

# CEO TURNOVER AND FIRM PERFORMANCE: EVIDENCE FROM VIETNAM

## SỰ THAY ĐỔI Ở VỊ TRÍ GIÁM ĐỐC ĐIỀU HÀNH VÀ LỢI NHUẬN DOANH NGHIỆP: BẰNG CHỨNG TỪ VIỆT NAM

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(Received: February 04, 2025; Revised: April 11, 2025; Accepted: April 15, 2025)

DOI: 10.31130/ud-jst.2025.183

**Abstract** - The study aims to explore the impact of Chief Executive Officer (CEO) turnover on the performance of listed firms in Vietnam. Using a sample of 513 listed companies from 2010 to 2021, the results show that CEO turnover tends to reduce corporate profitability. The findings remain consistent across several robustness tests. We expect that disruptions caused by CEO turnover lead to changes in strategic priorities, shake up organizational culture, and make it more difficult for new CEOs to assert their roles. These factors can negatively affect firm performance, especially during the transition period, when profits may decline due to a lack of stability in management and development orientation.

**Key words** - CEO turnover; Firm performance; Resignation; Designation; Dismissal

### 1. Introduction

CEOs play a crucial role in making important strategic decisions that ultimately determine firm performance ([1], [2]). Given this significance, CEO turnover and its influence on various aspects of business operations has become an increasingly compelling research topic, particularly in recent years.

Current research has found evidence that CEO turnover can have both positive and negative impacts on business operation. While some studies suggest that replacing CEOs can enhance firm performance, as demonstrated in research by [3], [4], and [2], other studies such as those by [5] and [6] argue that changes in these senior leadership positions can disrupt company stability and create uncertainty, negatively affecting firm performance. The inconsistent results regarding the directional impact of CEO turnover on firm performance may be attributed to sampling issues or other factors such as the reasons for replacement, experience, or educational background of the leaders. Therefore, more empirical research is needed to determine the impact of CEO turnover on firm performance, especially in emerging markets like Vietnam, where the topic of corporate governance characteristics remain underexplored, primarily due to constraints in relevant data availability. Given this research gap, additional empirical studies are essential to provide a foundation for governance decisions, investment strategies, and macro-level management.

This research was conducted to gain a deeper understanding of the impact of CEO turnover on the performance of listed companies in Vietnam, and to

**Tóm tắt** - Nghiên cứu nhằm mục đích tìm hiểu rõ về tác động của sự thay đổi ở vị trí giám đốc điều hành (CEO) đến lợi nhuận của các công ty niêm yết tại Việt Nam. Sử dụng mẫu bao gồm 513 công ty niêm yết trong giai đoạn từ năm 2010 đến 2021, kết quả cho thấy sự thay đổi CEO có xu hướng làm suy giảm lợi nhuận của công ty. Kết quả này vẫn giữ nguyên khi thực hiện các kiểm định tính bền. Có thể nói, sự gián đoạn do những thay đổi trong vị trí CEO có thể dẫn đến sự thay đổi trong các ưu tiên chiến lược, làm biến động văn hóa tổ chức và gây khó khăn cho các CEO mới trong việc khẳng định vai trò của mình. Những yếu tố này có thể ảnh hưởng tiêu cực đến hiệu quả hoạt động của công ty, đặc biệt là trong giai đoạn chuyển giao, khi mà lợi nhuận có thể bị sụt giảm do thiếu sự ổn định trong quản lý và định hướng phát triển.

**Từ khóa** - Sự thay đổi trong vị trí giám đốc điều hành; Hiệu quả hoạt động; Từ chức; Thuyên chuyển; Sa thải

identify which common reasons for CEO turnover have the most significant influence. Our results indicate that CEO turnover tends to reduce company profitability, contradicting the findings of [2] and [4], which suggest that replacing CEOs leads to positive changes, but aligning with the results of [6]. The research findings imply that disruptions caused by CEO turnover lead to shifts in strategic priorities and organizational culture, and while newly appointed CEOs require additional time to become familiar with the new context, these factors can diminish profits.

