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THE ATTRIBUTES OF CEO SUCCESSION IN TURKISH BANKING SECTOR

Master of Business Administration Thesis

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INTRODUCTION

Administrative succession, executive succession, managerial succession, "passing the baton", and "CEO transition" are expressions which signify a change at the top of a firm. CEO change is different from other changes in a firm, because its results influence the members of the organization and the firm's economic and political environment (Brady and Helmich, 1984). The title CEO embodies last legal power and responsibility in today's corporation (Vancil, 1987).

According to Kesner and Sebora (1994), studies of succession are classified in three major categories: (1) antecedents of succession; (2) the succession event itself such as the process, the candidate, and the selection decision; and (3) studies of consequences of CEO changes. The articles reviewed by Giambatista et al. in 2005 were classified into three groups: (1) succession antecedents, (2) succession consequences, and (3) studies about both antecedents and consequences of succession. In this study, the aim is to examine the antecedents of executive succession and to find out the influencing factors of succession in Turkish Banking sector.

The banking sector, in Turkey, experienced a rapid growth in the 1990s. During this period, the number of banks has rapidly increased and several CEO successions have occurred. However, the lack of succession studies in Turkish management literature is worth noting. In this empirical study, I intend to unveil the interactions between succession frequency in the Turkish banking sector and various organizational factors such as size, performance, ownership, and age. This industry was specifically preferred because of the depth and comprehensiveness of longitudinal data available on these firms, especially information on firm size, ownership, as well as the information on chief executive succession.

PART I. LITERATURE REVIEW

Chapter I. CEO Succession

Section I. Definition of the Succession

Brady and Helmich (1984) define executive succession as the turnover of the strongest person in an organization who monitors and leads the attempts of the organization in the direction of its objectives. It is usual to encounter synonyms such as administrative succession or management succession used interchangeably with executive succession since the beginning of the research in this area (Brady and Helmich, 1984, pg.6).

CEO succession is found to be the second most important issue challenging boards of directors, in a survey about public corporations' CEOs handled by the US National Association of Corporate Directors. The top five issues identified as the most important by public-company CEOs were: 1. Corporate performance (28%), 2. CEO succession (25%), 3. Strategic planning (15%), 4. Corporate governance (10%), 5. Board-CEO relations (6%) (Biggs, 2004).

In their book *Executive Succession*, Brady and Helmich (1984) talked about the lack of systematic researches about the subject. In the arguments of Brady and Helmich, it is emphasized that succession is "*traumatic*" for any organizations and that it influences both the members of the organization and the firm's economic and political atmosphere (Kesner and Sebora, 1994).

Executive succession illustrates a political environment, with the stability or disruption of management at the post and the understandable formation of winners and losers. Succession at the top causes expectation, panic, or simply concern of organizational elements and other stakeholders. Therefore, it is not uncommon that a great number of researches focused on executive succession, which has developed

exponentially together with other research on top executives (Brady and Helmich, 1984, pg.163).

People resign from top positions in organizations for several reasons: death, illness, movement to a more advantageous position, promotion, demotion or dismissal. The last three reasons diverge from the others, because these events are likely to be directly regulated by the organization (Brady and Helmich, 1984, pg.3).

According to some researchers, organizations mirror their top managers and their decisions. It is the CEO who generally represents the organization to stakeholders (e.g., shareholders, suppliers, customers, the public, the government). The CEO signifies the last decision-maker and the person with complete power. External parties tend to regard successions as an indicator about the institution's future (Beatty and Zajac, 1987). Similarly, the success and failure of CEOs are often interpreted as the success and failure of the firm. CEO succession becomes a crucial event for nearly all organizations.

CEO succession is regarded as different from turnover at lower levels, because of the invasive impact of the CEO on the firm and the symbolism of succession.

CEO succession is also a unique case, because of the nature of the CEO's job: it differs substantially from other organizational positions (Kesner and Sebora, 1994).

Another distinction is the rate of turnovers. CEO succession is relatively uncommon. At the seminars conducted by Vancil (1987), each group was asked the "right" tenure for a CEO. The agreement was approximately for ten years, plus or minus two, with a minimum of five years. A noteworthy point was that some CEOs' tenures were too long. Consequently, the demographic analysis discovered that the tenure problem is resolved by selecting a new CEO who is the "right" age when appointed (Vancil, 1987).

Different from turnover at lower degrees in the organization, CEO succession decisions frequently depend on individuals who may be relatively strange to the organization and its internal processes. In most large firms, boards are mostly formed of outside directors (i.e. non employees) who encounter fewer than ten times a year.

Because of these reasons - the nature of the job, the infrequency of turnover, the visibility of the event, and the background of the decision-makers, CEO succession is crucial, yet unique and different from turnover at other levels (Kesner and Sebora, 1994).

A. The Development of Succession Research from 1950s to 1970s

Executive succession as formal subject of study of social science most likely stemmed from Max Weber's classical works on bureaucracies (Brady and Helmich, 1984, pg.4).

Kesner and Sebora, in their article written in 1994, have reviewed executive succession literature in 3 stages. The first period is from the 1950s to the 1960s, the second covers the 1970s and the third is from the 1980s to 1994 (Kesner and Sebora, 1994).

The succession literature initiated with three theories of succession related to performance: "Common Sense Theory, Vicious Cycle Theory and Ritual Scapegoating Theory". These three theoretical perspectives contributed the most to the researches of the 1960s.

The first theory, the common-sense theory, proposed that the replacement of a firm's chief executive officer was caused by poor performance. Consecutively, this succession was believed to conduct to performance improvements. It is thought that top level executives were responsible of maximizing stockholder wealth. While the former chief executive might not have been capable of increasing the firm's profit or performance, it is assumed that the new CEO would be competent in applying the necessary changes.

According to the second theory of succession, the vicious cycle perspective, new leaders were likely to disturb existing system and network of relations in the organizations, and thus, intensify instability and ambiguity. The new policies initiated by the succession created the necessity for reorganizing primary relationships. In general, this type of change frustrated the company's performance, because remaining organizational members were concerned about loosing their security, status, or power under the new leadership.

The third theory of succession, entitled as ritual scapegoating, suggested that managerial succession did not significantly affect organizational performance. Theorists supporting this perspective argued that poor performance conducted to change; however, the manager was simply used as a "scapegoat" or random objective. These phases of low performance were considered short-term. Therefore, while performance might increase executive changes, succession simply reassured that the organization as a whole did not stand poor performance (Dalton and Kesner, 1994).

According to Kesner and Sebora, despite some discussions concerning the origins of succession as a research topic, few investigated the noteworthy contribution of Oscar Grusky throughout the 1960s. Grusky (1960) pointed out that the field required systematic investigation, placing the succession literature on a more scientifically rigorous course of study. Grusky was one the first authors to discover main variables in the succession equation, to establish a research model, and to test hypotheses.

The studies of 1960s can be classified in four main groups: successor origin, the impact of organizational size on succession frequency, the relationship between succession frequency and subsequent firm performance and succession contingencies.

Successor Origin. Carlson (1961) and Grusky (1964) were among the firsts to regard successor origin as an essential variable. They contributed to the literature in two points. First, they defined insiders and outsiders. Second, they constructed a preliminary point for examining the relation between succession and its consequences.

Organizational Size and Rate of Succession. The results of the studies in this area contributed in three points. First, succession rates depended on the size of the firms. Second, larger firms had more frequent successions, because they might manage by reasonable ways the troublesome consequences caused by succession in main positions in the organization. Thirdly, informations, created by these studies, repeated the outcomes discovered in the successor origin area. While, researches in this area formed a coherent point about the value of size concerning succession, there

were little reliable explanations about the manner and the reason of the existing relationship.

Succession Rate and Post- Succession Performance. This stream founded the "three theories of succession": common sense theory, vicious cycle theory and ritual scapegoating theory.

Succession Contingencies. Researchers concentrated on two categories of contingency variables. The first type contained the individuality of the successor such as leadership style. The second group concerned organizational features.

B. Succession Research from 1970s to 1980s

Similar to the period of the 1960s, a great deal of the work in 1970's focused on two main areas: (1) successor origin; and (2) succession frequency. In addition, during this period, concentration on successor characteristics and the role of corporate boards considerably rose. In the second research interest, researchers confronted the difficult questions about the decision-making procedure and decision-makers.

Successor Origin. Similar to the successor origin research of the 1960s, studies in this stage initiated with researchers explaining the terms "insiders" and "outsiders".

Outsiders were described as individuals away from the prior managers' executive role grouping. It is known that an outside successor could be from within the organization, but not from the "in-group" or "dominant coalition" of the prior CEO. Insiders were related to less organizational modification (i.e., less personnel turnover and less positional changes) than their outside equivalents.

Although most successor origin work examined the consequences, some authors engaged in two new research questions: (1) antecedents of origin; and (2) patterns. In environmental context, for instance, Pfeffer and Leblebici (1973) discovered that in more competitive industries, executives are likely to be insiders and have longer tenures than competitive industries. These works considered succession over a multi-year period.

Succession Frequency. Researchers in the 1970s also investigated the rate of succession. Both the antecedents and consequences of succession frequency were

emphasized. Leadership characteristics, changes in corporate structure such as merger activity environment (Crain et al., 1977) were the most frequently studied antecedents.

Successor Characteristics. Researchers in the 1970s concentrated more on this subject than did those of 1960s. Leadership style was the most commonly examined characteristic.

Succession and the Board of Directors. The link between the board of directors and the CEO succession was a new subject in the 1970s. During this period, two issues concerned the researchers: (1) the relationship between board characteristics and succession; and (2) the board's participation in the succession decision.

C. Succession Research from 1980's to 1990's

The focus of the early studies vis-à-vis the board's role during succession was restricted. Directors were frequently considered *"rubber stamps"* in most corporate decisions containing succession. In reality, the literature of this period supposed that in the case of a difference of opinion between the board and its CEO, it was more probable for directors to quit than start CEO succession. This signifies that Boards were occasionally the origin or troublemaker of succession.

The 1980s signified a time of reflection for succession researchers. Three literature reviews were written during this period. The first, belonging to Gordon and Rosen (1981) went over the literature and then, recommended a model for future succession research. Kohler and Straus (1983) also presented a concise review of the succession literature. Finally, the third review by Brady and Helmich (1984) contained theoretical and practitioner considerations on succession (Kesner and Sebora, 1994).

James Hall (1976) divided the literature regarding executive succession in two groups. One category concentrated on the antecedents, processes, and consequences of the succession event. The second category explained the characteristics, traits, and origins of successors. The implied worth of studies in this grouping was that by means of the recognition of qualities familiar to effective CEO successors, future talented CEOs could be chosen with better exactitude.

Pfeffer and Salancik (1977) categorized executive succession literature in three groups; each distinguishing the character of some associated facts. One category was about the relationship between successor tenure (or rate of succession) and the organizational size. A second category explained the effect of organizational effectiveness on the rate of executive succession. The focal point of studies in the third category was on the origin of the executive successor and the relationship of the origin with certain important results of the organization such as organizational growth, change and effectiveness. (Brady and Helmich, 1984, pg.7)

In addition, newer areas, like succession process and matching managers to firms, were enlarged, and still other subjects, like market reaction to succession, were investigated for the first time.

Successor Origin. Successor origin continued to be a key variable in the studies of the 1980s and 1990s. Three new characteristics of successor origin were added to the studies: the relation between presuccession firm performance and the origin, the relationship between successor origin and the post-succession firm performance and the relationship between origin and post-succession performance after considering presuccession performance.

Succession Frequency. In situations where succession frequency was considered the dependent variable, the results were coherent. Studies, which examined internal factors associated with succession frequency, discovered that lower succession rates were related to: (1) greater common values in organizations; (2) CEO's ownership status; (3) the capacity of present CEOs to manage the process; (4) ownership modifications; and (5) firms' financial plans.

Succession Consequences. Succession researchers used change as a dependent variable and post-succession performance. There were also several studies which discovered succession's effect on performance, on organizational members and changes in strategy and structure.

Succession and Firm Performance from Market Side. As stated by some researchers, performance was frequently determined by techniques that were imprecisely related to the successor, while employed as the dependent variable.

Consequently, it was not unexpected that leadership changes influenced little financial results.

From 1985 to 1990, various studies considered the relationship between CEO succession and market reaction. These studies achieved two important purposes. First, they tried directly to resolve certain contradictions which distressed the issue. Second, they led into more delicately elaborated variables and a new method of performance measures

Succession Planning. The focus of the studies of this period was often narrow and little effort was devoted to analyze the propositions of presuccession planning on post-succession performance.

Dimensions of the Succession Process. The researchers about succession process proposed that succession systems were most advantageous when they generated a *"seamless"* permanence in leadership. In contradiction, whereas top executives were adjusting their strategies and structures to fast environment changes, in the subject of succession they thought that stability was more preferable. In reality, the environment appeared to have only minor effect in appreciating succession process.

Succession and Matching Managers to Strategies. In the 1980s, researchers started to emphasize the value of *"fit"* by supposing that executive change was more successful if the characteristics of the successor were aligned with the characteristics of the firm and its environment.

