IJIRES Source of Knowledge

International Journal of Innovation and Research in Educational Sciences
Volume 4, Issue 3, ISSN (Online): 2349–5219

# The Effect of Chief Executive officer Turnover on Earnings Persistence

**Amy Fontanella**
(Politeknik Negeri Padang - Awardee of LPDP Scholarship)
Corresponding author email id: amyfontanella99@gmail.com

*Date of publication (dd/mm/yyyy): 24/05/2017*

*Abstract* — **The purpose of this research is to investigate the effect of Chief Executive Officer (CEO) turnover on earnings persistence. This research is conducted in 212 companies listed in Indonesia Stock Exchange (ISX), particularly the manufacturing (various industry, consumer goods, basic industry and chemical), trading, service, and also investment companies. The finding of this research is consistent with the hypothesis that CEO turnover has impact on earnings persistence in manufacturing, trading, service, and investment companies listed in ISX. Moreover, the result indicates that voluntary CEO turnover has a significant relationship with earnings persistence, but the forced one does not. The research proves CEO turnover as one of the most crucial corporate actions as this affects the company's accounting and market performance.**

*Keywords* — **CEO Turnover, Earnings Persistence, Manufacturing Companies, Indonesia**

## I. Introduction

Chief Executive Officer (CEO) turnover has been one of the most commonly discussed topics in accounting and management literature. Previous research have discussed various effects of CEO turnover (Pessarossi and Weill, 2013; Leker and Salamo, 1999; Kang and Shivdasani, 1996; Lausten, 2002; Farrel and Whidbee, 2002; Warner et al., 1988) and the causes which trigger the CEO turnover (Chang and Wong, 2009; Furtado and Rozeff, 1987). Relate to the effect of CEO turnover on some performance indicators and market reaction, literatures still find different impacts (inconclusive) ranging from positive, negative, and even insignificant.

Discussion about the impact of CEO turnover is very importantdue to some reasons. First, a CEO has a vital role to responsible for the company. Thus, the announcement of CEO turnover would definitely become an important corporate action for the related company. Second, CEO turnover might be followed by redefinition of vision, mission, and business strategy of the company. Subsequently, CEO turnover becomes an extensive discussion topic in numerous literatures.

In general, the CEO turnover could be classified as voluntary and forced. The voluntary one is conducted based on company's structure, done regularly, and well planned whereas the forced CEO turnover is irregular, unplanned, and only executed at a certain point of time. Forced CEO turnover includes resignation of the CEO and cessation or termination before the contract ends (Pourciau, 1993). Both categories would give different impact on the company's performance and value as a whole.

CEO turnover might cause different reactions in the capital market. Many research activities in the company level and cross-nation level were done. Weisbach (1988) found that the market reacted positively towards CEO turnover announcement in The USA while the on the other hand, Warner, Watts, and Wruck (1988) found that market did not react towards CEO turnover in The USA. Pessarossi and Weill (2013) found that the market reacted towards announcement of CEO turnover of companies whose stocks were mostly owned by Chinese government, but not towards other companies. Kang and Shivdasani (1996) concluded that there was a positive return when the top management of Japanese companies' turnover occurred and this positive influence was bigger if the turnover was forced. In line with Kang and Shivdasani (1996), Neumann and Voetmann (1999) discovered that the market positively reacted towards forced layoffs and negatively reacted towards voluntary resignations of companies listed in Copenhagen Stock Exchange. Nonetheless, in England, there was no market reaction around the announcement of CEO turnover.

From time to time, previous research have tested the effect of CEO turnover on company's performance. Lopez and Grybovsky (1997) found that there was a positive relationship between CEO turn over with market value of privatized state-owned companies. Megginson et al. (1994) and Barberis et al. (1996) proved that CEO turnover was one of the most important corporate actions as this could give impact on the company's profitability and performance. Yet some other research found that CEO turnover would not influence company's performance, particularly by reason of the fact that big companies must have well established system which would not be significantly affected by CEO turnover (Hannan and Freman, 1997; Lieberson and O'Connor 1972; Mintzberg, 1979).

