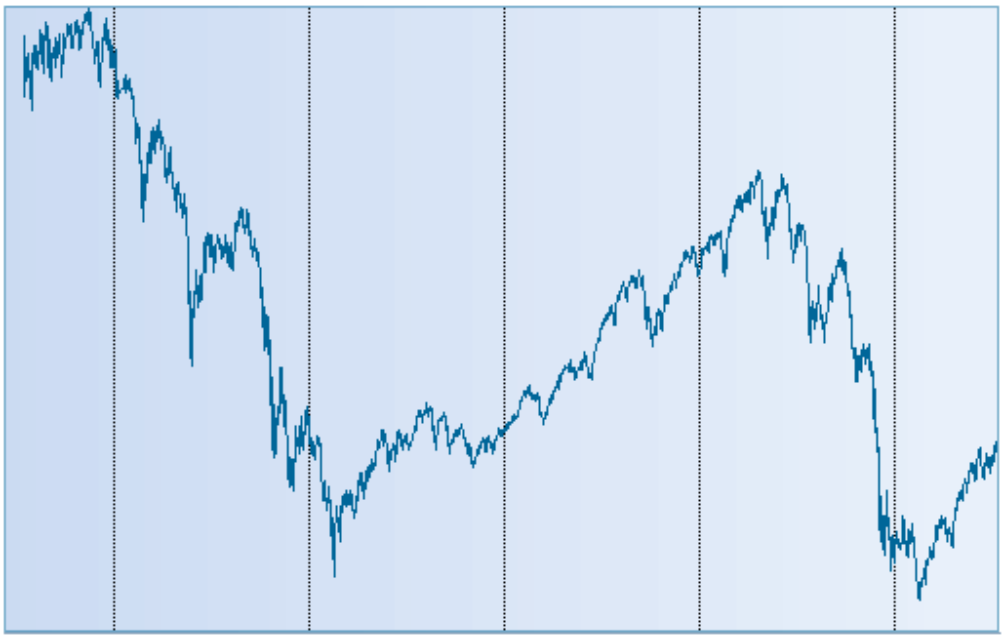
Market Reaction to CEO and CFO Succession Announcements for Public Companies in the Netherlands

Master Thesis Accounting 2011

Tilburg University



Author: Martijn van Doorn

Date: 22-08-2011

Market Reaction to CEO and CFO Succession Announcements for Public Companies in the Netherlands

Master Thesis Department Accounting
Faculty of Economics and Business Studies
Tilburg University

Martijn van Doorn
ANR: 601679
Date: 22-08-2011
Supervisor: Prof. Dr. L.A.G.M. van Lent
Second reader: Dr. Y. Zeng

Abstract

Do Chief Executive Officers (CEOs) and Chief Financial Officers (CFOs) really matter? This study investigates the market reaction to announcements of CEO and CFO successions in Dutch listed companies for the years 1999-2010 and the relationship between the market reaction and the reason for succession. The market model event study methodology is used to examine this. The results show that both CEO and CFO succession announcements lead to positive market reactions, but they are not significantly different from zero. Also, the market reactions to announcements of CEO and CFO succession are, on average, not significantly different from each other. The number of successions due to dismissal or death/illness of the former executive is too small to draw conclusions about the relationship between the market reaction and those reasons for succession. CEO and CFO successions, due to retirement or resignation of the predecessor, lead to positive abnormal returns, but they are also not significantly different from zero. Thus, CEO and CFO succession announcements in Dutch listed companies do, on average, not lead to significant stockholder reactions.

Table of Contents

Title Page 1

Abstract 2

Table of Contents 3

1. Introduction & Motivation 4
    1.1. Introduction
    1.2. Motivation
    1.3. Research method
    1.4. Main findings
    1.5. Relevance
    1.6. Outline

2. Research Question & Hypotheses 8
    2.1. Research question
    2.2. Leadership influence on performance
    2.3. Perspectives on executive succession
    2.4. Hypotheses

3. Research Design 15
    3.1. Motivation
    3.2. Research method
    3.3. Data collection

4. Findings 22
    4.1. Descriptive statistics
    4.2. Findings

5. Discussion & Conclusion 29
    5.1. Discussion
    5.2. Conclusion
    5.3. Limitations and future research

6. References 32

Appendices 36
    Appendix 1. List of Dutch company names used in this study
    Appendix 2. Information about CEO and CFO succession announcements in this study
    Appendix 3. Description of calculation of the Average Cumulative Abnormal Returns
    Appendix 4. Complete significance test output tables of 'One-Sample T Test'
    Appendix 5. Complete significance test output tables of 'Independent-Samples T Test'

1. Introduction & Motivation

In this section, the introduction and motivation of the topic and research question are discussed. Next, a short description of the research method and the main findings are given. After that, the academic and societal relevance of this thesis are discussed. Finally, the further outline of the paper is given.

1.1. Introduction

Do CEOs and CFOs of a company really matter? The recent financial crisis and the criticism over the pay of top executives in companies have brought the question whether CEOs and CFOs meaningfully add value to the companies for which they work. Are CEO and CFO contributions to shareholder value sufficient to offset the salaries earned by these top executives? This is a question that has been a common topic for years (Hayes & Schaefer, 1999). One way to investigate this is to study the change in a firm's market value around a CEO and CFO change (Chang, Dasgupta & Hilary, 2010). Financial theory suggests that a firm's value is positively (negatively) affected when the expected cash flows of the company increase (decrease) or its systematic risk decreases (increases) (Worrell, Davidson III, Chandy & Garrison, 1986). This study focuses on the relationship between CEO and CFO succession and the market reaction through the analysis of the force initiating the change (e.g. retirement, illness, resignation). The research question is as follows:

Is there a difference in market reaction to CEO and CFO succession announcements for public companies in the Netherlands and is there a relationship between the market reaction and the reason for succession?

1.2. Motivation

Investigation of the effects of top management turnover and announcements of succession events on stock prices has been proposed as a way to develop insight into whether top executives in a company affect the organizational performance (Worrell, Davidson III & Glascock, 1993). Prior literature, which studied appointments of new corporate executives in a company, focused primarily on CEOs. But, in addition to this executive, a broader team of top managers contributes towards making important decisions for a company and these decisions are also likely to influence the firm's performance (Hambrick, Cho & Chen, 1996). That is why

this research will not only study the market's assessment of announcements of new CEOs, but also of new CFOs and compare them with each other. Further, this study investigates whether the market reaction to a CEO or CFO change is dependent on the reason for succession.

Most large companies are nowadays not managed by their owners or shareholders but by a leader, like a CEO or President, and a team of other officers (frequently including a CFO). The CEO is accountable to the stockholders of the company through their elected representatives, the Board of Directors (Sridharan & St. John, 1998). CEOs are mainly responsible for the major firm policy choices, firm strategy and other major decisions. If organizations survive long enough, they must automatically experience succession. After decades of research, scholars have not found consensus on the question whether leaders make a difference. Instead, it has led to a focus on specifying conditions under which it is more or less possible for new CEOs to influence important organizational outcomes (Friedman & Singh, 1989). Thus, CEO succession is of central concern in organization theory. CFOs may be as important when it comes to financial reporting issues (DeJong & Ling, 2010). CFOs are considered to be CEO agents (Graham & Harvey, 2001) and the latter has the power to replace the former (Mian, 2001; Fee & Hadlock, 2004). But, the findings of Geiger and North (2006) indicate that CFOs exercise independent significant influence on the firms' financial reporting. Also, corporate fraud cases in the past, such as Enron and Worldcom, indicate that CFOs can significantly affect the accounting quality of a company (Jiang, Petroni & Wang, 2010). Thus, besides the CEO, a CFO is an important and influential executive within a company. In general, both report to the Board of Directors or take place in the board and both executives are often seen as the key players of the management board. It is widely believed that the Board of Directors in a company plays an important role in corporate governance, particularly in monitoring top management (Weisbach, 1988). According to the Dutch Corporate Governance Code (Commissie Corporate Governance, 2003), also called the 'Code Tabaksblat', a Board of Directors is charged with managing the company. It is responsible for the strategy, policy and realizations of the company's goals. The Board of Directors is accountable to the Supervisory Board and the company's shareholders.

1.3. Research method

This study will investigate public companies in the Netherlands for the years 1999-2010. The purpose of this study is to determine the market's reaction to CEO and CFO succession announcements by measuring the abnormal returns of securities. These are the returns above

the normal returns, which are the returns that would have been made without a change in CEO or CFO. This is an event study and the day of the public announcement of the CEO and CFO succession will be taken as the event date. An event study uses financial market data to measure the impact of a specific event on the value of a company (MacKinlay, 1997). The market model event study methodology is chosen because it is widely used to separate market-wide and firm-specific factors that affect security returns (Scott, 2009) and because it was used in many other comparable studies (Farrell & Hersch, 2005; Vafeas & Vlittis, 2009). The advantages of using market reactions are that the cross-sectional responses are relatively pure aggregations of the perceptions of investors of the future performance of the company and these daily perceptions provide the researcher with a strong surrogate for actual economic performance, when analyzed over a longer period (Beatty & Zajac, 1987). The market will react to how well, compared to the predecessor, a new CEO or CFO is suited for the demands of their position, and to the potential disruption in organizational performance due to the leadership change (Friedman & Singh, 1989). The annual reports and press releases of all Dutch listed companies will be used to find the required data about the CEO and CFO successions in the research period. These can be found at Company.info, at the corporate websites and at LexisNexis Academic. Datastream will be used to find the corresponding stock market data for all CEO and CFO changes.

1.4. Main findings

This study investigates the market reaction to CEO and CFO succession announcements in Dutch listed companies for the years 1999-2010. The results show that, on average, the announcements of CEO changes as well as CFO changes in listed companies in the Netherlands do not lead to significant stockholder reactions. Further, the market reaction to CEO and CFO succession announcements are not significantly different from each other. Also, the succession announcements due to the different reasons for turnover (i.e. resignation, retirement, dismissal and death/illness) do, on average, not lead to significant market reactions.

1.5. Relevance

This study is relevant for academic reasons because prior research of the market reaction to executive changes is mainly focused on CEOs and do not compare or involve these results with market reactions to other executive changes. Thus, this study complements and contrasts existing research on executive turnover in general. The results can help us to understand any

similarities or differences in turnover valuation between different executives (Vafeas & Vlittis, 2009) and between different reasons for succession.

