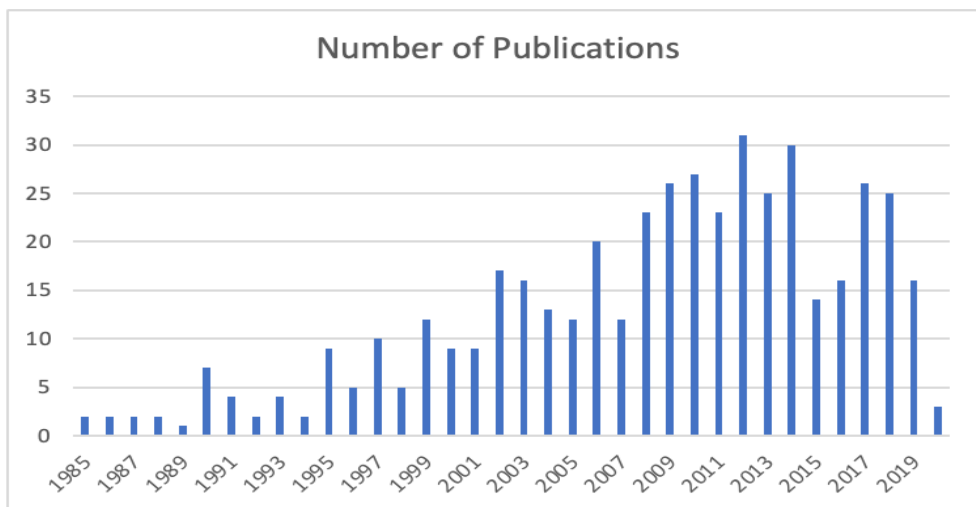
No.	Type/Source	Number of Articles
1	Journal *	
	Q1	352
	Q2	65
	Q3	37
	Q4	10
	Unranked Journal	403
	Unidentified/inaccessible/Non-English	2
2	Books/Reports/Reviews	14
3	<i>Conference Proceedings</i>	15
4	<i>Working paper/ Thesis</i>	48
5	Unidentified/Citation/Rejected Website	34
Total		980

\* Ranking based on Scimagojr data

After obtaining 980 articles, an article selection process was carried out to obtain 464 articles published in reputable international journals. Of the 980 articles, 516 articles came from books, proceedings, etc. which were not continued for analysis. Then a total of 464 articles met the criteria consisting of articles published in reputable journals (Q1 to Q4) based on the list released by Scimagojr. The remaining 403 articles were published in journals that were not registered with Scimagojr.

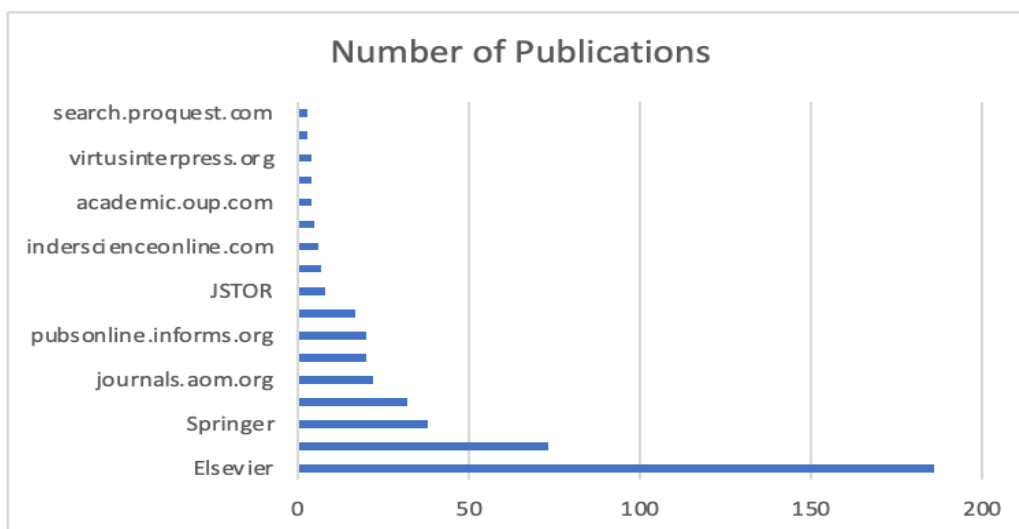
### Improved search results

As previously described, the search process using PoP software resulted in 980 articles published during the period 1985 to 2020. All these articles were then summarized into MsExcel format containing general information, such as title, author, year of publication, and journal specifications (name journal, tier, and publisher). In addition, to the need for more in-depth analysis to answer research questions, this study also uses specific information regarding variables, perspectives, methodology, and the country where the study was conducted. Data collection results use relevant journals, namely journals published in reputable journals (Q1 to Q4). Below is a picture of the distribution of articles published in CEO Turnover per year, from 1985 to 2020.