Although there are plenty of literatures which discuss about CEO turnover, there is no particular research which investigatesthe effect of CEO turnover on company's earnings persistence yet. Earnings are perceived persistent if the current earnings could be used to measure the future earnings (Penman, 2003). Management (CEO) would give signal through the earnings persistence about wealth improvement to the stockholders. Quite often, the earnings persistence is used as one of management performance indicators and later on, be utilized as the basis to set company's management compensation (Ashley and Yang, 2004). When a company changes its CEO, a lot of aspects would be affected, including the current earnings to predict future earnings. CEO turnover which is generally set to enhance the company's performance and value would give impact on earnings persistence. The investors would value companies having earnings persistence high, and vice versa. Since earnings persistence is seen as one of

Copyright © 2017 IJIRES, All right reserved

management performance indicators, not only in the short term but also as company's profitability in the long term, then CEO turnover would give influence to earnings persistence (Ashley and Yang, 2004).

Based on the aforementioned background, we could see various empirical proofs about theeffect of CEO turnover on company's performance, be it regarding accounting and the market. Even so, those literatures have not specifically seen the influence of CEO turnover on earnings persistence. Earnings persistence is an indicator which shows company's performance and reflects effort that a CEO has made to improve wealth of the stockholders (Ashley and Yang, 2004). For that reason, this research would investigate these following issues: (a) Would CEO turnover influence current earnings persistence to predict future earnings persistence? ; (b) How would CEO turnover, both voluntary and forced, influence the company's earnings persistence?

This research is conducted in manufacturing and trading companies listed in Indonesia which changed their CEOs in 2010. This research is expected to enrich literatures by providing empirical evidence concerning the effect of CEO turnover on earnings persistence which was never addressed in any former literature. Moreover, this journal aims for providing proofs about the effect of voluntary and forced CEO turnover on company's earnings persistence. Companies, as well as investors and stockholders, might use this analysis as a reference for further decision making.

## II. Literature Review and Hypotheses Development

### *CEO Turnover*

CEO turnover is considered as an important corporate action and decided by the Annual General Meeting (AGM). The change in CEO position is a transformation of person in charge who acts as CEO, president, or chairman of the board (Warner et al., 1988). CEO turnover is typically followed by redefinition of vision, mission, and business strategy that later on would trigger organizational reshuffle in order to adjust to the company's new formula of vision, mission, and strategy. A CEO turnover is determined by AGM as the CEO is responsible to the shareholders. Information about assignment and termination of CEO could be found in formal announcement which is usually published by the issuer company in mass media.

A concept which underlies relationship between CEO turnover and other factors is the agency theory. Asymmetric information which happen between CEO as an agent with investors as the principals might cause conflict of interest between these two parties. A CEO would tend to optimize his/her own wealth by expropriating interest of the investors. Furthermore, monitoring agent behavior would be very costly for the principals so they tend to monitor the result instead. Other previous literatures found that the effect of CEO turnover on performance indicators and company's value was influenced by the type or cause of the change. Overall, CEO turnover could be classified involuntary CEO turnover and forced CEO turnover.

CEO voluntary change is the turnover which is done based on the company's structure on a regular basis and well planned. This kind of change is triggered by the fact that the CEO has entered retirement period, is in unwell condition, deceased, or has finished his/her contract.

Involuntary CEO change happens by force. This forced turnover is irregular, unplanned, and executed at a certain point of time. This includes resignation of the CEO and cessation or termination before the contract ends. During this turnover period, the company would not have appropriate time to appoint new CEO.

Pourciau (1993) stated that the probability for earnings management to happen would be bigger in the forced case. Pourciau also said that there was a decrease of company's performance as the profit fell in the year when involuntary CEO turnover occurred, but then it would get better in the following years. This profit increase could enhance trust of the investors on company's performance after the forced executive turnover.