This research is relevant for societal reasons because in recent years, certainly after the financial crisis, there is a lot of attention and criticism on the compensation and bonuses of top executives in companies. This has brought even more focus on the question of whether top executives meaningfully add value to the companies they manage (Chang et al., 2010). This study investigates whether investors think a new CEO or CFO adds value to the company, because when (potential) investors think the new executive will add value, they are more willing to buy (more) shares or buy shares of the company for a higher price. When new executives really add value to a company, this will partly justify the high salaries they earn (Hayes & Schaefer, 1999). It will be investigated whether investors think a new CEO or CFO is bad (negative market reaction) or good news (positive market reaction) and if investors think a new CEO is better or worse for a company than a new CFO. With the results of this study, it can be concluded whether the announcement of a new CEO or CFO has information content for (potential) investors. Information can be defined as a change in expectations about the outcome of an event and it must be sufficiently large to change the decision-maker's behavior (Beaver, 1968). There could be a possibility to use the information to make trading gains when investors expect a new CEO or CFO will be announced.

1.6. Outline

This paper is further organized as follows: the second section gives the research question and the corresponding hypotheses are discussed and explained, using a literature review of the existing documentation concerning CEO and CFO succession and comparable studies. In the third section, the research design is described. After that, the main findings are given. In Section 5, the results are discussed and conclusions are drawn. Also, limitations of this study and proposals for future research are discussed. Finally, the references used to write and underpin this thesis and the appendices are given.

2. Research Question & Hypotheses

In this section, the research question is given and the hypotheses are developed and discussed, based on a literature review of the most important previous studies to CEO and CFO successions and their implications and consequences for the firm performance and value of the company.

2.1. Research question

The research question of this study is as follows:

Is there a difference in market reaction to CEO and CFO succession announcements for public companies in the Netherlands and is there a relationship between the market reaction and the reason for succession?

To answer this research question, seven hypotheses are drawn up and will be separately explained below. First, a literature review of leadership influence on firm performance and perspectives on executive turnover are given.

2.2. Leadership influence on performance

Does it matter who the CEO or CFO of a company is and is it possible for them to have a substantial impact on the overall performance of the company they lead? In the 60s and 70s of the previous century, several organizational theories emerged that stressed the influence of the situation as a determinant of managerial behaviors and organizational outcomes (Cannella & Monroe, 1997). Only Child (1972) argued that the strategic choices exercised by dominant coalitions of top executives were central to organizations and that CEOs make material strategic choices that can influence firm performance. However, because individual managers differ in their skills, abilities, perceptions, beliefs and the way in which they approach the leadership task, their actions will differ. Thus, the resulting performance of their companies will vary considerably (Wasserman et al., 2001). In the next decade, management researchers were more willing to embrace the sense that top managers could importantly influence their companies (Cannella & Monroe, 1997). Hambrick and Mason (1984) argued that organizational outcomes are reflections of top managers' values and cognitions rather than the result of environmental forces or reflections of corporate board control. A review of the literature on leadership reveals different conclusions about how much impact executives will have on the performance of their company (Waldman & Yammarino, 1999; Waldman, Ramírez, House & Puranam, 2001;

Wasserman, Nohria & Anand, 2001; Bertrand & Schoar, 2003). On the one hand, some researchers argue that CEOs can have significant influence on their companies' performance because they are able to shape the company's strategy, structure and culture from the top of the company. Thus, they are able to actively direct which opportunities their company will pursue. A dominant view is that CEOs and other top executives are key factors in the determination of corporate practices. Leaders are often seen as having their own style when making financial, investment or other strategic decisions and thereby imprinting their personal marks on their company (Bertrand & Schoar, 2003). On the other hand, there are researchers who argue that executives are constrained by their environment and thus, they have little ability to affect company performance. Furthermore, the complexity and confusion inherent in managerial decision making imposes organizational, cognitive and political constraints on decision makers (Cyert & March, 1963). Hannan and Freeman (1989) argue that a company's culture, the structure of its industry and its fixed assets are all slow forces that reduce the ability of a CEO to take actions that will impact their company. So, according to this view, top-level leaders will not be able to have much influence on the performance of their company, for they are heavily constrained in their ability to make decisions and take actions that will affect their organization (Wasserman et al., 2001).

Thus, there is a long standing debate about the contribution of senior executives to their companies and the theoretical literature posits conflicting predictions of how much impact leaders will have on company performance. Unfortunately, there is not very much systematic evidence on the impact of leaders on firm performance and thus, the empirical literature does not settle this issue either (Wasserman et al., 2001). The debate has intensified in the corporate governance literature because of corporate scandals in the recent years and the rapid increase in executive pay (Bennedsen, Pérez-González & Wolfenzon, 2008). Management scholars continue to explore the influence of leadership on company performance but are, more recently, concerned with the question "When and where does leadership matter?" instead of "Does leadership matter?" (Wasserman et al., 2001; Abernethy, Bouwens & Van Lent, 2010). The results of Wasserman et al. (2001) show us that CEOs have very different levels of impact in different industries, and thus, focusing on the contexts where leadership matters would be more informative than debating whether leadership matters. Further, they conclude that CEOs have a larger impact on company performance when opportunities are scarce, but in settings

where opportunities are plentiful, they have limited influence on the performance of their company. Researchers have also demonstrated that discretion affect the ability of individual differences in top managers to influence organizational outcomes (Finkelstein & Hambrick, 1990). Further, strategic leadership theory suggests that the individual characteristics of CEOs will more likely explain organizational outcomes when CEO power is high (Cannella & Monroe, 1997) and companies have a higher likelihood of experiencing significant changes in organizational strategy when they choose successors from outside the firm (Wiersema, 1992). Because of the different views on the influence of leaders on firm performance, there are also different perspectives on executive succession. Those will be discussed below.

2.3. Perspectives on executive succession

In general, there are three broad perspectives on the causes of executive succession and each perspective implies a different view of the consequences of succession. The first perspective suggests that succession events represent one means of reorganization (Friedman & Singh, 1989). Guest (1962) suggested that management turnover should be seen as an adaptive event because a new manager will improve the performance of the company by avoiding the errors that his predecessor made. It is based on the 'common sense' notion that deteriorating performance leads to managerial change, and this in turn will lead to increased effectiveness of performance (Lambertides, 2009). Thus, according to this view, the market should react positively to executive succession announcements. A second perspective is proposed by Grusky (1963). It takes the opposite view and states that management turnover should be seen as a disruptive event. It is based on the 'vicious circle' argument that managerial succession decreases the performance of a company, because it affects the style of supervision and disturbs the informal network of relationships (Lambertides, 2009). Thus, when following this perspective, (potential) investors should react negatively to CEO and CFO succession announcements. The third perspective, developed by Gamson and Scotch (1964), suggests that it is an inconsequential event and that there exists no significant relationship between succession and performance or survival rates (Friedman & Singh, 1989). It presents management turnover as 'ritual scapegoating' (Lambertides, 2009) and thus, according to this view, the market will not significantly react to succession announcements. These studies are useful in identifying possible reasons for leadership changes but are generally limited in their domain of study because they are mainly focused on sports teams, small samples or lower-level

organizational turnover (Beatty & Zajac, 1987). In contrast, this study focuses on top leadership changes in listed companies.

2.4. Hypotheses

The first and second hypotheses examine if there is a significant positive, negative or no market reaction to, respectively, the announcement of a CEO and CFO change in a Dutch listed company. In a study of Worrell et al. (1993), they found that announcements of permanent replacements of key executives were associated with positive market reactions. Another study investigated firm performance after a CEO change (Beatty & Zajac, 1987). They showed that announcements of CEO changes were typically associated with a reduction in the value of the firm, as reflected in the perceptions of the stock market. Thus, there was a tendency of stock prices to react negatively to the announcement of a CEO change. Lee and James (2007) found, in their study to investor reactions to appointments of male and female CEOs, that the market reaction to both was negative. A study to the long-run economic consequences of CEO succession showed that firms that experience a CEO change have positive abnormal returns, suggesting that new CEOs raise the future performance of the company (Lambertides, 2009). Mian (2001) found negative stock price reactions to announcements of CFO turnover when the former CFO chooses to quit. Because of these mixed results in prior research, it is expected that the market will react to both the announcement of a CEO succession and a CFO succession in a Dutch listed company, but the direction (whether it is positive or negative) of the expected finding is not specified. The hypotheses are as follows:

***H_1**: The market will react (positively or negatively) to the announcement of a CEO succession in a Dutch listed company.*

***H_2**: The market will react (positively or negatively) to the announcement of a CFO succession in a Dutch listed company.*

The third hypothesis examines if the market reaction to a new CEO is stronger than to a new CFO or vice versa. According to Nadler and Nadler (2006), directors rank CEO succession as the second most important issue their firms face, strategic planning being first. Thus, according to them, CEO succession should be more important to investors than CFO succession. In general, CFOs are considered to be CEO agents (Graham & Harvey, 2001) and the latter has the power to

replace the former (Mian, 2001; Fee & Hadlock, 2004). Further, a CEO of a company has more extensive job responsibilities than a CFO, who is primarily involved with the financial part of a company. Thus, a CEO should be more important for a company and its shareholders, and that is why it is expected that the market will react stronger to CEO succession announcements. The hypothesis is as follows:

***H_3**: The market reaction to the announcement of a CEO succession is stronger than the market reaction to the announcement of a CFO succession in Dutch listed companies.*

To understand the consequences of succession events, we need to know the forces that initiate them. The force that drives a CEO or CFO to leave the company influences the extent to which the new executive has discretion in affecting organizational outcomes. It also reflects the political process by which the new CEO or CFO is chosen (Friedman & Singh, 1989; Wasserman et al., 2001). Separating the different types of executive change should improve academic understanding of the overall process (Worrell et al., 1993). Thus, next to the first three, more general, hypotheses, this study will also investigate if a relationship exists between the market reaction to a CEO and CFO change and the reason for succession. Based on prior research (Friedman & Singh, 1989; Lambertides, 2009), there are four possible initiating forces that can drive CEO and CFO successions. The following four hypotheses examine if there is a significant positive, negative or no market reaction to the announcement of a CEO and CFO change in a Dutch listed company when, respectively, the reason for the change is retirement, resignation (initiated by the executive), dismissal (forced, initiated by the company/Supervisory Board) or health-related disability (death or illness) of the former executive.

Ordinary retirements are generally smooth, orderly changes that frequently involve successors that are well known to the management of the company. According to a study of Friedman and Singh (1989), successions because of these ordinary retirements are associated with no significant stockholder reaction because they have no systematic effect on performance. The reason they give is that the level of discretion available to the successor is likely to be low. Executives appointed after retirements arrive in relatively stable organizations. Worrell et al. (1986) argue that the stock market may not respond because the event has been expected and thus, the announcement has no information content. Lambertides (2009) also argues that retirement of the former executive, as a reason for succession, is often a long-term expected

event. But he argues that this enables the company to search for and find the most appropriate successor. Thus, companies that experience a succession due to retirement are expected to improve their future performance. This is also what the results of the study of Lambertides (2009) showed. Thus, the hypothesis is as follows:

***H_4**: The market will react positively to the announcement of a CEO or CFO succession in a Dutch listed company when the reason behind the change is retirement of the former executive.*

Unlike retirements, the other three forces that can initiate a CEO or CFO succession are somewhat more unexpectedly (Chang et al., 2010).