This study contributes new evidence to the field of corporate governance. By analyzing financial data from listed companies across various industries, the research provides novel insights into the consequences of CEO turnover. Additionally, based on the unique dataset, we focus into analyzing the reasons for CEO turnover, confirming that among these reasons, the resignation of the current CEO has the most negative impact on profitability. The reason is that CEO resignation signals to the market that the company is facing operational issues that even those in leadership positions find difficult to improve. Our research has some implications when showing the downside of CEO transition processes, particularly for investors and shareholders who may be overly optimistic about the outcomes of the turnovers.

The remainder of the paper is organized as follows. In the next section, theoretical overview and empirical studies related to the relationship between CEO turnover and firm performance are presented. Then, the model and data are

showed in section three. Section four is for discussing the results. Section five concludes the paper.

## 2. Literature review and hypothesis development

There are two theories that can be used to predict the relationship between CEO turnover and firm performance. First, the agency theory by [7] argues that there is a conflict of interest between shareholders (the firm owners) and CEOs (their agents), as CEOs may act in their own interest, potentially harming the long-term wealth of the owners. Therefore, CEO turnover can be an effective tool to reduce the conflict of interest between owners and managers, thereby positively impacting company performance. Second, stewardship theory (see [8]) suggests that senior managers are typically responsible, honest individuals who act in the company's best interest. According to this theory, we can predict that CEO replacement might negatively affect company performance, especially when new CEOs lack experience in the position or have overconfidence in their leadership skills.

Recent empirical studies have focused on examining leadership transitions, primarily the CEO turnover, as a special factor that can affect many aspects of a company. However, results on the direction of the relationship between CEO turnover and firm performance are not consistent and can be grouped into two major findings. Most studies in the first group suggest that appointing new CEOs tends to create a favorable environment for implementing breakthrough changes in the company, thereby creating the potential to promote innovation and enhance future growth. Specifically, [3], based on a data sample from the UK and Germany, finds that recruiting new CEOs is effective in realizing significant profit improvements in subsequent years. They argue that CEO transition is an important component of successful transformation in underperforming companies, and this mechanism is similar in both countries in the observed sample, despite differences in corporate governance structure and institutional environment quality between the two nations.

Similarly, [2] argues that appointing a new CEO can lead to strategic changes, encouraging the introduction of innovative processes or products, and delivering sustainable future growth and development of the company. However, this study suggests that the positive impact of CEO turnover on company performance is only maintained in the short term (first two years) and tends to diminish over time. Notably, [4], studying a sample of Italian companies and finds a positive and statistically significant relationship between CEO turnover and the ability of a bankrupt company to return to operation. Based on this evidence, we propose the hypothesis that CEO turnover can positively impact company performance.

*Hypothesis H1a. CEO turnover has a positive impact on company performance.*

However, some studies suggest an unclear, even negative relationship between CEO turnover and firm

performance. For instance, [5] argues that the dismissal of CEOs may due to poor management performance of these directors. In such cases, leadership replacement can be seen as a mechanism to improve overall performance and corporate governance effectiveness. However, this study suggests that a dismissal announcement only brings high abnormal returns at the time of announcement, rather than increasing the company's long-term performance. [6] observes a sample of Japanese companies and finds that CEO replacement has an inverse relationship with company performance. [9] suggests that CEO turnover negatively affects performance in the short term but has no significant impact on long-term performance. [10] finds evidence that the shock from CEO turnover reduces innovation investment. Based on this evidence, we propose hypothesis H1b as follows:

*Hypothesis H1b. CEO turnover has a negative impact on company performance.*

## 3. Methodology

### 3.1. Data

The study only includes non-financial firms listed on two stock exchanges, including the Ho Chi Minh City Stock Exchange (HOSE) and the Hanoi Stock Exchange (HNX), during the period from 2010 to 2021. The financial data is provided by FiinPro database, a reliable financial data source for the Vietnamese market. Additionally, information related to boards of directors and CEO turnover are manually collected based on company annual reports and verified through publicly available information on company websites. After cleaning, the final sample of the study includes a total of 513 companies, with 4,576 observations from 2010 to 2021, which is large enough to allow detailed analysis of the relationship between firm performance and CEO changes in the context of the Vietnamese market.