### *Earnings Persistence*

Earnings persistence indicates the earnings in the following period (future earnings) repeatedly generated by a company (repetitive) in the long term (sustainable) (Penman, 2003). The earnings that could demonstrate good signal for success is the ones that grow and stable, or we call sustainable. Sustainable earnings are the high quality earnings used as the future earnings indicator, or in another term are called earnings persistence (Sloan, 1996; Dechow and Dichev, 2002; Francis et al., 2004).

Literatures demonstrate numerous techniques to measure earnings persistence. Sloan (1996), referred to Freeman (1982), measured earnings persistence from the relationship between current earnings and future earnings performance. Earnings are defined as the result of division of operational profit by total assets. Dechow and Dichev (2002) measured earnings persistence based on accrual quality; where accrual quality was defined as error estimation of accrual working capital regression. While Francis et al., (2004) measured earnings persistence from the coefficient slope of current earningsonlagged earningsregression. Earnings are defined as profit generated from the normal activity (net income before extraordinary items). While Ecker et al., (2006) measured earnings persistence from the result of current earnings per share on lagged earnings per share regression. These variations to measure earnings persistence are based on the same concept that earnings are indicators for future earnings estimation.

### *Previous Research and Hypotheses Development*

Previous research have empirically tested the effect of CEO turnover on company's performance. Lopez and Grybovsky, 1997 found positive and significant relationship between CEO and market value of privatized state-owned companies. In line with Lopez Grybovsky (1997), Barberis, et al. (1996) found that a company's profitability was very dependent on competence of its CEO. The CEO turnover was also proved to enhance company's effectiveness and efficiency (Megginson, etal.

Copyright © 2017 IJIRES, All right reserved

IJIRES Source of Knowledge
International Journal of Innovation and Research in Educational Sciences
Volume 4, Issue 3, ISSN (Online): 2349–5219

1994).

Yet, the positive relationship between CEO turnover and performance isnot robustly found in all literatures. Hanna and Freman (1997) found that companies, particularly the big ones, have well established system so that the leader change or turnover would not influence the companies' performance. In accordance with this finding, Lieberson and O'Connor (1972), also Mintzberg (1979), have concluded that a leader change would not give any influence to performance. Some other researchers found the contrary condition where CEO turnover negatively influenced company's performance (Pleffer and Blake, 2007).

Research about market reaction due to CEO change has been widely explored by some researchers ending up in different results. Warner et al., (1988) who managed to conduct their research in The USA on CEO turnover during 1962-1978 found that market did not react towards the announcement of CEO turnover. On the other hand, other research found that there was positive abnormal returns as a result of announcement of CEO change (Kang and Shivdasani, 1996). Dedman and Lin (2000) found that announcement of CEO change was often done at the same time when other news were spread, for instances, earnings and dividend announcement. Hence, there was no specific market reaction towards the CEO turnover phenomenon as it was announced together with those other news.

The influence of CEO turnover on earnings persistence of a company has never been directly investigated. However, prior research papers have found that earnings persistence was company'slong term performance indicator (profitability) which was usually used as a base to determine compensation payment for management/CEO (Ashley and Yang, 2004). CEO turnover would influence company's performance, including the ability to predict its future earnings. CEO turnover which generally is aimed for enhancing the company's performance and value would give impact on earnings persistence. As this earnings persistence is noticed as one of company's management performance indicators, not only in a short term but also ascompany's profitability in the long term, then CEO turnover would give effect on earnings persistence (Ashley and Yang, 2004). Based on this literature, this research formulates a hypothesis as follows:

***H1. CEO turnover has effect oncompany's earnings persistence***

Voluntary CEO turn over and the forced one would differently give influence to market reaction. Forced turnover was proved to trigger more positive returns (Kang and Shivdasani, 1996). Jenter and Fadi (2006) who specifically classified CEO turnover into three categories found that market reacted in different ways due to the turnover type. They would react positively if the CEO turnover was forced and negatively if it was voluntary. As previous research identified positive relationship between earnings persistence and market reaction, utilizing analogy of the effect of CEO turnover on earnings persistence, then this research formulates the following hypotheses:

***H2a. Voluntary CEO turn over has no effect on company's earnings persistence***

***H2b. Forced CEO turnover has effect on company's earnings persistence***

## III. Research Method

### *Sample and Data Source*

This research uses data of ISX listed companies, particularly the manufacturing (various industry, consumer goods, basic industry and chemical), trading, service, and investment companies. Final samples are 212 companies in total after samples with insufficient data are taken out. For further investigation, the research also distinguishes the samples into two groups of subsample; companies with voluntary CEO turnover and companies with forced CEO turnover. The CEO turnover data is collected through AGM and Extraordinary General Meeting (EGM) held by the companies during 2010. The year 2010 is used as in the additional analysis, earnings persistence would be tested with interval of one and two years ahead (2011 and 2012). Earnings data for measuring the persistence is collected from annual reports of those companies.

### *Model Development and Variable Operationalization*

This research is designed to provide empirical evidence about the effect of CEO turnover on earnings persistence. Earnings persistence is calculated in regard to Francis et al. (2004) which used the regression result of current extraordinary item (EBIT) on EBIT in the following period. This is based on the argumentation that EBIT are the earnings obtained by the company in a long term (as long as the company operates normally). Afterwards, earnings persistence, which is based on EBIT, is used as signal for dividend yield growth; where dividend is seen as one success indicator for investors (Francis et al, 2004).

Regression model for earnings persistence measurement used in this research is as follows:

$$E_{t+1} = \alpha_0 + \alpha_1 E_t + e \quad (1)$$

This model is then expanded to assess general effect of CEO turnover on earnings persistence using several controlling variables:

$$E_{t+1} = \beta_0 + \beta_1 E_t + \beta_2 TO_t + \beta_3 E_t * TO_t + \beta_4 ROA_{t+1} + \beta_5 SIZE_{t+1} + e \quad (2)$$

This model would also be expanded to test the effect of both voluntary and forced CEO turnover on earnings persistence:

$$E_{t+1} = \gamma_0 + \gamma_1 E_t + \gamma_2 TTO_t + \gamma_3 E_t * TTO_t + \gamma_4 ROA_{t+1} + \gamma_5 SIZE_{t+1} + e \quad (3)$$

Where : Et = EBIT on yeart
:Et+1 = EBIT on yeart+1
:TOt = CEO turnover on yeart
:TTOt = CEO turnover type on year t
:ROAt+1 = Return on Asset on yeart+1
:SIZEt+1 = Company's size (Ln of total asset) on yeart+1:e = error

Earnings persistence indicates the earnings in the following period (future earnings) repeatedly generated by

Copyright © 2017 IJIRES, All right reserved

a company (repetitive) in the long term (sustainable) (Penman, 2003). The earnings that could demonstrate good signal for success is the ones that grow and stable (sustainable). In this research, earnings persistence is measured by regression of current EBIT and EBIT in previous year, following the concept of Francis et al (2004) as seen in model 1. CEO turnover (TO) is measured using dummy variable, where 1 is applied if there is a CEO turnover and 0 if there is not. The CEO turnover type in model 3 is also measured with dummy variable; 1 for voluntary turnover and 0 forthe forced turnover. Type of the turnover is classified voluntary if executed through AGM mechanism while forced turnover is decided under the procedure of EGM. In this research, controlling variables which influence earnings persistence; Return on Asset (RoA), and the company's size (normal logarithm of total assets) are also used.

## IV. Result and Analysis

### *Descriptive Statistics*

Companies used as samples in this research are manufacturing companies which are comprised of various industry, consumer goods, and basic industry and chemical having 126 companies in total. Plus, there are 86 companies in trading, service, and investment field.