Succession and the Board. Finally, whereas some researchers continued to concentrate on board size and structure (e.g. Helmich, 1980; Salancik and Pfeffer, 1980; Chaganti, Mahajan and Sharma, 1985), others implemented new methods to analyze the relationship between succession and board of directors (Kesner and Sebora, 1994).

Four theoretical perspectives have been evolved to clarify managerial succession at the end of the 1980s and beginning of the 1990s (Cannella and Lubatkin, 1993; Friedman and Singh, 1989). The first, the rational-adaptive approach, was a reasonable broadening of resource dependency theory. Two others, the disruptive and the inconsequential perspectives, were founded on a deterministic model of

organizational ecology. Finally, the inertial perspective was established on a dysfunctional view of strategic choice in organizations.

The rational-adaptive perspective proposed that top management change was due to the demands of the external environment (Friedman and Singh, 1989). This approach depended on the resource dependency view of the firm; this implied that successful organizations were most adept to use environmental occasions. According to the resource dependency approach, directors would change the chief executive officer when performance was poor. This implied that the current CEO was not successfully dealing with the firm's resources. Moreover, directors might tend to choose from outsider candidates who might be more doing well at implementing organizational change. Thus the executive succession event was regarded as an adaptive method guaranteeing organizational change and survival.

The disruptive and inconsequential event approaches supposed that organizational survival required deterministic environmental forces. Consequently, environmental selection affected organizational success. The disruptive event perspective considered succession an event that might disturb a subtle equilibrium between the firm and the environment; this caused the deterioration of organizational performance (Friedman and Singh, 1989). The inconsequential event perspective suggested that executive change affected little organizational performance, which was controlled solely by environmental factors. Therefore, the characteristics of the new chief executive officer affected fairly the firm.

Finally, the inertial perspective recognized that managers could perform strategic change in organizations but seldom did so. This approach supposed that organizational managers and directors were inclined to oppose change. When performance deteriorated, organizations were likely to follow the familiar practices (Cannella and Lubatkin, 1993). While such models might at first conduct to success, following fixed practices over time might finally conduct to organizational failure. Therefore, directors were unwilling to decide on outside candidates for executive positions even if when performance was feeble. Supporters of this thought opposed the rational-adaptive approach and supposed that organization leaders were reluctant to take major risk even when poor performance required significant change.

The four managerial succession approaches suggested an alternative- and occasionally conflicting- theoretical basis for understanding executive succession in large organizations. There were no empirical findings concerning executive succession which supported reliably any of the theoretical models explaining chief executive officer succession. Moreover, an examination of the empirical literature showed that relatively little was known about this complicated organizational event.

Several researchers have considered the issues causing managerial change. Many of these studies sustained the viewpoint of the rational-adaptive perspective: poor organizational performance caused executive turnover (Puffer and Weintrop, 1991; Schwartz and Menon, 1985) (Bommer and Ellstrand, 1996).

D. Succession from 1990s

According to Giambatista et al. (2005), who reviewed the succession literature from 1994 to 2004, in the 11 years, succession has remained a feasible and fertile area for academic research.

1. Antecedents of Succession

Previous researches have widely focused on the antecedents than consequences of succession research (Kesner and Sebora, 1994). From 1994 to 2004, antecedent research was still interesting a variety of scholars. It is evident that since 1994, better defining and measuring of some antecedent constructs, and identifying new antecedents have been in progress. New circumstances, such as small businesses or family-owned businesses, and international samples were mentioned. Although it was frequent that theoretical and methodological precisions were required in newer context, such as family-owned businesses, several studies show up to have higher standard of theoretical accuracy, and usually, methodological rigor persisted to progress.

From the articles reviewed by Giambatista et al., it was found two wide approaches to consider succession as a dependent variable. The first perspective envisaged the rate of succession. Some studies inspected the frequency of CEO succession and how it is associated with antecedents, while others considered the probability or likelihood of the succession event. In the second technique, studies related

antecedents to successor characteristics, such as the CEO successor's qualifications (Datta and Guthrie, 1994; Zajac and Westphal, 1996), or the successor origin (Ocasio, 1999; Puffer and Weintrop, 1995), or to the industry origin of the successor (Zhang and Rajagopalan, 2003).

a. Antecedents Related to the Board

From 1994 to 2004, topics associated with the board obtained considerable attention. These topics consisted of a mixture of research attentions and implications that researchers assigned to them, mostly because of the application of diverse disciplinary and theoretical perspectives. A fundamental theoretical point of view concentrated on control and politics within the firm in order to recognize the function of the board members in CEO succession.

Zajac and Westphal (1996) recommended a social psychological and sociopolitical view to understand board favorites concerning new CEO choice. Phan and Lee (1995) applied social network theory to examine the relationship between power, CEO and board. They claimed that a higher number of inside directors would decrease the likelihood of CEO succession. Barker, Patterson, and Mueller (2001) examined the subject from an agency and resource dependence perspective and discovered that greater outsider control of the board was related to increased top management team replacement during turnaround tries. Some other studies concentrated on board characteristics, but frequently without an unambiguous theoretical model.

b. Firm Performance

Firm performance continued to be an important antecedent to CEO succession in different disciplinary perceptions. The general conclusion that poor prior performance is related to succession was also strong (e.g., Lauterbach, Vu, and Weisberg, 1999). The research has started to highlight performance as a moderator variable and to identify it in an extensive range of fashions.

Studies that examined different factors in the context of prior performance were a suitable beginning in order to resolve the problem of complexity of the phenomenon.

c. Leader Characteristics

Among the characteristics of current CEOs and candidates studied, there were some associated with the current CEO's job tenure, managerial talent or managerial competence, and career experiences.

d. Firm Characteristics

Giambatista et al. grouped, under the title firm characteristics, the following subjects: Research and development intensity of the firm and the successor's background (Datta and Guthrie, 1994), the link between CEO career specialization and corporate strategy, firm age as a moderator of the relationship between dependence on rules of executive succession and the choice of successor origin (Ocasio, 1999), strategic possibilities (multidivisional structure, mergers and acquisitions, and corporate strategies), firm size (Lauterbach et al.,1999), subordinate talent (Fizel and D'Itri, 1997, 1999), strategic orientation (Barker et al., 2001).

e. Industrial and Environmental Antecedents

Factors beyond the firm level have been examined to measure their influence on succession, usually in studies also considering firm-level antecedents. Ocasio and Kim (1999) discovered industry-level financial performance. Datta and Rajagopalan (1998) studied industry structure as an antecedent of CEO successor characteristics. Zhang and Rajagopalan (2003) evaluated firm- and industry-level antecedents of CEO successor origin.

Ocasio and his colleagues aimed to associate processes inside the firms, industries, and societal sectors in order to present a more complete portrait of succession. Though most traditional succession research concentrated on micro-processes inside the firm, efforts to examine macro-level factors would uncover new information about succession models, which would be especially convenient in both revealing larger historical movements and examining micro-processes in their appropriate environment.

f. Succession Planning

Succession planning, one of the new fields examined by Kesner and Sebora (1994), was considered in family businesses perspective, in international surroundings. These studies were mainly inspired by the need to empirically explain and to recommend which causes would influence the succession.

In conclusion, family business research highlighted a general need of formal succession plans in a variety of international surroundings. These studies usually needed theoretical and methodological accuracy, while Lee et al. (2003) tried to proceed theory into this branch of research.

2. Research on Consequences of Succession

An extensive set of dependent variables was used by succession researchers from 1994 to 2005. To facilitate the comparison of the consequences, these studies have been classified into three areas: performance for sports teams; performance for business organizations; and strategy, restructuring, and other outcomes.

In the articles about the performance of sport teams, performance was evaluated as the number of points gained divided by the number of points available or as winning percentage.

It is believed that sport is a crucial perspective in leader succession studies. Sports-related research has stronger internal validity (Cannella and Rowe, 1995; Giambatista, 2004; Rowe et al., 2005).

Giambatista et al. studied performance consequences of business organizations in three parts. Firstly, they examined post-succession performance with accounting ratios, such as ROA, OROA, etc. They also investigated the market reaction, in other words the investors' reaction to the succession event. Thirdly, they studied earning management and organizational failures (Davidson, Jiraporn, Kim, and Nemec, 2004; Haveman and Khaire, 2004).

Giambatista et al. recognized many studies that measured the impact of leader succession on strategic change and one that inspected the effect on the number of

venture capitalists on private firms' boards of directors. Lerner (1995) claimed that venture capitalists would be more attentive when confronting signals representing an organizational crisis, such as the CEO being replaced.

3. Strategy, Restructuring, and Other Outcomes of CEO Succession

The rest of the studies utilized some type of strategic change as their dependent variable, as mentioned. Romanelli and Tushman (1994) characterized a revolutionary organizational transformation as happening when strategic change, structural change, and power distribution change all took place in a two-year period. Simons (1994) studied the influence of CEO succession on strategic change. Strategic change is defined as surmounting organizational stability, guaranteeing continuous focus to new strategic plans, building completion schedules and objectives, and sharing new strategic agendas. Wiersema (1995) tested non-routine executive succession versus routine executive succession and corporate restructuring. Fondas and Wiersema (1997) tried to relocate succession and strategic change beyond the CEO insider/outsider origin discussion and stimulate the upper echelons theory. Boeker (1997) examined the influence of CEO succession on strategic change. On the other hand, Sakano and Lewin (1999) studied the effect of CEO succession on strategic and organizational changes among Japanese firms (Giambatista et al., 2005).

The succession research continues its "*puzzling"* characteristics through 45 years. Not only the review of Kesner and Sebora (1994), but also the study of Giambatista et al. (2005) does not come to a conclusion about the research question. It is partly due to fragmented characteristics of the theory in several disciplines. On the other hand, different perspectives also serve to deepen the theory as well.

There dearth of succession studies in Turkish context is worth noting. One of the studies on this area belongs to Üsdiken and Özmucur (2002). The study of Üsdiken and Özmucur investigates the consequences of managerial succession in the banking sector before and after the liberalization and internationalization. Results reveal that immediate effects of succession are more negative in a liberalized and internationalized environment than in a close environment.

This study is an attempt to find out the influence of organizational attributes on executive succession in Turkish Banking Sector between 1995 and 2004. The industry was specifically preferred because of the depth and comprehensiveness of longitudinal data available on these firms, especially information on firm size, ownership, as well as the information on chief executive succession. In the following chapters, I will try to discover the effects of organizational size, performance, ownership type and firm age on the probability of succession occurrence in the banks.

CHAPTER II. The Antecedents of Succession

This study focuses on the antecedents of succession. I will study the influences of some factors, like organizational size, performance, ownership structure, and firm age on succession.

Section I. Succession and Size

A. Succession Frequency

Brady and Helmich (1984) defined the succession rate as a term that meant the equal of time of a particular successor; if the rate was high, the successor has been at task for a short time, and in the opposite case, if the rate was low. Average succession rates could be calculated by a given number of successors in an organization, or a special historical period (Brady and Helmich, 1984, pg.233).

B. Size

Both sociologists and economists have inspected the relationship between managerial succession and organizational size. However, the results of the studies of the sociologists, and the economists, were sometimes opposing (Gordon and Becker, 1964).

One of the first studies in the succession literature belongs to Oscar Grusky (1961). Despite the reservations, the data in his research strongly supported that there was a direct relationship between the frequency of administrative succession and the size of the organization.

According to Grusky, the bureaucratization differentiated large organizations from small ones. The bureaucratization was defined as the process by which organizations reduced social interaction in order to maximize effectiveness, primarily by using rules, specialization, hierarchicalization, and impersonality. Bureaucratization could

be used to annul, or at least reduce, the troublesome consequences of succession. In small, unbureaucratized firms, the chief executive tended to be the entrepreneur-founder or his family and he was closely associated with the organizations as a whole. Control was centralized at maximum level and as a result succession signifies rapid transformation in procedures and staff. In contradiction, the highly bureaucratized system, managed primarily by professional managers, probably made routine the succession process by establishing rules, which adjusted retirement, and promotion of officials. The departure of the CEO was expected to create only short-term and minor damage.

It is useful to regard the concepts of organizational size, degree of bureaucratization, and administrative succession as methodically interconnected. In contradiction, the data, using profit as percentage of sales and profit as percentage of invested capital, revealed that large corporations were more effective than small ones.

In “Corporate size, Bureaucratization and Managerial succession” Oscar Grusky (1961) conducted two studies of the largest and smallest business corporations among the top five hundred. The findings showed that frequency of succession was positively related to size of a firm. It was suggested that the process of succession might have radically different form and organizational consequence for the large, bureaucratized system than for smaller, less bureaucratized one (Grusky, 1961). Kriesberg (1962) reported similar results for state and local mental health agencies and public health departments. On the other hand, Roberts (1959), examining a three-year period, found no relationship between organizational size and the rate of executive succession in corporations (Pfeffer and Salancik, 1977). Gordon and Becker (1964) also found no relationship between the size of business firms and the rate of succession in five top management positions.

Larger organizations were believed to be more bureaucratized and formalized than the smaller ones. While they had well-defined roles, bureaucratized organizations less depended on any person, and as a result, succession would be more unproblematic and less disturbing.

