

The Panorama of CEO Turnover:

an Empirical Study on Chinese Listed Companies

PANORAMA DU ROULEMENT DE CEO :

UNE ÉTUDE EMPIRIQUE DES SOCIÉTÉS COTÉES CHINOISES

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Abstract: In this paper, we present a panorama of the Chinese listed companies' CEO turnover. We can see that from 2001 to 2004, the top three industries about the number of CEO turnover are Manufacturing, Mixed and Telecommunications industries; the top three industries about relative turnover rate are Media and culture, Telecommunications and Mixed industries; job re-arrangement, resignation and expiry of tenure are three mainly publish reasons; the difference between inside and outside succession is not significant. A deep analysis showed that age, education and tenure will influence CEO turnover too.

Key words: Chinese listed company, CEO turnover, inside succession, outside succession

Résumé: Dans le présent article, nous présentons un panorama du roulement de CEO des sociétés cotées chinoises. Nous constatons que, de 2001 à 2004, les trois top industries sur le nombre du roulement de CEO sont l'industrie de fabrication, l'industrie mixte et les télécommunications. Les trois top industries sur le taux de roulement relatif sont les médias et culture, les télécommunications et l'industrie mixte. Le changement de travail, la démission et l'expiration du mandat sont les trois raisons essentielles. La différence entre la succession interne et la succession externe n'est pas importante. Une analyse profonde indique que l'âge, l'éducation et la durée de mandat peuvent aussi influencer le roulement de CEO.

Mots-Clés: société cotée chinoise, roulement de CEO, succession interne, succession externe

1. INTRODUCTION

CEO turnover is one of the most important decisions for the development of one corporation, and such issue is widely researched by accounting and finance researchers overseas. CEO turnover can influence a lot of aspects of the corporation, Inside of the organization, it is the most influential management change. Outside of the organization, it is a signal of the development of the corporation for stakeholders, such as stakeholders, customers, suppliers, public and government. As a result, CEO turnover can influence economic, political environment and corporation performance.

The structure of the paper is as follows. First, related background in the area of corporate CEO turnover is

discussed. Next the data and the applied methodology are presented, followed by the empirical results of CEO turnovers. Finally, the last section concludes.

2. METHODOLOGY

We constructed a data set by gathering information of CEO turnovers from announcements submitted to the Shanghai and Shenzhen Stock Exchange and record in CSMAR System (www.gtarsc.com) during the period from 2001 to 2004. The total sample consists of CEO turnovers from firms that meet the following three criteria: (1) the firm is listed on the Shanghai and Shenzhen Stock Exchange; (2) an announcement of

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resignation is submitted to the Shanghai and Shenzhen Stock Exchange that identifies the reason and the date of the actual turnover; (3) the manager is the CEO.

3. EMPIRICAL RESULTS

3.1 Industrial distribution of CEO turnover

Table 1. Industrial distribution of CEO turnover during the period 2001-2004

Industry	The numbers of CEO turnover	The percentage of industrial CEO turnover on all CEO turnover (%)
Agriculture, forestry, farming and fishing	28	2.21
Mining	13	1.02
Manufacturing	723	56.66
Utilities	42	3.31
Construction	18	1.42
Logistics	50	3.94
Telecommunications	93	7.33
Wholesale and retail commerce	79	6.23
finance, insurance	5	0.39
Property/ real estate	58	4.57
Social work	33	2.60
Media and culture	12	0.95
Mixed	115	9.38
Total	1269	100

Table1 provides the statistical results for the numbers of CEO turnovers, and the percentages of industrial CEO turnover on all CEO turnover. The results show that the top three industries about the number of CEO turnover are Manufacturing, Mixed and Telecommunications industries, the CEO turnover rate is 56.66 percent, 9.38

percent and 7.33 percent, respectively. But we cannot suggest that the highest industry about CEO turnover rate is Manufacturing. Because the number of Manufacturing is very large. For example, the percentage of the number of Manufacturing companies on all Chinese listed companies is 57.32 percent in 2004.

Table 2. The relative CEO turnover rate for each industry

Industry	Average number of CEO turnover 1	The number of listed companies in 20042	Relative turnover rate(%)3
Agriculture, forestry, farming and fishing	7.00	35	20.00
Mining	3.25	24	13.54
Manufacturing	179.75	791	22.72
Utilities	10.50	60	17.50
Construction	4.50	25	18.00
Logistics	12.50	57	21.93
Telecommunications	23.25	85	27.35
Wholesale and retail commerce	19.75	80	24.69
finance, insurance	1.25	9	13.89
Property/ real estate	14.50	56	25.89
Social work	8.25	37	22.30
Media and culture	3.00	10	30.00
Mixed	29.75	111	26.80

1. Average number of CEO turnover means the average number of CEO turnover per year during the

period 2001 to 2004;

2. The number of listed companies in 2004 means the

number of listed companies in each industry in 2004;

3. Relative turnover rate means (Average number of CEO turnover)/ (The number of listed companies in 2004).

Table2 provides the statistical results for the relative CEO turnover rate for each industry during the period from 2001to 2004. The results show that the top three industries about relative turnover rate are Media and culture, Telecommunications and Mixed industries, the relative CEO turnover rate is 30.00 percent, 27.35 percent and 26.80percent, respectively.

3.2 The publish reasons of CEO turnover

Table3 provides the statistical results for the publish reasons of CEO turnover during the period from 2001 to 2004. The results show that the publish reasons are job re-arrangement, retirement, expiry of tenure, resignation, personal reasons, control change, fired, perfecting the administration structure of company legal person, dual position is over, illegal, death/illness, no reason given and other. A deep analysis shows that job re-arrangement, resignation and expiry of tenure are the three mainly publish reasons, the rate is 31.54 percent, 22.30 percent, and 18.52 percent, respectively.