Out of 212 samples in the year of 2010, 99 (53%) of the companies in this research changed their CEO and kept their same CEO until 2012. The rest did not change their CEO during 2010. As explained before, the CEO turnover could be voluntary or forced. 55 companies did regular CEO change by AGM mechanism whereas the other 44 did it involuntarily by organizing EGM.

Based on descriptive statistics of the samples in this research, their EBIT increase in all three years of observation period.

### *Model and Hypotheses Analysis*

The result of statistical test towards the research model shows that independent variable could explain variation of dependent variables well. This could be shown from the significant F-statistic number on 1% level and also the adjusted $r^2$ which reaches 91% on model 1 and 82% on model 2. Table 1 shows correlation between variables used and the result indicates less than 8% correlation coefficient which proves that multi collinearity does not exist in this research.

**Table 1.** Correlation

| Covariance | | | | |
|---|---|---|---|---|
| Correlation | EBITt | TO | ROAt+1 | SIZEt+1 |
| EBITt | 2.09E+12 | | | |
| | 1.000000 | | | |
| | | | | |
| TO | 45197.64 | 0.248910 | | |
| | 0.062641 | 1.000000 | | |
| | | | | |
| ROAt+1 | 55360.82 | -0.007866 | 0.051060 | |
| | 0.169405 | -0.069774 | 1.000000 | |
| | | | | |
| SIZEt+1 | 1088973. | 0.049532 | 0.001319 | 2.927369 |
| | 0.440088 | 0.058027 | 0.003411 | 1.000000 |

Table 2 shows the regression results. To test hypothesis 1, this research uses model 2 in order to see the effect of CEO turnover on the company's earnings persistence.

**Table 2.** Regression result (Model 2)

| Variables | EBIT t+1 |
|---|---|
| Intercept | 1.79 |
| EBITt | 19,59*** |
| TO | 0,51 |
| EBITt*TO | 2,48*** |
| ROA | 1,65* |
| SIZE | -2,04** |
| Adj.R2 | 0,91 |
| F-statistic | (0.00)*** |
| N | 212 |

***Note:*** ** significant at p<0.1; ** significant at p<0.05; *** significant at p<0.01; EBITt = Earning Before Interest and Tax year t, TO= CEO Turn Over; ROA=Return On Asset; SIZE= Ln of Total Asset; TTO=Turn Over Type*

The regression result shows that CEO turnover significantly influences earnings persistence. Significant positive coefficient of β3 is consistent with hypothesis 1. This shows that overall, CEO turnover would increase earnings persistence as the CEO is perceived to put the best effort in order to improve the company's operational performance. Subsequently, this would generate earnings that could reflect the company's ability to obtain earnings in the future. This result is consistent with some previous literatures which found positive relationship between CEO turnover and company's accounting performance (Lopez, 1997 and Megginson, 1994), also the positive influence of CEO turnover towards company's market performance (Weisbach, 1988). Coefficient of CEO turnover (TO) also directly and significantly influences earnings in the following year but the significant level is weaker than coefficient β3. Controlling variables; the ROA and SIZE, also have significant influence.

To test hypotheses 2, the research classifies samples into companies which changedtheir CEOs voluntarily and companies that did forcedchange of CEO through EGM. The regression result shows that forced CEO turnover has influence on earnings persistence while the voluntary CEO turnover has no significant influence. This is in line with the research of Dhermen and Ferere (2000), as well as Warneret al., (1988). The result shows that forced CEO change gives signal about company's decreasing performance so that CEO turnover would be able to boost the performance and increase the company's earnings persistence. Controlling variable ROA is insignificant while SIZE is on the contrary, significant. Table of the regression test result is shown as follows.