Two problems are apparent in the relationship between size and frequency of succession. First, the extent of formalization of roles in the organization seems to be critical, and is only poorly associated with size. Second, and more importantly, the

affirmation that succession would be less challenging for bureaucratized organizations is concentrated on the costs of turnover, and proposes no justification for the circumstances that might cause executive succession. Both points suggest that simply relating size to succession do not adequately examine the underlying theory, and it is not surprising that the results have been conflicting. In a study about business organizations, Pfeffer and Leblebici (1973) reported that tenure in the chief executive position or in the top three positions was not correlated with size (Pfeffer and Salancik, 1977).

It is imperative to mention that the first studies associated size with succession rate without measuring the supposed intervening causal variables such as formalization, availability of competitors for the position, or degree of agreement or subunit separation inside the organization. Thus, it is not surprising that the empirical results were varied, with some studies finding no effect (Roberts, 1959; Gordon and Becker, 1964; Pfeffer and Leblebici, 1973; Pfeffer and Salancik, 1977).

According to Pfeffer and Moore (1980), while the previous studies concentrated on the effect of size on formalization and through formalization on succession frequency, two other systems related to size might have affected positively succession frequency.

First, larger organizations were supposed to have a greater number of persons in middle or subordinate management positions with the necessary qualifications and experience for the top administrative post. The convenience of skilled staff within the department would behave to lessen the trouble initiated by succession given that an inside succession could easily occur. Moreover, the accessibility of contenders for the top position would increase the development of contests for control.

Size has been linked with both structural elaboration, and the development of dissimilar subgoals, specialized perspectives and information, typical competencies, and different beliefs about cause-effect relationships. This differentiation could potentially cause fewer consensuses on organizational proceedings and strategies, and the consequential disagreement might be more difficult to manage, producing more succession.

Pfeffer and Moore (1980) examined the average tenure of academic department heads in a sample of forty departments on two campuses of a large state university system over a twenty-year period. Average tenure was found to be positively related to the level of paradigm development characterizing the department, but negatively related to departmental size, and it was also discovered to be connected to interaction of the level of paradigm development with the seniority mix of the departmental faculty and the size of the department.

Efforts to confirm Grusky's finding have produced mixed results. James and Soref (1981) found that the larger firms were more likely to fire their CEOs than were the smaller firms. However, in their studies of CEO dismissal, Puffer and Weintrop (1991) and Boeker (1992) found no effects from organizational size (Finkelstein and Hambrick, 1996).

Succession research has analyzed organizational size as a contextual variable and predictor of rate of succession (or, inversely, of length of tenure) (Gordon and Becker, 1964; Grusky, 1961; Kriesberg, 1962; Pfeffer and Moore, 1980). In the late 80s, another study about size effects belongs to Friedman and Singh (1989). Large organizations protected their CEOs from financial results stresses, thus succession became less probable, when performance was deficient. Research has also revealed size to predict successor origin (Dalton and Kesner, 1983; Scwartz and Menon, 1985). Large organizations were likely to select inside successors. And some studies of stock market reaction (e.g., Lubatkin et al., 1989; Reinganum, 1985) have contained size as a method of controlling the liberty of selection of the successors. New CEOs in large firms influenced less organizational results than did those of small firms, because inertial influences were more essential in large firms. Conversely, size has been measured in many different ways, and thus, it was difficult to generalize its effects. The studies examining size, successor origin and performance showed that outsiders were likely to be chosen as successors in relatively small organizations (Friedman and Singh, 1989).

Hambrick and Finkelstein (1996) explained that size was likely to be positively related to overall CEO turnover rates, but because CEOs in large companies were chosen to their jobs at more advanced ages (Vancil, 1987). Those companies tended to have mandatory CEO retirement. In line with Grusky's logic, these characteristics

were due to the bureaucratization and institutional forces in large firms. However, it was unlikely that bureaucratization created a higher rate of CEO dismissals in large firms.

The boards of large companies may be unwilling to fire their CEOs since they may be afraid of retaining media attention. Their reluctance is also due to the fact that, in general, the group of suitable candidates may be very restricted. Large firms insist on an adequacy between the experience and status of CEOs and the firms' size and status. Therefore, while dozens of candidates are technically suitable to be CEO of small company in an industry, very few hold appropriate qualifications to be regarded as CEO for the largest firm in an industry (Finkelstein and Hambrick, 1996).

In several studies in the 1990s, size was used as a control variable. Furtado and Karan (1994) examined the relationship between the board's choice of an internal promotion and external hire of a top executive and relative corporate performance. They analyzed the results for small and large firms separately. The results showed that in small firms, executive succession decisions were more closely associated with accounting measures of firm performance than in large firms; while the reverse was correct for the "*hybrid measure of ROE*".

Datta and Guthrie (1997), examined whether there was a relationship between firm size and the age of newly appointed CEO and his organizational tenure. A positive association was discovered between the size and CEOs' organizational tenure. This positive association was due to several reasons. Firstly, size served to discover the organizational complexity, formalized organizational systems and vested power interests. Secondly, size might imply a larger fund of top management capacity, so it made more likely for a firm to discover a suitable candidate with considerable firm experience. Size might also mean a conservative point of view in organizations; this might help to clarify the finding that small firms were likely to hire younger CEOs, and vice versa. A negative relationship was detected between sales growth and CEO age. This result could signify that fast expanding companies were better assisted by and, thus, tended more to select, younger chief executives to hold and develop this growth mission. This liaison between firm growth and CEO's age might also mean

the tendency of younger candidates to choose more dynamic, growth environments (and/or the inclination for older executives to search for more stable organizations).

In Dahya, Lonie and Power's study (1997), firm size was measured by the logarithm of the book value of total assets. It was used to check the influence of other aspects of ownership structure. Non-routine executive change was found to be negatively related to the size of the firm.

Furthermore, Ocasio (1999) used firm size as a control variable. The results showed that, large firm size increases insider succession and decreases outsider succession. Ocasio and Thurnton (1999) also studied the effects of organizational size on succession. Increased organization size was found to augment the rate of succession.

Section II. Succession and Performance

Does executive succession improve or damage an organization's performance? As doubtful as the above research question may seem, it was the focal point of post-World War II research on managerial succession. Fortunately, researchers proceed to more interesting questions, such as: When do successions hurt or help the most? And what types of successors improve or damage the most under various situations? (Finkelstein and Hambrick, 1996)

Because their organizations are performing poorly, the CEOs loose their jobs. On this subject, the research is completely obvious: poor organizational performance is likely to precede executive departure. Several succession studies have particularly concentrated on the CEO and top management teams. Some studies have tried to find the effects of performance on dismissals. In particular, some have investigated the effects on executive turnover in general, combining dismissals, voluntary "escapes", and executive fatigue regardless of poor performance. Fundamentally, all the studies have adequately set the chronology of their data to arrive to the conclusion that poor performance is prior to the departures.

On the other hand, although poor performance and executive departure are negatively associated, the results of several studies are rather conflicting, because of their widely diverging samples (a range of large conglomerates, semiconductor firms and baseball teams) and measures of performance (Finkelstein and Hambrick, 1996).

Firm performance is an important antecedent to CEO succession across several disciplinary perspectives (e.g., Gamson and Scotch, 1964; Grusky, 1960); and that poor prior performance is related succession is still a strong finding (e.g. Lauterbach, Vu and Weisberg, 1999) (Giambatista et al., 2005).

According to Grusky (1960), all organizations had to acclimatize to their environment in order to preserve their place and realize their objectives. Generally, unsuccessful organization in the past, was forced to replace key employees.

Consequently, successful organizations tended to be more stable organizations. Specifically, those that have been able to acclimatize successfully to their environment were also less likely to face internal conflict. Therefore, it was anticipated that "successful" organizations, all else being equal, would find the process of administrative succession less troublesome for the system. Other evidence of the relationship between effectiveness in achieving goals and frequency of succession could be met by examining the relationship between team rank of a professional baseball team and length of tenure of the manager. All else being equal, it was anticipated that the less effective an organization was in achieving its goals, the greater was the likelihood that replacements would be made among higher level of personnel (Grusky, 1960).

Pfeffer and Leblebici (1973) found that tenure was significantly negatively associated with the ratio debt to equity. Connecting succession frequency to performance variables and to the indicators of critical organizational problems seemed to be indispensable at minimum (Salancik and Pfeffer, 1977).

Crain, Deaton, and Tollison (1977) examined the relationship between corporate size and performance and the length of managerial tenure in 500 corporations between 1971 and 1975. They concluded that, generally there was a positive correlation between the tenure of corporate presidents and profit variations.

Nearly twenty studies focused on the rate of succession between 1980 and 1991. In cases where succession frequency was considered dependent variable, the findings were consistent - succession frequencies were higher in low performing firms than in high performing firms (James and Soref, 1981; Osborn, Jauch, Martin and Glueck, 1981) (Kesner and Sebora, 1994).

James and Soref (1981) investigated the relationship between the dismissal of corporate chief executives and various structural variables for 286 of the 300 largest industrial firms in 1964. They used three independent variables, which were thought to affect succession frequency: type of control, profit performance and size and market position. The results of the study showed that profit performance influenced the most the probability of the departure of the CEO. Type of control had little influence, according to this study.

Osborn et al. (1981) aimed to examine the specific aspect of performance and environmental volatility that might be associated with the succession by constructing on related literature. 313 large industrial corporations from 1930 to 1974 were studied. The results showed that succession was related to performance and that succession firms had lower profits. They also seemed to face more changes in financial and merger strategies than did non-succession firms. The authors also concluded that firm profits were a weak indicator of succession.

Allen and Panian (1982) examined the influences of managerial power and corporate performance on managerial tenure and longevity and the probability of managerial succession in 242 large industrial corporations between 1971 and 1980. The managerial power signified the relationship of the manager to any family represented on the board of directors that managed a significant amount of the voting stock in the corporation. CEOs of firms that had more profit and those who were members of controlling families generally had longer tenures and were older at the time of their succession than the CEOs of less profitable firms and those who were not members of controlling families. An inverse relationship was found between managerial power and the probability of managerial succession in periods of poor corporate performance. CEOs related to controlling families were fairly less likely to face succession in unprofitable years than CEOs who were not related to controlling families.

According to Schwartz and Menon (1985) bankrupt firms tended more to change CEOs than did non-bankrupt firms.

Finkelstein and Hambrick (1996) concluded that the model of poor performance prior to executive departure was strong across various performance measures. Nevertheless, the clarifying strength of this model was not principally robust. To be precise, organizational performance did not clarify an important amount of variance in departure rates, although statistically related to executive departure.

Succession studies related to performance continue also in the 1990s. Datta and Guthrie (1994) put the issue of a firm's three-year prior performance in the perspective of CEO successor origin, and discovered that lower profitability (measured by return on assets [ROA]) and lower growth (calculated by percentage

change in total company sales) were related to selection of an outsider CEO. In the same way, Daily and Dalton (1995) uncovered that CEO turnover rose in the five years immediately prior to bankruptcy relative to nonbankrupt firms, but did not reinforce their contention that, in these years, the CEO and Chairman positions would more tend to be detached.

The long-term study by Huson et al. (2001) employed three different measures of financial performance— ROA, change in ROA, and stock returns—and discovered that decreases in performance result in increased probability of CEO turnover. The authors mainly discovered that the sensitivity of the relationship between firm performance and a forced CEO turnover was not influenced by changes in the intensity of the takeover market, rejecting the statement that an active takeover market enhanced internal control mechanisms. Allgood and Farrell (2003) proposed the job-match theory as an alternative reason to the negative relationship between performance and succession, claiming that as poor performance proposed a bad correspondence between CEO and firm, poor performance would strengthen the likelihood of CEO turnover (Giambatista et al., 2005).

A. Studies of Past Performance Related to Successor Origin

A topic often questioned is the source of the successor (external or internal sources) in the studies of succession and performance (Lauterbach and Weisberg, 1996).

The performance of the organization in the period prior to the succession is the most apparent predictor of whether a new CEO will be outsider. Empirical support is mixed. Of the numerous studies investigating this topic, most have discovered that presuccession performance was lower in situations where an outsider was chosen than when an insider was selected (Lauterbach, Vu and Weisberg, 1999).

In Allen, Panian and Lotz's (1979) study, it was found that the frequency of managerial succession was negatively associated with the team performance. Nevertheless, the frequency of succession justified only a very small proportion of the variance in team performance. An analysis of covariance was used to measure the effects of the type of succession on the current team performance, while controlling the past team performance. It pointed out that managerial succession between seasons was related to an enhancement in team performance and that outside

succession was related to a drop in team performance. While the effects of different types of managerial succession on team performance were significantly different, the type of succession justified only a small part of the variance in team performance.

Whereas Dalton and Kesner (1985) obtained no relationship between past performance and selection of an outsider CEO, their sample was considerably smaller than those in the other studies. Also, different from other studies, Dalton and Kesner's study examined performance (profitability and stock price) without industry averages, consequently, making it difficult to explain this study's results. They concluded that outsiders were likely to cause low-performance situations. Datta and Guthrie (1994) also discovered that firms which had lower profitability were more likely to chose outsider top management. On the contrary, studies such as Friedman and Singh's (1989) did not attain any significant association between past performance and the succession source. It is logical that owners of a poor firm favor an outside appointment because such a selection introduces a better chance of stimulating the firm and reviving its thought (Lauterbach, Vu and Weisberg, 1999).