### 3.2. Model

To test the relationship between CEO turnover and firm performance, we use the following model:

$$Profitability_{i,t} = \beta_0 + \beta_1 Turnover_{i,t-1} + \beta_2 X_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

Where:

$Profitability_{i,t}$  is the profitability of company  $i$  in year  $t$ , measured by the ratio of earnings before interest and taxes to total assets;

$Turnover_{i,t-1}$  is a dummy variable that takes the value of 1 if there is a change in the CEO position of company  $i$  in year  $t-1$ , and 0 otherwise;

$X$  represents control variables, including firm-level characteristics, such as firm size (Fsize), sales growth rate (Sales), tangible assets (Tang), and leverage (Lev), and other variables reflecting corporate governance characteristics such as board size (Bsize), duality (Duality), and independence level (Ind).

Additionally, in the extended model, we control for CEO characteristics, including education (Edu), experience (Exp), and tenure (Tenure).

Table 1. Measurement of variables	
Variables	Measurements
Main variables used in the model	
Profitability	Earnings before interest and taxes over total assets.
Turnover	Dummy variable that takes the value of 1 if there is a CEO turnover, and 0 otherwise.
Edu	CEo education, that takes the value of 1 if the CEO holds a degree below bachelor, 2 if bachelor, and 3 if higher (i.e., master, doctorate).
Exp	The natural logarithm of the number of years holding a management position from department level and above.
Tenure	The natural logarithm of the number of years holding the CEO position.
Bsize	Number of members on the board of directors.
Duality	Dummy variable that takes the value of 1 if the CEO is also the Chairman, and 0 otherwise.
Ind	Proportion of independent members on the board of directors.
Fsize	Firm size, calculated as the natural logarithm of total assets.
Sales	Annual sales growth.
Tang	Fixed assets over total assets.
Lev	Total debts over total assets.
Reasons for CEO turnover	
Dismiss	Dummy variable that equals 1 if the CEO is dismissed and 0 otherwise.
Designate	Dummy variable that equals 1 if the CEO is appointed to another position and 0 otherwise.
Resign	Dummy variable that equals 1 if the CEO resigns and 0 otherwise.
Other	Dummy variable that takes 1 if CEO turnover is due to something other than dismissal/ designation/resignation and 0 otherwise.

Eq. (1) is estimated using the Pooled Ordinary Least Squares (POLS) method. Besides, to further check the robustness of findings and control for endogeneity issues, we use System Generalized Method of Moments (i.e. system-GMM) to re-estimate the Eq. (1), while also

analyzing subsamples to ensure the reliability of results.

4. Results and discussion

4.1. Descriptive statistics of the research sample

Table 2 presents descriptive statistics of the variables used in the study. As shown, the average value of the Profitability is 10.75%. The average debt ratio of companies is approximately 22.45% of total assets, indicating that the level of borrowing is not too high. Additionally, the average annual sales growth rate of firms is around 11.7%. Tangible assets contribute significantly to the total assets of firms, with an average ratio of 20.99%.

Regarding governance structure, approximately 16% of board members are independent members, showing the presence of independent oversight in the observed companies. Besides, CEOs of Vietnamese listed firms mostly hold a bachelor’s degree or higher, reflecting the relatively high educational level of the leaders in this study.