**Figure 1: Number of publications in reputable CEO Turnover journals (Q1 to Q4) per year (1985-2020)**

The data collection results show that few studies on CEO Turnover trends have been carried out. In 1984 there was no research on CEO Turnover, but then from 1985 to 2005, there were one to two articles published per year. The number of articles published increased significantly in 2006, but then fell again until 2009, then increased again in 2010 until now with the highest number of articles published on the theme of CEO Turnover being in 2019. Based on publication sources, 464 articles were reviewed come from international journals published by various leading publishers such as Emerald, SAGE, Wiley, and others. A total of 464 journals listed are top-tier journals, which are classified in Q1 to Q4 rankings by Scimagojr. In more detail, below is shown the distribution of international journals that published more than three articles on the topic of CEO Turnover.



**Figure 2: International journal publishers with the topic CEO Turnover**

Based on Figure 2, you can see the details of the publisher Elsevier 186 papers, Wiley Online Library 73 papers, Springer 38 papers, emerald.com 32 papers, journals.aom.org 22 papers, journals.sagepub.com 20 papers, pubsonline.informs.org 20 papers, Taylor & Francis 17 papers, JSTOR 8 papers, cambridge.org 7 papers, inderscienceonline.com 6 papers and the rest each journal has under 5 papers.



**Figure 3: List of international journals that contain more than one article.**

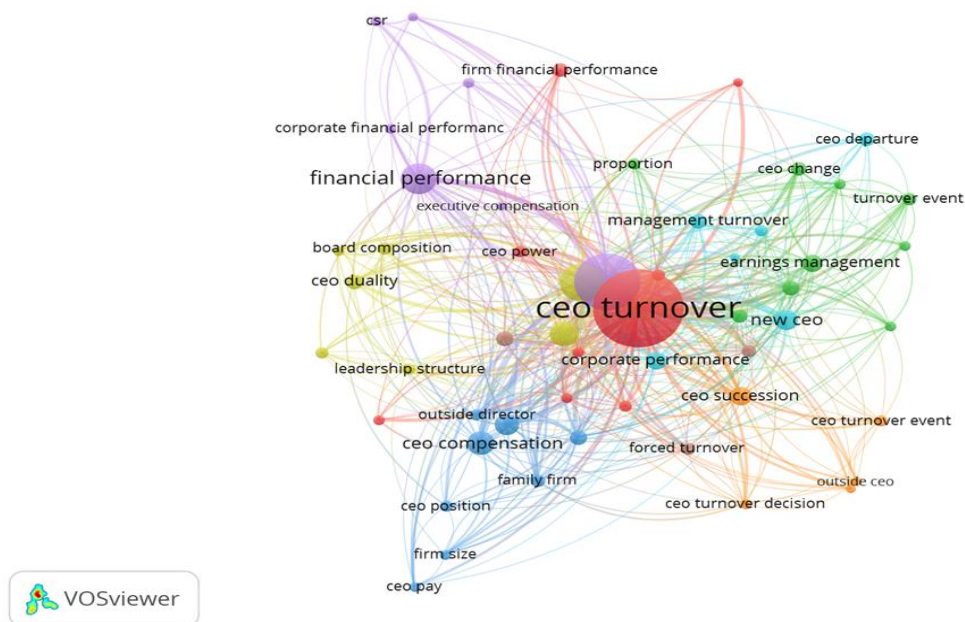
Figure 3 shows that the Journal of Financial Economics has 50 papers, the Journal of Corporate Finance 38 papers, the Journal of Accounting and Economics 20 papers, the Strategic Management Journal 20 papers, the Academy of Management Journal has 16 papers, the Journal of Banking & Finance 16 papers, Management Science 13 papers, Journal of Business Ethics 10 papers, Journal of Business Ethics 8 papers and other journals containing more than 2 papers.

