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DOES CEO FOUNDER STATUS PROTECT AGAINST DISMISSAL?

Abstract

Background: The article adds to the limited literature on CEO turnover in emerging market countries and extends the existing research to a different institutional setting with a particular focus on listed companies in an increasingly important Polish business environment. It deals with the problem of CEO turnover in Polish listed companies.
Research purpose: Its main purpose is to scrutinize the impact of company performance and managerial ownership on CEO turnover. It focuses on finding the differences in the CEO turnover antecedences of founder CEO and professional CEO dismissal.
Methods: These relationships were tested using logistic regression. The sample consists of Polish public companies listed on the Main Market of the Warsaw Stock Exchange, encompassing 11 years from 2008 to 2018. The final sample embraces an unbalanced panel sample of 489 companies and 3,763 company-year observations.
Conclusions: The analysis throughout the sample showed that the relationship between firm performance and CEO turnover is negative. Thus, deterioration of firm performance increases the frequency of changes in CEO. However, after conducting an in-depth study, it was found that this relationship is statistically significant only when professional managers manage the companies. The relationship between managerial ownership and turnover was also significant and negative in the whole sample. Still, there were also differences between changes in the CEO position, depending on whether it was the company's founder or a professional manager. In the case of founder CEOs, this relationship was even significant and positive, as opposed to professional managers. This was the same as in the whole sample.

Keywords: corporate governance, agency theory, chief executive officer, CEO turnover.

JEL classification: G34

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1. Introduction

The corporate governance literature has paid great attention to CEO turnover and its determinates, focusing mainly on company performance. Most of this research showed a negative relationship between CEO turnover and firm performance. Hence, they confirmed that the deterioration of company performance increases the likelihood of CEO dismissal[1]. At the same time, some studies indicated that this relationship could be weak because the CEOs are often entrenched[2]. Entrenched CEOs dominate the board, are not held responsible for poor performance, and they may not strive to create the company's value. Hence, some studies have attempted to identify various factors that affect entrenchments, such as the ownership structure, internal monitoring mechanisms, or CEO characteristics.

The CEO's founder status can also be a reason for entrenchment. Thus, it may be essential to distinguish and recognize the antecedents of CEO turnover, distinguishing whether he or she is a company founder or professional CEO. While prior studies examined how founder CEOs affect company performance, investment in R&D, capital expenditures, and the focus on mergers and acquisitions[3], this study extends earlier research on CEO turnover. Although the changes in founder CEO position were often compared with the dismissals of non-founder CEOs, little is still known about the differences between the different antecedences of founder and professional CEO turnover. Because of this, the study adds to the limited literature on CEO turnover in emerging market countries and extends the existing research to a different institutional setting with a particular focus on listed companies in an increasingly important Polish business environment, one that is often neglected in the literature. Its main purpose is to investigate the impact of company performance and managerial ownership on CEO turnover in Polish listed companies. It mainly focuses on finding the differences in the CEO turnover antecedences of founder CEO and professional CEO dismissal.

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1 **G. Brunello**, **C. Graziano**, **B.M. Parigi**, *CEO turnover in insider-dominated boards: The Italian case*, Journal of Banking and Finance 2003/6, pp. 1027–1051; **H. Gao**, **J. Harford**, **K. Li**, *CEO Turnover-Performance Sensitivity in Private Firms*, Journal of Financial and Quantitative Analysis 2017/2, pp. 583–611.

2 **R. Morck**, **A. Shleifer**, **R.W. Vishny**, *Management Ownership and Market Valuation: An Empirical Analysis*, Journal of Financial Economics 1988/1–2, pp. 293–315.

3 **N. Jayaraman**, **A. Khorana**, **E. Nelling**, **J. Covin**, *CEO founder status and firm financial performance*, Strategic Management Journal 2000/211, pp. 1215–1224; **R. Fahlenbrach**, *Founder CEOs, investment decisions, and stock market performance*, Journal of Financial & Quantitative Analysis 2007/2, pp. 439–466.

2. Background and hypothesis development

2.1. Founder CEO *vs*. professional CEO

The frequency of CEO turnover was mostly described as a consequence of the separation of ownership and control, and it can be explained by agency theory[4]. Above all, it indicated that a conflict of interest between owners and managers and information asymmetry could result in agency costs and lead to a lack of effort from the CEO. This theory also suggests that decision-making behavior, motivation, strategic choices, and the performance of founder CEOs are different from those of professionals[5]. Hence, it may be essential to distinguish and recognize the antecedents of CEO turnover, distinguishing between whether he/she is a company founder or professional CEO. Founder CEOs usually have a significant share in ownership, good knowledge of their companies, and a strong position related to their development. Also, they are characterized by a strong commitment to the companies, deep passion, an articulated vision, and they perceive themselves as the only ones who can lead the company to success. All this also makes the founder CEOs naïve about the problems that they have to face[6]. A secure attachment to the company may, however, lead to a conflict of interest with external investors, which in certain circumstances may affect the founder CEO's resignation.