On the other hand, even in the studies in which poor performance and outsider selection were related, the relationship was not perfect. The quantity of variance justified by performance was under 20 percent in Boeker and Goodstein's study and under 10 percent in Cannella and Lubatkin's study (Hambrick and Finkelstein, 1996)

According to Lauterbach and Weisbach (1996), there was no concluding evidence on the firm's preference in selections of top management. In their study, four hypotheses on the probable source of appointment (internal vs. external) were tested using multivariate logistic regressions on a sample of 260 top management appointments in U.S. firms. Two factors were declared to have a significant influence: 1) Firm size- Larger firms were likely to choose more from their internal supply, almost certainly because of their informal loyalty to their pool of internal talent; 2) Power-The more power the firm was willing to assign to its next manager, the more likely were external successions. Two other aspects, the disposition of the former top manager (left/stayed with the firm) and firm's past performance, were discovered to be insignificant.

The results of Furtado and Karan's study (1994) showed that the board's choice of an internal successor was associated with past performance, particularly as assessed by

accounting earnings. Poor firm performance not only caused the replacement of top executives as earlier studies had found, but also influenced the whole management team. The increase in probability of an external selection in a poor performing firm signified that the board lacked conviction in the current team.

While traditional adaptive theory involved that poor organizational performance would directly strengthen the probability that an outsider would be chosen to come after a firm's chief executive, Cannella and Lubatkin suggested that sociopolitical forces, like, the presence or absence of an heir apparent and the incumbent's ability to manipulate the selection decision, would influence the performance- selection liaison. They envisaged that poor performance would cause the outsider appointment just when sociopolitical forces were feeble. Further, they took into account the effects of return and risk on outsider selection. The results of their research on 462 succession events in large, publicly traded firms confirmed their hypotheses about moderating sociopolitical forces (Cannella and Lubatkin, 1993).

Bommer and Ellstrand (1996) examined the relationship between inside/outside successors and firm performance. In the study, they did not discover a major significant effect for any antecedent to executive successor type that they examined: prior performance, board composition, officer and director holdings, institutional holdings, or firm size. These results implied that in all stages of firm performance, these variables did not significantly affect the choice of chief executive. Therefore, executive choice might be more due to rational decision making than resisting to political or ownership stress.

Section III. Ownership Structure and Succession

Ownership structure is a popular subject in succession literature: power, governance, control, and their relations with performance and with executive succession are frequently studied themes. In the following pages, I will first define the relationship between ownership and power, ownership structures in firms, then, I will examine top executive succession related to ownership structure.

A. Ownership Power

Organizational ownership is a source of power that can either fortify or challenge successor choices (Boeker, 1992).

Power mounts up to managers in their capacity as agents acting on behalf of shareholders. Therefore, the strength of a manager's place in the agent-principal relationship shapes ownership power. Managers' place along this continuum is determined by their ownership position, as well as by their links to the founder of a firm (Finkelstein, 1992). Zald (1969) noted that "all other things being equal, a top manager with significant shareholdings will be more powerful than a manager without such a base of control." Moreover, managers who are founders of a firm or related to founders may be more powerful by their, often long-term interaction with the board, as they interpret their distinctive positions as hidden control over board members. Thus, managers, whose power stems from ownership, will increase their degree of control over boards of directors. And since most managers care for minimum risk, managers who can minimize the uncertainty stemming from a firm's board of directors will gain more power than others (Finkelstein, 1992).

According to the results of some researches the title "founder" was related to lower rates of executive succession (McEachern 1975; Ocasio 1994). McEachern (1975) claimed that founders experienced lower rates of succession because they held greater economic and political power compared to other executives. Carroll (1984) explained that founders had persistence in their positions, since their personality

differentiated them from nonfounders-usually owners, to have more loyalty to the organization, and to own special expertise and knowledge. Ocasio (1999) discovered that founders experienced lower rates of succession because in founder-led firms succession had not occurred and therefore required organizational-level rules and routines that conducted executive succession. Because of the need of rules, succession tended to be an available solution to the problems of the organization (Thurton and Ocasio, 1999).

Thompson's (1967:143) talked about the dominant coalition and this created an interesting dilemma for succession researchers. Though he explained that an impressive figure of organizations had been '… the pyramid headed by an all-powerful individual…', Thompson claimed that such all-powerfulness was achievable merely when organizations confronted uncomplicated environments that rendered a single decision maker practical. While the situation was more complicated, power and control were executed by a dominant coalition or group of senior executives (Drazin and Rao, 1998).

B. Ownership Structure

According to political theories, executives obtained their power and authority from their formal position in the organization, their social relationships, the organization's reputation and status, and the executives' ability to manage the organization's strategic contingencies and resource dependencies (Thurnton and Ocasio, 1999).

Larger managerial ownership seems to decrease the likelihood of turnover, even when firms' performance is weak. Moreover, Fredrickson, Hambrick and Baumrin (1988) concluded that a board's action in replacing a CEO could be clarified by several socio-political forces such as, (i) the board's expectations and attributions, (ii) its allegiances and values, (iii) the availability of alternative CEO candidates, and (iv) the power of the incumbent. Studies of ownership and board composition as additional factors also played a role in turnover (Furtado and Karan, 1994).

The study of Salancik and Pfeffer (1980) examined two conditions that might affect the control an incumbent executive had over the organization- the distribution of ownership and the proportion of inside directors on the board. They found that in

owner-managed companies, there was no relationship between performance and tenure; in "externally controlled" firms, where at least one nonmanager owned a great amount of stock, a positive relationship was present between profitability and tenure; and in "management-controlled" firms, in which stocks were extensively diffused and where there were no single major owner, stockholder returns were found to be positively related to tenure (Finkelstein and Hambrick, 1996).

Allen and Panian (1982), in their article, examined the effects of managerial power and corporate performance on managerial tenure and longevity and the probability of managerial succession in 242 large industrial corporations. The power of a chief executive was identified by his relationship to any family represented on the boards of directors that managed a significant block of the voting stock in the corporation. Managerial power was directly associated with both managerial tenure and longevity, even controlling for the effects of corporate performance. Similarly managerial power was inversely linked to the probability of succession in the course of poor corporate performance. These relationships depended, on the other hand, on the level of stock ownership of the controlling family. Finally, though the proportion of internal directors did not affect managerial tenure and longevity, it did not influence corporate performance and the extent of inside successor to the chief executive officer.

There are different studies concerning ownership structure and succession frequency. McEachern (1977) found that the tenures of owner-managers (with at least 4 percent of stock) were substantially greater than those of other CEOs.

Contrary to their expectations, James and Soref (1981) found no significant differences in the effects of poor performance on dismissal for different ownership situations, even with several established ownership classification schemes. Their sample was narrow, however, (only sixteen firings), so their results were only indicative (Hambrick and Finkelstein, 1996).

Boeker (1992) found that CEOs' stockholdings were negatively associated with dismissal in general, as well as in cases of poor performance.

The study of Boeker and Goodstein (1993) examined the influences on whether chief executive successors were chosen from inside or outside an organization. They

investigated the choice of successor as a function of organization's board of directors and its ownership structure. Results showed that performance affected successor choice, but board composition, firm ownership, and ownership concentration controlled the relationship. These relationships were examined using data from 67 semiconductor producers over a 22-year period.

Moreover, Boeker and Goodstein mentioned that as an outside successor tended to change more inferiors than an inside successor, personals inside the organization, whether or not they were board members, were expected to prefer an insider. When insiders hold a high proportion of share, they might more easily manipulate the designation of an inside successor, who would tend to start major changes, such as dismissal of managers.

Denis, Denis and Sarin (1997) examined the impact of ownership structure on internal monitoring efforts by documenting the rate of nonroutine top executive turnover in 1394 firms. Their results showed that ownership type affected significantly internal monitoring efforts. They controlled for prior stock price performance and other potential determinants of turnover and found that the probability of top executive turnover was negatively associated with the equity ownership of officers and directors.

Dahya, Lonie and Power (1998) reported important findings relating to executive turnover in a sample of UK firms during the period 1989 to 1992. This study illustrated that managerial stock ownership represented a potentially important intervening variable in the performance-turnover relation. Consistent with the findings of Denis, Denis and Sarin (1997), the paper showed a negative association between senior executive turnover and the extent of their stock ownership. In other words, top management ownership could decrease the likelihood of their timely removal. A mainly outstanding conclusion was that a significant level of entrenchment could occur at moderately low ownership levels (e.g., one per cent) (Young, 1998).

The study of Dahya, Lonie and Power suggested that the ownership structure of a firm played an important role in determining the effectiveness of internal managerial control mechanisms. A strong relationship could also be found between poor firm performance and the probability that the top management of these firms would be

obliged to quit prematurely. There was no link between the likelihood of top management succession and the equity stake of the leaving top manager for routine executive departure.

C. Ownership Dispersion and Power

Ownership signifies a source of power that can be applied either to support or oppose management, conditional on its concentration and its use. Generally, the more concentrated ownership is the more strong potential support or opposition (Salancik and Pfeffer, 1980).

As Dahya, Lonie and Power discussed, higher levels of managerial ownership could have two contrasting effects. High ownership could be favorable because it better made parallel managers' interests with those of shareholders. However, high ownership could help to *"entrench"* managers, causing their succession to become more difficult when their performance decreased below some fixed level (Young, 1998).

Following the managerialist's logic, dispersed ownership should provide chief executives greater power and discretion, while ownership concentrated in the hands of a few individuals (other than the chief executive) might restrict the chief executive's influence over the organization. This argument meant that chief executives of poorly performing organizations with dispersed ownership would be better able to avoid dismissal (Boeker, 1992).

Agency theorists (Fama and Jensen, 1983; Jensen and Meckling, 1976) have noted that dispersed ownership caused a "free-rider" problem: no one's ownership situation was large to have a stimulus to monitor management performing in his or her interests. On the contrary, when ownership was more intense, the free-rider problem might still be present among smaller investors, but larger stockholders would be strongly motivated to monitor management. Accordingly, many shareholders, each holding a small part in a firm's ownership, would together influence little organizational decisions (Fama and Jensen, 1983). If ownership was held by a few shareholders, the free-rider problem was diminished (Boeker and Goodstein, 1993).

According to Boeker (1992), in cases of poor performance, the more widely dispersed the ownership, the lower the likelihood of CEO dismissal. In addition, in circumstances of poor performance, the more extensively dispersed the ownership, the lower the possibility of CEO dismissal. Hence, across various studies, owner-managers were relatively likely to be protected against dismissal. In the same way, extensively dispersed ownership could also keep the CEO from dismissal, yet in the circumstance of poor performance. A CEO was most in danger where stock was highly concentrated in one or a few nonmanager owners (Finkelstein and Hambrick, 1996).

D. Ownership Structure of Turkish Companies

In their analysis of the 100 largest Turkish traded companies, Demirag and Serter (2003) classed Turkey as an "insider system" country, as Turkish traded companies show a highly concentrated and centralized ownership structure. Families, directly or indirectly, own more than 70 per cent of all traded companies and retain majority control. In insider system countries characterized by lack of external devices for managerial control, internal controls such as board of directors turn out to be more important for corporate governance.

Concentrated ownership has not the same characteristics and is found in several forms. In Turkey, fundamental ownership is in the hand of controlling families (Kula, 2005).

Bugra (1994) and Heper (1991) proposed that the business groups were usually the results of investments by a single or a small number of "allied families" who, after having established the essence of the group, maintained them together as a coherent association among which resources and personnel might be altered as needed.

The typical Turkish holding company contains a complex web of incorporate shareholdings and pyramidal structures. Families maintain the majority control of a holding company, which in turn has shareholdings in some other companies, giving rise to a pyramidal structure. In some cases, under the holding company, the companies hierarchically have shares of each other, i.e. cross shareholdings (Demirağ and Serter, 2003).

E. Turkish Banking Firms and Ownership Structures

Turkish holding companies' activities in banking and finance sector are especially critical in determining the society-specific characteristics of these companies. As the Turkish capital markets are underdeveloped and the large business enterprises have essentially family-firm character, obtaining credit has always been an important interest for the latter.

It is, on the other hand, crucial not to neglect two aspects of holding company/bank relations in Turkey. First, contrasting to the Japanese keiretsu, Turkish holding companies do not seem as tightly bound organizational forms centered around a well-established, strong group bank. As Table 1.1 demonstrates, only a few of the major holding companies possessed their group banks.

Second, owning a group bank does not-or at least did not, until quite recently-diminish the financial reliance of Turkish holding companies on the state. Ironically, independence might have even improved it because having one's own bank does not usually reduce the use of state subsidized credit, but help its use by eliminating the discretion of commercial banks in the allocation of such credits. Company banks in Turkey, consequently, have not the same role as they have in Japan by lessening the need for external borrowing without, nevertheless, undermining the strength of the bank itself. The financial position of the big Turkish enterprises is, in fact, particularly fragile, and they experience very high debt-to-equity ratios, which are likely to rise with company size **(**Buğra, 1994).

