

Firm Performance, Corporate Governance Mechanisms and CEO Turnover: Evidence from Nigeria

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Abstract

This paper examines the influence of firm performance and internal governance mechanisms on CEO turnover decision. The sample of the study is all Nigerian non-financial firms listed on the Nigerian Stock Exchange (NSE) from year 2011 to 2015 consisting of 72 cases of CEO turnover. Using logistic regression analysis, this study provides evidences that poor accounting-based performance (ROA) and low engagement of female directors in corporate boards do increase the probability of CEO turnover. Furthermore, firms dominated with foreign ownership and those with independent board nominating committee are swifter in removing their CEOs. However, this study fails to support the argument that firms with large board size and those that are dominated by managerial ownership, help to enhance the monitoring practices, which ought to sanction underperformed CEOs with dismissal. Consequently, this study recommends that the Nigerian government should enact a legislation on gender quota to ensure that more female directors are appointed to the boards and as well encourage more foreign ownership in the Nigerian corporate landscape by attracting foreign investment into the economy via favourable policies. This paper contributes to the literature concerning CEO succession in developing markets with poor corporate governance structure such as Nigeria.

Keywords: CEO turnover, firm performance, foreign ownership, governance mechanism, Nigeria

1. Introduction

Turnover in a general term refers to the rate at which workers leave their workplace or industry. It is about the rate at which employees are being fired or replaced by their employer within a given period. While in the case of the employee turnover, the turnover could be as a result of dissatisfaction with the management, job role, wages, or possibility of better pay elsewhere or job security, career advancement or dismissal or termination. However, the CEO turnover is largely due to performance decline. It could be accounting performance or market-based performance. CEO turnover serves as an incentive to the CEOs to implement proper strategies and manage the firms efficiently and effectively to increase the shareholders' wealth and enhance the performance of the firms to avoid being fired by the shareholders (principal) (Dikolli, Mayew, & Nanda, 2014).

While the board is primarily concerned with increasing shareholders' wealth by improving stock price, the CEOs as argued are concerned with self-interest and maximising their personal wealth and other non-pecuniary benefits (Puffer & Weintrop, 2015). In order to ensure that the CEOs' interests align with the shareholders' interests, CEO dismissal becomes a key controlling mechanism in that regards. For the board of directors to execute this decisive action, they normally depend on the firm performance as a reliable yardstick in assessing the ability and effectiveness of the CEOs (Abdullahi, Ishak & Sawandi, 2018).

Furthermore, corporate governance mechanisms have been established by previous empirical findings to have significant influence on the CEO turnover (Ronghai & Hailin, 2006). There are two broad categories of corporate governance mechanisms that influence CEO turnover, namely, board structure, and ownership structure. Irrespective of the nature and size of the economy, each element of the corporate governance mechanisms affects the CEO turnover in a specific way, however, not much attention has been paid to it by either the economic theory or company laws across the countries

(Baysinger & Butler, 2014). Consequently, this study examines the influence of board attributes and ownership characteristics on CEO turnover. The rest of the paper is presented as follow; section 2.0 literature review and hypotheses development, section three is the methodology, while section four is data analysis, interpretation and discussion; while conclusion and recommendations is contained in section five.

2. Literature Review and Hypotheses Development

2.1 Firm Performance and CEO Turnover

In view of the significance and importance of the nature of the responsibility of the CEO in a corporation, several studies had concentrated on the CEO turnover and firm performance relationship (Cook, 2015; Fiordelisi & Ricci, 2013). Although, most of the prior studies found negative associations between firm performance and CEO turnover, there have been remarkable divergent results on the sensitivity of CEO turnover to performance across the countries. Whilst the studies from the UK and US reported that current performance affected CEO turnover, most of the studies in the developing markets established that poor performance had a lagged effect on CEO turnover (Conyon & He, 2014; Ishak & Abdul Latif, 2013; Ishak, 2010; Sanda, Mikailu, & Garba, 2010).

While several prior studies have reported negative relationship between corporate performance and CEO turnover (Dimopoulos & Wagner, 2012; Ishak et al., 2012; Puffer & Weintrop, 2015; Abdullahi, Ishak & Sawandi, 2017), there have been inconsistencies in the findings of the previous studies on the relationship between performance and CEO turnover. These inconsistencies have been claimed to be due to insufficient attention being paid to the nature of the performance indicator adopted by the board of directors in making the turnover decision (Puffer & Weintrop, 2015). They further suggested that the sensitivity of firm performance will be higher when the performance measures used reflect the expectations of the shareholders.

Furthermore, Puffer and Weintrop (2015) in the study of a sample of 408 CEOs in US corporations, found that the actual Earnings Per Share (EPS) and analysts' expectations were both strongly sensitive to CEO turnover and not accounting ratios. On the other hand, while utilising a sample of 809 CEOs from the Fortune Global 500 firms, Choi (2015) observed that the accounting performance of the firms remained the major driver of the forced CEO turnover. He found that the forced turnover reduced significantly as the firms' accounting performance improved but there was no significant effect from the stock performance. This indicates that the board of directors of firms is more likely to dismiss underperforming CEOs relying on accounting performance and not stock performance in taking the turnover decision. Therefore, this study hypothesizes that:

H1 turnover: Firms are more likely to change their CEOs in the events of poor performance.