Founders of companies are usually people who are vigilant, strong in character and temperament, and who are reluctant to share power and control over the company. They combine corporate ownership with the status of an entrepreneur and can know the company better than non-founder CEOs. They are firmly attached to their companies and treat them as their life achievements. The power and control over a company, when they are in the hands of the founder, are strongly centralized and vested in that person[7].

Conversely, in companies managed by a professional manager, power is vested in the position, not the individual. The manager then has to pursue a policy

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4 **M.C. Jensen**, **W.H. Meckling**, *Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure*, Journal of Financial Economics 1976/4, pp. 305–360.

5 **B.A. Jain**, **F. Tabak**, *Factors influencing the choice between founder versus non-founder CEOs for IPO firms*, Journal of Business Venturing 2008/23, pp. 21–45.

6 **M. Abebe**, **D.A. Alvarado**, *Founder-CEO status and firm performance: An exploratory study of alternative perspectives*, Journal of Strategy and Management 2013/4, pp. 343–357; **N. Wasserman**, *Founder CEO succession and the paradox of entrepreneurial success*, Organization Science 2003/14, pp. 149–172.

7 **E. Dubocage**, **G. Galindo**, *Understanding founder-CEO's replacement in venture-backed companies: A theoretical and empirical analysis*, European Management Journal 2014/32, pp. 461–474.

that justifies his actions and indicates that his decisions lead to creating wealth for others, in connection with fiduciary duties. Thus, a non-founder CEO may be more motivated than a founder CEO to build relationships with external investors.

Whether the CEO is the company's founder or a professional manager can also affect the entrenchment problem. Founder CEOs usually have a significant stake in the ownership and high intrinsic motivation[8]. Theoretically, they should behave like other CEOs with a large share of ownership. Still, they can be even more motivated to achieve the company's goals, and at the same time, they feel less threatened with losing their position. In should be stressed that the tendency to preserve their job can be further increased by factors related to more than just ownership. For example, some authors have pointed to their commitment to their companies[9] or the experience they have in the industry[10], while others are complacent, myopic, or even narcissistic[11]. On the other hand, the strong ties with the companies mean that founder CEOs feel very responsible for their survival. It may also determine whether they remain as CEO or resign and, e.g., accept a position on the corporate board.

Initially, entrepreneurs create a business in which they have experience. As their organizations grow and become listed on stock exchanges, administrative challenges related to the management of large, complex organizations become more and more important. At this point, other skills are needed, which is related to the difference between the entrepreneurial and administrative challenges, and it is relatively rare that the same person will have the skills necessary to take on both challenges[12]. Despite having significant stake in the company, the CEO may, in this respect, and for the good of the company, be forced to resign and sit on the board as an outside, non-independent director. Dubocage and Galindo[13]

8 **R. Fahlenbrach**, *Founder CEOs, investment decisions, and stock market performance*, Journal of Financial & Quantitative Analysis 2009/2, pp. 439–466.

9 **L. He**, *Do founders matter? A study of executive compensation, governance structure and firm performance*, Journal of Business Venturing 2008/3, pp. 257–279.

10 **D.A. Duchesneau**, **W.B. Gartner**, *A profile of new venture success and failure in an emerging industry*, Journal of Business Venturing 1990/5, pp. 297–312.

11 **A.L. Ranft**, **H.M. O'Neill**, *Board composition and high-flying founders: Hints of trouble to come?*, Academy of Management Executive 2001/1, pp. 126–138.

12 **N. Jayaraman**, **A. Khorana**, **E. Nelling**, **J. Covin**, *CEO founder status and firm financial performance*, Strategic Management Journal 2000/211, pp. 1215–1224; **H.H. Stevenson**, **J.C. Jarillo**, *A paradigm of entrepreneurship: Entrepreneurial management*, Strategic Management Journal 1990, Summer Special Issue, pp. 17–27.

13 **E. Dubocage**, **G. Galindo**, *Understanding founder-CEO's replacement in venture-backed companies: A theoretical and empirical analysis*, European Management Journal 2014/32, pp. 461–474.

indicated that a founder CEO has the power to become entrenched or to leave on his initiative, e.g., to launch a new start-up business. Then the CEO's post can be taken over by a professional manager, and the founder CEO can transfer tacit knowledge about the company to a new CEO from the board level, and also keep relations with external partners.