Table 1.1: Group-Affiliated Banks in Turkey

Bank Name	Date of Establishment	Share Holding Group
Esbank	1927	Zeytinoğlu
Türkiye Ekonomi Bankası	1927	Çolakoğlu
Türkiye İmar Bankası	1927	Uzan
Egebank	1928	Özakat
Tütüncüler Bankası	1928	Yaşar
Yapı Kredi Bankası	1944	Çukurova
Garanti Bankası	1946	Doğuş
Akbank	1948	Sabancı
Demirbank	1953	Cıngıllıoğlu
Pamukbank	1955	Çukurova
İnterbank	1988	Çukurova
Adabank	1984	Uzan

Bank Name	Date of Establishment	Share Holding Group
Türkiye Turizm Yatırım ve Dış Ticaret Bankası	1988	Lapis
Netbank	1988	Net Holding
Tekstilbank	1986	Akın Group
Impexbank	1984	Eliyeşil
Tekfenbank	1989	Tekfen
Koçbank	1986	Koç
Körfezbank	1988	Doğuş
Anadolubank	1996	Habaş Şirketler Grubu
Bayındırbank	1964	Bayındır Holding
Denizbank	1997	Zorlu Holding
Kentbank	1992	Süzer Holding
MNG bank	1986	MNG Holding
Toprakbank	1992	Toprak Holding
Osmanlı Bankası	1863	Doğuş
Tekstilbank	1986	GSD Dış Ticaret
TEB	1927	Çolakoğlu Holding
Ulusalbank	1985	Cıngıllıoğlu
Yurtbank	1993	Balkaner Holding
Alternatifbank	1992	Anadolu Group
Finansbank	1987	Fiba Group (Özyeğin)
Fibabank	1985	Fiba Group (Özyeğin)

Source: Buğra (1994)

Section IV. Firm Age

Succession will influence organizations at different points in their lives, in different ways. The interaction between organizational age and succession may be positive or negative. On the one hand, some theoretical reasoning and empirical evidence for Finnish newspapers proposed a positive relationship. Older organizations tended to more fail following the disruption caused by important changes such as managerial succession, because their practices have become more institutionalized than the practices of younger organizations. In contrast, younger organizations tended to be more unsuccessful in monitoring succession, as the first succession experience is a serious evolution in the organizational life cycle (Carroll, 1984), and organizations made more routine succession as they mature. This reasoning proposed a negative interaction. Previous studies of the succession-mortality relationship have uncovered that succession early in an organization's life influenced more than did later succession (Haveman, 1993).

Executive succession has differing outcomes, depending on the organization's stage of life. Carroll (1984) argued that the dismissal of the company's first chief executive would be extremely disruptive; because of the fragility of relatively young organizations, and that the probability of company failure after the departure would increase. Carroll examined these ideas with a sample of newspapers; his results confirmed his hypothesis and uncovered three interesting findings: 1) newspapers had disproportionately high failure rates following the change of their first publisher (essentially, the CEO); 2) the failure rate was highest when the publisher was also the editor, presumably because the executive's personality and values become even more came to life in the newspaper; and 3) the effect of executive departure on organization mortality was greater in the first two years of the newpapers' existence than in the latter studied (years three, six and eleven) (Finkelstein and Hambrick, 1996).

Haveman (1993) found results like Carroll's. Haveman (1993) investigated the consequences of managerial succession for a group of small organizations. This

research examined how that consequence changed according to time and whether it fluctuated in relation to whether the successors were chief executives or other managers. Finally, it was found that managerial succession was damaging to the survival of the early companies, but these effects diminished as the time passed since a succession increased (Haveman, 1993).

Firm age is frequently used as a control variable in succession research. Tushman and Rosenkopf, in their article of 1996, explored the performance consequences of CEO succession, executive team change and strategic reorientation in different context. They also suggested that organizational performance change was expected to change with organization age. It was measured by the number of years since the firm's founding. In the results, there was a positive association between age and performance change.

Datta and Guthrie (1997) examined whether organizational factors and conditions affected the desirability of the type and extent of experience that a newly selected CEO brought to the job. Firm age and succession circumstance were included in as controls. Firm age data were accumulated, as firm age might be a sign of the characteristics of the chosen CEOs, particularly their tenure stages. Firm age was calculated based on the founding date of the sample firms as of the date of CEO succession. The results pointed out a relationship between firm size and age in low performing firms, but not in the lower performing group. Thus, smaller, lower performing firms were likely to select younger CEOs.

Drazin and Rao (1999) used the performance-power- succession model in order to analyze the antecedents of succession among SBU managers. Fund age was calculated by the number of years the fund was working, from its beginning date to the end of the present year. Older funds were likely to have higher levels of succession. The results indicated that age was positively associated with succession. As funds became older, they faced greater levels of SBU manager succession.

The majority of the literature on strategic and organizational change claimed that older firms were supposed to be more static than younger firms. While firms got older, some routines, programs, and structures developed and turned out to be more internally coherent. Examples progressively determined an increasing part of

organizational action. On the other hand, others claimed that young firms, influenced by latent problems of newness, were less disposed to manage changes that might disturb previously fragile relationships with suppliers, customers and stakeholders (Booker, 1997).

To the level that organizational size and age are associated, effects assigned to larger firms are valid for older firms. Conversely, age seems to have different effects. For instance, older organizations are competent to make internal executive change, as those executives are likely to be more experienced. This pool of available executives has been supposed to primarily (like larger ones) cause a higher rate of CEO succession. On the other hand, another motive might be that older organizations in simple terms had older CEOs, and higher rates of retirement, illness and death were the results of this.

An organization's age can determine the CEO's power. For example, Salancik and Pfeffer (1977) noted that ability of mayors to influence their cities' budgets deteriorated over time. They clarified this finding by reasoning that more recent mayors confronted more precedents and established power relationships than did their predecessors (Fredrickson, Hambrick and Baumrin, 1988).

PART II. ANALYSIS and RESULTS

Chapter I. Methodology

A. Data and Sample

Data about variables were collected from the Banks Association of Turkey database. It provided the indicators of performance (ROA), firm size, ownership change, owner-managed firms, firm age, the ratio of insiders to board size and public and private ownership.

The sample was formed by 44 commercial banks. Foreign banks were excluded from the sample. I have obtained 345 bank-year observations between 1995 and 2004 and during these years, 98 successions have occurred in the banking sector.

Table 2.1: The List of the Banks in the Sample

Adabank	Osmanlı Bankası
Akbank	Oyakbank
Alternatifbank	Pamukbank
Anadolubank	Sümerbank
Bank Kapital	Şekerbank
Sitebank	Bank Ekspress
Bayındırbank	Tekstilbank
Körfezbank	Tekfenbank
Demirbank	Toprakbank
Denizbank	Turkishbank
EGS Bank	Dışbank
Egebank	Türk Ekonomi Bankası
Esbank	Ziraat Bankası
Etibank	Emlak Bank
Fibabank	Garanti Bankası
Finansbank	Halkbank
Iktisat Bankası	Imar Bankası
Interbank	Yaşarbank
Kentbank	Vakıfbank
Koçbank	Ulusalbank
Milli Aydın Bankası	Yapı Kredi Bankası
MNG Bank	Yurtbank

B. Variables

1. Dependent Variable

Executive succession is the dependent variable. CEO succession, measured on an annual basis for each firm, was coded 1, if a succession occurred and 0 otherwise.

2. Independent variables

Independent variables can be classified in three major categories: Firstly, the organizational variables, like firm size, firm age and performance; secondly, the variables related to ownership structure of the firm, like family owned firms, public and private ownership and ownership change; thirdly, the variables related to board structure like the ratio of insiders in the board of directors.

a. Organizational Variables

Firm size: It exists different measures of size in the literature. The most frequently used measure of size is the number of employees. Sixty-five of the 80 articles studied by Kimberly (1977) – more than 80 percent - employed this measure. Few researchers, however, made an effort to justify using this particular measure, even though there were several problems that its application created. Although sales turnover had the highest average correlation with the other measures, number of employees was considered to be the best indicator of size. Other measures of size are the followings: capacity, number of client served, net assets, and sales volume (Kimberly, 1976).

Furthermore, market share is a common measure of size studied in the succession literature (see Table 2.2). In this study, market share in terms of total assets of the bank over the total asset of the sector was used as measure of firm size.

Table 2.2: Different Measures of Size Found in the Succession Literature

Author(s)	Measures and Methods Employed in Succession Studies
Kriesberg, L (1962)	**Size:** It was measured by the number of employees.
Gordon, G. and Becker, S. (1964)	➔ **Multiple regression** ➔ **Secondary data** **Size**: sales volume and number of employees
Dalton, D.R. and Kesner, I. (1983)	➔ Secondary data from NYSE were used. ➔ Frequencies and association ***Successor origin:** inside successor was promoted from within the executive span of the predecessor; outside succession occured when the newly appointed CEO was not in the predecessor's span ***Size:** number of employees and quantity of sales
Pfeffer, J. and Salancik, G. (1977)	➔ Survey method with telephone follow up was used ➔ Correlations ***Size:** number of beds and budget ***Ownership:** government hospital, private and nonprofit hospitals and hospitals associated with a religious denomination.
Pfeffer, J. and Moore, W. (1980)	***Size:** number of personnel
Grusky, O. (1961)	➔ Secondary data were used. ➔ Frequencies ***Size:** net sales and number of employees.
Schwartz, K. and Menon, K. (1985)	➔ Secondary data were used. ***Size:** operating sales revenue
Friedman, S. and Singh, H. (1989)	➔ Secondary data were used. ➔ Mail survey ➔ Logistic regression analysis with presuccession performance and organizational size ***Size:** number of employees ***Successor origin:** 1-insider; 2-outsider

Performance: Many studies encouraged the use of multiple performance indicators (Cochran and Wood, 1984; Hall, 1982; Steers, 1977). “The number of corporate performance measures that could work for dependent variables is almost infinite” (Weiner and Mahoney, 1981:456). Cochran and Wood (1984) claimed that although there is no agreement on what makes the proper measure of financial performance, such measures are two broad categories: investor returns and accounting returns. (Dalton and Kesner, 1985)

Accounting ratios. Accounting ratios are measuring the profitability and the efficiency followed by internal and external evaluators of firm to consider the firm’s health (Weiner and Mahoney, 1981). Measures used in empirical studies contain return on assets (Virani, Tushman and Romanelli, 1985; Harrison, Torres and Kukalis, 1988), return on equity (James and Soref, 1981; Allen and Panian, 1982; Lubatkin and Chung, 1985; Robinson and Brief, 1985; Harrison, Torres and Kukalis, 1988), and profit margin on sales (Salancik and Pfeffer, 1980; Harrison, Torres and Kukalis, 1988). Accounting ratios are employed much less frequently than share price and earnings targets. They usually considered current accounting performance versus past performance. This is likely to be accomplished by each firm in a distinctive approach (Puffer and Weintrop, 1991).

Cannella and Lubatkin (1993) note that, most research on executive succession testes only the level of return. Their study investigates the variance of firm returns prior to succession. Bailey and Helfat (2003) also examine the variance of returns prior to succession.

The majority of succession research has characterized the performance perspective of a succession event such as some level of return, it can be profitability in business organizations (Dalton and Kesner, 1985; Friedman and Singh, 1989) or winning percentage in sport teams (Allen, Panian and Lotz, 1979; Pfeffer and Davis-Blake, 1986). Recently, however, organization researchers have started to study another performance-related outcome: risk (Amit and Wernerfelt, 1990; Bettis and Hall, 1982; Lubatkin and Chatterjee, 1991). Risk implies the level of uncertainty associated with an organization’s cash flow (Cannella and Lubatkin, 1993). As in several researches, return on assets (ROA) was used as performance measure (see Table 2.3), in this study also ROA was used for the banking industry.

