

[DOI: 10.20472/IAC.2016.027.001](https://doi.org/10.20472/IAC.2016.027.001)

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CEO TURNOVER AND FINANCIAL PERFORMANCE: EVIDENCE FROM TURKEY

Abstract:

The impact of corporate performance on the likelihood of voluntary or disciplinary CEO turnover has been a central research topic in finance. To date, the majority of the studies in the area focused on developed countries and documented a negative relationship between the two variables. However, considering institution differences and different corporate governance mechanisms in emerging markets, the results could differ in other countries. The objective of the present study is to investigate the relationship between CEO turnover and financial performance in an emerging market, Turkey. The sample includes non-financial firms listed on Borsa Istanbul and the period of analysis covers the years 2005-2014. A firm-year is defined as a turnover year if there was a change in the name of the CEO as announced in the company news. The empirical results are consistent with prior literature and indicate that financial performance is negatively associated with the probability of CEO turnover. The effect size is stronger in the case of disciplinary turnovers and findings are robust to alternative performance measures. These results suggest that corporate governance mechanisms are not ineffective in Turkey.

Keywords:

CEO turnover, financial performance, Turkey.