Friedman and Singh (1989) expect a more positive market reaction to a succession initiated by the company than to a succession in which an executive departs for personal reasons (resignation). If the succession is initiated by the executive, it is likely to occur because there are positions available in the external labor market, the executive wishes to change organizational affiliation or for other personal reasons. Hayes and Schaefer (1999) found that companies losing managers who resign for a position in other firms experience a negative average abnormal return. This is because these managers are more likely of high-ability and this means a loss for the company from which he or she is departing. Friedman and Singh (1989) expect negative market reactions owing to disruptions in external relations and patterns of authority initiated in the departing CEO's or CFO's interests and not necessarily in those of the company. Thus, the hypothesis is as follows:

***H_5**: The market will react negatively to the announcement of a CEO or CFO succession in a Dutch listed company when the reason behind the change is resignation of the former executive.*

The dominant theory states that the Board of Directors and Supervisory Board of a company have a shareholder's wealth maximization. Therefore, company-initiated executive changes generally convey positive information to stockholders and lead to an increase in shareholder's wealth (Furtado & Rozeff, 1987; Weisbach, 1988; Worrell et al., 1993). Successions that are initiated by the company or Supervisory Board (dismissal) are more likely to occur under conditions of poor performance (Friedman & Singh, 1989). This kind of executive succession can then signal to stakeholders that the company is acting to remedy a bad situation, declining performance and/or poor management and that it is fulfilling its obligation to monitor and

control management (Friedman & Singh, 1989; Worrell et al., 1993). Both studies found significant positive stockholder reactions to company-initiated successions or successions attributable to firings. Friedman and Singh (1989) found that from all possible succession reasons, only the board-initiated changes had a significant positive market reaction. Thus, the hypothesis is as follows:

***H_6**: The market will react positively to the announcement of a CEO or CFO succession in a Dutch listed company when the reason behind the change is dismissal of the former executive.*

Death or illness of an executive may have a negative impact on future performance because a sudden vacancy often forces the company to take action quickly and then make a risky, time-consuming and thus expensive succession (Lambertides, 2009). The occurrence of this kind of succession is unpredictable (Friedman & Singh, 1989). Ideal would be if every company could create such a long-term succession plan that the firm could instantly appoint well-qualified successors to fill vacancies created by illness or death or other highly unexpected events (Lambertides, 2009). However, Worrell and Davidson III (1987) found a positive market reaction associated with internal CEO succession due to death of the predecessor. An internal successor following such a traumatic and disruptive event may signal to stockholders an attempt to maintain or return to the normal situation. A high proportion of inside succession in this case may be justified by the need of a rapid succession after the executive's death. Another study also found positive abnormal returns associated with sudden CEO death (Hayes & Schaefer, 1999). The reason they give is that abnormal returns associated with the sudden death of low-ability (high-ability) managers should be positive (negative). Since managers are more likely to die suddenly late in their careers, the abnormal returns for high-ability managers should be close to zero, because the profits from these managers will be partially dissipated. Then, on average, we should expect positive average abnormal returns. Lambertides (2009) shows that succession due to death or illness seems to have no direct effect on the long-term performance of these companies. However, Worrell et al. (1986) found negative market reactions to successions due to CEO death and Friedman and Singh (1989) found negative reactions to the health-related disability of former executives. Thus, the hypothesis is as follows:

***H_7**: The market will react negatively to the announcement of a CEO or CFO succession in a Dutch listed company when the reason behind the change is death or illness of the former executive.*

3. Research Design

In this section, the research period and method, used to test the hypotheses and answer the research question of this study, is motivated and explained and a description of the data collection process is given.

3.1. Motivation

This study investigates public companies in the Netherlands for the years 1999-2010. In general, executives like CEOs and CFOs will be chosen for multiple years so there should not be many changes in these positions within a company. Thus, the reason for conducting the study for the twelve-year period is to take more and the latest CEO and CFO changes into account to increase the power of the tests.

The purpose of this study is to determine the market's reaction to the announcements of CEO and CFO succession by measuring abnormal returns. Thus, this is an event study and the day of the public announcement of the CEO and CFO succession will be taken as the event date. The event study methodology is found to be consistent and valid when attempting to quantify any corporate event (Woolridge & Snow, 1990). The advantages of this methodology are that the effects of an event will be immediately reflected in the market prices and a measure of the economic impact of an event can be constructed using market prices observed over a relatively short time period (MacKinlay, 1997). This study will look at the market prices of the days surrounding the event date to detect a potential effect of the event on the value of the company. The market model event study methodology will be used to investigate this. This model is chosen because it is widely used to separate market-wide and firm-specific factors that affect security returns (Scott, 2009) and because it was used in many other comparable studies of the market reaction to announcements of top executive and board member appointments (Farrell & Hersch, 2005; Lambertides, 2009; Vafeas & Vlittis, 2009). An advantage of using this method is that there is no need to analyze accounting-based measures of profit. These have been criticized because they are often not very good indicators of true company performance (Benston, 1982; McWilliams & Siegel, 1997; Scott, 2009). The reason is that they can be manipulated due to the flexibility of management in choosing accounting procedures. Stock prices are not subjected to manipulation by insiders and they are supposed to reflect the true

value of firms, because they are assumed to incorporate all public information and reflect the discounted value of all future cash flows (McWilliams & Siegel, 1997).

3.2. Research method

The market model event study methodology will be used to investigate the market reaction to announcements of CEO and CFO successions. An event study measures the impact of a specific event on the value of a company using financial market data (MacKinlay, 1997). Positive or negative stock market reactions, as a result of CEO or CFO succession, reflects the influence that the market expects the new CEO or CFO will have on the value of the company. To measure a potential effect, an event study will look at the abnormal return of the stock. These are assumed to reflect the stock market's reaction to the arrival of new information (McWilliams & Siegel, 1997). The abnormal return is the return above the normal return, which is defined as the expected return without conditioning on the event taking place. If investors have confidence in the new CEO or CFO and believe that the succession will realize benefits for the company in the future, this would lead to positive abnormal returns on the announcement date. But if investors do not have confidence in the succession, this could lead to negative abnormal returns. The abnormal return is calculated as the actual ex post return of a security over the event window minus the expected normal return of the stock over the event window (MacKinlay, 1997). The formulas of the abnormal returns will be given later in this section.

In general, there are two common choices for modeling the normal return. The first one is the *constant mean return model*. This assumes that the mean return of a given stock is constant over time. The second one is the *market model* which assumes a stable linear relationship between the market return and the stock return (MacKinlay, 1997). This study will use the market model because this was also used in prior studies to the market reaction of announcements of appointments of board members and top executives (Farrell & Hersch, 2005; Lambertides, 2009; Vafeas & Vlittis, 2009) and because it represents a potential improvement over the constant mean return model (MacKinlay, 1997).

The market model is as follows (McWilliams & Siegel, 1997; Berk & DeMarzo, 2007):

$$R_{it} = \alpha_i + \beta_i R_{mt} + \varepsilon_{it} \quad (1)$$

Where,

R_{it} = the rate of return of security i at time t

α_i = the constant (intercept term) of security i

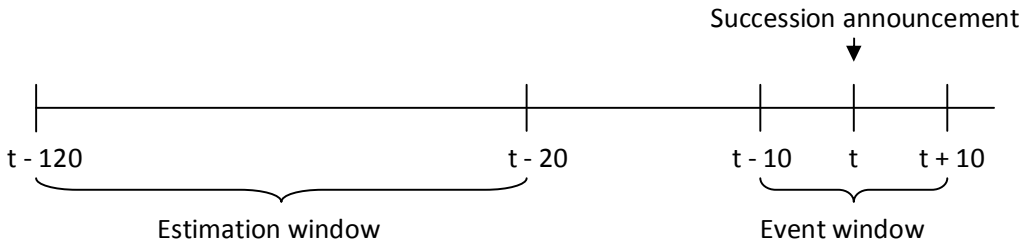
β_i = the beta (systematic risk) of security i (calculated as follows: $\frac{Cov(R_{it}, R_{mt})}{Var(R_{mt})}$)

R_{mt} = the rate of return of the market portfolio at time t

ε_{it} = the error term of security i at time t, with $E(\varepsilon_{it}) = 0$

The event of interest in this study is the public announcement of a CEO and CFO succession in a Dutch listed company. Next, the period, over which the security prices of the firm involved in the event will be examined, should be identified. This is called the event window. Usually, it is larger than the specific event of interest because this permits the examination of periods surrounding the event. At least, it should include the day of the event and the day after the event because this captures the share price effects of events which occur after the stock market is closed on the announcement day (MacKinlay, 1997). Prior research has used a variety of windows. A too long event window could increase the likelihood of stock prices being affected by confounding events, but a too short window could increase the possibility that the effect of the CEO or CFO change is not adequately captured (Friedman & Singh, 1989). A short period before the announcement day should be included in the event window because there could possibly be a leakage of information about appointments (Sabherwal & Sabherwal, 2007). The abnormal returns are calculated using the expected normal return of the stock. Given this selection of a normal performance model, the estimation window needs to be defined too. The most common choice is using the period prior to the event window and so the event window itself is not included to prevent the event from influencing the estimates of the normal performance model parameters (MacKinlay, 1997). The market model parameters, α_i and β_i, will be estimated over the estimation window before the announcement of a succession.