2.2 Board Structure and CEO Turnover

The board of directors is an integral part of the governance structure of corporations. However, Baysinger and Butler (2014) argue that the economic theory and company laws across the countries have not paid adequate attention to these issues. Hence, this study considers variables such as; board size, board members' gender diversity and nominating committee independence in the context of an emerging and developing economy to deepen the understanding of the influence of these variables on CEO succession.

2.2.1 Board Size

Board size is defined as the total number of members of a firm's board of directors. In other words it is the total number of both the executive and non-executive directors of a firm (Combs et al., 2007; Dimopoulos & Wagner, 2012; Mobbs, 2013; Nielsen & Huse, 2010; Sanda et al., 2010; You & Du, 2012). Board size is suggested to have influence on the relationship between CEO turnover in a firm. However, a large board size has an adverse effect on the quality of the monitoring of the board, as the smaller boards are more likely to replace a poorly performing CEO (Bekiris, 2013; Cook, 2015; Dimopoulos & Wagner, 2012). Furthermore, Bekiris (2013) argues that a smaller board size enhances the ability of the board to monitor the CEO, hence, more likely to replace the underperforming CEO. Similarly, Dikolli, Mayew, and Nanda (2014) opine that smaller boards lead to higher monitoring. Indicating that, the smaller the board size the higher the probability of CEO turnover (Dikolli et al., 2014b; You & Du, 2012). A large board size is reported to have a negative impact on firm performance (Ujunwa, 2012). In fact, the NCCG recommended a minimum of five members on the board of listed companies in the stock exchange but did not stipulate the maximum number of members (Abdullahi, Ishak & Sawandi, 2018). Hence, the next hypothesis posited that:

H2 turnover: Firms with larger board size are more likely to change their CEOs.

2.2.2 Board Member Gender Diversity

Gender diversity or female representation on the companies' board of directors have become a central focus point in the corporate governance discussions and studies globally, with several companies being enjoined to appoint females to their boards. The importance of board diversity is essentially noticeable and relevant if only it enhances the

effectiveness of the boards and, consequently, the firms' performance. Otherwise, it will be regarded as a mere tokenism (Abdullah & Ku Ismail, 2013).

Although, several research works across the globe have shown that corporate performance is enhanced by board diversity, yet it has remained to a great extent an alien concept in the majority of the boardrooms worldwide (Diplock, Wilderotter, & Kilaas, 2011). For example, Nguyen, Locke, and Reddy (2014) reported that Norway in 2004, adopted a compulsory quota law on gender, requiring 40 percent of the board positions for all the listed companies to be allocated to women. This initiative inspired many countries across Europe to follow suit in the appointment of women as directors, such as Finland in 2005, Spain in 2007 and Belgium in 2011. Similarly, in the other regions, several countries like Australia in 2009, adopted it, followed by Malaysia in 2011, Hong Kong and New Zealand both in 2012 and several others revised their corporate governance codes to accommodate this initiative. However, the Nigerian corporate governance codes were revised in 2011, it remains silent on the quota law for the boardroom gender diversity.

In line with the agency theory, the monitoring role of the board of directors serves as an extremely important mechanism for mitigating the conflicts between the principal and the agent, which ultimately affect corporate performance. Recent studies suggest that greater boardroom gender diversity can strengthen the monitoring function. For instance, Adams, Nowland, and Grey (2011) observed that female directors appeared to have a superior monitoring ability and are also able to think more independently, and they are not influenced by the usual male-dominated syndrome. Furthermore, greater board gender diversity can also improve better monitoring because female director representation can enhance managerial accountability, and CEO responsibility. Consequently, female directors can act as additional independent directors that can help in improving the monitoring role of the board of directors (Nguyen et al., 2014 and Adams, Nowland, & Grey, 2011).

Although, most of the studies on board gender diversity were carried out in the developed economies, the empirical findings were mixed or inconclusive. While some researchers found that there is a positive relationship between gender diversity and firm performance (Dezsö & Ross, 2012), some others reported a negative relationship (Ujunwa 2012; Ahern & Dittmar, 2012). In fact, others documented that there was no evidence of any significant relationship (Carter, D'Souza, Simkins, & Simpson, 2010). Consequent upon this mixed empirical evidence, Nguyen et.al, (2014) suggested that the differences in the research contexts and the econometric methods used were responsible for the mixed findings.

Furthermore, Abdullah and Ku Ismail (2013) study board diversity in 100 top non-financial firms in Malaysia, using the 2007 annual reports of the companies, their multivariate analyses indicated a lack of diversity, specifically, the authors found a negative association between gender diversity and firm performance using the ROA and Tobin's Q. From the aforementioned studies, gender diversity has not been studied in the context of CEO turnover, therefore, this study has strived to ascertain that board gender diversity affects the CEO succession in public listed companies. As the involvement of females on the board increases the performance of the company through enhanced and effective monitoring, it is expected that turnover is less likely to occur. Thus, this study hypothesises that:

H3 turnover: Firms with high proportion of female board members are less likely to change their CEOs.