2.2. The effect of company performance and CEO status on CEO turnover

The inverse relationship between company performance and CEO turnover was, therefore, found in some previous studies. For example, Kang and Shivdasani[14] examined nonroutine turnover in non-financial Japanese companies and found that the likelihood of this turnover is significantly negatively related to company performance measured by industry-adjusted returns on assets, excess returns, and pre-tax earnings. They concluded that their results cast doubt on claims that Japanese managers can ignore the effects of corporate actions on company performance and shareholder value. However, Brunello et al.[15] underlined that this relationship is valid only if the controlling shareholder is not the CEO. Ownership is the primary source of control over the board and the authority of the CEO. Finkelstein[16] stated that if top managers control boards, they can reduce their uncertainty. However, uncertainty increases in the opposite situation, i.e., when the board has control over them. He added that the status of the CEO has an influence on strengthening power. When the owner-manager is also the founder of the company or a family member, his managerial power is greater.

Thus, founder CEOs can maintain a position, even if the companies they manage perform worse. This is also due to their previous achievements. They brought the firm into existence, and they have already demonstrated the ability to effectively operate a company. These arguments suggest that poor company performance increases the likelihood of CEO replacement, but it can also be influenced by the status of the CEO. When the CEO is the founder of the company, he or she may be more strongly entrenched. Accordingly, the hypothesis is:

Hypothesis 1. Founder CEO status mediates the relationship between company performance and CEO turnover.

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[14] **J.K. Kang**, **A. Shivdasani**, *Firm performance, corporate governance, and top executive turnover in Japan*, Journal of Financial Economics 1995/1, pp. 29–58.

[15] **G. Brunello**, **C. Graziano**, **B.M. Parigi**, *CEO turnover in insider-dominated boards: The Italian case*, Journal of Banking and Finance 2003/6, pp. 1027–1051.

[16] **S. Finkelstein**, *Power in Top Management Teams: Dimensions, Measurement, and Validation*, Academy of Management Journal 1992/3, pp. 505–538.

2.3. The effect of managerial ownership and CEO status on CEO turnover

Jensen and Meckling[17] argued that managers perform better when they have a larger share of company ownership. On the other hand, Morck et al.[18] stated that managers who control a substantial proportion of a company's equity may have enough influence to guarantee their employment with the company at an attractive level of pay. It can happen at the expense of creating value for shareholders.

This ambiguity has motivated many studies on the relationship between managerial ownership and CEO turnover. Denis et al.[19] concluded that larger top executive shareholdings insulate managers from internal monitoring efforts. They also noted that the likelihood of executive turnover is significantly greater in poorly performing companies with low managerial ownership. Hence, managerial ownership increases managers' ability to retain their position. In contrast, Weisbach[20], for example, found no evidence that greater managerial ownership reduced the probability of turnover.

Urbanek[21] studied turnover in Polish listed companies and mentioned that the position of top managers in companies controlled by managerial ownership is, generally, the most stable. This ambiguity can also be strengthened by the status as founder CEO, and he or she can preserve the position supported by factors other than ownership, e.g., commitment to the company or the experience they have in the industry[22]. So, the hypothesis is as follows:

Hypothesis 2. Founder CEO status mediates the relationship between managerial ownership and CEO turnover.

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[17] **M.C. Jensen**, **W.H. Meckling**, *Theory of the Firm: Managerial Behavior, Agency Cost and Ownership Structure*, Journal of Financial Economics 1976/4, pp. 305–360.

[18] **R. Morck**, **A. Shleifer**, **R.W. Vishny**, *Management Ownership and Market Valuation: An Empirical Analysis*, Journal of Financial Economics 1988/1–2, pp. 293–315.

[19] **D.J. Denis**, **D.K. Denis**, **A. Sarin**, *Ownership structure and top executive turnover*, Journal of Financial Economics 1997/2, pp. 193–221.

[20] **M.S. Weisbach**, *Outside directors and CEO turnover*, Journal of Financial Economics 1988/20, pp. 431–460.

[21] **P. Urbanek**, *Rotacje zarządów polskich spółek publicznych w warunkach kryzysu gospodarczego*, Gospodarka Rynkowa 2010/1–2, pp. 19–34.

[22] **E. Dubocage**, **G. Galindo**, *Understanding founder-CEO's replacement in venture-backed companies: A theoretical and empirical analysis*, European Management Journal 2014/32, pp. 461–474.

3. Research method

3.1. Sample

The sample consists of Polish public companies listed on the Main Market of the Warsaw Stock Exchange (WSE), encompassing 11 years from 2008 to 2018. 2008 was chosen as the initial study year because of data availability. The data were manually collected, and the sources were annual reports, the archives of supervisory boards' annual statements, and corporate governance statements from companies' web pages.