### Data analysis

The final stage of bibliometric analysis is analyzing the data with the help of Zotero software. This tool is used to manage information needed in the analysis process, such as abstracts, keywords, and references. Data from Mendeley is then transferred into RIS format so that it can be processed by VOSviewer software. This process was carried out to obtain keyword clusters (terms) and visualization maps that illustrate the flow of research in the field of CEO Turnover. Summary information recorded in Ms Excel is also used to obtain information related to variables, countries, and research methodology in the articles analyzed. Below are presented the visualization results based on keywords.

### Keyword Information from All Articles

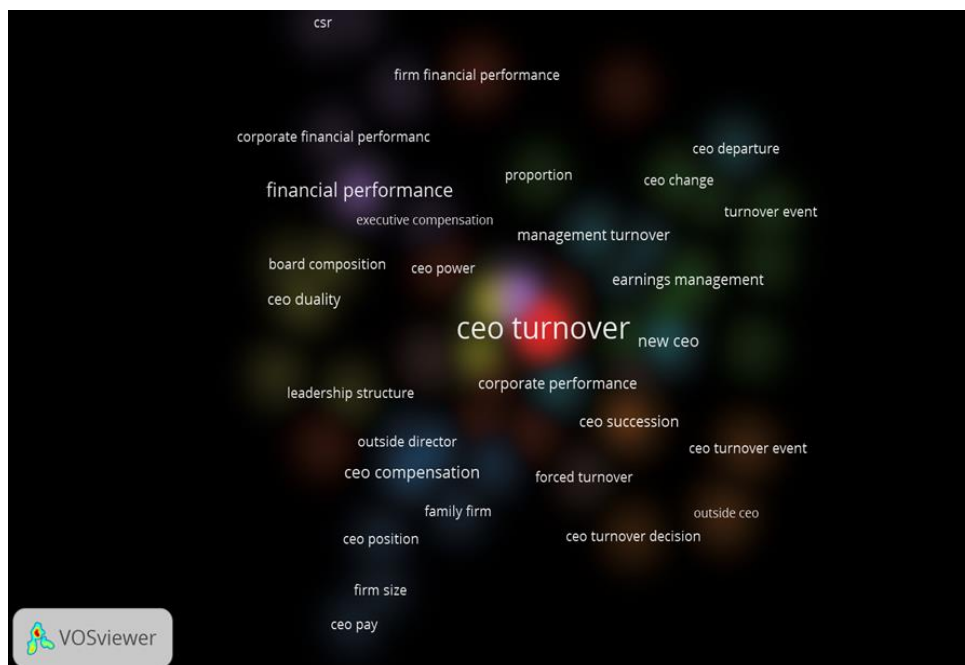
Below is a visualization map image based on keywords from all articles.



**Figure 4: Visualization map based on keywords from all articles**

Note: Different colors indicate clusters of commonly used terms

Below is a density map of keywords throughout the article.