Table 2.3: Different Measures of Performance Found in the Succession Literature

Author(s)	Measures and Methods Employed in Succession Studies
Gamson, W.A. and Scotch, N.A.	***Performance** was measured by the team won-lost record.
Crain, W.M., Deaton, T. and Tollison, R. (1977)	***Performance** was measured by sales and profit
Osborn, R.N., Jauch, R.N., Martin, T.N. and Glueck, W.f.	A structured content analysis of cases was used to collect data on 313 large industrial firms. ***Performance:** prior profits
Zajac, E.(1990)	➔ Primary data obtained by survey were used. ➔ Multiple regression analysis ***Successor origin:** insider/outsider CEO distinction is measured as a dummy variable (1=insider, 0=outsider ***Firm performance:** average return on assets-dependent variable ***Average firm size:** average total assets
James, D. And Soref, M. (1981)	➔ Probit analysis ***Profit performance:** net income/invested capital ***Size:** total asset was used to operationalize corporate size ***Control:** managerial control: 0 Owner control: 1
Finkelstein, S. and Hambrick, D. (1990)	➔ Modified generalized least squares ***Tenure:** the mean number of years of employment in the firm ***Size:** number of employees in the firm ***Performance:** a five year average return on equity
Dalton, D.R. and Kesner, I. (1985)	➔ logit analysis was conducted between this metric and binary inside and outside succession variable ➔ Secondary data were used. ***Performance:** ROE, common stock performance for the three years prior to succession ***Successor origin:** 1-insider; 0-outsider
Reinganum, M.R.	➔ Secondary data were used

Author(s)	Measures and Methods Employed in Succession Studies
(1985)	***Performance:** the average abnormal returns ***Size:** It was measured by a firm' relative stock market capitalization
Datta, D.K. and Guthrie, J. (1994)	➔ Logistic regression. ➔ Secondary data were used ***Performance:** ROA ***Size:** logarithmic transformation of the number of employees (control variable) ***Firm age:** the difference between company's founding and CEO succession dates (control variable)
Rowe, G. Canella Jr.A., Rankin, D., Gorman, D. (2005)	➔ Secondary data were used. ➔ OLS regression ***Performance:** proportion of points gained-dependent variable * Succession, if occurred 1, otherwise 0 ***Lagged performance:** contextual variable: prior season's performance ***Coach tenure:** number of games coached with the same team
Fizel, J. and D'Itri (1997)	➔ Data Envelopment Analysis ➔ Secondary data were used. ***Performance:** points scored, assists, rebounds, turnovers
Huson et al. (2004)	➔ OLS(ordinary least square) regression ➔ Secondary data were used. ***Performance:** operational ROA, OROS ***Ownership:** percentage of share
Puffer, S. and Weintrop, J. (1991)	➔ Secondary data were used. ➔ Logistic regression was used ***Performance:** ROA, ROE, profit margin on sales, earning per share, unexpected per share, unexpected industry earnings per share, cumulative abnormal security returns ***Size:** log of the firm's asset ***Tenure:** it was measured by the log of the years the CEO had held the position
Shen, W. and Cannella A.A.(2003)	➔ Secondary data were used. ➔ OLS regression analysis ***Performance:** ROA

Author(s)	Measures and Methods Employed in Succession Studies
Furtado, E. and Karan, V. (1994)	➔ Secondary data were used. ➔ Logistic regression ***Size:** market value of the firm at December-end in the year in which a change occurs. ***Performance:** Return on total Assets, earning before interest and taxes adjusted for total asset, return on market value of the equity, return on common stock adjusted for market return
Bommer, W.E. and Ellstrand A.E. (1996)	➔ Secondary data were used ➔ Logistic regression and then ANCOVA ***CEO successor type:** binary ***Performance measures:** return on equity, return on investment, return on assets for the 3 years preceding and following the CEO changes ***Stock ownership:** stock held by corporate officers and directors ***Institutional ownership:** the percentage of the total shares outstanding held by institutional investors. ***Size:** it was measured by the log of the firm's total asset in the year of succession
Haveman, H.A. (1993)	➔ Secondary data were used. ***Performance:** failure
Tushman, M.L. and Rosenkopf, L. (1996)	➔ Single generalized least squares regressions ➔ Secondary data were used. ➔ Performance: yearly return on asset * **Size:** production capacity of the firm (control variable) ***Age:** number of years since the founding (control variable)
Zhang, Y. and Rajagopalan, N.	➔ Secondary data were used. ***Performance:** ROA, return on sales, and the ratio of market value of shareholders' equity ***Firm size:** natural logarithm of average sales for three years prior to succession (control variable) * **Departing CEO origin:** 1-outsider; 0-insider (control variable)
Farrell, K. and Whidbee,D. (2000)	➔ Secondary data were used. ➔ A probit model ***Performance:** preturnover firm performance is used by the average annual market adjusted stock returns during the 2 years prior to turnover

Author(s)	Measures and Methods Employed in Succession Studies
	***postturnover firm performance** is used by the average annual market adjusted stock returns for 1 and 4 years following the turnover.

Firm age: It was used as control variable. It was measured by number of the years since the foundation of the bank.

b. Variables related to Ownership Structure

Ownermanaged firms: In Salancik and Pfeffer's (1980) study, a firm was categorized as externally controlled if a group or individual maintained 4 percent or more of the common stock and was not part of the firm's management, as owner managed if the CEO holds directly or through immediate family 4 percent or more of the stock. A firm is called management controlled when no single group or individual owned 4 percent or more of the stock.

Allen and Panian (1982) argued that an organization was classified as family controlled when the members of an ancestry group and their relatives held or monitor at least 5 percent of the voting with representation on the board of directors. Boeker (1992) measured chief executive ownership as the proportion of total firm ownership maintained by the chief executive. Boeker and Goodstein (1993) defined inside ownership as the proportion of total firm shares held by employees.

In Boeker's (1992) study, chief executive ownership was measured as the proportion of total firm ownership held by the chief executive.

Boeker and Goodstein (1993) examined the influence of the composition of a firm's board of directors and the structure of its ownership in the choice of a chief successor. Inside ownership was the proportion of total firm shares held by employees. Inside ownership concentration was the proportion of total firm shares held by the four largest inside owners.

According to Pedersen and Thomsen (2003), families or individuals usually had a double role for the family as owners and managers of the firm. Individuals and families worked on their own behalf and not indirectly like did indirect representatives for other principals (e.g., parent firm stockholders, pension fund

customers, voters). In addition, family commitment might surmount incentive problems and enhance efficiency. But other issues, such as the ability to prevent from a hostile takeover could mean a negative entrenchment effect if the family's share of ownership passed a certain degree. Also, since single owners and families usually invested a large part of their fortune in the company, family-owned companies might be relatively reluctant to risk, and they tended to be more "*capital- rationed"*.

Demirağ and Serter (2003) claimed that families maintained the majority control of a holding company, which in turn had shareholdings in some other companies, giving rise to a pyramidal structure Turkish holding companies' activities in banking and finance sector were especially critical in determining the society-specific characteristics of these companies. As the Turkish capital markets were underdeveloped and the large business enterprises had essentially family-firm character, obtaining credit has always been an important interest for the latter (Buğra, 1994). We can find the family relation of Turkish banks in Table 4.1 of the Chapter IV.

In this study, owner-managed banks were identified by the existence of a controlling family member in the board of directors.

Table 2.4: Different Measures of Ownership Found in the Succession Literature

Author(s)	Measures and Methods Employed in Succession Studies
Salancik, G. and Pfeffer, J. (1980)	➔ Secondary data were used ➔ Correlation of independent variables were separately investigated for the three ownership categories, Multiple Regression ***Ownership:** a firm was grouped as externally controlled if a group or individual owned 4 percent or more of the common stock and was not part of the firm's management, as owner managed if the CEO held directly or through immediate family 4 percent or more of the stock. A firm was management controlled when no single group or individual held 4 percent or more of the stock. ***Firm performance** was calculated with operating performance and performance in the capital market. Another measure of performance was the firms' net income as a percentage of sales. Profit margin was an indicator of the operating performance ***Tenure** was the years spent as the CEO. ***Firm size** was measured as assets
Allen, M. and	

Author(s)	Measures and Methods Employed in Succession Studies
Panian, S. (1982)	➔ correlations ***Corporate performance** was measured by return on equity, expressed as the ratio of net income to stockholder equity ***Ownership:** Corporation was classified as family controlled when the members of a descent group and their relatives held or controlled at least 5 percent of the voting with representation on the board of director. In direct family control, the CEO was related to the controlling family; in indirect family control, the CEO was not a member of the controlling family, in management control, there was no controlling family on the board of directors. ***Managerial tenure** is the number of years that an individual is serving as the CEO
Boeker, W. (1992)	➔ Logistic regression ➔ Primary and secondary data were used ***Successor origin:** 1-outside; 0-otherwise ***Performance:** annual sales growth to average sales growth for the industry for 2 years before the succession ***Ownership:** Chief executive ownership was calculated as the proportion of total firm ownership held by the chief executive. ***Size:** the annual sales of each firm (control variable)
Boeker,W. and Goodstein J. (1993)	➔ A series of logistic regression analysis ➔ secondary data were used ***Successor origin:**1-outside 0- otherwise(dependent variable) ***Performance:** it was achieved by comparing firm's two-year sales growth to the average sales growth ***Ownership:** inside ownership was the proportion of total firm shares owned by individuals employed by the organization. ***Size:** annual sales of each firm(control variable) ***firm age**: number of years elapsed since the creation of the organization (control variable)

Public/private ownership: Public enterprises have had a distinct function in the economic development and the industrialization of Turkey, especially during the early periods of its economic development.

Staff problems have occurred in the public enterprises since their establishment. Key managers' salaries and career development are not associated with to the success of

the enterprise. Nepotism, partisanship and patronage have always influenced the employment of high-level managers (Aktan, 1996).

The ownership types of the banks were coded 1 if the bank was held publicly and 0 otherwise. There were 4 state-owned banks in the sample.

Ownership change: Some banks have changed their owners since their foundation. It was coded 1 if the bank changed its owners and 0 otherwise.

c. Variable Related to the Board

Insider/board of directors: The ratio of insider top managers to the total number of board members was used.

Finally, the variables used in the study are summarized in the table below:

Table 2.5: Variables Used

Dependent variable	CEO Succession
Independent variables	Bank size
	Performance
	Bank age
	Owner-managed firms
	Public ownership
	Ownership change
	Insiders/Board of Directors

C. Analysis

The data used in the analysis included annual observations over a 10-year period. Logistic regression forward stepwise method was used to model the succession. The estimated parameters of models including the independent variables are reported in the results, along with their estimated standard errors.

Logistic regression or logit analysis is one of the most frequently used linear probability models. Logit analysis completes multiple regression in its capacity to use a binary dependent variable. In many points, logit analysis or logistic regression is very analogous to multiple regression. Logit analysis is favored for several reasons. First, it does not cope with strict assumptions. Second, it is similar to

regression with its easy statistical tests, capacity to integrate nonlinear effects and wide range of diagnostics (Hair, 1995).

Chapter II. Results

As the dependent variable is binary, logistic regression was used. Logistic regression forward stepwise method was employed in the analyses. During the time of study, 345 observations were made and there were 27 missing values.

Logistic regression is usually employed to predict a dependent variable on the basis of continuous and/or categorical independents and to uncover the percent of variance in the dependent variable explicated by the independents; to grade the relative importance of independents; to measure interaction effects; and to comprehend the influence of covariate control variables (Garson, 2006).

The stepwise estimation is a method used to select variables for insertion in the regression model that begins with the best predictor of the dependent variable. Other independent variables are chosen in terms of the incremental explicatory power they can insert to the regression model. Independent variables are added to the regression model provided that their partial correlation coefficients are statistically significant. Independent variables may also be dropped if their predictive power fall (Hair,1995). The forward or backward stepwise logistic regression method employs the likelihood ratio test (chi-square difference) to uncover automatically which variables to insert or to release from the model (Garson, 2006).

The descriptive statistics and the correlations are presented in the table below.

Table 2.6: Descriptive Statistics and Correlation Table

	Mean	**Std. Dev.**	**1**	**2**	**3**	**4**	**5**	**6**	**7**
1. CEO succession	,290	,453							
2. age	40,360	33,365	,125						
3. firm size	,026	,037	-,032	,566					
4. ins/board	,160	,131	-,015	,148	,122				

	Mean	Std. Dev.	1	2	3	4	5	6	7
5. own. chan	,520	,500	,025	-,047	-,229	-,103			
6. owner-managed	,530	,500	-,009	-,178	-,152	-,284	,414		
7. perform.	-,017	,227	-,142	-,077	,095	,002	-,188	-,085	
8. public	,100	,297	,167	,382	,586	,325	-,341	-,352	,034

Pearson's R^2 is the percent of variance in the dependent variable explained by the independent variable when all other independents can vary. The level of R^2 shows the unique covariance it shares with the dependent, and the uncontrolled effects on the dependent. This can be assigned to covariance that the independent has with other independents in the model. A rule of thumb is that multicollinearity may cause a problem if the correlation is > .90 or several are >.70 in the correlation matrix formed by all the independents. In the table above, there is not a correlation problem.

After the logistic regression was effectuated in three steps; the significant variables present in the equation, are presented in the table below.

Table 2.7: Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp (B)	95,0% C.I.for EXP(B)	
								Lower	Upper
Step 1(a)	public	1,104	,384	8,274	1	,004	3,015	1,421	6,396
	Constant	-1,039	,134	59,818	1	,000	,354		
Step 2(b)	Firm size	-13,691	5,019	7,441	1	,006	,000	,000	,021
	public	2,128	,553	14,825	1	,000	8,399	2,843	24,813
	Constant	-,809	,154	27,690	1	,000	,445		
Step 3(c)	age	,013	,004	8,282	1	,004	1,013	1,004	1,022
	Firm size	-20,449	5,694	12,899	1	,000	,000	,000	,000
	public	2,132	,571	13,929	1	,000	8,435	2,753	25,849
	Constant	-1,174	,206	32,584	1	,000	,309		

a Variable(s) entered on step 1: public.
b Variable(s) entered on step 2: firm size.
c Variable(s) entered on step 3: age.

The Wald statistic and the corresponding significance level analyze the significance of each of the covariate and dummy independents in the model. The proportion of the

logistic coefficient B to its standard error S.E., squared, gives the Wald statistic (Garson, 2006). The significance level of the Wald statistics (5^{th} column on the table above) is smaller than 0,005 for the 3^{rd} step: it means that the variable is useful to the model. All the variables in the third step have significant Wald values. Then, it can be concluded that the influential variables on the dependent variable, namely succession, are bank size, bank age and public ownership.

The "Exp(B)" column means the odds ratio of the row independent with the dependent (minority). It is the expected variance in odds for a unit increase in the corresponding independent variable. Odds ratios less than 1 are related to decreases and odds ratios more than 1.0 signifies increases in odds. Odds ratios close to 1.0 show that unit changes in that independent variable do not influence the dependent variable (Garson, 2006).