Information available on the WSE web pages and the bankier.pl database provided information on the industry. Stock exchange information was used to calculate companies' market performance.

The final sample consists of only non-financial companies because financial companies are covered by more regulation, which may have an impact on the value of certain variables. Hence, it embraces an unbalanced panel sample of 489 companies and 3,763 company-year observations.

3.2. Variables

The dependent variable was CEO turnover. This variable was measured as a dummy and described the CEO leaving the management board. It took a value of 1 if turnover took place and 0 otherwise. Brunello et al.[23] inspired the measurement of this variable and, like their research, this variable did not allow the reasons for the turnover to be recognized, for instance, forced resignation, voluntary resignation, death, illness, or retirement. Disclosure rules in Poland also dictated the adoption of the same approach. Based on the information revealed by the Polish companies in their annual and current reports, it was impossible to reliably determine the reason for the CEO turnover; it was only possible to determine whether the turnover had taken place. Two dummy variables based on this variable were used, i.e., founder CEO turnover and professional CEO turnover.

The independent variables were company performance and managerial ownership. These variables were measured as lagged ones because they precede CEO dismissal. To measure company performance, both accounting and market measures are employed. The accounting measure was the return on assets

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[23] **G. Brunello**, **C. Graziano**, **B.M. Parigi**, *CEO turnover in insider-dominated boards: The Italian case*, Journal of Banking and Finance 2003/6, pp. 1027–1051.

(ROA), which was calculated as the ratio of the net profit divided by the total assets of the company. The market measure was a price-to-book ratio. To count this ratio, the company's share price was divided by the book value per share, which is its book value divided by the number of outstanding shares.

In this study, managerial ownership was measured as the fraction of voting rights in the hands of all the management board members[24]. This variable was calculated as direct and indirect voting rights at the general meeting and counted as a decimal number. Similar to Lasfer[25], the shares owned by top managers who are not members of the management board were omitted. In their annual reports, Polish listed companies are required to disclose the management board members' direct and indirect stake in the ownership, but not the stake of other top managers. This obligation only exists if they exceed the 5% ownership threshold.

The choice of control variables was motivated by the literature. This study employed eight control variables, i.e., supervisory board size, the management board size, company size, leverage, CEO age, CEO tenure, founder CEO, and industry. All variables were lagged.

To measure board size, two variables were used, i.e., supervisory board size and management board size. In research on the one-tier board model, board size is calculated as the total number of unitary board members[26]. But since a two-tier board model is being studied, board size is measured by two variables, the total number of supervisory board members and the total number of management board members.

Company size is used in some research on CEO turnover and calculated as total assets, total revenue, market capitalization, or the number of employees. In this study, it was measured by total assets and, as is usually done, total assets were transformed with a natural logarithm[27]. Debt (leverage) was controlled by the debt ratio. It was counted as the ratio of total liabilities to total assets[28].

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24 **Ch.P. Himmelberg**, **R.G. Hubbard**, **D. Palia**, *Understanding the determinants of managerial ownership and the link between ownership and performance*, Journal of Financial Economics 1999/3, pp. 353–384.

25 **M. Lasfer**, *The Interrelationship Between Managerial Ownership and Board Structure*, Journal of Business and Accounting 2006/7–8, pp. 1006–1033.

26 **D. Yermack**, *Higher market valuation of companies with a small board of directors*, Journal of Financial Economics 1996/2, pp. 185–211.

27 **T. Eisenberg**, **S. Sundgren**, **M.T. Wells**, *Larger board size and decreasing firm value in small firms*, Journal of Financial Economics 1998/1, pp. 35–54.

28 **R. Crespí-Cladera**, **C. Gispert**, *Total board compensation, governance and performance of Spanish listed companies*, Labour 2003/1, pp. 103–126.

Using the available information, variables for the CEOs were constructed, i.e., CEO age, CEO tenure, and founder CEO. The CEO tenure was calculated as the number of years since his appointment to the current company. Recent research indicated that, in particular, the impact of company performance on CEO turnover varies depending on the CEO's tenure and, additionally, whether the CEO is the founder or a non-founder manager. Research also showed that, especially in the first stage of a company's life-cycle, founder CEOs are more entrenched[29].

The industry was calculated as a dummy variable, which takes the value of 1 if the company belongs to an industrial sector and 0 if the company belongs to a service sector. The allocation of companies to these two categories was based on the Warsaw Stock Exchange classification of sectors. Year dummy variables were also employed.