**Table 3.** Regression result (Model 3)

| Variables | EBIT t+1 |
|---|---|
| Intercept | 3,31 |
| EBITt | 16,09*** |
| DTTO | -1,47 |
| EBITt*DTTO | 2.05** |
| ROA | 0,34 |
| SIZE | -3,38*** |
| Adj.R2 | 0,82 |
| F-statistic | (0.00)*** |
| N | 97 |

Copyright © 2017 IJIRES, All right reserved

***Note:*** ** significant at p<0.1; ** significant at p<0.05; *** significant at p<0.01; EBITt = Earning Before Interest and Tax year t, TO= CEO Turn Over; ROA=Return On Asset; SIZE= Ln of Total Asset; TTO=Turn Over Type*

This research also tests the effect of CEO turnover on earnings persistence with one year ahead lag. The test result shows accordance with prior research which found that CEO change was a significant influence for the company's earnings persistence. Same case happens with forced CEO change which influences the company's earnings persistence. In conclusion, the CEO turnover relates to the company's profitability in the long term and has impact on earnings persistence.

## V. Conclusions and Suggestions

This research aims for investigating and giving empirical proofs about the effect of CEO turnover on earnings persistence. This research also classifies the CEO turnover type into voluntary based on the company's structure, regular and well planned turnover while the forced one is the turnover which is unorganized, unplanned, and only executed at a certain point of time.

The finding of this research is consistent with the hypothesis which shows that there are effects of CEO turnover on earnings persistence in the manufacturing, trading, service, and investment companies listed in ISX. Another finding is that voluntary CEO turnover is positively significant while the forced one does not give any impact on earnings persistence. This indicates that the CEO turnover is one of the most crucial corporate actions for the company itself as this would generally give effect on the accounting and market performance.

This researches conducted using cross-sectional method for manufacturing, trading, service, and investment companies so that the generalization ability is limited. The research employs sole earnings persistence measurement technique so further research might apply some other earnings persistence calculation approaches. Additionally, this research has not investigated the effect of CEO turnover from internal or external party of the companies so that further research might address this issue. This research is expected to provide literature enrichment by giving empirical evidence about the effect of CEO turnover on earnings persistence which was not adequately explored before. Besides, this could be treated as a reference for investors to take actions or make policies regarding occurrence of CEO turnover.

## Acknowledgment

I would like to thank the Financial Support Department of the LPDP (Indonesia Endowment Fund for Education).

## References

[1] Ashley, Allan S and Yang, Simon MS. (2004). Executive compensations and earnings persistence. *Journal of Business Ethics*. Vol.50 pp 369-382.

[2] Barberis, Nicholas. Boycko, Maxim. Shlefer, Andrei and Vishny, Robert W. (1996). A theory of privatization. *Journal of Finance Economics* Elsevier. vol. 35 (2).

[3] Chang, E. C., & Wong, S. M.L. (2009). Governance with multiple objectives: Evidence from top executive turnover in China.*Journal of Corporate Finance*, 15, 230–244.

[4] Dechow, P.M. and I.D. Dichev. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, Vol. 77, Supplement:35 – 59.

[5] Dedman, Elisabeth and Stephen, W.J. Lin. (2000). Shareholder wealth effects of CEO departures: Evidence from the UK. Available, http://www.ssrn.com

[6] DeFond, M.L. and C.W. Park. (2001). The reversal of abnormal accruals and the market valuation of earnings surprises. *The Accounting Review*, Vol. 76, No. 3, July: 375 – 404.

[7] Ecker, F.; J. Francis; I. Kim; P.M. Olsson; and K. Schipper. (2006). A return-based representation of earnings quality. *The Accounting Review*, Vol. 81, No. 4, July: 749 – 780.

[8] Farrell dan Whidbee. (2003). The impact of firm performance expectations on CEO turnover and replacement decisions. *Journal of Accounting & Economics*. vol.36, hal. 165-196.

[9] Francis, J.; R. LaFond; P.M. Olsson; and K. Schipper. (2004). Costs of equity and earnings attributes. *The Accounting Review*, Vol. 79, No. 4, Oktober: 967 – 1010.