Table 2. Descriptive statistics					
Variables	No. of Obs.	Mean	Std. Dev.	Min	Max
Profitability	4,576	0.11	0.09	-0.09	0.42
Exp	4,407	2.57	0.78	0	3.61
Edu	4,407	2.24	0.48	1	3
Tenure	4,407	1.72	0.87	0	3.30
Bsize	4,576	5.52	1.13	3	9
Ind	4,576	0.16	0.22	0	1
Fsize	4,576	27.16	1.53	23.68	31.58
Tang	4,576	0.21	0.20	0	0.86
Sales	4,576	0.12	0.47	-0.71	3.67
Lev	4,576	0.22	0.19	0	0.69

Next, we present the correlation coefficients between pairs of variables in Table 3. As shown in the table, there is no serious multicollinearity problem in the model, since the pairwise correlation coefficients of independent variables that appear simultaneously in the model do not exceed 0.8.

Table 3. Correlation matrix												
	1	2	3	4	5	6	7	8	9	10	11	12
1 Profitability	1											
2 Turnover	-0.05 <sup>a</sup>	1										
3 Exp	0.13 <sup>a</sup>	-0.15 <sup>a</sup>	1									
4 Edu	-0.06 <sup>a</sup>	0.04 <sup>a</sup>	-0.09 <sup>a</sup>	1								
5 Tenure	0.04 <sup>b</sup>	-0.46 <sup>a</sup>	0.36 <sup>a</sup>	0.03 <sup>b</sup>	1							
6 Duality	0.02	-0.14 <sup>a</sup>	0.23 <sup>a</sup>	-0.07 <sup>a</sup>	0.36 <sup>a</sup>	1						
7 Bsize	0.08 <sup>a</sup>	-0.03 <sup>b</sup>	0.08 <sup>a</sup>	-0.02	0.03 <sup>b</sup>	-0.02	1					
8 Ind	0.04	0.01	-0.04 <sup>b</sup>	-0.02	-0.02 <sup>b</sup>	-0.01	0.01	1				
9 Fsize	-0.03 <sup>b</sup>	0.02	0.02	0.13 <sup>a</sup>	-0.03 <sup>b</sup>	-0.09 <sup>a</sup>	0.29 <sup>a</sup>	-0.01	1			
10 Tang	0.41 <sup>a</sup>	-0.04 <sup>a</sup>	0.05 <sup>a</sup>	-0.02	-0.03 <sup>c</sup>	-0.06 <sup>a</sup>	0.15 <sup>a</sup>	0.02 <sup>c</sup>	0.09 <sup>a</sup>	1		
11 Sales	0.12 <sup>a</sup>	-0.06 <sup>a</sup>	-0.01	-0.02 <sup>a</sup>	0.01	0.05 <sup>a</sup>	0.04 <sup>b</sup>	0.01	0.06 <sup>a</sup>	0.03 <sup>b</sup>	1	
12 Lev	-0.14 <sup>a</sup>	-0.01	-0.05 <sup>a</sup>	0.05 <sup>a</sup>	-0.005	0.01	0.12 <sup>a</sup>	-0.01	0.44 <sup>a</sup>	0.21 <sup>a</sup>	0.06 <sup>a</sup>	1

<sup>a</sup>, <sup>b</sup> and <sup>c</sup> indicate Significance level at 1%, 5% and 10% respectively.

#### 4.2. CEO turnover and firm performance

Table 4 presents the POLS regression results for Eq. (1) for all firms included in the sample. As shown in column 1 of Table 4, the regression coefficients of the Turnover variable are negative and highly statistically significant at the 1% level, indicating an inverse relationship between CEO turnover and firm performance. Specifically, the regression coefficient of the Turnover variable when regressing for the entire sample is -0.0125, showing that a change in the CEO position reduces the profitability by 1.25 percentage points. This result supports hypothesis H1b.

Next, we perform POLS regression for Eq. (1) while controlling for additional CEO characteristic variables. Once again, the regression coefficients of Turnover are negative. Among the variables measuring CEO personal characteristics, the Experience has a positive relationship with Profitability, implying that CEOs with more experience can drive companies to operate more efficiently. However, CEOs with higher education and longer tenure tend to have poorer management efficiency, reducing the profitability of firms in the sample.