4. Results

4.1. Descriptive statistics

The first table below provides a breakdown of the number and percentage of turnovers in the sample. During the period, CEO turnovers occurred in 637 out of the 3,763 observations, which accounted for 16.93%. The largest number took place in 2012, when there were 69 turnovers out of 349 observations, representing 19.77% of observations for the year. This was followed by 2008, when there were 64 turnovers from 286 observations, accounting for 22.38%. Meanwhile, in 2016, there were 63 turnovers out of 375 observations, which accounted for 16.80% of the observations that year.

On the other hand, the lowest number of CEO turnovers was in 2011, i.e., 49 out of 334, which accounted for 14.67% of the observations for the year. This was followed by 2017, when there were 55 turnovers per 375 observations, accounting for 14.67%.

In the total sample, 86 changes in CEO position concerned founder CEOs (13.50%), and 551 concerned non-founder CEOs (86.50%).

[29] **S. Allgood**, **K.A. Farrell**, *The effect of CEO tenure on the relation between firm performance and turnover*, The Journal of Financial Research 2000/3, pp. 373–390.

TABLE 1: *Breakdown of the number and percentage of turnovers*

Year	No. of turnovers	No. of observations	%	Founder CEO turnovers	Professional CEO turnovers
2008	64	286	22.38	9	55
2009	58	312	18.59	10	48
2010	53	309	17.15	7	46
2011	49	334	14.67	6	43
2012	69	349	19.77	12	57
2013	62	345	17.97	10	52
2014	57	356	16.01	12	45
2015	53	360	14.72	10	43
2016	63	375	16.80	8	55
2017	55	375	14.67	7	48
2018	54	362	14.92	5	49
Total	637	3,763	16.93	86	551

S o u r c e: own elaboration.

Table 2 presents the descriptive statistics of the continuous and discrete variables. The mean of the return on assets is 0.0108, with a standard deviation of 0.1963. The approximation of P/BV has a mean value of 1.7292, with a standard deviation of 2.3069. This indicates that the average market value of companies in the sample is higher than their average book value.

The mean value of managerial ownership is 0.2237, with a median of 0.0444 and a standard deviation of 0.2805 when the maximum is 0.9994. These data indicate a significant deviation of managerial ownership in Polish listed companies. Apart from the relatively small share of top managers in ownership in some companies, or lack thereof, they have large blocks of shares, allowing them to be fully controlled by Polish listed companies.

On average, there are approximately six members of the supervisory board and three of the management board. To be precise, the mean supervisory board size is 5.6865, and the median is five members. The standard deviation of the supervisory board size is 1.2243. The mean management board size is 3.0058, and the median is three members. The standard deviation of the management board size is 1.4306. As previously mentioned, supervisory and management board sizes are limited by company law in Poland. Polish supervisory boards of listed companies should consist of five or more members, and management boards should have one or more members. These results show that the supervisory boards of many Polish listed companies are composed of only the bare minimum number of members. In contrast, on average, management boards consist of more than the minimum number of members.

The mean CEO age is 48.1393, with a standard deviation of 8.5254. Additionally, the mean CEO tenure is 7.3118, with a standard deviation of 6.7741, but the median is only five years. Furthermore, the average debt ratio (leverage) is 0.4752, with a standard deviation of 0.2411. Finally, the mean natural logarithm of total assets (company size) is 19.3874, with a standard deviation of 1.6235.

TABLE 2: *Descriptive statistics*

Variable	Mean	Median	Min.	Max.	Std dev.
ROA	0.0108	0.0333	–3.2899	1.1451	0.1963
P/BV	1.7292	1.0900	0	37.6600	2.3069
Managerial ownership	0.2237	0.0444	0	0.9994	0.2805
Supervisory board size	5.6865	5	5	15	1.2243
Management board size	3.0058	3	1	11	1.4360
Company size	19.3874	19.2041	13.8728	25.0014	1.6235
Leverage	0.4752	0.4659	0.0004	2.4969	0.2411
CEO age	48.1393	48	25	77	8.5254
CEO tenure	7.3118	5	1	37	6.7741

Source: own elaboration.

Table 3 shows the differences between descriptive statistics in companies with founder CEOs and non-founder CEOs. The statistical significance of these differences was tested using the Mann-Whitney U test. The differences in the values of several variables were statistically significant. Most of all, there are differences in company performance between companies headed by founder CEOs and those headed by professional CEOs. The mean value for ROA in the first group was 0.0325, and the mean value for P/BV was 2.0009. The same values in the second group were –0.0018 and 1.5711, respectively.

Moreover, managerial ownership was higher in companies with a founder CEO. The mean value for the managerial ownership variable was 0.4909 in this group compared to the mean value of 0.0857 in the non-founder CEO companies.