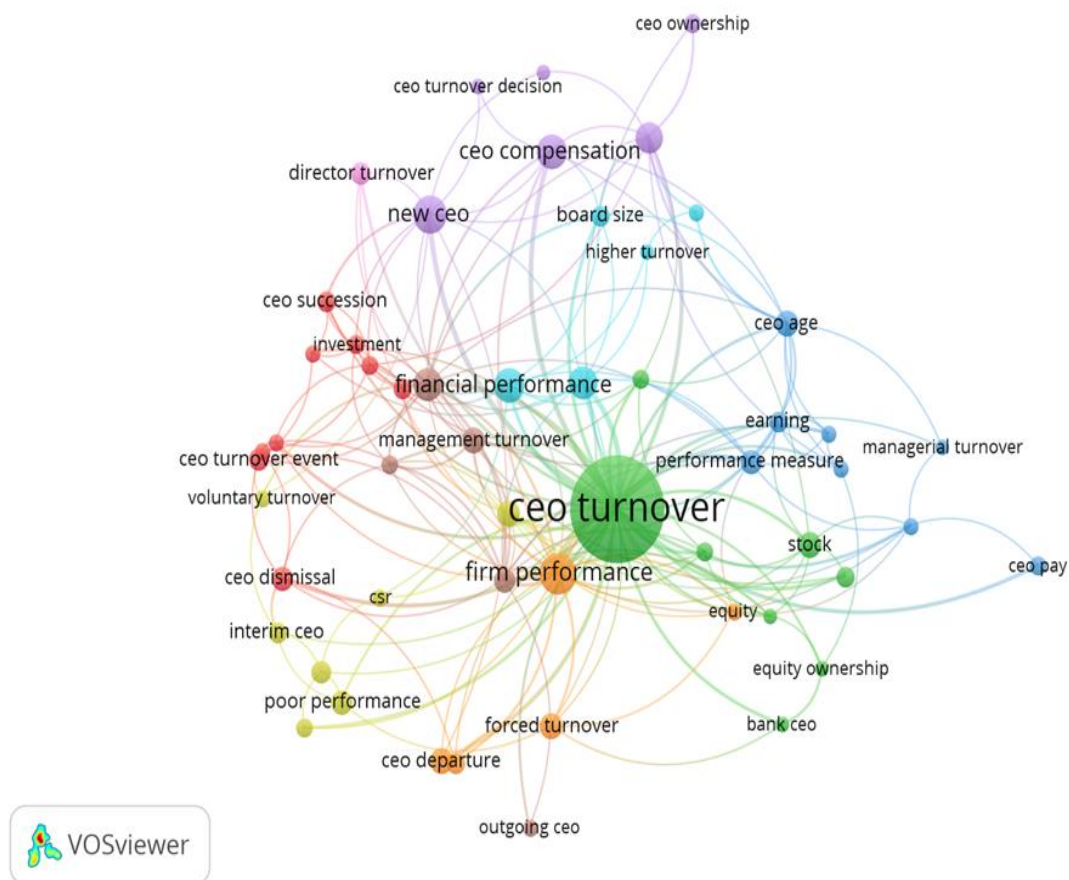
**Figure 5: Density map based on keywords from all articles**

Note: Different colors indicate clusters of commonly used terms

Based on data analyzed from 980 articles, several keywords are relatively rarely used in the CEO Turnover research stream, namely expressing beliefs using experimental studies. Then other keywords also appear, namely individual investor and investor characteristics. Apart from that, there are many other research opportunities regarding CEO Turnover.

### Keyword information from Scopus Indexed Journals (Q1 to Q4)

Below is a visualization map image based on keywords from Scopus Indexed Journals (Q1 to Q4).

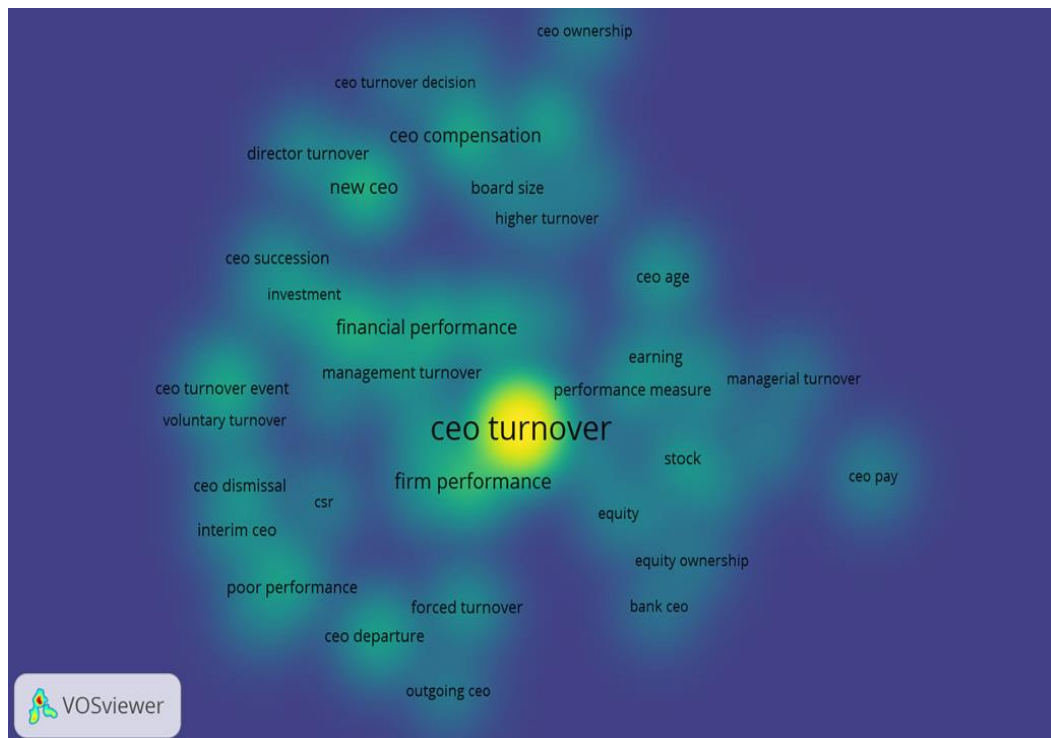


**Figure 6: Visualization map based on keywords from Scopus-indexed journals (Q1 to Q4)**

Note: Different colors indicate clusters of commonly used terms

Below is a density map of keywords throughout the article.