Since the observed period (i.e., from 2010 to 2021) includes the COVID-19 time, we re-estimate Eq. (1) for the period excluding the years 2020 and 2021. This is to check whether factors associated with the COVID-19 crisis could be the source of variations in profitability during this time. As can be seen in columns 3 and 4 of Table 4, in both the basic and extended models, the regression coefficient of the Turnover variable is negative and highly statistically significant, implying that changes in the CEO position lead to lower firm performance.

**Table 4.** CEO turnover and firm performance

	Full sample		Non-COVID-19	
	(1)	(2)	(3)	(4)
L.Turnover	-0.0125 <sup>a</sup> (0.0031)	-0.0118 <sup>a</sup> (0.0039)	-0.0146 <sup>a</sup> (0.0037)	-0.0173 <sup>a</sup> (0.0044)
L.Exp		0.0115 <sup>a</sup> (0.0017)		0.0117 <sup>a</sup> (0.0020)
L.Edu		-0.0065 <sup>a</sup> (0.0023)		-0.0058 <sup>b</sup> (0.0026)
L.Tenure		-0.0053 <sup>a</sup> (0.0018)		-0.0053 <sup>a</sup> (0.0020)
L.Duality	-0.0017 (0.0027)	-0.0032 (0.0029)	-0.0017 (0.0030)	-0.0031 (0.0032)
L.Bsize	0.0009 (0.0010)	0.0004 (0.0011)	0.0005 (0.0013)	0.0003 (0.0013)
L.Ind	0.0024 (0.0052)	0.0031 (0.0053)	0.0047 (0.0060)	0.0067 (0.0061)
L.Fsize	0.0043 <sup>a</sup> (0.0010)	0.0042 <sup>a</sup> (0.0010)	0.0051 <sup>a</sup> (0.0012)	0.0049 <sup>a</sup> (0.0012)
L.Tang	0.1816 <sup>a</sup> (0.0064)	0.1759 <sup>a</sup> (0.0065)	0.1837 <sup>a</sup> (0.0072)	0.1780 <sup>a</sup> (0.0073)

	Full sample		Non-COVID-19	
	(1)	(2)	(3)	(4)
L.Sales	0.0115 <sup>a</sup> (0.0029)	0.0148 <sup>a</sup> (0.0032)	0.0105 <sup>a</sup> (0.0034)	0.0130 <sup>a</sup> (0.0036)
L.Lev	-0.1235 <sup>a</sup> (0.0070)	-0.1235 <sup>a</sup> (0.0071)	-0.1318 <sup>a</sup> (0.0081)	-0.1294 <sup>a</sup> (0.0082)
Constant	0.0087 (0.0255)	0.0064 (0.0260)	-0.0098 (0.0298)	-0.0140 (0.0301)
No of Obs.	4,576	4,407	3,558	3,448
R-squared	0.2412	0.2499	0.2357	0.2456
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Cluster by firm	Yes	Yes	Yes	Yes

Standard errors in parentheses. <sup>a</sup>, <sup>b</sup> and <sup>c</sup> indicate Significance level at 1%, 5% and 10% respectively.

When delving deeper into the reasons for CEO turnover, we manually collect four major categories of reasons, including dismissal, resignation, designation and other, as shown in the following table.

**Table 5.** Reasons for CEO turnover

Year	Dismiss	Resign	Designate	Other
2010	8	3	8	13
2011	16	6	8	15
2012	19	10	9	21
2013	16	6	10	23
2014	19	18	9	23
2015	20	21	14	26
2016	20	19	12	22
2017	15	19	8	22
2018	21	16	12	29
2019	36	14	14	32
2020	23	13	35	22
Total	213	145	139	248

Next, Table 6 shows the results of some robustness tests of the research findings. In columns (1) and (2), we re-estimate the Eq. (1) using the POLS but replaced the Turnover with 4 new variables representing the reasons for changes in the CEO position

As shown in column 1, the coefficients of the variables of the turnover's reason are all negative and statistically significant, indicating an inverse relationship between CEO transition and firm performance, regardless of the reason for the change. In column 2, when controlling for additional CEO characteristics, although the signs of the regression coefficients of the reason variables remain negative, only the Resign's coefficient, representing CEO resignation, is statistically significant. This result implies that the event of a current CEO resigning definitely has the most negative impact on profitability. This is because CEO resignation sends a message to the market that the company is facing seriously operational problems that even the CEOs find difficult to improve.