2.2.3 Board Nominating Committee Independence

Most corporate boards as observed by Adams, Hermalin, and Weisbach (2010) carry out their oversight responsibility in committees, however, the extent of the influence of these board committees on the effectiveness of the overall board monitoring is unclear (Guo & Masulis, 2015). The board nominating committee is one of the most important committees through which the corporate boards perform one of their most crucial tasks (Jenter & Kanaan, 2015). Thus, Guo and Masulis (2015) argued that the board nominating committee is very important in determining the effectiveness and quality of the CEO's monitoring and supervision, as well as the nomination of new directors for election at the annual general meetings. Therefore, the composition of this committee will affect not just the entire board, but the true independence of the directors which will consequently affect the quality of the oversight function of the board.

The composition of board committees is very vital to the effectiveness of the board in its monitoring of the CEO (Abdullahi, Ishak & Sawandi, 2018). Hence, the composition of the nominating committee is crucial to the effectiveness of the board, especially where the CEOs are not members of the nominating committees. Similarly, Shivdasani and Yermack (1999) argue that powerful CEOs are likely to nominate or influence the nomination of directors into the nominating committee. This scenario is capable of leading to CEO entrenchment which can ultimately lead to the CEOs influencing the turnover decision. The authors further stressed in their findings that, the absence of a nominating committee or the presence of the CEO in the nominating committee and fewer independent directors being appointed to the nominating committee can allow the CEOs to have control over the board hence, CEOs are not likely to be dismissed even in the event of poor performance. Therefore, this study has put forward the following hypothesis:

H4 selection: Firms with a high proportion of outsiders on the board nominating committee are more likely to replace their CEOs.

2.3 Foreign Ownership and CEO Turnover

The Nigerian corporate environment is characterised by concentrated shareholding mostly by family and foreign ownerships (Adebite, Amaeshi, & Nakajima, 2013; Sanda, Mikailu & Garba, 2010). The concentration of ownership by family and foreign ownership in Nigeria has been due to the liberalization of the economy embarked upon by the federal government through the promulgation of the legislations which removed all obstacles on the free flow of capital from abroad into the economy (Tsegba & Herbert, 2013; Tsegba et al., 2014). Hence, this paper attempts to investigate the influence of foreign ownership and managerial ownership being the dominant shareholder in the Nigerian PLCs on the CEO turnover.

Foreign ownership brings about enhanced firm performance due to the competition it engenders in the corporate market, as such, it is a crucial aspect of corporate governance mechanisms. Foreign ownership is perceived to have a more informed board and well experienced management with commensurate training and expertise that distinguishes such firm from the local counterparts, hence, it has better performance. Foreign ownership is simply the percentage of shares owned by foreign individuals (Tsegba, Herbert, & Ene, 2014).

Similarly, Munisi, Hermes and Randøy, (2014) examine the relationship between ownership structure and firm structure for listed firms of twelve Sub-Saharan African countries. The study utilises data covering the period of 2006 to 2009. The result shows that foreign ownership was negatively related to the board size. Suggesting that firms with foreign ownership are characterised by small board size, which enhances the effectiveness of the board in monitoring and, hence, increases the probability of CEO turnover. In addition, foreign ownership strengthens board independence which in turn, improves the monitoring ability of the firms, thereby increasing the CEO turnover sensitivity (Boivie et al., 2016). Foreign ownership firms are more effective in monitoring and upholding better corporate governance practices. Hence, the firms are inclined to replace underperforming CEOs (He, Rui, Zheng, & Zhu, 2014).

However, several studies have considered foreign ownership in various aspects of corporate governance and corporate performance (Ezeoha, & Okafor, 2012; He et al., 2014; Tsegba et al., 2014). But few studies had examined the relationship between the foreign ownership and the CEO turnover to the best of the researcher's knowledge. Therefore, owing to the enhanced and effective monitoring feature of foreign ownership, it is expected to influence the CEO turnover especially in Nigeria as the foreign ownership constitutes a significant proportion of its corporate ownership composition. Moreover, it is equally expected that foreign ownership will be more sensitive to CEO turnover regarding its performance relationship. This study, therefore, hypothesises thus:

H5 turnover: Firms with high proportion of foreign ownership are more likely to change their CEOs.

2.4 Managerial Ownership and CEO Turnover

Managerial ownership otherwise referred to as insider ownership or director shareholding is the total shares held by members of the board of directors of the company (Tsegba et al., 2014). Managerial ownership reduces agency costs as it aligns the managerial interests with that of the shareholders, however, higher ownership by the managers could lead to the entrenchment of the management which will ultimately affect firm performance and weaken the governance mechanisms of the corporation (Tsegba et al., 2014).

Similarly, Hornstein (2013) find that, the higher the managerial ownership level in a firm, the lower the probability of CEO turnover. Ruan and Tian (2011) argue that for Chinese listed firms, at lower level of managerial ownership (below 18 per cent), the CEOs' behaviours were controlled and influenced by the board's disciplinary measures, hence, the CEOs were effectively monitored and less likely to be removed due to improved firm performance. However, at a high degree of managerial ownership, managers' interests were aligned with those of the shareholders, hence it reduces CEO turnover (Ruan & Tian, 2011). This study, has therefore, suggested the following hypothesis:

H6 turnover: Firms with a high proportion of managerial ownership are less likely to change their CEOs.