After consulting the table 2.7, it can be concluded that the most powerful factor in the equation is public ownership with an Exp (B) value which is the highest in the third step of the logistic regression, and then the size and the age of the banks follow it respectively.

Conversely, other independent variables examined in this study, like the performance, the proportion of insiders in the board of directors, the ownership change and private ownership, are found to have no effect on CEO succession.

A. The Goodness of Fit

The goodness of fit statistics assists to clarify whether the model adequately explains the data. Three methods were used in this analysis to test the goodness of fit of the model: -2Loglikelihood, the Hosmer and Lemeshow test and the Pseudo R^2.

1. The -2Loglikelihood

Logistic regression is comparable to multiple regression in many of its results, but it is dissimilar in the method of estimating coefficients. Rather than reducing the squared deviations (Least squares), logit analysis maximizes the “likelihood” that an incident will happen (Hair, 1995).

-2Loglikelihood can be used to calculate the significance of the logistic regression. The -2Loglikelihood statistic is the likelihood ratio. It indicates the significance of the unexplained variance in the dependent variable. The likelihood ratio is not employed directly in significance testing. But, it forms the foundation for the likelihood ratio test: it is the test of the difference between two likelihood ratios (two -2LL's). The likelihood ratio test is established on -2Loglikelihood (deviance). The likelihood ratio test gives the significance of the difference between the likelihood ratio (-2LL) for the researcher's model minus the likelihood ratio for a reduced model. It is a substitute for the Wald statistics (Garson, 2006).

-2LL results after the application of the logistic regression are as below:

Table 2.8: -2LL

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	372,670(a)	,025	,036
2	363,865(b)	,052	,074
3	355,617(b)	,076	,109

a Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.
b Estimation terminated at iteration number 5 because parameter estimates changed by less than ,001.

Cox and Snell's R-Square is an effort to reproduce the interpretation of multiple R-Square based on the likelihood, but its maximum can be (and usually is) less than 1.0, making it difficult to explain.

Nagelkerke's R-Square is a further modification of the Cox and Snell coefficient to assure that it can vary from 0 to 1. That is, Nagelkerke's R^2 separates Cox and Snell's R^2 by its maximum in order to get a measure that varies from 0 to 1. Therefore Nagelkerke's R^2 is usually higher than the Cox and Snell measure R^2.

At each step of -2 Loglikelihood table, a significant change is observed. Cox and Snell R^2 and Nagelkerke R^2 are increasing step by step. All of these mean an improvement in the goodness of fit of the model.

2. The Hosmer and Lemeshow Test

The Hosmer and Lemeshow goodness-of-fit test separates subjects into deciles founded on predicted probabilities, and then calculates a chi-square from observed

and expected frequencies. The p-value is calculated by the chi-square distribution with degrees of freedom and shows the fit of the logistic model.

The results of Hosmer and Lemeshow test are presented below.

Table 2.9: Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	,000	0	.
2	6,928	8	,544
3	9,528	8	,300

The Hosmer and Lemeshow goodness of fit test statistics is 0,300 with a degree of freedom 8. If the Hosmer and Lemeshow goodness of fit test is 0,05 or less, the null hypothesis that there is no difference between the observed and predicted values of the dependent is rejected, if not it means that the model's estimates fit the data at an acceptable level, as here. But it does not mean that the model explains much of the variance in the dependent, only that it does so to a significant degree.

3. The Pseudo R^2

Pseudo-R-Square is a Aldrich and Nelson's coefficient which is used as an equivalent to the squared contingency coefficient, and which is interpreted like R-square. Its maximum level is less than 1 (Garson, 2006).

In this study, the pseudo R^2 is= 0,879. It means that 87,9 % of the variance in the dependent variable is explained by the independent variables.

B. Classification Tables

The classification table is a test of predictive accuracy. Cells on the diagonal are correct classifications (Hair, 1995).

The correct classification of the observations at step 0 is 71,4 %; in other words, 227 of the 318 cases are correctly classified. The table before applying the logistic regression is presented below:

Table 2.10: Classification Table Before

	Observed		Predicted		
			CEO succession		Percentage Correct
			0	1	
Step 0	CEO succession	0	227	0	100,0
		1	91	0	,0
	Overall Percentage				71,4

a Constant is included in the model.
b The cut value is ,500

The classification table after the regression is presented below

Table 2.11: Classification Table After

	Observed		Predicted		
			CEO succession		Percentage Correct
			0	1	
Step 1	CEO succession	0	212	15	93,4
		1	75	16	17,6
	Overall Percentage				71,7
Step 2	CEO succession	0	218	9	96,0
		1	79	12	13,2
	Overall Percentage				72,3
Step 3	CEO succession	0	217	10	95,6
		1	77	14	15,4
	Overall Percentage				72,6

The cut value is 0.5 and the correct classification percentage increase to 72,6 % after the third step; it means that 231 of the 318 cases are correctly classified.

1. Assessment of classification

The question of classification accuracy is crucial. A t test is available to determine the level of significance for the classification accuracy. After the calculation, the result of t statistics for this sample is 4,44. Thus, T test says that the classification is better than chance, as 4,44 is greater than 1,96.

Press's Q statistics serves to examine for discriminatory power of the classification matrix when compared with a chance model. This uncomplicated test compares the number of correct classification with the total sample size and the number of groups. The assessed value is then compared with a critical value (the Chi-square for value

for 1 degree of freedom at the desired confidence level which is 6, 33 for this case.) (Hair, 1995).

Press-Q = $(318-(227*2))^2 / 318 = 58,16$

In this case, as 58,16 is greater than 6.33, we can conclude that the predictions are significantly better than chance.

C. Equation

Logistic regression uses maximum likelihood estimation after altering the dependent into a logit variable (the natural log of the odds of the dependent occurring or not). In this way, logistic regression assesses the probability of a certain event happening. It must be noted that logistic regression analyzes variations in the log odds of the dependent, but not variations in the dependent itself.

The most frequent method of understanding a logit is to change it to an odds ratio by means of the Exp() function. The conversion can be done using the ln() function. The closer the odds ratio is to 1.0, the more the independent variable's categories (ex., male and female for gender) are independent of the dependent variable. 1.0 corresponds to full statistical independence. For example, if the logit $b_1 = 2.303$, then the odds ratio (the exponential function, e^b) is 10. It can be said that when the independent variable augments one unit, the odds that the dependent equals 1 augments by a factor of 10, while other variables are controlled. In SPSS, odds ratios emerge as "Exp(B)" in the "Variables in the Equation" table (Garson, 2006).

After effectuating the logit analysis, an equation, describing the relationship between the succession and independent variables is formed.

$$= e^{(-1,174 - 20,449 \text{ size} + 2,132 \text{ public ownership} + 0,013 \text{age})}$$

This equation signifies that a unit increase in the size decreases the odds of succession by a factor of 0 or (0,00-1)x100= -100 %. A unit increase in public ownership increases the odds of succession by a factor of 8,435 or (8,435-1) x100= 743,5 %. A unit increase in age increases the odds of succession by a factor of 1,013 or (1,013-1) x100= 1,3 %.

Briefly, the results indicated that chief executives were likely to be replaced in the organizations in which (1) there was public ownership (2) firm size were smaller, (3) firm age was greater (the odds of age was 1,3 %, and it had a minimal positive effect on the succession probability). Of the three independent variables found to be significant, the most influential was the public ownership, then the size and the age of the bank followed it respectively.

D. Assumption

Logistic regression is commonly used, partly because it gives the opportunity to the researcher to overcome many of the restrictive assumptions of several analyzes. Logistic regression does not suppose a linear relationship between the dependents and the independents. It is not necessary for the dependent variable to be normally distributed.

No multicollinearity: The problem of multicollinearity will happen in logistic regression, to the point that one independent is a linear function of another independent. Since the independents variables augment in correlation with each other, the standard errors of the logit (effect) coefficients will become inflated. Multicollinearity does not alter the estimates of the coefficients, only their reliability. High standard errors signify possible multicollinearity (Garson, 2006).

To study the multicollinearity assumption of the logistic regression, we must examine the multicollinearity diagnostics.

Table 2.12: Multicollinearity Diagnostics

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	,237	,039		6,160	,000		
public	,406	,102	,266	3,990	,000	,653	1,531
firm size	-3,335	,924	-,273	-3,609	,000	,507	1,972
age	2,302E-03	,001	,170	2,554	,011	,658	1,519

a Dependent Variable: CEO succession

The tolerance is the percentage of the variance in a given predictor that cannot be explained by the other predictors. Thus, the small tolerances show that 70%-90% of the variance in a given predictor can be explained by the other predictors.

When the tolerances are close to 0, there is high multicollinearity and the standard error of the regression coefficients will be inflated. A variance inflation factor greater than 2 is usually considered problematic, and the largest VIF in the table is 1,972.

Briefly, a smaller tolerance value and a larger value of VIF indicate a high degree of colllinearity; in the case above, multicollinearity is not observed. In other words, the collinearity diagnostics confirm that there are not serious problems with multicollinearity.

CONCLUSION

CEO succession is an important and widely studied topic in several disciplines for four decades. In this study, I tried to review the succession literature since the 1960s, and to investigate some of the antecedents of CEO succession in Turkish banking sector.

According to the literature, CEO succession can be attributed to very different factors such as organizational factors, contextual factors, sociological and socio-psychological factors. While there are many studies about succession, effectuated in different disciplines like management, economy, sociology, etc., CEO succession conserves its complex structure. Furthermore, the lack of systematic researches on this subject continues.

Especially, the Turkish banking sector in the 1990s has faced several changes and several CEO changes have occurred during this period. Moreover, the lack of succession studies in Turkish management literature is worth noting.

The primary objective of this study was to unveil the causes of CEO succession in Turkish Banking Sector; thus, it investigates the relationship between CEO succession and the role of size, ownership and performance in the succession process with some other control variables like firm age, ownership structure, ownership change, public-private ownership and the proportion of insiders on the board, between 1995 and 2004.

Logistic regression was used to analyze the data, because the dependent variable was binary. Results indicated that chief executives were likely to be replaced in the organizations in which (1) there was public ownership (2) firm size were smaller, (3) firm age was greater (the odds of age was 1,3 %, and it had a minimal positive effect on the succession probability).

Conversely, other independent variables examined in this study, like the performance, the proportion of insiders in the board of directors, the ownership change and private ownership, were found to have no effect on CEO succession.

The results of the logistic regression showed that the most influential factor in this study was public ownership: A unit increase in public ownership enhanced the odds of succession by 743, 5 %. There were four publicly-owned banks among the 44 banks of the sample, for the observation period.

The presence of public ownership, the most influential factor, can be due to several reasons. As stated by Aktan (1996), state-owned enterprises' top managers face nepotism and partisanship and their changes are not influenced by their performance, in Turkey. Aktan (1996) also suggested that eligibility criteria as well as appointment procedures for board and high management positions made available political interferences. Between 1995 and 2004, Turkey experienced five governmental changes. That's why; the effect of the public ownership on the succession can be due to the governmental changes: It can be one of the causes of the positive relationship between succession and public ownership.

Another reason of the influence of this factor can be the coalition governments established during the period. Aktan (1996) stated that each public enterprise accomplished its operations under a single ministry. This ministry managed the relationship of the enterprise with other branches of the government and had a major role in the appointment of the director general of the public enterprise. That's why, during the periods of coalition government, the acquirement of the ministry to which the public banks are related is subject to important debates for the appointment of their favored candidate. These debates for the attainment of the related ministry can be another cause of the influence of the public ownership on the likelihood of succession.

The second most influential factor in the succession equation was firm size. A unit increase in the size decreased the odds of succession by a factor of 100 %. This result was contradictory to the results of several researchers. Grusky (1961), Kriesberg (1962) and James and Soref (1981) suggested that larger firms were more likely to fire their CEOs. However, Roberts (1959), Gordon and Becker (1964) and Pfeffer and Leblebici (1973) reported no relationship between succession and size.

On the contrary, the results of this study suggested that smaller banks were more likely to change their CEOs. This finding can be due to financial fragility of the small banks and to the three economic crises that occurred in Turkey during the observation period. Moreover, Friedman and Sing (1989) found that large organization protected their CEOs from financial result stress. Economic crises can cause financial distress and this can be more influential and detrimental for small banks. On the other hand, Finkelstein and Hambrick (1996) suggested that larger organizations were afraid of retiring media attention with the CEO change and tried to show a stable image of firm. This suggestion can also be an explication of the results of this study for Turkish context.

The third but the least influential factor in the succession was found to be the firm age. Some studies examined the consequences of CEO succession related to the age of the firm: The studies of Carroll (1984) and Haveman (1993), investigated the consequences of CEO succession in organizations at different ages, and they suggested that for younger banks, the results of CEO succession were disruptive. In several studies, firm age was used as control variable. For example, in Drazin and Rao's study of 1999, fund age was found to be positively related to the succession, in other words as funds became older, they faced greater levels of SBU manager succession. In another study, it was suggested that older organizations in simple terms had older CEOs, and higher rates of retirement, illness and death were the results of this.