Table 3. The publish reasons of CEO turnover

The publish reasons of CEO turnover	Number	Percentage (%)
Job re-arrangement	446	35.14
Retirement	13	1.02
Expiry of tenure	235	18.52
Resignation	283	22.30
Personal reasons	16	1.26
Control change	10	0.79
Fired	52	4.09
Perfecting the administration structure of company legal person	51	4.02
Dual position is over	12	0.95
Illegal	2	0.16
Death/illness	39	3.07
No reason given	83	6.54
Other	27	2.13

3.3 The distribution of successor origin

Table4 provides the statistical results for the distribution of successor origin during the period from 2001 to 2004. The results show that inside successor rate is 49.01 percent; outside successor rate is 49.17 percent.

Successor origin	number	Percentage (%)
Inside	622	49.01
Outside	624	49.17
No successor	10	0.79
No publish	13	1.02

Table 4 The distribution of successor origin

3.4 The age when the predecessor departures

Table 5 The age when the predecessor departures

Age	Listed companies which CEO turnover took place		The distribution of CEO's age for all listed companies(%)
	The number of CEO turnover	Percentage (%)	
<=40	305	24.03	32.22
[41,45]	268	21.12	24.67
[46,50]	277	21.83	22.39
[51,55]	192	15.13	12.64
[56,60]	136	10.72	6.67
[61,65]	25	1.97	0.53
>=66	5	0.39	0.00
No reason given	55	4.33	0.62
Total	1269	100	100
Average age		46.44	44.49

Table5 provides the statistical results for the age when the predecessor departures, and the distribution of CEO's age for all listed companies. The results show that (1) take the listed companies with CEO turnover took place for instance, the percentage of the predecessor's age between 56 to 60 is 10.72 percent; the percentage of the predecessor's age between 61 to 65 is 1.97 percent. (2) take all listed companies for instance, the percentage of the predecessor's age between 56 to 60 is only 6.67 percent; the percentage of the predecessor's age between 61 to 65 is only 0.53 percent. (3) take the average age for instance, the average age is 46.44 years old when CEO steps down while CEO's average age is only 44.49 years old in all listed companies. As a result, we can suggest that CEO's age

have an impact on CEO turnover.

3.5 The education of the predecessor and the successor

Table6 provides the statistical results for the education when the predecessor departures, and the distribution of CEO's education for all listed companies. The results show that CEO's education in listed companies which CEO turnover took place will be lower lower than CEO's average education in all listed companies. So, we can suggest that CEO's education will have an important impact on CEO turnover in listed company.

Table 6. The education of the predecessor

Education	Listed companies which CEO turnover took place		The distribution of CEO's education for all listed companies(%)
	The number of CEO turnover	Percentage (%)	
College	19	1.50	1.43
3-year university	201	15.84	10.38
Bachelor	355	27.97	23.97
Master	272	21.43	21.29
Doctor	38	3.00	5.55
No given	384	30.26	37.39

Table7 provides the statistical results for the education of the successor. From table6 and table7, we

can suggest that the education of the successor will be higher than the education of the predecessor.

Table 7. The education of the successor

Education	The number of CEO turnover	Percentage(%)
College	10	0.79
3-year university	179	14.10
Bachelor	403	31.76
Master	389	30.65
Doctor	50	3.94
No given	238	18.75
Total	1269	100

3.6 The tenure of the predecessor

Table8 provides the statistical results for the tenure of the predecessor, and the distribution of CEO's tenure for all listed companies. The results show that CEO's tenure in listed companies which CEO turnover took place will be lower than CEO's average tenure in all listed companies. So, we can suggest that CEO's tenure will have an important impact on CEO turnover in listed company.

3.7 The distribution of CEO turnover in some listed companies

Table9 provides the statistical results for the number of CEO turnover in the same listed company. During the period from 2001 to 2004, the number of the company which CEO turnover took place was 823, the number of CEO turnover was 1269. 505 companies just took place CEO turnover one time, the percentage was 61.36 percent; 219 companies took place CEO turnover two times, the percentage was 26.60 percent; 99 companies took place CEO turnover more than three times during this four years.

Table 8. The tenure of the predecessor

Tenure	Listed companies which CEO turnover took place		The distribution of CEO's tenure for all listed companies(%)
	The number of CEO turnover	Percentage(%)	
1	451	35.54	7.74
2	280	22.06	11.96
3	268	21.12	73.35
4	34	2.68	0.70
5	16	1.26	0.26
6	9	0.70	0.18
>=7	12	0.95	0.44
No given	199	15.68	5.19
Total	1269	100	100

Table 9. The distribution of CEO turnover in some listed companies

The number of CEO turnover in the same listed company	The number of listed companies	Percentage (%)
1	505	61.36
2	219	26.60
3	66	8.02
4	21	2.55
5	8	0.97
6	4	0.49

CONCLUSION

In this paper, we present a panorama of the Chinese listed companies' CEO turnover. We can see that from 2001 to 2004, the top three industries about the number of CEO turnover are Manufacturing, Mixed and Telecommunications industries; the top three industries about relative turnover rate are Media and culture, Telecommunications and Mixed industries; job re-arrangement, resignation and expiry of tenure are the

three mainly publish reasons; the difference between inside and outside succession is not significant. A deep analysis showed that age, education and tenure have an important impact on CEO turnover in Chinese listed companies.

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