2.5 Control Variables

To avoid biased and outrageous results, and to boost or strengthen the confidence in the analysis, some variables were termed and used as controls. Which means, control variables are those variables that can significantly offer different explanations to the results if left out of the model (Combs et al., 2007). These are variables that have been regularly established by the previous studies as relating to CEO turnover, corporate governance mechanisms and corporate performance. For this study, the following control variables were used; firm size, leverage and firm age.

3. Methodology

The main theory for this study is agency theory, which about the separation of ownership from the management of the corporation. This separation creates agency cost or problem between the managers and the owners of the firms. The agency theory is the most adopted theoretical framework in most of the previous academic literature in the field of corporate governance. This is because, it tends to dominate the recommendations on board best practices in the various

codes of corporate governance (Mallin, Melis, & Gaia, 2014). The modeling of the relationship between the owners and the managers to such that exists between the principal and the agent and is a key feature of Jensen and Meckling (1976).

The methodology that was used in this study is based on secondary data and is longitudinal, sourced from the audited annual reports of the public listed companies in Nigeria and corporate announcements from the website of the Nigerian Stock Exchange (NSE). The population of this study is all of the listed non-financial companies on the NSE during the period of 2011 to 2015. The year 2011 was considered in order to capture the effect of the review of the NCCG 2011; and 2015 was the latest year for which the data could be captured. Furthermore, 2010 was used as the base year to find the CEO turnover in the first year of the study. The total of all of the listed companies was 221 based on NSE Fact book 2010/2012. Table 1 shows the list of listed firms in Nigeria.

Table 1. Sector by Sector Number of Listed Firms by NSE

S/N	Sectors	NSE Quoted
1.	Agriculture	5
2.	Alternative Securities Markets (ASeM)	10
3.	Conglomerates	6
4.	Construction/Real Estate	10
5.	Consumer Goods	27
6.	Financial Services	56
7.	Healthcare	10
8.	Industrial Goods	28
9.	Information, Communications & Telecoms	11
10.	Mandatory Quotations	22
11.	Natural Resources	6
12.	Oil & Gas	10
13.	Services	20
Grand Total		221

Source: NSE Factbook 2010/2011.

There were about 13 sectors/industries listed in the Nigerian economy as of the 2010/2011 financial year. These could be broadly divided into financial and nonfinancial industries. While the financial services industries had the highest number of listed firms (56), the agricultural sector had the least (5). On average, there were about 17 firms in each of the 13 industries that constituted the economy that formed the total of 221 firms.

The dependent variable of this research is CEO turnover. Identifying CEO turnover involves two stages. In the first stage the base year needed to be determined. The names of the CEOs for all 221 listed companies based on the NSE factbook 2010 /2011 were gathered. However, due to specific regulation of the financial sector, the sector comprising 56 companies was excluded from the population. The final sample of this study was 165 companies. Companies listed in 2015 were excluded from the list. CEO turnover was measured using a dummy, “1” for turnover and “0” for no turnover. The next step was to compare the names of the CEOs in the base year (2010) to the names of CEOs in 2011, 2012, 2013, 2014 and 2015 changes in the names of CEOs were considered CEO turnovers. These changes in the names of the CEOs were then compared with announcements made by the “company under the section of corporate disclosure/ issuer announcements ” in the NSE (Ishak, 2010; Abdullahi, Ishak & Sawandi, 2018). The main reason of making such a comparison was to verify the CEO changes.

Logistic regression was used to analyse the CEO turnover. Pallant (2007) observed that logistic regression is an analytical tool used in simultaneously investigating the effects of several independent variables on a single dependent variable. This is an appropriate statistical technique when the dependent variable is nominal and a binary. Based on the discussions, the following CEO turnover model was formulated for this study:

$$CEO_{TURNOVER} = \beta_0 + \beta_1 PERFM_{it} + \beta_2 BSIZE_{it} + \beta_3 BNCID_{it} + \beta_4 BGNDR_{it} + \beta_5 FROWN_{it} + \beta_6 MGOWN_{it} + \beta_7 FSIZE_{it} + \beta_8 LEVRGE_{it} + \beta_9 FAGE_{it} + \epsilon_{it} \tag{1}$$

Where:

CEO _{TURN0t} CEO _{TURNOVER}	CEO turnover
PERFM	Return on assets and Tobin’s Q
BSIZE	Board size
BNCID	Board nominating committee independence
BGNDR	Board member gender diversity
FROWN	Foreign ownership
MGOWN	Managerial ownership
FSIZE	Firm size

FAGE	Firm age
LEVRGE	Leverage

3.2 Measurement of the Independent Variables

Corporate performance was represented by the ROA. Board structure was represented by the attributes of board size, board nominating committee independence and board gender diversity. Ownership characteristic was made up of the foreign ownership and managerial ownership. There were also three control variables used for the research and they include firm size, leverage and firm age. Table 2 contains the details of the measurement.