**Figure 7: Density map based on keywords from Scopus-indexed journals (Q1 to Q4)**

Note: Different colors indicate clusters of commonly used terms

The following is a table of the frequency of occurrence of keywords from Scopus-indexed journals (Q1 to Q4).

**Table 3: Frequency of appearance of keywords**

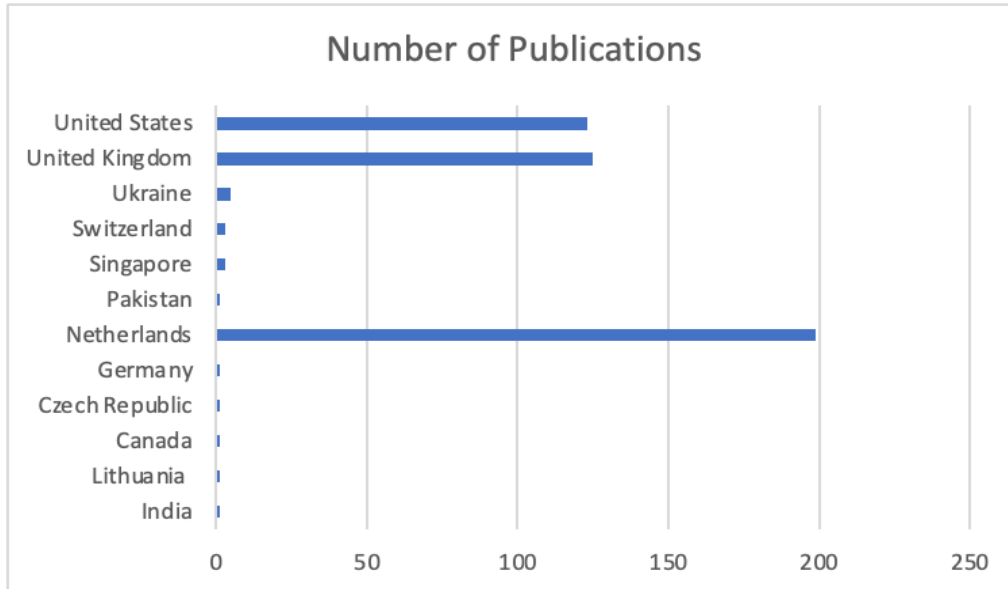
No.	Variable	Occurrences	Relevance
1	Higher Turnover	4	6.71
2	Bank CEO	4	2.44
3	CEO Power	4	2.31
4	CEO Turnover Increase	4	2.30
5	Equity Ownership	4	2.09
6	CSR	5	1.98
7	Outside CEO	5	1.92
8	CEO Turnover Decision	4	1.90
9	Board Member	5	1.82
10	Corporate Performance	6	1.68
11	Outgoing CEO	5	1.68
12	Financial Data	5	1.59
13	Voluntary Turnover	5	1.46
14	Managerial Turnover	4	1.36
15	Older CEO	5	1.27
16	Successor CEO	5	1.25
17	Investment	6	1.20

No.	Variable	Occurrences	Relevance
18	Top Executive Turnover	6	1.20
19	Non-CEO	7	1.14
20	Turnover Event	6	1.09
21	Eranning	7	1.08
22	Corporate Governance	9	1.06
23	Earning Management	5	1.05
24	Independent Director	6	1.03
25	Negative Relationship	5	1.02
26	Stock	10	1.02
27	Force Turnover	10	1.01
28	CEO Duality	11	0.98
29	Equity	5	0.96
30	CEO Departure	10	0.95
31	Financial Performance	18	0.87
32	Interim CEO	7	0.85
33	CEO Pay	6	0.85
34	CEO Position	7	0.84
35	Poor Performance	9	0.80
36	Performance Measure	9	0.79
37	CEO Succession	7	0.78
38	CEO Age	11	0.76
39	CEO Ownership	6	0.76
40	Board Size	7	0.74
41	CEO Change	8	0.70
42	CEO Turover Event	8	0.69
43	Director Turnover	8	0.69
44	Outsider Director	6	0.61
45	CEO Dismissal	9	0.60
46	Management Turnover	10	0.59
47	Time Period	16	0.56
48	Ownership	17	0.56
49	Stock Option	7	0.52
50	CEO Tenure	15	0.44
51	New CEO	23	0.42
52	CEO Compensation	19	0.37
53	Firm Performance	27	0.32
54	CEO Turnover	170	0.07