Similarly, differences regarding supervisory board size were also statistically significant. The average number of supervisory boards managed by the founders was 5.3900. The average number of supervisory boards of companies managed by professional CEOs was 5.8590.

Differences in the size of companies managed by founder CEOs and professional CEOs were also statistically significant. The average company size values were 18.9720 and 19.6290, respectively. Thus, companies managed by the professional CEOs were, on average, larger than those managed by founder CEOs.

Finally, there were statistically significant differences in CEO characteristics. Founder CEOs were, on average, older and had managed their companies for longer. Their average age was 49.2856, and tenure was 11.5533. In contrast, the average age of professional CEOs was 47.4725, and tenure was 4.8071.

TABLE 3: *Differences in descriptive statistics between companies managed by CEO founders and professional CEOs*

Variable	Founder CEO		Professional CEO		Mann-Whitney U Test
	Mean	St. dev.	Mean	St. dev.	p
ROA	0.0325	0.1395	–0.0018	0.2218	0.0000
P/BV	2.0009	2.6962	1.5711	2.0312	0.0000
Managerial ownership	0.4909	0.2574	0.0857	0.1849	0.0000
Supervisory board size	5.3900	0.7506	5.8590	1.4011	0.0000
Management board size	2.9888	1.4012	3.0156	1.4565	0.7710
Company size	18.9720	1.3180	19.6290	1.7327	0.0000
Leverage	0.4648	0.2273	0.4813	0.2487	0.3313
CEO age	49.2856	8.3914	47.4725	8.5355	0.0000
CEO tenure	11.5533	7.5265	4.8443	4.8071	0.0000

Source: own elaboration.

To further examine the antecedences of CEO turnover and the differences between them in companies managed by founder CEOs and professional CEOs, a logit analysis was used. Table 4 describes the coefficient estimates for the sample. The data were estimated in three separate models. Model 1 was estimated with CEO turnover as the dependent variable. Model 2 was estimated with the founder CEO and model 3 with non-founder CEO as the dependent variables. Additionally, a dummy variable for founder CEO was introduced to model 1. This variable was statistically significant and had a negative sign ($\beta = -0.5243$, $p < 0.001$). This showed that the likelihood of CEO turnover is higher when the CEO is a non-founder.

4.2. Regression analysis

The first tested antecedence was company performance. Model 1 showed that company performance in an earlier period has an impact on CEO turnover. Both ROA ($\beta = -1.0119$, $p < 0.001$) and P/BV ($\beta = -00937$, $p < 0.01$) were significantly and negatively related to the dependent variable. This is consistent with evidence from other studies that showed that poorly performing CEOs are dismissed[30]. Comparing models 2 and 3 showed that this relationship is significant only for professional CEOs. Both ROA ($\beta = -0.9433$, $p < 0.001$) and P/BV ($\beta = -0.1273$, $p < 0.001$) negatively affected this variable in model 3. These results show that CEOs are more likely to be replaced following poor company performance only when the CEO is a non-founder.

The next antecedence we looked at was managerial ownership. In model 1, managerial ownership was statistically significant and negative ($\beta = -1.2617$, $p < 0.001$). This relationship shows that managers with a substantial proportion of shares can entrench themselves and guarantee their posts. Thus, the results uphold certain previous findings[31]. Managerial ownership was also significantly and negatively related to professional CEO turnover in model 3 ($\beta = -3.5026$, $p < 0.001$), but significantly and positively associated with founder CEO turnover in model 2 ($\beta = 1.4275$, $p < 0.001$). These results support the point of view that founder CEO status moderates the relationship between managerial own-

[30] E.g., **G. Brunello**, **C. Graziano**, **B.M. Parigi**, *CEO turnover in insider-dominated boards: The Italian case*, Journal of Banking and Finance 2003/6, pp. 1027–1051; **M. Lausten**, *CEO turnover, firm performance and corporate governance: Empirical Evidence from Danish firms*, International Journal of Industrial Organizations 2002/3, pp. 391–414.

[31] **R. Morck**, **A. Shleifer**, **R.W. Vishny**, *Management Ownership and Market Valuation: An Empirical Analysis*, Journal of Financial Economics 1988/1–2, pp. 293–315.

ership and CEO turnover. The relationship that appeared throughout the sample was valid only for the professional CEOs. At the same time, the tendency towards CEO turnover increases with the rise of managerial ownership when the CEO is also the founder of the company. This result undermines some previous findings on founder CEO's entrenchment, which assumed that founders are reluctant to reduce their control over the company[32]. For example, Willard et al.[33] (1992), underlined that founder CEOs sometimes did know when they had to yield the firm to professional managers.