Table 2. Measurement of Research Variables and Main Sources of Data

S/N	Label	Descriptive Measurement	Main Sources	Reference
1	CEO_{TURNOVER}	Dummies: 1 = Turnover; 0 = No turnover	Annual report	Rachpradit et al.(2012); Ishak et al. (2010)
2	PERFM	ROA is profit before interest & tax / Book value of total assets Tobin's Q is measured as market value of equity + debt capital / Book value of total asset.	Data stream Data stream	Ishak et al. (2012) (Abdullah, 2014; Zhang, Wierschem, & Mediavilla, 2016).
3	BSIZE	Total number of board members	Annual Reports	Rachpradit et al. (2012)
4	BNCID	Proportion of non-executive members in the nominating committee	Annual Reports	Guo and Masulis (2015) and Ishak (2010).
5	BGNDR	Proportion of female directors on the board	Annual Reports	Abdullah and Ku Ismail (2013)
6	FROWN	The percentage of shares directly or indirectly owned by foreigners to the total shares in the company.	Annual Reports	Tsegba et al. (2014)
7	MGOWN	The percentage of shares directly or indirectly owned by executive directors other than CEO to the total shares in the company	Annual Reports	Ishak (2010) Tsegba et al. (2014)
8	FSIZE	Natural log of the book value of total assets	Data Stream	Ishak et al. (2012)
9	LEVRGE	Total debt / book value of total assets	Data Stream	Lindrianasari and Hartono (2012)
10	FAGE	Number of the years of existence of the firm	Annual Reports	Xie (2014)

4. Analysis and Discussion

A total of 72 CEO turnover events were recorded across the companies within the non-financial sector. A matching methodology was adopted to match the 72 turnover companies with 72 non-turnover companies in order to estimate the regression model for the CEO turnover. There are two main methods usually adopted by researchers, for example, Abidin (2006); Fan et al., (2007) and Ishak (2010), to compare between turnover and non-turnover companies. These are the (i) selection of all companies that have not changed the CEOs and (ii) taking a sub-sample of the companies that have not changed their CEOs based on certain criteria that matched with the turnover companies, such as, size of the assets, year, and industry. However, due to the peculiarities of the sample of this study, the matching companies were selected based on asset size using a 50 percent upper and lower limit, which is consistent with previous researchers like Ishak (2010) and Abdullahi, Ishak and Sawandi (2017).

4.1 Univariate Analysis

Table 3 shows the descriptive statistics; for the six independent variables considered in this study. The ROA for the accounting-based performance was used as a proxy for corporate performance. The mean for the ROA for the full sample was 0.027 and that of the matching companies was 0.049, both were higher than that of the turnover firms which was very low at 0.004. However, there was no significant difference between the medians of all the categories. The minimum value of the ROA for the full sample was -0.933 and 0.388 was the maximum value of the ROA. The mean of Tobin's Q for the turnover firms was 2.230 which was 21% and 41% higher than the mean for the full sample and the matching firms respectively. While the minimum and maximum value were 0.022 and 47.953 respectively for the full sample.

The mean of the board size for all the categories of the firms was nine members on the board. The maximum number of members was seventeen while the minimum number of members on the board was four. This result is consistent with the finding of Sanda et al. (2010), which reported an optimal board size of ten. Meanwhile, the mean of board members' gender was 10.8%, the minimum was 0% and the maximum was 80% for the full sample, while for the turnover companies it was 8.3% and for the matching firms it was a bit higher at 13.4%. Overall, this result indicates a low representation of female directors on the board.

The mean of foreign ownership was 30.8% for the turnover companies which was higher than that of matching firms at 23.9% and the full sample was 27% and the minimum and maximum were 0% and 91% respectively. This result suggests that firms with foreign shareholders were more likely to change their CEOs. As for managerial ownership, the

minimum and maximum were 0% and 85% for the full sample. There was no much difference in the means of the turnover sample at 10.9%, full sample at 11.9% and 12.9% for the matching companies.

Table 3. Descriptive Statistics

Std. Dev	Mean	Median	Std. Dev	Mean	Median	Std. Dev
0.127	0.004	0.035	0.151	0.049	0.041	0.094
4.075	2.230	1.156	5.638	1.307	0.990	1.110
2.421	8.778	9.000	2.369	8.625	8.000	2.486
0.409	0.670	0.750	0.400	0.513	0.667	0.408
0.131	0.083	0.038	0.100	0.134	0.111	0.153
29.306	30.808	23.870	29.631	23.920	9.705	28.771
19.633	10.916	0.930	19.192	12.975	2.590	20.146
123	70.1	3.700	164	28.100	8.803	50.700
1.754	16.537	16.429	1.881	16.057	15.991	1.594
1.103	0.797	0.609	1.533	0.580	0.542	0.275
19.837	40.208	42.500	18.826	39.597	38.500	20.926

*** Significant at 1% level ** Significant at 5% level *Significant at 10% level ROA = Return on Asset, BSIZE = Board size, BNCID = Board nominating committee independence, BGNDR = Board member’s Gender, FROWN = Foreign ownership, MGOWN = Managerial ownership, FSIZE = Firm size, LFSIZE = Log of firm size, LEVRGE = Firm leverage, FAGE = Firm age. NOTE: FROWN and MGOWN are all in percentage.