This study will use, common with many other event studies, a 21-day event window (-10, 10), with 0 representing the event date, and a 101-day estimation window (-120, -20) (Campbell & Minguez Vera, 2010). The Amsterdam SE All Share price index will be used as a proxy for the return of the market portfolio. This index is composed of all traded securities on Euronext Amsterdam. The following timeline illustrates the periods in which the data research takes place:



The formula of the daily abnormal return is as follows:

$AR_{it} = R_{it} – a_i – b_iR_{mt}$ (2)

Where,

AR_{it} = the abnormal return of security i at time t

R_{it} = the actual ex post return of security i at time t

a_i = the estimate of parameter α_i

b_i = the estimate of parameter β_i

R_{mt} = the rate of return of the market portfolio at time t

Cumulative abnormal returns (CARs) of security i on the event are then calculated over the event window using the following formula:

$$CAR_i (t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{it} \quad (3)$$

Where, t_1 and t_2 represent the start and end date of the event window in which the abnormal returns are cumulated. For all N successions in the sample, the average cumulative abnormal return (ACAR) is calculated as follows:

$$ACAR = \frac{1}{N}\sum_{i=1}^{N} CAR_i(t_1, t_2) \quad (4)$$

If the calculated ACARs are significantly different from zero, an abnormal return due to the event of CEO or CFO succession is declared. This indicates that there is a greater possibility than mere chance that the change of the company's stock price during the event window is caused by the underlying event of a CEO or CFO change (Yayla & Hu, 2011). Following Dodd and Warner (1983) and McWilliams and Siegel (1997), the significance of the results is tested by calculating the standardized abnormal returns (SARs). The formula is as follows:

$$SAR_{it} = \frac{AR_{it}}{SD_{it}} \quad (5)$$

With,

$$SD_{it} = \left\{ S_i^2 \times \left[1 + \frac{1}{T} + \frac{(R_{mt} - R_m)^2}{\sum_{t=1}^{T} (R_{mt} - R_m)^2} \right] \right\}^{0,5} \quad (6)$$

Where,

SD_{it} = the standard deviation of security i at time t

S_i^2 = the residual variance from the market model as computed for security i

T = the number of days in the estimation window

R_m = the mean return on the market portfolio over the estimation window

The SARs can then be cumulated over a number of days to derive a measure of the cumulative standardized abnormal returns (CSAR) for each security i, using the following formula:

$$CSAR_i = (1/k^{0,5}) \sum_{t=1}^{k} SAR_{it} \quad (7)$$

Where,

k = the number of days in the event window

Then, the average cumulative standardized abnormal returns (ACSAR) across n securities over the event window can be computed as follows:

$$ACSAR = 1/n \times 1/\left[\frac{(T-2)}{(T-4)} \right]^{0,5} \sum_{i=1}^{n} CSAR_i \quad (8)$$

Finally, the test statistic, used to assess whether the ACARs are significantly different from zero, can be calculated as follows:

$$Z = ACSAR \times n^{0,5} \quad (9)$$

The hypotheses are as follows: H_0: $\mu = 0$ and H_1: $\mu \neq 0$, with significance levels (α) 0,05 en 0,10. H_0 should be rejected and thus the abnormal returns are significantly different from zero when $z \leq -z_{\alpha/2}$ or $z \geq z_{\alpha/2}$. In the case of 0,05 as significance level, this is $z \leq -1,96$ or $z \geq 1,96$ and when 0,10 is used, it is $z \leq -1,6449$ or $z \geq 1,6449$ (Nieuwenhuis, 2009).

3.3. Data collection

To collect the data needed to conduct this study, different databases are used. Data about the successions of CEOs and CFOs are found in the annual reports of all Dutch listed companies in this study. These can be found at Company.info and at the corporate websites. The date of the public announcement of CEO and CFO successions can be found in LexisNexis Academic. Finally, Datastream is used to find the corresponding stock market data for all CEO and CFO changes found in the research period.

According to Jaarverslag.info, 115 Dutch listed companies existed at the start of April 2011. Only these companies are used in this study because of time and data constraints. This creates a survival bias in the results because during the full research period 1999-2010 there were more listed companies, but not all of them survived and they are not included in this research. In general, large firms are likely to survive longer than small firms (Lee, 2011) and thus, the sample will likely consists of larger firms. Those are probably more exposed to media and public attention and this might cause a stronger market reaction to public announcements. From the 115 Dutch listed companies, five will be deleted because their country of incorporation is different from the Netherlands. Thus, the final sample of Dutch listed companies investigated in this study consists of 110 firms (table 1). A list of all company names can be found in appendix 1.

Table 1. Number of Dutch listed companies used in this study

		Companies
Original sample		115
Deleted because:	Country of incorporation different from the Netherlands	5
Final sample		110

In the 110 companies investigated, there were 166 announcements of CEO succession and 93 announcements of CFO succession found in the research period. A number of these events must be deleted from the sample, as showed in table 2. When there are more succession announcements or other relevant events on the same day, it is difficult to isolate the impact of one particular event (McWilliams & Siegel, 1997). Thus, these will be deleted from the final sample. Other successions will be deleted because there is no data (i.e. announcement date, reason for succession) available or no stock prices are available in Datastream.

Table 2. Number of CEO and CFO succession announcements in the research period 1999-2010

		CEO successions	CFO successions
Original sample		166	93
Deleted because:	More announcements on the same day	9	10
	Other events on the same day	15	8
	No data available (i.e. reason, date)	18	16
	No stock prices available	4	0
Final sample		120	59

Information (e.g. company and executive name, announcement date, reason for succession) about all 120 CEO and 59 CFO succession announcements in the final sample can be found in appendix 2. The equations of the market model and the abnormal returns, discussed earlier, will be calculated for all announcements of CEO and CFO successions in the final sample. The results will be given and discussed in the next sections.

4. Findings

In this section, the descriptive statistics of the sample and the main findings of the market model event study, described in the section 'Research Design', are given and shortly discussed. All percentages are rounded to two decimals.

4.1. Descriptive statistics

The final sample consists of 120 CEO and 59 CFO succession announcements and table 3 shows the distribution of all these announcements over the years of the research period. It can be concluded that most of the CEO succession announcements took place in 2000, 2002 and 2008, the least in 2001 and 2004. The least CFO announcements took place in 1999 and the most in 2009.

Table 3. Distribution of CEO and CFO succession announcements over the years of the research period 1999-2010

	CEO successions		**CFO successions**	
Year	Count	Frequency in %	Count	Frequency in %
1999	10	8,33	1	1,69
2000	13	10,84	4	6,78
2001	6	5,00	3	5,09
2002	15	12,50	3	5,09
2003	12	10,00	3	5,09
2004	6	5,00	4	6,78
2005	9	7,50	7	11,86
2006	7	5,83	3	5,09
2007	10	8,33	4	6,78
2008	13	10,84	7	11,86
2009	10	8,33	13	22,03
2010	9	7,50	7	11,86
Total	120	100,00	59	100,00

Table 4 summarizes the descriptive statistics of the final sample of CEO and CFO succession announcements for three different event windows, including the event window of interest (-10, +10).

Table 4. Descriptive statistics of CEO and CFO succession announcements for different event windows

	N	Mean	St.deviation	Minimum	Median	Maximum
CEO (-10, +10)	120	0,0069	0,15293	-0,4974	0,0017	0,9247
CFO (-10, +10)	59	0,0020	0,11345	-0,4030	-0,0060	0,3660
CEO (-5, +5)	120	0,0077	0,11089	-0,4979	0,0034	0,5842
CFO (-5, +5)	59	-0,0157	0,10712	-0,3981	-0,0204	0,3438
CEO (-1, +1)	120	0,0024	0,08230	-0,3574	0,0022	0,3198
CFO (-1, +1)	59	-0,0051	0,05477	-0,1404	-0,0050	0,1836

In table 5, the new appointed CEOs and CFOs are divided by gender. Most of the new CEOs and CFOs are male, respectively 98,33% and 93,22%. Further, it can be concluded from the sample that most of the new CEOs and CFOs have the Dutch nationality, respectively 77,50% and 76,27%. This is shown in table 6.

Table 5. Gender of the CEO and CFO successors

	CEOs		**CFOs**	
Gender	Count	Frequency in %	Count	Frequency in %
Male	118	98,33	55	93,22
Female	2	1,67	4	6,78
Total	120	100,00	59	100,00

Table 6. Nationality of the CEO and CFO successors

	CEOs		**CFOs**	
Nationality	Count	Frequency in %	Count	Frequency in %
Dutch	93	77,50	45	76,28
British	4	3,33	5	8,49
Belgian	8	6,67	2	3,39
American	5	4,17	2	3,39
German	2	1,67	1	1,69
French	2	1,67	1	1,69
Irish	0	0,00	1	1,69
Finnish	0	0,00	1	1,69
Swedish	3	2,50	0	0,00
Indonesian	0	0,00	1	1,69
Norwegian	1	0,83	0	0,00
Australian	1	0,83	0	0,00
Swiss	1	0,83	0	0,00
Total	120	100,00	59	100,00

Table 7 shows the distribution of CEO and CFO successions per industry, according to the Industry Classification Benchmark (ICB). In the same table, the total number of companies in this

study is also divided over the different industries. It can be concluded that 'Industrials' is the industry that is mostly represented in the total sample of companies. That is why most of the CEO and CFO successions also took place in the industrial industry.

Table 7. Distribution of CEO and CFO successions and Dutch listed companies over different industries

	CEO		**CFO**		**Companies**	
Industry	Count	In %	Count	In %	Count	In %
Oil & Gas	6	5,00	2	3.39	4	3,64
Basic Materials	4	3,33	4	6,78	4	3,64
Industrials	40	33,33	13	22,03	33	30,00
Consumer Goods	14	11,67	11	18,64	14	12,72
Health Care	2	1,67	2	3,39	4	3,64
Consumer Services	18	15,00	7	11,86	13	11,82
Telecommunications	2	1,67	3	5,09	1	0,91
Utilities	0	0,00	0	0,00	0	0,00
Financials	19	15,83	8	13,56	19	17,27
Technology	15	12,50	9	15,26	18	16,36
Total	120	100,0	59	100,0	110	100,0

An important part of this study is that it also investigates the reason behind a CEO and CFO succession and if the market reaction is different for each of those reasons. In table 8, all announcements of CEO and CFO successions in the final sample are divided over four different reasons, which are mentioned earlier in the section 'Research Question & Hypotheses'. It can be concluded that most of the CEO and CFO successions were due to the resignation of the predecessor. Further, it shows that there are not many cases in which the former CEO or CFO was forced to leave the company (dismissal). This is partly due to executives and companies that usually prefer to treat these matters delicately (Worrell et al., 1986). Thus, although the departure of an executive was involuntary, it is frequently announced to the public as if it was a normal resignation or early retirement, to prevent negative publicity.

Table 8. Distribution of CEO and CFO successions over reasons for change

	CEO successions		**CFO successions**	
Reason	Count	Frequency in %	Count	Frequency in %
Retirement	38	31,67	12	20,34
Resignation	71	59,17	44	74,58
Dismissal	7	5,83	2	3,39
Death/Illness	4	3,33	1	1,69
Total	120	100,00	59	100,00

To disentangle the largest group (resignation) for both CEO and CFO succession announcements, table 9 divides the predecessors by their post succession career. It can be concluded from the table that most CEO (54,93%) and CFO (65,91%) predecessors resign because they have other job opportunities outside the company. The least CEO predecessors got another job in the same company and none of the former CFOs took place in the Supervisory Board of the same company. Further, four of the six CFO predecessors that got another job in the same company became CEO of that company.