**Table 6. Robustness check**

Control for reasons for CEO turnover			System-GMM	
			(3)	(4)
(1)	(2)			
L.Profit			0.4681 <sup>a</sup> (0.0363)	0.6986 <sup>a</sup> (0.0480)
L.Turnover			-0.0076 <sup>a</sup> (0.0025)	-0.0100 <sup>b</sup> (0.0050)
L.Dismiss	-0.0119 <sup>b</sup> (0.0060)	-0.0078 (0.0062)		
L.Designate	-0.0118 <sup>c</sup> (0.0060)	-0.0111 (0.0073)		
L.Resign	-0.0306 <sup>a</sup> (0.0060)	-0.0272 <sup>a</sup> (0.0073)		
L.Other	-0.0019 (0.0050)	-0.0037 (0.0061)		
L.Exp		0.0112 <sup>a</sup> (0.0017)		0.00001 (0.0017)
L.Edu		-0.0064 <sup>a</sup> (0.0023)		-0.0034 <sup>c</sup> (0.0019)
L.Tenure		-0.0049 <sup>a</sup> (0.0018)		-0.0021 <sup>c</sup> (0.0012)
L.Duality	-0.0015 (0.0027)	-0.0031 (0.0029)	-0.0029 (0.0029)	-0.0040 (0.0033)
L.Bsize	0.0009 (0.0010)	0.0005 (0.0011)	0.0002 (0.0011)	-0.0013 (0.0009)
L.Ind	0.0024 (0.0052)	0.0031 (0.0053)	0.0073 (0.0059)	0.0244 <sup>a</sup> (0.0089)
L.Fsize	0.0042 <sup>a</sup> (0.0010)	0.0042 <sup>a</sup> (0.0010)	0.0035 <sup>b</sup> (0.0014)	0.0057 <sup>b</sup> (0.0026)
L.Tang	0.1814 <sup>a</sup> (0.0064)	0.1758 <sup>a</sup> (0.0065)	0.1046 <sup>a</sup> (0.0104)	0.0744 <sup>a</sup> (0.0161)
L.Sales	0.0114 <sup>a</sup> (0.0029)	0.0147 <sup>a</sup> (0.0032)	0.0098 <sup>a</sup> (0.0020)	0.0109 <sup>a</sup> (0.0026)
L.Lev	-0.1231 <sup>a</sup> (0.0070)	-0.1233 <sup>a</sup> (0.0071)	-0.0504 <sup>a</sup> (0.0093)	0.0017 (0.0059)
Constant	0.0100 (0.0255)	0.0071 (0.0260)	0.00001 (0.00001)	0.00001 (0.00001)
No of Obs.	4,576	4,407	4,547	4,380
R-squared	0.2431	0.2509		
Hansen			0.514	0.328
AR2			0.165	0.071
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Cluster by firm	Yes	Yes	Yes	Yes

Standard errors in parentheses. <sup>a</sup>, <sup>b</sup> and <sup>c</sup> indicate Significance level at 1%, 5% and 10% respectively.

Next, we perform regression using the system-GMM for Eq. (1) both with and without controlling for additional CEO characteristic. Once again, the regression coefficients of Turnover are negative and statistically significant, indicating an inverse relationship between CEO changes and firm performance. The p-values of the Hansen and

AR2 tests respectively show the validity of the instrumental variables and confirm the absence of second-order autocorrelation problem.

In addition, we re-estimate Eq. (1) on two subsamples: the group of firms where the CEOs are also the Chairman (dual role) and the group of firms where the CEOs are not the Chairman (non-dual role). The regression results for these two subsamples are shown in Table 7.