4.2 Correlation Analysis

The Pearson product-moment correlation was adopted in this study to investigate the relationships between the variables, this is consistent with the suggestions of Pallant (2007). Thus, Table 4 displays the reports of the correlation between all the variables contained in this study. In line with the guidelines on interpretation by Pallant (2007), which suggests that a correlation above +/-0.50 was strong, +/-0.30 to +/-0.49 meant a moderate relation and +/-0.10 to +/-0.29 indicated a weak relationship. Table 4.3 presents the correlation results for all the variables of this study. The results were based on the full sample of 144 companies consisting of 72 companies for each of the turnover sample and the matching sample respectively.

As displayed in Table 4, the dependent variable, CEO turnover was negatively correlated with the accounting performance as the coefficient of the correlation of the ROA was -0.18 and was statistically significant at 10%. Although, it was weakly correlated, this relationship implies that a decrease in the accounting performance of the firms increased the probability of CEO turnover. This is consistent with the previous studies like Conyon and He (2012); Fatima, Goergen and Mira (2013); and Lindrianasari and Hartono (2012). However, the correlation coefficient between leverage and Tobin’s Q was 0.934, and the relationship was statistically significant at the 1% level of significance. This was indicative of a very strong correlation which could lead to multicollinearity because it was more than the 90% threshold suggested by the scholars. To solve this problem, respecification of the variable, which is one of the remedies of multicollinearity was adopted as suggested by Cohen, Cohen, West and Aiken (2003). Thus, the log of Tobin’s Q was obtained which was, subsequently, used to obtain the correlation value of 0.47.

Similarly, board member gender was negatively correlated with CEO turnover and the correlation coefficient was -0.19 significant at the 5% level. This result suggests that a decrease in the number of female directors on the board increased the probability of CEO turnover. This situation might have been due to the declining of the firm performance due to the low presence of females on the board, because female directors are associated with good and efficient performance.

Table 4. Correlation Matrix

Variables	TURNOV ER	ROA	TOBINS Q	BSIZE	BNCID	BGND R	FROW N	MGOW N	LFSIZ E	LEVRG E	FAG E
CEOTURNOV ER	1.000										
ROA	-0.179*	1.000									
TOBINSQ			1.000								
BSIZE	0.032	0.000	-0.028	1.000							
BNCID	0.191	0.135	-0.097	0.199	1.000						
BGNDR	-0.194**	0.117	-0.066	0.119	-0.033	1.000					
FROWN	0.118	0.091	0.020	0.166*	*	-0.010	0.083	1.000			
MGOWN	-0.053	-0.047	-0.061	-0.121	0.083	0.046	-0.153*	1.000			

LFSIZE	0.137	0.247** *	-0.0200* *	0.400* **	-0.298* **	0.124	0.243** *	-0.279** *	1.000	
LEVRGE	0.099	-0.668* **	0/934***	-0.027	-0.047	-0.092	-0.012 0.345**	-0.064	**	1.000
FAGE	0.016	0.125	-0.028	-0.028	0.080	0.041	*	-0.197**	0.074	-0.017 1.000

NOTE: ***, * and * indicate that the parameter estimate was significant at level 1%, 5% and 10% respectively.

4.3 Multicollinearity Test

The collinearity diagnostic test was conducted to determine the existence of intercorrelation between the independent variables. Multicollinearity is deemed to exist if the tolerance level is less than 0.01 and the variance inflation factor is greater than 10 (Pallant, 2007). There was no multicollinearity existing among the variables in this study, as all the tolerance values were respectively greater than 0.01 and the VIF was less than 10 as displayed in Table 5. Tobin's Q which has a very high VIF was remedied by respecification of the variable in line with the suggestion of Cohen et al. (2003). Consequently, the VIF for the new Tobin's Q dropped from 8.21 to 1.51.

Table 5. Multicollinearity Test: Tolerance Value and VIF

Variables	COLLINEARITY STATISTICS	
	TOLERANCE VALUE	VARIANCE INFLATION FACTOR
ROA	0.511	1.96
TOBINSQ	0.122	8.21
LTOBINSQ	0.667	1.51
BSIZE	0.860	1.16
BNCID	0.900	1.11
BGNDR	0.951	1.05
FROWN	0.900	1.11
MGOWN	0.908	1.10
FSIZE	0.900	1.11
LEVRGE	0.535	1.87
FAGE	0.823	1.21

4.4 Firm Performance and CEO Turnover

The study measured corporate performance using the accounting-based performance. The accounting measure was proxied by the ROA. This study hypothesised that poor corporate performance results in CEO turnover. Thus, it was expected that a significant negative relationship would exist between CEO turnover and firm performance. The result from the finding as indicated in Table 6 shows that firm performance proxied by the ROA was statistically and negatively associated with CEO turnover at the 5% level of significance. This finding indicates that the threat of turnover due to deficient performance is credible and that firm performance is normally used as a yardstick to measure the quality and success of the management. Hence, poor performance causes CEO turnover. When a CEO is performing poorly, the board dismisses the poorly performing CEO in line with the assumption of the agency theory which suggests that the threat of dismissal makes the CEOs align their interests with those of the shareholders. This finding is consistent with the findings of previous researchers like Rachpradit et al. (2012), Dikoli (2012) and Conyon and He (2012), which revealed that the likelihood of CEO turnover increases as the firm performance declines or decreases.