Table 9. Distribution of CEO and CFO successions, due to resignation, by post succession career of the predecessor

	CEO successions		**CFO successions**	
Post succession career	Count	Freq. in %	Count	Freq. in %
Other job in same company	6	8,45	6	13,64
Supervisory Board same company	12	16,90	0	0,00
Outside the company	39	54,93	29	65,91
Unknown	14	19,72	9	20,45
Total	71	100,00	44	100,00

4.2. Findings

From applying the market model event study methodology to the CEO and CFO succession announcements in the research period, different results emerge. Table 10 shows the ACARs for all 120 CEO and 59 CFO succession announcements in the event window of interest (-10, +10) and other event windows (-5, +5) and (-1, +1). Appendix 3 gives a short description of the calculation of the ACARs. For each ACAR it is investigated with a 'One-Sample T Test' if it is significantly different from zero. The hypotheses are as follows: H_0: $\mu = 0$ and H_1: $\mu \neq 0$ with significance levels α 0,05 en 0,10. It is assumed that at least one of the following situations is true: the sample is normally distributed and/or the sample size is large. If the value under 'Significance test' in table 10, 11, 12 and 13 is smaller or equal to α, H_0 should be rejected and the ACAR is significantly different from zero (Nieuwenhuis, 2009). The complete significance test output tables can be found in appendix 4. The significance of the results is also tested by using standardized abnormal returns, described in the section 'Research Design'. The results are given under 'Z statistic' in table 10, 11, 12 and 13. Both significance tests give much of the same results.

It can be concluded from table 10 that the CEO and CFO succession announcements have, on average, a positive abnormal return in the event window of interest (-10, +10) and that the market reaction to announcements of CEO successions (an ACAR of 0,69%) is stronger than to CFO change announcements (an ACAR of 0,20%). However, both are not significantly different from zero. Thus, the announcements of CEO and CFO succession in Dutch listed companies cause, on average, no significant market reaction. To test whether the abnormal returns of the CEO succession announcements are significantly different from the abnormal returns of CFO succession announcements (hypothesis 3), the 'Independent-Samples T Test' is used. The hypotheses are as follows: H_0: $\mu_{CEO} - \mu_{CFO} = 0$ and H_1: $\mu_{CEO} - \mu_{CFO} \neq 0$ with significance levels α 0,05 en 0,10. If the value under 'Independent-Samples T Test' in table 10 is smaller or equal to α, H_0 should be rejected and the ACAR of CEO change announcements is significantly different from the ACAR of CFO change announcements (Nieuwenhuis, 2009). The complete significance test output tables can be found in appendix 5. It can be concluded from table 10 that the market reaction to CEO turnover announcements is not significantly different from the market reaction to announcements of CFO succession. These results are not in line with hypotheses 1, 2 and 3.

Table 10. Average Cumulative Abnormal Returns (ACARs) of CEO and CFO succession announcements in different event windows

Event window	**CEO**	**CFO**	**Sign. test**		**Z statistic**		**Independent-Samples T test**
	ACAR (%)	ACAR (%)	CEO	CFO	CEO	CFO	
(-10, +10)	0,69	0,20	0,622	0,893	0,314	0,184	0,827
(-5, +5)	0,77	-1,57	0,450	0,264	0,662	-1,203	0,181
(-1,+1)	0,24	-0,51	0,746	0,474	0,203	-0,973	0,522

* Significant at the 0,05 significance level
** Significant at the 0,10 significance level

The previous results were about all CEO and CFO turnover announcements in the sample, but this study also investigates if a relationship exists between the market reaction to a CEO and CFO succession announcement and the reason for succession. Table 11 shows the results for the event window of interest (-10, +10). For both CEOs and CFOs, the ACARs for 'Retirement' are in line with hypothesis 4 and the ACARs for 'Resignation' and 'Dismissal' are contrary to, respectively, hypothesis 5 and 6. For CEOs, the ACAR for 'Death/Illness' is not in line with hypothesis 7 and for CFOs, it is in line with the hypothesis. But, it should be remarked that the

samples for 'Dismissal' and 'Death/Illness' for both CEOs and CFOs are too small to draw conclusions from these results and only the ACAR of 'Dismissal' for CEOs is significantly different from zero, according to both significance tests.

Table 11. Average Cumulative Abnormal Returns (ACARs) of CEO and CFO succession announcements per reason for succession in the event window (-10, +10)

Reason for succession	**CEO successions**	**CFO successions**	**Significance test**		**Z statistic**	
	ACAR (in %)	ACAR (in %)	CEO	CFO	CEO	CFO
Retirement	0,09	0,07	0,943	0,981	0,026	0,219
Resignation	1,81	0,78	0,414	0,666	0,739	0,643
Dismissal	-8,36	-5,66	0,020*	0,386	-1,804**	-0,870
Death/Illness	2,39	-11,93	0,747		0,910	-2,381*

* Significant at the 0,05 significance level
** Significant at the 0,10 significance level

The ACARs per reason for succession are also calculated for other event windows. In table 12 and 13, the results in, respectively, the event windows (-5, +5) and (-1, +1) are shown for all CEO and CFO succession announcements per reason for change. It can be concluded that all ACARs are not significantly different from zero except the ACARs for 'Retirement' and 'Dismissal' for the CFO succession announcements in the event window (-1, +1), according to the 'One-Sample T Test'. The -3,07% for CFO succession announcements due to retirement of the former executive in the event window (-1,+1) is significantly different from zero, according to both significance tests, and the result is contrary to hypothesis 4. The 'Dismissal' category for CFO succession announcements consists of only two cases. Thus, the sample is too small to draw conclusions, based on these results.

Table 12. Average Cumulative Abnormal Returns (ACARs) of CEO and CFO succession announcements per reason for succession in the event window (-5, +5)

Reason for succession	**CEO successions**	**CFO successions**	**Significance test**		**Z statistic**	
	ACAR (in %)	ACAR (in %)	CEO	CFO	CEO	CFO
Retirement	0,57	-4,34	0,619	0,167	0,405	-0,753
Resignation	1,41	-0,20	0,371	0,903	0,832	-0,086
Dismissal	-3,32	-10,46	0,256	0,290	-0,967	-2,289*
Death/Illness	-1,50	-10,89	0,758		-0,045	-2,822*

* Significant at the 0,05 significance level
** Significant at the 0,10 significance level

Table 13. Average Cumulative Abnormal Returns (ACARs) of CEO and CFO succession announcements per reason for succession in the event window (-1, +1)

Reason for succession	**CEO successions**	**CFO successions**	**Significance test**		**Z statistic**	
	ACAR (in %)	ACAR (in %)	CEO	CFO	CEO	CFO
Retirement	0,59	-3,07	0,465	0,018*	0,851	-1,907**
Resignation	-0,01	0,36	0,992	0,684	-1,146	0,436
Dismissal	-0,35	-2,34	0,864	0,024*	-0,291	-1,058
Death/Illness	2,57	-4,54	0,226		0,651	-2,263*

* Significant at the 0,05 significance level
** Significant at the 0,10 significance level

The results, that are shown and described above, will be shortly discussed and conclusions will be drawn in the next section.

5. Discussion & Conclusion

In this section, the results and main findings of this research are discussed and conclusions are given. Finally, the potential limitations of this study and suggestions for future research are discussed.

5.1. Discussion

The purpose of this study was to investigate the market reaction to CEO and CFO succession announcements in Dutch listed companies for the years 1999-2010. The research question was as follows:

Is there a difference in market reaction to CEO and CFO succession announcements for public companies in the Netherlands and is there a relationship between the market reaction and the reason for succession?

To answer the research question, seven hypotheses were developed, based on the findings of prior literature on this topic, and investigated by applying the market model event study methodology to the 120 CEO and 59 CFO succession announcements found in the research period. Table 14 summarizes the hypotheses, expectations and results of this study for the event window of interest (-10, +10) and according to both significance tests.

Table 14. Summary of hypotheses, expectations and results for the event window of interest (-10, +10)

Hypotheses	**Expectation**	**Results**	
		CEO	**CFO**
***H_1**: Market reaction to announcement of CEO succession*	?	0	
***H_2**: Market reaction to announcement of CFO succession*	?		0
***H_3**: Difference in market reaction to announcement of CEO succession and announcement of CFO succession*	≠	=	
***H_4**: Market reaction to announcement of CEO or CFO succession in the case of retirement of the former executive*	+	0	0
***H_5**: Market reaction to announcement of CEO or CFO succession in the case of resignation of the former executive*	-	0	0
***H_6**: Market reaction to announcement of CEO or CFO succession in the case of dismissal of the former executive*	+	-	0
***H_7**: Market reaction to announcement of CEO or CFO succession in the case of death or illness of the former executive*	-	0	0

? No direction
+ Significant positive market reaction
- Significant negative market reaction
0 No significant market reaction
≠ Significant Difference
= No significant difference

5.2. Conclusion

From the results of this study, described in the previous section and summarized in table 14, conclusions cannot be drawn for the CEO and CFO succession announcements that are due to dismissal and death/illness because the sample sizes for both are too small. However, we can conclude from the results of the event window of interest (-10, +10) that the market, on average, reacts positively to the total announcements of CEO and CFO successions in Dutch listed companies, but both market reactions are not significantly different from zero. Also, the market reaction to CEO succession announcements is, on average, not significantly different from the market reaction to announcements of CFO changes. In other event windows (-5, +5; -1, +1), the market reacts negatively to CFO succession announcements, but also insignificantly different from zero. When we look at the relationship between the market reaction and the different reasons for succession, it can be concluded that for both CEO and CFO successions due to retirement or resignation of the former executive, the abnormal return is positive but not significantly different from zero. Thus, it can be concluded from the results of this study that, on average, there is no significant difference in market reaction to CEO and CFO succession announcements for public companies in the Netherlands and both announcements separately do not lead to significant stockholder reactions. The same counts when we divide them over the four different reasons for succession. The results are in line with the results of the study of Friedman and Singh (1989) and with the 'ritual scapegoating' perspective on executive turnover, proposed by Gamson and Scotch (1964) and discussed in the section 'Research Question & Hypotheses'.

5.3. Limitations and future research

This study is subject to a number of potential limitations, which are discussed here. Like in any empirical event study, the validity of the findings depends on the absence or presence of confounding events on the same date as the announcement of CEO or CFO succession (Lambertides, 2009). Another limitation is that the title of CEO or CFO is not always clearly described or ascribed to one person within a company. In the field research of this study, keywords like 'managing director', 'president', 'CEO', 'algemeen directeur', 'financial director', 'CFO' and 'financieel directeur' are used to try to find all CEO and CFO changes in the annual reports of the companies.

Another point that can be seen as a limitation of this study is that the change of a key executive actually creates two events. The first is the turnover event and the second is the succession event. In this research they have been combined into a broader "change" category and this consolidation confounds the effects of the announcement of either event (Worrell et al., 1993).

The number of successions due to dismissal and death/illness is small and this is a limitation because no conclusions can be drawn for these groups of succession announcements. For key executives it is often difficult to distinguish forced, company-initiated turnover from voluntary turnover. Executives and companies usually prefer to treat the matter delicately (Worrell et al., 1986). To solve a part of this problem, future studies can investigate a longer research period and thus take more announcements into account.