It can be seen that in both groups, the regression coefficients of the Turnover variable are consistently negative and highly statistically significant at the 1% level, indicating an inverse relationship between changes in senior leadership positions and operational efficiency. Notably, the magnitude of the Turnover coefficient is significantly higher in the dual role group (the regression coefficients of the Turnover variable in the duality group are -0.0186 and -0.0265 for the basic and extended models, respectively, compared to -0.0142 and -0.0115 for the non-duality group). This result implies that CEO replacement reduces firm performance, especially when the CEO is simultaneously the Chairman of the company.

**Table 7. Duality vs. non-duality**

	Duality		Non-duality	
	(1)	(2)	(3)	(4)
L.Turnover	-0.0186 <sup>c</sup> (0.0099)	-0.0265 <sup>a</sup> (0.0098)	-0.0142 <sup>a</sup> (0.0036)	-0.0115 <sup>b</sup> (0.0047)
L.Exp		0.0186 <sup>a</sup> (0.0051)		0.0107 <sup>a</sup> (0.0020)
L.Edu		-0.0199 <sup>a</sup> (0.0050)		-0.0027 (0.0028)
L.Tenure		-0.0095 <sup>b</sup> (0.0042)		-0.0036 <sup>c</sup> (0.0021)
L.Bsize	-0.0008 (0.0024)	-0.0010 (0.0024)	0.0007 (0.0013)	0.0005 (0.0013)
L.Ind	-0.0080 (0.0124)	-0.0077 (0.0125)	0.0100 (0.0063)	0.0117 <sup>c</sup> (0.0064)
L.Fsize	0.0084 <sup>a</sup> (0.0025)	0.0088 <sup>a</sup> (0.0025)	0.0038 <sup>a</sup> (0.0012)	0.0036 <sup>a</sup> (0.0012)
L.Tang	0.1839 <sup>a</sup> (0.0154)	0.1712 <sup>a</sup> (0.0158)	0.1812 <sup>a</sup> (0.0076)	0.1759 <sup>a</sup> (0.0078)
L.Sales	0.0206 <sup>a</sup> (0.0064)	0.0225 <sup>a</sup> (0.0068)	0.0055 <sup>c</sup> (0.0033)	0.0080 <sup>b</sup> (0.0036)
L.Lev	-0.1539 <sup>a</sup> (0.0157)	-0.1443 <sup>a</sup> (0.0159)	-0.1199 <sup>a</sup> (0.0086)	-0.1217 <sup>a</sup> (0.0088)
Constant	-0.0861 (0.0613)	-0.0849 (0.0639)	0.0210 (0.0310)	0.0100 (0.0316)
No of Obs.	1,000	984	3,071	2,943
R-squared	0.2325	0.2627	0.2466	0.2515
Year FE	Yes	Yes	Yes	Yes
Industry FE	Yes	Yes	Yes	Yes
Cluster by firm	Yes	Yes	Yes	Yes

Standard errors in parentheses. <sup>a</sup>, <sup>b</sup> and <sup>c</sup> indicate Significance level at 1%, 5% and 10% respectively

## 5. Conclusion

The study has contributed an empirical evidence of the negative relationship between CEO turnover and firm performance of listed companies in Vietnam during the period 2010-2021. The results indicate that disruptions due to changes in CEO positions can lead to shifts in strategic priorities, fluctuations in organizational culture, and difficulties for new CEOs in asserting their roles, supporting the arguments of studies [6], [9], [10]. These factors can negatively affect firm performance, especially during transition periods, when profits may decline due to lack of stability in management and development orientation.

There are some limitations that should be considered. First, the sample only covers listed firms; therefore, the results may not fully reflect the situation and characteristics of unlisted companies in Vietnam. Furthermore, the observed period only spans 12 years, a relatively short timeframe to draw solid conclusions about long-term trends. With these limitations in mind, future research could expand the scope of study to include unlisted companies, providing a more comprehensive view of the impact of CEO turnover on business performance. At the same time, extending the observation period would help assess the long-term effects of governance policies and leadership transitions, thereby providing useful implications for current shareholders, managers and potential investors.

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