Based on data analyzed from 100 articles, results can be seen that are like the analysis of all articles regarding CEO Turnover. The results of the analysis show that several keywords are relatively rarely used in the CEO Turnover research stream, namely CEO Pay disclosure, CEO Ownership, CEO Turnover Event, CEO Turnover Decision, and Turnover Event.

**Country where the paper was published.**

The following is a graph of the frequency of countries where papers are published.



**Figure 8: Graph of the number of articles based on the country where the publication is located from Scopus-indexed journals (Q1 to Q4)**

Based on data analyzed from 464 articles, the United Netherlands is the country with the largest number of locations where research publications regarding CEO Turnover have been carried out, namely 199, followed by the United Kingdom with 125 articles, then 123 United States articles using cross country as the research object. Research on CEO Turnover in Indonesia consisted of 3 studies.

**DISCUSSION**

Huson *et al.*, (2001) reported evidence of chief executive officer (CEO) turnover during the period 1971 to 1994. Brickley, (2003) estimates a logit model that focuses on the relationship between CEO turnover and firm performance measures. Using comprehensive financial and accounting data on Chinese listed companies from 1998 to 2002, coupled with unique data on CEO turnover, ownership structure, and board characteristics, Kato & Kubo, (2006) found that: (i) even though the company is listed on the Stock Exchange, there is no significant and negative relationship between CEO turnover and company performance unless the listing is accompanied by a change in ownership from state to private; (ii) the presence of large controlling shareholders makes CEO turnover more sensitive to company performance; (iii) the appointment of independent directors increases the sensitivity of performance to turnover; (iv) performance sensitivity to CEO turnover is weaker in listed companies whose CEO also holds a controlling shareholder position; and (v) company performance will improve significantly after CEO replacement and the increase will be greater in privately controlled

companies compared to state-controlled companies. Devos, (2009) examines whether the presence of interlocking directors on the board is associated with weak governance. Bhagat *et al.*, (2010) analyze the relationship between CEO education, CEO turnover, and company performance. Rachpradit *et al.*, (2012) seek to examine the relationship between CEO turnover and firm performance as well as the moderating effect of ownership structure and board structure on non-financial listed companies in Thailand. The approach used is the Logit model to analyze the relationship between CEO turnover and company performance. Rachpradit *et al.*, (2012) found that ownership and board structure influence the relationship between CEO turnover and company performance. Within emerging markets, companies are often organized into corporate groups where controlling shareholders control member companies through share pyramids and cross-holdings. Chen *et al.*, (2012) examine how incentives for controlling shareholders to maximize group value result in less delegation of decision rights to member firm CEOs and, in turn, how such delegation affects CEO turnover rates in response to financial performance measures reported by member firms. The purpose of Kim *et al.*, (2020) investigate the impact of workforce diversity (e.g., age, gender, and education level diversity) on firm performance under frequent CEO turnover.

## CONCLUSION

Inconsistent findings in research regarding the relationship between firm performance and CEO turnover are due to a lack of attention to the types of performance indicators used by individuals responsible for making CEO turnover decisions, namely, the board of directors. Agency models with multiple performance measures predict that optimal contracts should depend more on more precise performance measures and be more sensitive to agent effort. The results of the analysis show that the board of directors focuses on deviations from expected performance which is used as a basis for making CEO replacement decisions. There is a relationship between profitability and the likelihood of CEO turnover in the acquiring company. CEO turnover, both internal (driven by the board) and external (through takeovers and bankruptcies) – from 1992 to 2007. However, of the many existing studies, there has been no research that focuses on discussing the timing of CEO turnover (CEO Turnover Time), where this also needs to be looked at because when the CEO is replaced greatly influences their strategy in running the company. The CEO who is replaced in the First Quarter will have the same performance as the CEO who is replaced in the Final Quarter of the company's financial year which is used as a performance measure.

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