Because of data and time constraints this study only investigates those Dutch companies that were listed at the start of April 2011. This is a limitation because it creates a survival bias. In the research period 1999-2010, there were probably a lot more CEO and CFO successions, namely in the companies that were listed in the past but not anymore, and those successions are not taken into account in this study. In general, large firms survive longer than small firms (Lee, 2011) and thus, the sample will likely consists of larger firms, who are probably more exposed to public and media attention.

All the preceding limitations are at the same time suggestions or improvements for future research on this topic. Future research can also expand to other countries and try to make comparisons or explain possible differences between the results. Future research could also improve the understanding and knowledge of executive succession by taking into account pre-succession performance of the company and the background of the new executive (e.g. whether it is an insider or outsider). Other ideas for further research on this topic are to involve more executives (e.g. Chief Marketing Officer, Chief Operating Officer) in the study or to investigate company performance after CEO or CFO turnover (post succession performance) to identify the real value or contribution of an executive to their company (Chang et al., 2010).

6. References

Abernethy, M.A., Bouwens, J., & Van Lent, L. (2010). Leadership and control system design. *Management Accounting Research*, Vol. 21 No. 1, pp. 2-16.

Beatty, R.P., & Zajac, E.J. (1987). CEO change and firm performance in large corporations: succession effects and manager effects. *Strategic Management Journal*, Vol. 8 No. 4, pp. 305-317.

Beaver, W.H. (1968). The Information Content of Annual Earnings Announcements. *Journal of Accounting Research*, Vol. 6, pp. 67-92.

Benston, G.J. (1982). Accounting Numbers and Economic Values. *Antitrust Bulletin*, Vol. 27 No. 1, pp. 161-215.

Bennedsen, M., Pérez-González, F., & Wolfenzon, D. (2008). Do CEOs matter? Available at SSRN: http://ssrn.com/abstract=1293659.

Berk, J., & DeMarzo, P. (2007). *Corporate Finance*. Boston, MA: Pearson Education.

Bertrand, M., & Schoar, A. (2003). Managing with Style: The Effect of Managers on Firm Policies. *The Quarterly Journal of Economics*, Vol. 118 No. 4, pp. 1169-1208.

Campbell, K., & Minguez Vera, A. (2010). Female board appointments and firm valuation: short and long-term effects. *Journal of Management & Governance*, Vol. 14 No. 1, pp. 37-59.

Cannella, A.A., & Monroe, M.J. (1997). Contrasting Perspectives on Strategic Leaders: Toward a More Realistic View of Top Managers. *Journal of Management*, Vol. 23 No. 3, pp. 213-237.

Chang, Y.Y., Dasgupta, S., & Hilary, G. (2010). CEO Ability, Pay, and Firm Performance. *Management Science*, Vol. 56, No. 10, pp. 1633-1652.

Child, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sociology*, Vol. 6 No. 1, pp. 1-22.

Commissie Corporate Governance. (2003). De Nederlandse Corporate Governance Code: Beginselen van deugdelijk ondernemingsbestuur en best practice bepalingen. pp. 8-9.

Cyert, R.M., & March, J.G. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice-Hall.

DeJong, D., & Ling, Z. (2010). Managers: Their Effects on Accruals and Firm Policies. Available at SSRN: http://ssrn.com/abstract=1460298.

Dodd, P., & Warner, J.B. (1983). On Corporate Governance: A Study of Proxy Contests. *Journal of Financial Economics*, Vol. 11 No. 1-4, pp. 401-438.

Farrell, K.A., & Hersch, P.L. (2005). Additions to corporate boards: the effect of gender. *Journal of Corporate Finance*, Vol. 11 No. 1-2, pp. 85-106.

Fee, C.E., & Hadlock, C.J. (2004). Management turnover across the corporate hierarchy. *Journal of Accounting and Economics*, Vol. 37 No. 1, pp. 3-38.

Finkelstein, S., & Hambrick, D.C. (1990). Top-Management-Team Tenure and Organizational Outcomes: The Moderating Role of Managerial Discretion. *Administrative Science Quarterly*, Vol. 35 No. 3, pp. 484-503.

Friedman, S.D., & Singh, H. (1989). CEO Succession and Stockholder Reaction: The Influence of Organizational Context and Event Content. *Academy of Management Journal*, Vol. 32 No. 4, pp. 718-744.

Furtado, E.P.H., & Rozeff, M.S. (1987). The Wealth Effects of Company Initiated Management Changes. *Journal of Financial Economics*, Vol. 18 No. 1, pp.147-160.

Gamson, W.A., & Scotch, N.A. (1964). Scapegoating in Baseball. *American Journal of Sociology*, Vol. 70 No. 1, pp. 69-72.

Geiger, M.A., & North, D.S. (2006). Does Hiring a New CFO Change Things? An Investigation of Changes in Discretionary Accruals. *The Accounting Review*, Vol. 81, No. 4, pp. 781-809.

Graham, J.R., & Harvey, C.R. (2001). The theory and practice of corporate finance: Evidence from the field. *Journal of Financial Economics*, Vol. 60 No. 2/3, pp. 187-243.

Grusky, O. (1963). Managerial Succession and Organizational Effectiveness. *American Journal of Sociology*, Vol. 69 No. 1, pp. 21-31.

Guest, R.H. (1962). Managerial Succession in Complex Organizations. *American Journal of Sociology*, Vol. 68 No. 1, pp. 47-56.

Hambrick, D.C., & Mason, P.A. (1984). Upper Echelons: The organization as a reflection of its top managers. *Academy of Management Review*, Vol. 9 No. 2, pp. 193-206.

Hambrick, D.C., Cho, T.S., & Chen, M.J. (1996). The Influence of Top Management Team Heterogeneity on Firms' Competitive Moves. *Administrative Science Quarterly*, Vol. 41 No. 4, pp. 659-684.

Hannan, M.T., & Freeman, J. (1989). *Organizational Ecology*. Boston, MA: Harvard University Press.

Hayes, R.M., & Schaefer, S. (1999). How much are differences in managerial ability worth? *Journal of Accounting and Economics*, Vol. 27 No. 2, pp. 125-148.

Jiang, J., Petroni, K.R., & Wang, I.Y. (2010). CFOs and CEOs: Who have the most influence on earnings management? *Journal of Financial Economics*, Vol. 96 No. 3, pp. 513-526.

Lambertides, N. (2009). Sudden CEO vacancy and the long-run economic consequences. *Managerial Finance*, Vol. 35 No. 7, pp. 645-661.

Lee, P.M., & James, E.H. (2007). SHE'-E-Os: Gender effects and investor reactions to the announcements of top executive appointments. *Strategic Management Journal*, Vol. 28, pp. 227-241.

Lee, W.J. (2011). Managerial entrenchment and the value of dividends. *Review of Quantitative Finance and Accounting*, Vol. 36 No. 2, pp. 297-322.

MacKinlay, A.C. (1997). Event Studies in Economics and Finance. *Journal of Economic Literature*, Vol. 35, pp. 13-39.

McWilliams, A., & Siegel, D. (1997). Event studies in management research: Theoretical and empirical issues. *Academy of Management Journal*, Vol. 40 No. 3, pp.626-657.

Mian, S. (2001). On the choice and replacement of Chief Financial Officers. *Journal of Financial Economics*, Vol. 60 No. 1, pp. 143-175.

Nadler, D.A., & Nadler, M.B. (2006). Five Tough Issues for CEOs and Boards. *Chief Executive*, No. 222, pp. 38-40.

Nieuwenhuis, G. (2009). *Statistical Methods for Business and Economics.* Berkshire, United Kingdom: McGraw-Hill Education.

Sabherwal, R., & Sabherwal, S. (2007). How Do Knowledge Management Announcements Affect Firm Value? A Study of Firms Pursuing Different Business Strategies. *IEEE Transactions on Engineering Management*, Vol. 54 No. 3, pp.409-422.

Scott, W.R. (2009). *Financial Accounting Theory* (5th ed.). Toronto, Canada: Pearson Education.

Sridharan, U.V., & St. John, C.H. (1998). The Effects of Organizational Stability and Leadership Structure on Firm Performance. *Journal of Managerial Issues*, Vol. 10 No. 4, pp. 469-484.

Vafeas, N., & Vlittis, A. (2009). Stock Market Reaction to Chief Marketing Officer Appointment Announcements. *Journal of Business & Economics Research*, Vol. 7 No. 11, pp. 29-39.

Waldman, D.A., & Yammarino, F.J. (1999). CEO Charismatic Leadership: Levels-of-Management and Levels-of-Analysis Effects. *Academy of Management Review*, Vol. 24 No. 2, pp. 266-285.

Waldman, D.A., Ramírez, G.G., House, R.J., & Puranam, P. (2001). Does Leadership Matter? CEO Leadership Attributes and Profitability under Conditions of Perceived Environmental Uncertainty. *Academy of Management Journal*, Vol. 44 No. 1, pp. 134-143.

Wasserman, N., Nohria, N., & Anand, B.N. (2001). When Does Leadership Matter? The Contingent Opportunities View of CEO Leadership. Available at SSRN: http://ssrn.com/abstract_id=278652.

Weisbach, M.S. (1988). Outside Directors and CEO Turnover. *Journal of Financial Economics*, Vol. 20 No. 1/2, pp. 431-460.

Wiersema, M.F. (1992). Strategic Consequences of Executive Succession Within Diversified Firms. *Journal of Management Studies*, Vol. 29 No. 1, pp. 73-94.

Woolridge, J.R., & Snow, C.C. (1990). Stock Market Reaction to Strategic Investment Decisions. *Strategic Management Journal*, Vol. 11 No. 5, pp. 353-363.

Worrell, D.L., Davidson III, W.N., Chandy, P.R., & Garrison, S.L. (1986). Management turnover through deaths of key executives: effects on investor wealth. *Academy of Management Journal*, Vol. 29 No. 4, pp. 674-694.

Worrell, D.L., & Davidson III, W.N. (1987). The Effect of CEO Succession on Stockholder Wealth in Large Firms Following the Death of the Predecessor. *Journal of Management*, Vol. 13 No. 3, pp. 509-515.

Worrell, D.L., Davidson III, W.N., & Glascock, J.L. (1993). Stockholder reactions to departures and appointments of key executives attributable to firings. *Academy of Management Journal*, Vol. 36 No. 2, pp. 387-401.

Yayla, A.A., & Hu, Q. (2011). The impact of information security events on the stock value of firms: the effect of contingency factors. *Journal of Information Technology*, Vol. 26 No. 1, pp. 60-77.