[10] Freeman, R.; J. Ohlson; and S. Penman. (1982). Book rate-of-return and prediction of earnings changes: an empirical investigation. *Journal of Accounting Research,* Vol. 20, Autumn: 3 – 42.

[11] Furtado, E. P., & Rozeff, M. S. (1987). The wealth effects of company initiated management changes. *Journal of Financial Economics*, 18, 147–160.

[12] Hannan, M.T. and Freenan, J.H., (1997). The population ecology of organizations.*The America Journal of Sociology*.Vol.82, pp. 929 – 964.

[13] Jenter, Dirk and Fadi Kanaan. (2006). CEO turnover and relative performance evaluation. Available, http : //www.ssrn.com

[14] Kang, Jun-Koo dan Anil Shivdasani. (1996). Does the Japanese governance system enhance shareholder wealth? Evidence from stock price effects of top management turnover. *The Review of Financial Studies* 9 (Winter):1061-1095.

[15] Lausten, Mette. (2002). CEO turnover, firm performance and corporate governance: empirical evidence on Danish firms. *International Journal of Industrial Organization* 20pp 391–414

[16] Leker, Jens and Salamo, Sorens. (1999). CEO turnover and corporate performance. *Scandanivian. Journal of Management*. 16 pp 287-303

[17] Liberson, Stanley and O'Connor, James.F. (1972). Leadership and organizational performance: a study of large corporations. *America Sociology Review*.Vol. 30 no.2

[18] Lopez, Da Silva dan Grybovski Sr. (1997). Corporate governance, performance and CEO turnover : A comparative study between family. *Recife Finance Lab Working Paper*. No. 001-2006.

[19] Megginson, William L. Nash, Robert C and Van Radenborgh, Matthias. (1994). The financial and operating performance of newly privatized firms: An international empirical analysis. *Journal of Finance*. Pp.403-452.

[20] Mintzberg, Henry. (1979). The structuring of organizations: A synthesis of research. Prentice Hall.

[21] Neumann, Robert and Torben Voetmenn. (1999). CEO turnovers and corporate governance: Evidence from the Copenhagen Stock Exchange. Article presented at the 26 th Annual Meeting of the European FinanceAssociation: August 25-28

[22] Penman, S.H. (2003). Financial statement analysis and security valuation. Second Editon: McGraw Hill.

[23] Pessarossi and Weill. (2013). Does CEO turnover matter in China? Evidence from the stock market. *Journal of Economics and Business*70 (2013) 27–42

[24] Pfeffer, J. And Davis-Blake, A. (1986). Administrative succession and organizational performance: how administrator experience mediated the succession effect. *Academy of Management Journal*. Vol.29.pp.72-83

[25] Pourciau, Susan. (1993). Earnings management and nonroutine executive changes. *Journal of Accounting and Economics* 16: 317-336.

[26] Sloan, R.G. (1996). Do stock prices fully reflect information in accruals and cash flow about future earnings?. *The Accounting*

Copyright © 2017 IJIRES, All right reserved

*Review*, Vol. 71, No.3, July: 289 – 315.
[27] Warner, Jerold B. Ross, L. Watts and Karen H. Wruck.( 1988). Stock prices and top management changes. *Journal of Financial Economics* 29:461-492.
[28] Weisbach, Michael S. (1988). Outside directors and CEO turnover. *Journal of Financial Economics* 29:431-460

## AUTHOR'S PROFILE

**Amy Fontanella** was born in West Sumatra, Indonesia in 1999. She received master degree in Accounting from Andalas University, Indonesia in 2010. In 2013, she was doing Ph.D in Accounting at University of Indonesia.
In 2003 she joined the Department of Accounting Politeknik Negeri Padang as a lecturer. Her current research interest include public and private sector accounting, accounting education and managerial accounting.

Copyright © 2017 IJIRES, All right reserved