Furthermore, the study revealed that the accounting-based performance (ROA) was significant as displayed in Table 6. This is supported by the previous empirical findings by Ishak and Abdul Latif (2013); Cook (2015) and Abdullahi et al. (2017) which reported negative relationship between corporate performance and CEO turnover using the accounting measure of performance rather than market-based performance because of its demerits, such as, the discount in stock price and illiquidity of the stock market, especially, the developing markets like Nigeria. Therefore, the finding of this study supported the hypothesis that, firms are more likely to change their CEOs in the event of poor performance. The CEOs are targeted for removal or dismissal because of the inference of the shareholders that the CEOs are not capable of creating wealth for the shareholders or improving the prospects and fortunes of the firms.

Furthermore, accounting based performance such as return on assets (ROA) surpass market-based performance by revealing more information about the management's actions than what Tobin's Q alone does as contained in Table 7 (Conyon & He, 2012). In addition, stock prices set in emerging markets may contain incomplete or inaccurate information about the top management's performance (Lel & Miller, 2015; Rachpradit et al., 2012; Abdullahi et al., 2018). These might be responsible for the insignificant p-value of 0.603.

Table 6. Logistic Regression

CEO Turnover="1"	Predicted sign	Coefficient	Standard Errors	Z Statistic	p- value
ROA	-	-5.584	2.303	-2.42	0.015**
BSIZE	+	-.074	0.086	-0.86	0.389
BNCID	+	1.348	0.492	2.74	0.006***
BGNDR	-	-4.189	1.778	-2.36	0.018 **
FROWN	+	0.013	0.007	1.83	0.068*
MGOWN	-	0.000	0.010	0.03	0.972
LFSIZE		5.700	2.730	2.09	0.037**
LEVRGE		0-.077	0.465	-0.17	0.868
FAGE		0-.006	0.010	-0.60	0.550
Constant		0.146	0.904	0.16	0.872
Chi-square			29.87*** (df=9)		
Pseudo R2			0.1496		
McFadden's R2			0.150		
Hosmer-Lemeshow			9.00		
Correctly classified: Overall			66.67%		

*** Significant at 1% level, ** Significant at 5% level.

In addition, Nigeria being a developing market, only the accounting-based performance was informative to the shareholders and was being relied upon to make the turnover decisions (Conyon & He, 2012; Rachpradit et al., 2012; Abdullahi et al., 2017). Table 7 is the result of the regression for the market-based performance (Tobin's Q, the alternate proxy for the corporate performance considered in this study. Although, subsequent discussions focused on the ROA alone not Tobin's Q.

Table 7. Logistic Regression (with Tobin's Q)

CEO Turnover="1"	Predicted sign	Coefficient	Standard Errors	Z Statistic	p- value
LTOBINSQ	-	0-.150	0.289	-0.52	0.603
BSIZE	-	0-.053	.084	-0.63	0.526
BNCID	+	1.212	0.476	2.54	0.011**
BGNDR	-	-4.234	1.718	-2.46	0.014**
FROWN	+	0.011	0.007	1.63	0.102
MGOWN	-	0.002	0.010	0.24	0.811
LFSIZE		4.900	2.700	1.82	0.068*
LEVRGE		0.550	0.688	0.80	0.424
AGE		-0.007	0.010	-0.71	0.476
Constant		0-.396	0.966	-0.41	0.681
Chi-square			23.29*** (df=9)		
Pseudo R2			0.1166		
McFadden's R2			0.117		
Hosmer-Lemeshow			10.21		
Correctly classified: Overall			63.89%		

*** Significant at 1% level, ** Significant at 5% level

4.5 Board Size and CEO Turnover

The study hypothesised that, firms with a larger board size are more likely to replace their CEOs. However, the study did not support the postulation that a larger board size increases the probability of the CEO turnover. Although, the coefficient of board size was negative, as displayed in Table 6, it was not significant. Hence, a larger board size was not influential in determining the CEO turnover in the Nigerian firms. This finding from Nigeria gives credence to the popular conventional wisdom in corporate governance literature that smaller boards are better boards (Rachpradit et al., 2012). This finding also agrees with the argument of Cook (2015) and Bekiris (2013) that a smaller board size enhances the ability of the board to monitor the CEO, hence, it is more likely to change the CEO. Moreover, a large board size has an adverse effect on the quality of the monitoring of the board (Dimopoulos & Wagner, 2012). Furthermore, the negative and insignificant coefficient could have been because, the Nigerian corporate landscape is characterized by essentially large board size as the mean of the board size as presented in Table 3 was nine and the maximum board size was 17. This is similar to the optimal board size of eight in the Malaysian corporate structure as reported by Ishak (2010) and 10 in China as documented by Conyon and He (2012). This large board size as in the case of Nigerian corporate

landscape has led to the free-rider effect which has weakened the effectiveness of the board.