Company.info Retrieved from http://company.info
Date of use: 02-05-2011 – 13-05-2011

Jaarverslag.info Retrieved from http://jaarverslag.info
Date of use: 01-04-2011

Appendices

Appendix 1. List of Dutch company names used in this study

Aalberts Industries	Ctac	KAS Bank	Shell
Accell Group	Delta Lloyd	Kendrion	Simac
Acomo	DIM Vastgoed	KPN	Sligro Food Group
AEGON	DOCdata	Macintosh Retail Group	SNS Reaal
Ageas	DPA Group	Management Share	Spyker Cars
Ahold	Draka Holding	Mediq	Stern Groep
AFC Ajax	DSM	Nedap	Telegraaf Media Groep (TMG)
Akzo Nobel	Eurocommercial Properties	NedSense Enterprises	Ten Cate
Alanheri	Exact Holding	Neways Electronics International	TIE Holding
AMG Advanced Metallurgical Group	Fornix BioSciences	Nieuwe Steen Investments (NSI)	TKH Group
AND International Publishers	Fugro	Nutreco Holding	TNT
Arcadis	Gamma Holding	Océ	TomTom
ASM International	Grontmij	OctoPlus	Unilever
ASML Holding	Groothandelsge-bouwen	Oranjewoud	Unit 4 Agresso
Ballast Nedam	Heijmans	Ordina	USG People
BAM Groep	Heineken	Pharming	Value8
Batenburg Beheer	Heineken Holding	Philips	Van Lanschot
BE Semiconductor Industries	HES Beheer	De Porceleyne Fles	VastNed Offices Industrial
Beter Bed	HITT	Punch Graphix	VastNed Retail
Bever Holding	Holland Colours	Qurius	Vivenda Media Groep
BinckBank	Hunter Douglas	Randstad	Vopak
Boskalis Westminster	Hydratec Industries	Reed Elsevier	Wavin
Brill	ICT Automatisering	Reesink	Wegener
Brunel International	Imtech	Rolinco	Wereldhave
Corio	ING Groep	RoodMicrotec	Wessanen
Crown Van Gelder	InnoConcepts	Roto Smeets Group	Wolters Kluwer
Crucell	JUBII Europe	SBM Offshore	
CSM	Kardan	Schlumberger	

Appendix 2. Information about CEO and CFO succession announcements in this study

CEO successors

Company Name	Executive Name	Date of Birth	Nationality	Announcement date	Reason for change
AEGON	D.J. Shepard	?-1947	American (M)	08-11-2001	Retirement
AEGON	A.R. Wynaendts	01-08-1960	Dutch (M)	20-11-2007	Retirement
Ahold	A.C. Moberg	21-03-1950	Swedish (M)	02-05-2003	Resignation
Ahold	J. Rishton	21-02-1958	British (M)	27-04-2007	Resignation
Ajax*	F. Kales	18-04-1942	Dutch (M)	09-01-1999	Resignation
Ajax	A.J. van Eijden	05-04-1946	Dutch (M)	04-07-2000	Resignation
Ajax	M. Fontein	23-02-1952	Dutch (M)	26-08-2005	Resignation
Ajax*	H.H. van den Boog	01-09-1959	Dutch (M)	16-11-2008	Dismissal
Akzo Nobel	G.J. Wijers	11-01-1951	Dutch (M)	22-02-2002	Retirement
Alanheri	H.C.C. Alkemade	22-10-1947	Dutch (M)	23-05-2007	Resignation
Alanheri	F.A.M.J. Faas	09-09-1956	Dutch (M)	06-05-2008	Resignation
AND International Publishers	M.P. Oldenhof	16-06-1961	Dutch (M)	27-11-2002	Dismissal
Arcadis	H.L.J. Noy	27-03-1951	Dutch (M)	21-01-2000	Retirement
ASM International	C.D. del Prado	22-05-1961	Dutch (M)	23-05-2007	Retirement
ASML Holding	D.J. Dunn	05-05-1944	British (M)	09-02-1999	Retirement
ASML Holding	E. Meurice	30-07-1956	French (M)	03-08-2004	Retirement
Ballast Nedam	R.H.P.W. Kottman	21-08-1945	Dutch (M)	16-07-1999	Retirement
Ballast Nedam	T.A.C.M. Bruijninckx	22-11-1961	Dutch (M)	16-03-2007	Retirement
BAM Groep	J.A.P. van Oosten	30-03-1948	Dutch (M)	03-05-2005	Retirement
BAM Groep	N.J. de Vries	21-07-1951	Dutch (M)	20-05-2010	Retirement
Beter Bed	F.J.H. Geelen	26-09-1955	Dutch (M)	16-11-2000	Resignation
Beter Bed	A.H. Anbeek	09-07-1962	Dutch (M)	09-10-2009	Resignation
BinckBank*	T.C.V. Schaap	?-1971	Dutch (M)	03-12-2005	Resignation
BinckBank	K.N. Beentjes	09-01-1961	Dutch (M)	08-08-2008	Resignation
Boskalis Westminster	P.A.M. Berdowski	13-12-1957	Dutch (M)	06-12-2005	Retirement
Brill	H.A. Pabbruwe	23-04-1953	Dutch (M)	18-03-2004	Resignation

Brunel International	S. Parsser	?	Dutch (M)	02-12-1999	Resignation
Brunel International	J.A. van Barneveld	14-03-1950	Dutch (M)	11-09-2000	Resignation
Corio	J.A. de Kreij	18-03-1942	Dutch (M)	07-04-2004	Dismissal
Corio	G.H.W. Groener	12-10-1958	Dutch (M)	04-12-2007	Resignation
CSM	G.J. Hoetmer	15-06-1956	Dutch (M)	01-03-2005	Resignation
Ctac	W.H.J.M. Huijben	?-1954	Dutch (M)	05-07-2005	Resignation
Ctac	B.P. Hogendoorn	03-07-1961	Dutch (M)	20-06-2008	Resignation
Ctac	H.L.J. Hilgerdenaar	13-12-1960	Dutch (M)	03-05-2010	Dismissal
DPA Group	R.A.M.R. van der Hoek	24-02-1958	Dutch (M)	05-12-2008	Resignation
Draka Holding	G. Artinian	?-1945	American (M)	28-06-2004	Retirement
Draka Holding*	H.I. Schulz	?-1948	German (M)	07-01-2006	Retirement
Draka Holding*	S. Lyons	?-1956	American (M)	11-08-2007	Retirement
Draka Holding	F.F. Dorjee	02-08-1960	Australian (M)	01-10-2009	Resignation
DSM	F. Sijbesma	25-08-1959	Dutch (M)	08-12-2006	Retirement
Exact Holding	L.T.H. Brentjens	30-10-1959	Dutch (M)	18-09-2003	Resignation
Exact Holding	R. Patel	16-05-1969	British (M)	08-04-2005	Resignation
Exact Holding	M.J.C. Janmaat	31-03-1954	Dutch (M)	01-07-2010	Resignation
Fornix BioSciences	C.L. Bergman	21-02-1959	Dutch (M)	12-06-2003	Resignation
Fugro	K.S. Wester	02-07-1946	Dutch (M)	22-04-2004	Retirement
Gamma Holding	M. Veninga	26-05-1950	Dutch (M)	14-06-2002	Retirement
Gamma Holding	J.H.L. Albers	27-03-1952	Dutch (M)	24-06-2009	Resignation
Heijmans	H.A.J. Bemelmans	13-01-1944	Dutch (M)	18-07-2002	Illness
Heijmans	G.H. Hoefsloot	22-10-1950	Dutch (M)	11-09-2002	Retirement
Heijmans	R. van Gelder	26-08-1945	Dutch (M)	29-05-2008	Resignation
Heijmans	G.A. Witzel	03-08-1951	Dutch (M)	11-01-2010	Retirement
Heineken	A. Ruys	20-07-1947	Belgian (M)	11-09-2001	Retirement
Heineken	J.F.M.L. van Boxmeer	12-09-1961	Belgian (M)	12-04-2005	Resignation
Heineken Holding	M. Das	19-06-1948	Dutch (M)	04-01-2002	Death
HES Beheer	J.P. Peterson	18-01-1943	Dutch (M)	09-09-1999	Resignation
HES Beheer	H. Sliep	04-04-1961	Dutch (M)	05-04-2000	Resignation
HITT	S. Jansen	09-01-1954	Dutch (M)	01-08-2007	Resignation

Holland Colours	G.H. de Heer	07-08-1964	Dutch (M)	10-10-2000	Resignation
Holland Colours	B.P.M. van Schaik	10-10-1951	Dutch (M)	04-07-2006	Resignation
Hydratec Industries	G.P. van Dobben de Bruyn	11-02-1953	Dutch (M)	15-03-2000	Resignation
Hydratec Industries	R. Zoomers	04-09-1950	Dutch (M)	02-07-2003	Resignation
Imtech	R.J.A. van der Bruggen	26-11-1947	Dutch (M)	13-03-2002	Resignation
ING Groep	E. Kist	22-01-1944	Dutch (M)	14-09-1999	Retirement
ING Groep	M.J. Tilmant	21-07-1952	Belgian (M)	19-11-2003	Retirement
ING Groep	J.H.M. Hommen	29-04-1943	Dutch (M)	26-01-2009	Resignation
KAS Bank	A.A. Röell	06-07-1959	Dutch (M)	29-09-2004	Retirement
Kendrion	P. Veenema	10-07-1955	Dutch (M)	07-05-2003	Resignation
KPN	P. Smits	14-12-1946	Dutch (M)	30-08-1999	Retirement
KPN	A.J. Scheepbouwer	22-07-1944	Dutch (M)	10-09-2001	Resignation
Macintosh Retail Group	F.K. de Moor	12-06-1962	Belgian (M)	29-03-2002	Resignation
Mediq	R.J. Peek	?-1945	Dutch (M)	10-12-2002	Retirement
Mediq*	M.C. van Gelder	21-05-1961	Dutch (M)	06-08-2005	Retirement
NedSense Enterprises	C.J.J. van Steijn	22-02-1951	Dutch (M)	13-06-2006	Resignation
Neways Electronics International	B. Doorenbos	24-05-1949	Dutch (M)	08-03-2001	Dismissal
Nieuwe Steen Investments (NSI)	J.J.M. Reijnen	?	Dutch (F)	28-03-2003	Retirement
Nieuwe Steen Investments (NSI)	J. Buijs	15-09-1965	Dutch (M)	23-07-2008	Resignation
Nutreco Holding	W. Dekker	10-11-1956	Dutch (M)	02-02-2000	Retirement
Ordina	R. Kasteel	11-07-1962	Dutch (M)	19-01-1999	Resignation
Pharming	S. de Vries	31-10-1959	Dutch (M)	26-09-2008	Resignation
Philips	G.J. Kleisterlee	28-09-1946	German (M)	30-08-2000	Resignation
De Porceleyne Fles	W.P. Grasso	?	Dutch (M)	05-07-2006	Resignation
De Porceleyne Fles	H. Schouten	27-07-1958	Dutch (M)	09-02-2009	Resignation
Punch Graphix	B.C. van Assche	26-02-1946	Belgian (M)	04-04-2006	Death
Punch Graphix	W.G.M. Deblauwe	28-09-1974	Belgian (M)	19-10-2007	Resignation
Punch Graphix	W.M. Maes	28-05-1972	Belgian (M)	28-08-2009	Resignation
Qurius	L.P.W. Zevenbergen	11-07-1958	Dutch (M)	09-12-2009	Resignation
Randstad	C.T.M.J. Farla	?-1945	Dutch (M)	08-10-2001	Resignation

