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## ‘CEO TURNOVER AND DIRECTOR REPUTATION’

(A joint work with Felix von Meyerinck and Jonas Romer)

**MARKUS SCHMID – UNIVERSITY OF ST. GALLEN**



### ABSTRACT

This paper analyzes the reputational effects of forced CEO turnovers on outside directors. Outside directors interlocked to a forced CEO turnover experience large and persistent increases in withheld votes at subsequent board re-elections relative to non-turnover-interlocked directors. Increases in withheld votes are confined to departures without a successor in place, performance-induced turnovers, turnovers that occur during CEOs’ most productive tenure range, and turnovers at companies that share high common ownership with the interlocked firm. Reputational losses are larger for committee members responsible for hiring and monitoring the ousted CEO and directors affiliated with the CEO. Involvement in a forced CEO turnover is not associated with a long-term loss in directorships, but lost directorships are replaced by directorships at smaller firms. Our results imply that forced CEO turnovers signal a governance failure at the board level and that investors rely on salient actions to update their beliefs about directors’ hidden qualities.

**Keywords:** CEO turnover, Director re-elections, Director reputation, CEO succession, Shareholder voting