The analysis also allowed the statistically significant influence of some control variables on CEO turnover. Company size was negatively and significantly related to CEO turnover in model 1 ($\beta = -0.0991$, $p < 0.001$), model 2 ($\beta = -0.2992$, $p < 0.001$) and model 3 ($\beta = -0.0815$, $p < 0.001$). These results are in line with Knežević Cvelbar[34], who stated that there is a higher probability that a CEO will be replaced in small companies. Also, the industry dummy variable was negatively and significantly related to CEO turnover in model 2. Hence, founder CEO turnovers were more frequent in non-industrial companies.

CEO age was also positively related to CEO turnover in model 1 ($\beta = 0.0186$, $p < 0.001$), founder CEO turnover in model 2 ($\beta = 0.0268$, $p < 0.05$) and professional CEO turnover in model 3 ($\beta = 0.0168$, $p < 0.01$). These relationships were influenced by the retiring of the CEOs. Additionally, CEO tenure was significantly and negatively related to CEO turnover in model 1 ($\beta = -0.0784$, $p < 0.001$). This inverse relationship means that there is a higher probability that a CEO will be fired if he has less tenure. The relationship is also consistent with previous findings, e.g., Knežević Cvelbar[35]. Morck et al.[36] pointed out that many top managers can be entrenched even with low ownership, due to tenure, status as founder, or personality. For this reason, it is also more difficult to dismiss the CEO. However, this research indicates that, apart from the whole sample, these

32 **E. Gedajlovic**, **M.H. Lubatkin**, **W.S. Schulze**, *Crossing the Threshold from Founder Management to Professional Management: A Governance Perspective*, Journal of Management Studies 2004/5, pp. 889–912.

33 **G.E. Willard**, **D.A. Krueger**, **H.R. Feeser**, *In order to grow, must the founder go: A comparison of performance between founder and non-founder managed high-growth manufacturing firms*, Journal of Business Venturing 1992/3, pp. 181–194.

34 **L. Knežević Cvelbar**, *The relationships between supervisory board structure and CEO turnover: The empirical evidence of Slovenia*, Nase Gospodarstvo 2007/5/6, pp. 53–62.

35 **L. Knežević Cvelbar**, *The relationships between supervisory board structure and CEO turnover: The empirical evidence of Slovenia*, Nase Gospodarstvo 2007/5/6, pp. 53–62.

36 **R. Morck**, **A. Shleifer**, **R.W. Vishny**, *Management Ownership and Market Valuation: An Empirical Analysis*, Journal of Financial Economics 1988/1–2, pp. 293–315.

relationships are statistically significant only for the non-founder CEO in model 3 ($\beta = -0.1303$, $p < 0.001$).

Also, year dummy variables affect CEO turnover in model 1 and model 2.

TABLE 4: *Logit regression*

Independent and control variables	Dependent variable		
	Model 1	Model 2	Model 3
	CEO turnover (1)	Founder CEO turnover (2)	Professional CEO turnover (3)
ROA	–1.0119*** (0.2399)	–0.4530 (0.4458)	–0.9433*** (0.2518)
P/BV	–00937** (0.0286)	–0.0054 (0.0417)	–0.1273*** (0.0340)
Managerial ownership	–1.2617*** (0.2687)	1.4275*** (0.3649)	–3.5026*** (0.3607)
Supervisory board size	0.0364 (0.0407)	–0.0684 (0.1413)	00329 (0.0426)
Management board size	0.0407 (0.0367)	0.0853 (0.0860)	0.0379 (0.0402)
Company size	–0.0991*** (0.0208)	–0.2992*** (0.0584)	–0.0815*** (0.0224)
Leverage	0.1420 (0.1911)	–0.0935 (0.4306)	0.2602 (0.2033)
Industry	–0.1388 (0.0968)	–0.4866* (0.2461)	–0.0556 (0.1042)
CEO age	0.0186*** (0.0056)	0.0268* (0.0126)	0.0168** (0.0062)
CEO tenure	–0.0784*** (0.0113)	0.0004 (0.0162)	–0.1303*** (0.0149)
Founder CEO	–0.5243*** (0.1547)		
Year dummies	Yes	Yes	No

Note: *p < 0.05; **p < 0.01; ***p < 0.001. Standard error is given in brackets.
S o u r c e: own elaboration.