The results of this study concerning CEO succession in Turkish banking sector suggested that a unit increase in age augmented the odds of succession by 1, 3 %, in other words, the older the bank, the greater the probability of succession. This case could be explained by the age of publicly owned banks: The state-owned banks in the sample were relatively older than the private banks and were subject to more frequent succession. The influence of the age is however minimal on the CEO succession, while compared to other factors present in the equation.

On the other hand, the performance, the proportion of insiders in the board of directors, the ownership change and family ownership were found to have no effect on CEO succession.

The focus of the study on a single industry was an important limitation; it is critically important for future research to examine the phenomenon of CEO succession in other contexts and for different industries, like manufacturing. However, the banking industry presents many attractive characteristics for this study, like the rapid rate of management and organizational change, and the accessibility of relatively detailed data on succession incidents. The intensity of data available in this industry for studying this phenomenon appeared to outweigh the inconveniences present in a single-industry study.

Future research in succession must continue to investigate the primary question of who or what controls the succession process with its probable consequences in several contexts. Moreover, demographic characteristics of the replaced managers and the successor could be interesting areas of research. Nowadays, while it is the most mature phase of the succession literature, there is low reliance on survey, interview and experiment methods. As these methods propose many possibilities to discover the numerous gaps in our comprehension of succession processes and exactly what the successors do, these methods can be more widely applied in new researches.

On the other hand, Turkish management literature needs to look into the succession more intensively and try to fill the gaps in this area with studying the causes, the consequences and the process of succession in an emerging country to be able to contribute to the international literature.

I hope that this study makes a contribution to the existing research in the area of CEO succession, particularly to the Turkish management literature, because few studies have investigated this issue in Turkish context.

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ANNEXES

Annexe -1: Measures and Methods Employed

Author(s)	Article	Measures and Methods Employed in Succession Studies
OWNERSHIP		
Salancik, G. and Pfeffer, J. (1980)	Effects of Ownership and Performance on Executive Tenure in U.S. Corporations	➔ Secondary data were used ➔ Correlation of independent variables were separately investigated for the three ownership categories, Multiple Regression ***Ownership:** a firm was grouped as externally controlled if a group or individual owned 4 percent or more of the common stock and was not part of the firm's management, as owner managed if the CEO held directly or through immediate family 4 percent or more of the stock. A firm was management controlled when no single group or individual held 4 percent or more of the stock. ***Firm performance** was calculated with operating performance and performance in the capital market. Another measure of performance was the firms' net income as a percentage of sales. Profit margin was an indicator of the operating performance ***Tenure** was the years spent as the CEO. ***Firm size** was measured as assets
Allen, M. and Panian, S. (1982)	Power, Performance and Succession in the Large Corporation	➔ correlations ***Corporate performance** was measured by return on equity, expressed as the ratio of net income to stockholder equity ***Ownership:** Corporation was classified as family controlled when the members of a descent group and their relatives held or controlled at least 5 percent of the voting with representation on the board of director. In direct family control, the CEO was

Author(s)	Article	Measures and Methods Employed in Succession Studies
		related to the controlling family; in indirect family control, the CEO was not a member of the controlling family, in management control, there was no controlling family on the board of directors. ***Managerial tenure** is the number of years that an individual is serving as the CEO
Boeker, W. (1992)	Power and Managerial Dismissal: Scapegoating at the Top	➔ Logistic regression ➔ Primary and secondary data were used ***Successor origin:** 1-outside; 0-otherwise ***Performance:** annual sales growth to average sales growth for the industry for 2 years before the succession ***Ownership:** Chief executive ownership was calculated as the proportion of total firm ownership held by the chief executive. ***Size:** the annual sales of each firm (control variable)
Boeker,W. and Goodstein J. (1993)	Performance and Successor Choice : The Moderating Effects of Governance and Ownership	➔ A series of logistic regression analysis ➔ secondary data were used ***Successor origin:**1-outside 0- otherwise(dependent variable) ***Performance:** it was achieved by comparing firm's two-year sales growth to the average sales growth ***Ownership:** inside ownership was the proportion of total firm shares owned by individuals employed by the organization. ***Size:** annual sales of each firm(control variable) ***firm age**: number of years elapsed since the creation of the organization (control variable)
SIZE		
Kriesberg, L (1962)	Careers, Organization Size, and Succession	**Size:** It was measured by the number of employees.

Author(s)	Article	Measures and Methods Employed in Succession Studies
Gordon, G. and Becker, S. (1964)	Organizational Size and Managerial Succession: A Re-Examination	➔ **Multiple regression** ➔ **Secondary data** **Size**: sales volume and number of employees
Dalton, D.R. and Kesner, I. (1983)	Inside/Outside Succession and Organizational Size: the Pragmatics of Executive Replacement	➔ Secondary data from NYSE were used. ➔ Frequencies and association ***Successor origin:** inside successor was promoted from within the executive span of the predecessor; outside succession occured when the newly appointed CEO was not in the predecessor's span ***Size:** number of employees and quantity of sales
Pfeffer, J. and Salancik, G. (1977)	Organizational context and the characteristics and tenure of hospital administrators	➔ Survey method with telephone follow up was used ➔ Correlations ***Size:** number of beds and budget ***Ownership:** government hospital, private and nonprofit hospitals and hospitals associated with a religious denomination.
Pfeffer, J. and Moore, W. (1980)	Average Tenure of Academic Department Heads: The Effects of Paradigm, Size, and Departmental Demography	***Size:** number of personnel
Grusky, O. (1961)	Corporate Size, Bureaucratization and Managerial Succession	➔ Secondary data were used. ➔ Frequencies ***Size:** net sales and number of employees.

Author(s)	Article	Measures and Methods Employed in Succession Studies
Schwartz, K. and Menon, K. (1985)	Executive Succession in Failing Firms	➔ Secondary data were used. ***Size:** operating sales revenue
Friedman, S. and Singh, H. (1989)	CEO Succession And Stockholder Reaction: The Influence of Organizational Context and Event Content	➔ Secondary data were used. ➔ Mail survey ➔ Logistic regression analysis with presuccession performance and organizational size ***Size:** number of employees ***Successor origin:** 1-insider; 2-outsider
PERFORMANCE		
Gamson, W.A. and Scotch, N.A.	Scapegoating in Baseball	***Performance** was measured by the team won-lost record.
Crain, W.M., Deaton, T. and Tollison, R. (1977)	On The Survival Of Corporate Executives	***Performance:** sales and profit
Osborn, R.N., Jauch, R.N., Martin, T.N. and Glueck, W.f.	The event of CEO succession, performance, and environmental conditions	A structured content analysis of cases was used to collect data on 313 large industrial firms. ***Performance:** prior profits
Zajac, E.(1990)	CEO Selection, Succession, Compensation And Fırm Performance: A	➔ Primary data obtained by survey were used. ➔ Multiple regression analysis ***Successor origin:** insider/outsider CEO distinction is measured as a dummy

Author(s)	Article	Measures and Methods Employed in Succession Studies
	Theoretical Integration And Empirical Analysis	variable (1=insider, 0=outsider ***Firm performance:** average return on assets-dependent variable ***Average firm size:** average total assets
James, D. And Soref, M. (1981)	Profit constraints on managerial autonomy: managerial theory and the unmaking of the corporation president	➔ Probit analysis ***Profit performance:** net income/invested capital ***Size:** total asset was used to operationalize corporate size ***Control:** managerial control: 0 Owner control: 1
Finkelstein, S. and Hambrick, D. (1990)	Top-Management-Team Tenure and Organizational Outcomes: The Moderating Role of Managerial Discretion	➔ Modified generalized least squares ***Tenure:** the mean number of years of employment in the firm ***Size:** number of employees in the firm ***Performance:** a five year average return on equity
Dalton, D.R. and Kesner, I. (1985)	Organizational performance as an antecedent of inside/outside chief executive succession: an emprical assesment	➔ logit analysis was conducted between this metric and binary inside and outside succession variable ➔ Secondary data were used. ***Performance:** ROE, common stock performance for the three years prior to succession ***Successor origin:** 1-insider; 0-outsider
Reinganum, M.R. (1985)	The Effect of Executive Succession on Stockholder Wealth	➔ Secondary data were used ***Performance:** the average abnormal returns ***Size:** It was measured by a firm' relative stock market capitalization
Datta, D.K. and	Research Notes and	

Author(s)	Article	Measures and Methods Employed in Succession Studies
Guthrie, J. (1994)	Communications Executive Succession: Organizational Antecedents of CEO Characteristics	➔ Logistic regression. ➔ Secondary data were used ***Performance:** ROA ***Size:** logarithmic transformation of the number of employees (control variable) ***Firm age:** the difference between company's founding and CEO succession dates (control variable)
Rowe, G. Canella Jr.A., Rankin, D., Gorman, D. (2005)	Leader succession and organizational performance: Integrating the common-sense, ritual scapegoating, and vicious-circle succession theories	➔ Secondary data were used. ➔ OLS regression ***Performance:** proportion of points gained-dependent variable * Succession, if occurred 1, otherwise 0 ***Lagged performance:** contextual variable: prior season's performance ***Coach tenure:** number of games coached with the same team
Fizel, J. and D'Itri (1997)	Managerial Efficiency, Managerial Succession and Organizational Performance	➔ Data Envelopment Analysis ➔ Secondary data were used. ***Performance:** points scored, assists, rebounds, turnovers
Huson et al. (2004)	Managerial succession and firm performance	➔ OLS(ordinary least square) regression ➔ Secondary data were used. ***Performance:** operational ROA, OROS ***Ownership:** percentage of share
Puffer, S. and Weintrop, J. (1991)	Corporate Performance and CEO Turnover: The Role of Performance Expectations	➔ Secondary data were used. ➔ Logistic regression was used ***Performance:** ROA, ROE, profit margin on sales, earning per share, unexpected

Author(s)	Article	Measures and Methods Employed in Succession Studies
		per share, unexpected industry earnings per share, cumulative abnormal security returns ***Size:** log of the firm's asset ***Tenure:** it was measured by the log of the years the CEO had held the position
Shen, W. and Cannella A.A.(2003)	Will succession planning increase shareholder wealth? Evidence from investor Reactions to relay CEO succession	➔ Secondary data were used. ➔ OLS regression analysis ***Performance:** ROA
Furtado, E. and Karan, V. (1994)	Internal/External Top Management Succession And Fırm Performance	➔ Secondary data were used. ➔ Logistic regression ***Size:** market value of the firm at December-end in the year in which a change occurs. ***Performance:** Return on total Assets, earning before interest and taxes adjusted for total asset, return on market value of the equity, return on common stock adjusted for market return
Bommer, W.E. and Ellstrand A.E. (1996)	CEO Successor Choice, Its Antecedents and Influence on Subsequent Firm Performance	➔ Secondary data were used ➔ Logistic regression and then ANCOVA ***CEO successor type:** binary ***Performance measures:** return on equity, return on investment, return on assets for the 3 years preceding and following the CEO changes ***Stock ownership:** stock held by corporate officers and directors ***Institutional ownership:** the percentage of the total shares outstanding held by institutional investors. ***Size:** it was measured by the log of the firm's total asset in the year of succession

Author(s)	Article	Measures and Methods Employed in Succession Studies
Haveman, H.A. (1993)	Ghosts of managers past: Managerial succession and organizational mortality	➔ Secondary data were used. ***Performance:** failure
Tushman, M.L. and Rosenkopf, L. (1996)	Executive Succession, Strategic Reorientation and Performance Growth: A longitudinal Study in the U.S. Cement Industry	➔ Single generalized least squares regressions ➔ Secondary data were used. ➔ Performance: yearly return on asset * **Size:** production capacity of the firm (control variable) ***Age:** number of years since the founding (control variable)
Zhang, Y. and Rajagopalan, N.	When The Known Devıl Is Better Than An Unknown God: An Empırıcal Study Of The Antecedents And Consequences Of Relay Ceo Successions	➔ Secondary data were used. ***Performance:** ROA, return on sales, and the ratio of market value of shareholders' equity ***Firm size:** natural logarithm of average sales for three years prior to succession (control variable) * **Departing CEO origin:** 1-outsider; 0-insider (control variable)
Farrell, K. and Whidbee,D. (2000)	The Consequences of Forced CEO Succession for Outside Directors	➔ Secondary data were used. ➔ A probit model ***Performance:** preturnover firm performance is used by the average annual market adjusted stock returns during the 2 years prior to turnover ***postturnover firm performance** is used by the average annual market adjusted stock returns for 1 and 4 years following the turnover.

Annexe -2: Variables not in the Equation

			Score	df	Sig.
Step 1	Variables	Age	1,435	1	,231
		Firm size	7,954	1	,005
		Ins/board	1,709	1	,191
		Ownership change	2,555	1	,110
		Owner-managed	,955	1	,328
		Performance	7,360	1	,007
	Overall Statistics		24,733	6	,000
Step 2	Variables	Age	8,666	1	,003
		Ins/board	2,396	1	,122
		Ownership change	2,443	1	,118
		Owner-managed	1,471	1	,225
		Performance	5,713	1	,017
	Overall Statistics		16,697	5	,005
Step 3	Variables	Ins/board	3,322	1	,068
		Ownership change	1,472	1	,225
		Owner-managed	2,153	1	,142
		Performance	3,649	1	,056
	Overall Statistics		7,945	4	,094

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