4.6 Board Nominating Committee Independence and CEO Turnover

This study has predicted that firms with a high proportion of outsiders on the board nominating committee are more likely to change their new CEOs. The logistic regression as displayed in Table 6 did actually support the hypothesis as the coefficient is positively significant at 1% level. Hence, board nominating committee independence was influential in determining the decision to change the of CEOs as the performance declines. This result is consistent to the argument advanced by Masulis (2015) that for firms with a functional nominating committee in place and dominated by outsider board members are more inclined to discipline their CEOs via dismissal.

4.7 Board Members' Gender Diversity and CEO Turnover

As anticipated, board members gender diversity showed a negative significant relationship with CEO turnover. The result of the regression shows that board members' gender diversity was significant at the 5% level with a negative coefficient, indicating that the more female directors on the board of a firm the less the probability of CEO turnover. This finding supported the hypothesis which states that firms with a high proportion of female board members are less likely to replace their CEOs. The result of this study is in conformity and consistent with the previous empirical findings reported by researchers like Dezso and Ross (2012), Alves et al. (2015), Abdullahi et al. (2018) and Adams et al. (2009) that, gender diversity enhances the effectiveness of the board of directors and adds value to the company. It equally improves the performance of the firm (Ku Ismail & Abdul Manaf, 2016) which, in turn, reduces the probability of dismissing the CEO because, there will be no need for turnover as the firm's performance is good and enhanced.

4.8 Foreign Ownership and CEO Turnover

The hypothesis proposes that foreign ownership enhances the effective monitoring of the CEO by the board and is inclined to replace the CEO in the event of declining performance. Thus, the study hypothesised that there would be a positive significant relationship between foreign ownership and CEO turnover. The hypothesis was supported as the p-value of foreign ownership from Table 6 was significant and the coefficient was positive at 10% significance level. This finding implies that foreign ownership does play a significant role in the dismissal of CEOs. This result confirms the previous position of other scholars like Boive et al. (2016) who reported that foreign ownership strengthens board independence which, in turn, improves the monitoring ability of the firms thereby increasing the CEO turnover sensitivity. This finding is similar to Ezeoha and Okafor (2013) which explain that foreign ownership brings about a better corporate governance and modern management practices to the firms and improves the performance.

4.9 Managerial Ownership and CEO Turnover

The hypothesis on managerial ownership to CEO turnover proposes that a higher level of managerial ownership leads to CEO entrenchment and weakens the monitoring and disciplinary controls of the board, hence lowering the likelihood of CEO turnover. Thus, the study predicted a negative association between managerial ownership and CEO turnover. However, the result of the regression as shown in Table 6 did not support the hypothesis. This finding contrasts with the previous empirical studies reported by Hornstein (2013) that, the higher the level of managerial ownership in a firm, the lower the probability of CEO turnover. A similar finding was documented by Ruan and Tian (2011) that, at a higher level of managerial ownership, the CEOs become entrenched and are not likely to be replaced in the events of poor performance. The difference in the outcome of this study with the previous studies might have been due to the low proportion of managerial ownership in the Nigerian corporate market which is dominated by a high concentration of blockholders and foreign ownership (Sanda et al., 2010; Tsegba et al., 2014).

5. Conclusion and Recommendation

This study found that corporate performance, board structure (board members' gender diversity and board nominating committee independence), and foreign ownership influenced the CEO turnover in the Nigeria PLCs. For instance, boards with a substantial percentage of female directors are not likely to change their CEOs. Likewise, foreign ownership dominated firms have a high probability of CEO turnover.

Therefore, this study recommends that the Nigerian government should enact a legislation on gender quota or affirmative law to ensure that a significant percentage of females are appointed to the boards of corporations. Furthermore, there is a need for the government through its regulatory agencies like NSE and CAC to encourage more foreign ownership as it serves as a strong governance mechanism in ensuring good and healthy corporate practices. In the same vein, the regulators should discourage managerial ownership in the firms as it has the tendency to weaken the effective monitoring and governance of the corporation. Hence, there is a need to review the NCCG to accommodate good reforms to enhance good corporate practices and the regulatory agencies to ensure compliance for a better corporate environment.

There are some factors that might pose as limitations to the level of usefulness of the findings of this study. Firstly, this

study utilised only data on the non-financial sector of the NSE, hence, the results might not be generalised to all the registered companies in Nigeria. Moreover, the study utilised two variables for ownership structure, namely; foreign, and managerial ownership. It is quite possible that other ownership variables like family ownership, which was not included in this model may yield a more robust finding.

Finally, it is believed that this study has no doubt contributed to the body of knowledge, especially in addressing the dearth of empirical literature on corporate governance in general, and specifically, on the CEO turnover in the emerging economies. Moreover, it is hoped that this study serves as a source of guidance to those responsible for hiring and firing CEOs and the regulatory authorities on the formulation, and enforcement of good corporate practices, that enhance the overall corporate governance practices in Nigeria.

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