5. Conclusions

This study examined the relationships between CEO turnover, company performance, managerial ownership, and the status of the CEO as the founder of the company or professional manager. It shows that the associations between CEO turnover and both ROA and P/BV are negative, which is in line with the results of other research. However, these relationships are only significant when companies are managed by professional managers, but not when they are managed by company founders. This shows that some founder CEOs can entrench themselves, and their resignation does not have to occur in response to deteriorating company performance, rather it is due to other factors. In the Polish two-tier board model, the supervisory boards, which are fully composed of non-executive directors, are responsible for hiring and firing the CEOs. However, founder CEO status is usually strengthened by ownership, which affects the selection of supervisory board members or makes the supervisory boards too weak to dismiss the CEO. Such boards can also be more patient in anticipation of future performance improvement.

This study shows that an essential antecedence of CEO turnover is ownership structure, and that CEO turnover is negatively influenced by managerial ownership. Hence, it indicates that the share in ownership protects top managers against dismissal and increases their private benefits of control. This also increases the agency costs for outside investors because owner-managers can entrench themselves and safeguard their job in comparison to non-owner managers. Managerial ownership had a different influence on CEO turnover when the CEO was the founder, and differently when he/she was not. The above relationship was only valid if the CEOs were not the founders. When the CEOs had the status of founders, the relationship between managerial ownership and CEO turnover was even significant and positive.

As with all empirical studies, the results of this study are not without limitations. Firstly, the research sheds some light on the determinants of CEO turnover in Poland and is complementary to previous research, but it does not go into detail. Although Byrka-Kita et al.[37] (2017) obtained negative values of abnormal returns as a shareholders' reaction to the decision of the supervisory board to appoint a new CEO, little is still known about the moderating effect

[37] **K. Byrka-Kita**, **M. Czerwiński**, **A. Preś-Perepeczko**, *Stock Market Reaction to CEO Appointment – Preliminary Results*, Journal of Management and Business Administration. Central Europe 2017/2, pp. 23–42.

of ownership structure or supervisory board structure and practices in this process. The consequences of CEO dismissal for company performance may still be an important topic for future research. Secondly, in the measurement of the CEO turnover variable, only changes in the position of the CEO are presented. The information presented in the reports of Polish companies does not make it possible to determine the reasons for these changes, i.e., rotation in the position of the CEO, for example, voluntary turnover, forced resignation, voluntary resignation, death, illness, or retirement. A study of the reasons for CEO turnover in Polish companies may be conducted in the future based on questionnaire surveys. Thirdly, this research does not describe how supervisory board members' independence affects CEO turnover. It should also be the subject of future research.

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Leszek BOHDANOWICZ

CZY STATUS PREZESA-ZAŁOŻYCIELA CHRONI PRZED DYMISJĄ?

Abstrakt

Przedmiot badań: Niniejszy artykuł wpisuje się w nurt światowych badań na temat powoływania i odwoływania prezesów spółek na rynkach wschodzących oraz rozszerza naszą wiedzę na temat ich zmian w polskim środowisku biznesowym. Poruszono w nim problematykę rotacji na stanowiskach prezesów zarządów polskich spółek publicznych i relacji pomiędzy efektywnością spółek a tymi rotacjami.
Cel badawczy: Głównym celem artykułu jest określenie zależności pomiędzy wynikami finansowymi spółek i udziałem we własności menedżerów najwyższego szczebla a rotacjami na stanowiskach prezesów. Określając te zależności, szczególny nacisk położono na zbadanie, w jaki sposób wpływa na te rotacje status prezesa jako założyciela spółki lub też jako zawodowego menedżera.
Metoda badawcza: W skład próby badawczej weszły spółki niefinansowe notowane na rynku podstawowym Giełdy Papierów Wartościowych w Warszawie w okresie od 2008 do 2018 r. Ostateczna próba stanowiła niezbilansowany panel 489 spółek i 3763 rocznych obserwacji.
Wyniki: Badanie opisywanych związków przeprowadzono za pomocą analizy regresji logistycznej. Analizy w całej próbie pokazały, że zależności pomiędzy wynikami a rotacjami są negatywne. Pogorszenie wyników finansowych spółek wpływa zatem na zwiększenie częstotliwości zmian prezesów. Jednak po przeprowadzeniu pogłębionych studiów stwierdzono, że ta zależność jest istotna statystycznie jedynie wtedy, gdy spółkami zarządzają zawodowi menedżerowie. Również negatywna w całej próbie była zależność pomiędzy własnością menedżerską a rotacjami, tym niemniej również tu były różnice pomiędzy zmianami na stanowisku prezesa w zależności od tego, czy był nim założyciel spółki, czy zawodowy menedżer. W przypadku prezesów-założycieli ta zależność była nawet pozytywna, w przeciwieństwie do zależności, gdy prezesami byli zawodowi menedżerowie. Tu była ona taka sama jak w całej próbie.

Słowa kluczowe: ład korporacyjny, teoria agencji, prezes zarządu, rotacje na stanowisku prezesa zarządu.