The Effect of Degree of CEO Turnover on Firm Performance in High-tech vs. Low-tech Firms: Evidence from Turkey

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The main responsibility of Chief Executive Officer (CEO) is to form and implement strategic goals, policies and plans of the firms. Researchers showed that the change of CEO who is on the top position of the organization has positive or negative impacts on firm performance. The decision of CEO's change and who will be the new CEO is an extremely important issue especially for the firms. The change of CEO in the firms is carried out in two ways. The first is an external mandatory change occurred as a result of deterioration of their financial performance due to ***economic crisis***, intense competition and other compelling reasons. In this case, there are performance improvements expectations by changing the CEO with identified a new and better strategies. The second is an internal voluntary change that occurs when the CEO resigns because of better career expectations and opportunities. In this case, board of directors often selects a new CEO from among the members of the board of the directors who knows well firm's current valid long-term strategies goals, policies and strategies. As result of this change, the new CEO does not major changes in the firm. Thus, firms generally do not face a bad performance.

In the literature, It is not yet seen any study which measures the impact of the degree of CEO turnover on the firm performance in Turkey. In the international literature, factors that determine the rate of CEO turnover have not been examined by differentiating the high-tech and low-tech firms yet. In this study, it is primarily aimed to determine the effect of the CEO turnover rate on the firm financial performance in the 175 firms registered and traded in the İstanbul Stock Exchange (ISE) between the years 2005-2011. It is secondly aimed to find out if there are differences in terms of the affects of CEO turnover rate on financial performance in the high-tech and low-tech firms. The degree of CEO turnover is used as the dependent variable in this study. On the other hand, Return on Assets (ROA) Return on Equity (ROE) and Tobin's q(Q) are used as performance indicators or measures. Other independent variables are firms' sales, total assets, leverage ratio and liquidity level. Hypotheses developed will be tested by analysis examining the interactions between the degree of CEO turnover and financial performance indicators, leverage and liquidity ratios. In addition, factors that effect CEO turnover rate will be determined in the high-tech and low-tech firms and then similarities and differences among these firms will be exposed.

Keywords: Firm Performance, Ceo Turnover, Turkey, ROA, ROE.