Randstad	B.J. Noteboom	04-07-1958	Dutch (M)	03-09-2002	Illness
Reed Elsevier	E.N. Engström	14-06-1963	Swedish (M)	11-11-2009	Resignation
Rolinco	M.C. Vriezen	12-11-1967	Dutch (M)	20-06-2003	Resignation
Roto Smeets Group	J.P. Caris	31-03-1948	Dutch (M)	09-06-2006	Resignation
SBM Offshore*	J.J.C.M. van Dooremalen	04-09-1944	Dutch (M)	24-06-2000	Resignation
SBM Offshore	D.H. Keller	24-04-1946	French (M)	26-08-2003	Resignation
SBM Offshore	A.J. Mace	16-12-1951	British (M)	30-01-2008	Retirement
Shell	J. van der Veer	27-10-1947	Dutch (M)	10-02-2000	Retirement
Shell	P.R. Voser	29-08-1958	Swiss (M)	29-10-2008	Resignation
SNS Reaal	R.R. Latenstein van Voorst	23-07-1964	Dutch (M)	30-05-2008	Retirement
TIE Holding	J.B. Sundelin	21-10-1960	Swedish (M)	21-11-2007	Resignation
TKH Group	J.M.A. van der Lof	01-08-1958	Dutch (M)	08-12-2000	Resignation
TNT	M.P. Bakker	01-08-1961	Dutch (M)	02-10-2001	Resignation
Unilever	A. Burgmans	13-02-1947	Dutch (M)	18-02-1999	Retirement
Unilever	P.G.J.M. Polman	11-07-1956	Dutch (M)	05-09-2008	Retirement
USG People	R. Zandbergen	28-11-1958	Dutch (M)	10-07-2009	Resignation
Van Lanschot	H.J. Baeten	02-01-1944	Dutch (M)	17-10-2002	Resignation
Van Lanschot	F.G.H. Deckers	18-06-1950	Dutch (M)	01-10-2003	Retirement
VastNed Offices Industrial	R.A. van Gerrevink	03-03-1950	Dutch (M)	21-05-2002	Retirement
VastNed Retail	R.A. van Gerrevink	03-03-1950	Dutch (M)	21-05-2002	Retirement
Vivenda Media Groep	A.M. Mirck	28-10-1955	Dutch (M)	09-02-2009	Resignation
Vivenda Media Groep	R.J.M. van Veldhoven	04-06-1967	Dutch (M)	23-08-2010	Resignation
Vopak	G.E. Pruitt	?-1950	American (M)	28-01-2002	Resignation
Vopak	C.J. van den Driest	22-11-1947	Dutch (M)	23-04-2002	Resignation
Vopak	E.M. Hoekstra	03-02-1971	Belgian (M)	23-08-2010	Resignation
Wavin	H. ten Hove	28-07-1952	Dutch (M)	31-03-2010	Retirement
Wegener	T. Velgaard	29-06-1960	Norwegian (M)	03-12-2010	Dismissal
Wereldhave	J. Pars	16-08-1962	Dutch (M)	06-10-2008	Resignation
Wessanen	A.H.A. Veenhof	21-09-1945	Dutch (M)	14-05-2003	Resignation
Wessanen	P.H. Merckens	23-05-1962	Dutch (M)	13-01-2010	Dismissal

Wolters Kluwer	C.H. van Kempen	23-12-1944	Dutch (M)	12-03-1999	Resignation
Wolters Kluwer	R. Pieterse	21-09-1942	Dutch (M)	10-03-2000	Resignation
Wolters Kluwer	N. McKinstry Roch	04-01-1959	American (F)	11-03-2003	Resignation

* These announcements took place on a Saturday or Sunday. Because there are no stock prices available for these days, the first available date is used as announcement date.

CFO successors

Company Name	Executive Name	Date of Birth	Nationality	Announcement date	Reason for change
Accell Group	H.H. Sybesma	07-09-1967	Dutch (M)	25-01-2001	Resignation
AEGON	J.J. Nooitgedagt	17-07-1953	Dutch (M)	13-01-2009	Retirement
Ahold	H.R. Ryöppönen	25-03-1952	Finnish (M)	19-06-2003	Resignation
Ahold	J. Rishton	21-02-1958	British (M)	26-09-2005	Resignation
Ahold	K.A. Ross	05-05-1965	American (F)	12-06-2007	Resignation
Akzo Nobel	R.J. Frohn	12-03-1960	Dutch (M)	24-06-2003	Retirement
Akzo Nobel	K.R. Nichols	22-05-1960	British (M)	30-11-2007	Resignation
Arcadis	H.W.M.W. ten Cate	24-09-1953	Dutch (M)	01-11-2000	Resignation
Arcadis	B.A. van der Klift	12-07-1959	Dutch (M)	24-09-2004	Resignation
Arcadis	R. Vree	12-07-1964	Dutch (M)	23-03-2010	Resignation
ASM International	R.L. de Bakker	14-09-1950	Dutch (M)	20-12-2000	Retirement
ASM International*	A.J.M. van der Ven	06-03-1959	Dutch (M)	16-04-2005	Resignation
ASM International	P.A.M. van Bommel	21-01-1957	Dutch (M)	27-04-2010	Resignation
Ballast Nedam	T.A.C.M. Bruijninckx	22-11-1961	Dutch (M)	21-10-2002	Resignation
BE Semiconductor Industries	J.W. Ruinemans	?-1969	Dutch (M)	04-08-2008	Resignation
Beter Bed	D. van Hoeve	28-09-1970	Dutch (M)	23-04-2009	Resignation
Corio	J.G. Haars	22-09-1951	Dutch (M)	12-10-2006	Resignation
Corio	B.A. van der Klift	12-07-1959	Dutch (M)	01-04-2010	Retirement
CSM	R.R. Hendriks	?-1955	Dutch (M)	14-09-2000	Retirement
CSM	N.J.M. Kramer	31-07-1959	Dutch (M)	01-12-2005	Resignation

Delta Lloyd	E.A.A. Roozen	18-04-1968	Dutch (M)	27-04-2010	Illness
DSM	R.D. Schwalb	03-03-1952	German (M)	17-08-2006	Retirement
Exact Holding	E. Kraaijenzank	27-09-1956	Dutch (M)	30-06-2005	Resignation
Exact Holding	M.J. Timmer	09-02-1967	Dutch (M)	28-12-2009	Resignation
Grontmij	D.G.H. van der Werf	13-01-1955	Dutch (M)	12-06-2003	Resignation
Grontmij	D.M. Zuydam	29-09-1961	Dutch (M)	17-04-2009	Resignation
Heijmans	M.C. van den Biggelaar	06-10-1968	Dutch (M)	30-06-2009	Resignation
Holland Colours	J.J.G. Straathof	03-01-1965	Dutch (M)	22-01-2008	Resignation
ING Groep	P.G. Flynn	27-12-1960	Irish (M)	23-02-2009	Resignation
KAS Bank	R.J. Kooijman	12-10-1961	Dutch (M)	29-09-2008	Resignation
KPN	J.M. Henderson	-1948	Dutch (M)	09-11-1999	Retirement
KPN	M.H.M. Smits	14-09-1961	Dutch (M)	06-04-2004	Resignation
KPN	C.M.S. Smits-Nusteling	18-08-1966	Dutch (F)	17-09-2009	Resignation
Mediq	J.G. Janssen	08-04-1967	Dutch (M)	11-01-2008	Dismissal
Nieuwe Steen Investments (NSI)	D.S.M. van Dongen	11-03-1971	Dutch (M)	27-10-2009	Resignation
Nutreco Holding	C.J.M. van Rijn	04-05-1947	Dutch (M)	17-07-2001	Resignation
Océ	J. van den Belt	11-05-1946	Dutch (M)	06-07-2000	Retirement
Océ	H.A. Kerkhoven	?-1965	Dutch (M)	19-08-2008	Retirement
OctoPlus	S.M. Swarte	24-07-1968	Dutch (F)	29-06-2009	Resignation
Ordina	B.H. de Jong	10-06-1963	Dutch (M)	22-01-2010	Resignation
Pharming	W.J.E. Burgemeestre	08-06-1948	Dutch (M)	24-10-2005	Resignation
Philips	P-J. Sivignon	21-12-1956	French (M)	24-01-2005	Retirement
SBM Offshore	M.A.S. Miles	05-12-1964	British (M)	06-01-2004	Retirement
Shell	S.P. Henry	13-07-1961	British (M)	12-03-2009	Resignation
SNS Reaal	F.K.V. Lamp	28-12-1971	Dutch (M)	18-09-2008	Resignation
Spyker Cars	D.J.C.Y.S. Go	19-08-1962	Indonesian (M)	02-03-2009	Resignation
Ten Cate	J. Lock	12-04-1946	Dutch (M)	06-04-2009	Resignation
TKH Group	J.E. Vaandrager	11-07-1943	Dutch (M)	16-05-2001	Resignation
TNT	J.G. Haars	22-09-1951	Dutch (M)	25-04-2002	Resignation
TNT	C.H. van Dalen	01-11-1952	Dutch (M)	16-12-2005	Resignation
TNT	B.L. Bot	19-02-1966	Belgian (M)	02-08-2010	Resignation

Unilever	J. Lawrence	18-10-1952	American (M)	01-08-2007	Retirement
Unilever	R.J-M.S. Huët	14-04-1969	British (M)	14-12-2009	Resignation
USG People	L. Geirnaerdt	29-10-1974	Belgian (F)	18-10-2010	Resignation
Wegener	C.G. Boot	02-11-1960	Dutch (M)	22-01-2007	Resignation
Wessanen	D.G. Vierstra	31-10-1958	Dutch (M)	06-10-2004	Dismissal
Wessanen	H. Wagter	04-11-1949	Dutch (M)	23-03-2006	Resignation
Wessanen	F.E. Eelkman Rooda	25-04-1952	Dutch (M)	09-05-2008	Resignation
Wolters Kluwer	B.L.J.M. Beerkens	07-04-1963	Dutch (M)	13-08-2002	Resignation

* These announcements took place on a Saturday or Sunday. Because there are no stock prices available for these days, the first available date is used as announcement date.

Appendix 3. Description of calculation of the Average Cumulative Abnormal Returns

The share prices in the estimation and event window for all CEO and CFO announcements and the Amsterdam SE All Share price index are gathered via Datastream. Then, the daily actual returns are calculated using the following formula:

$$R_{it} = \frac{SP_{it} - SP_{it-1}}{SP_{it-1}} \quad (10)$$

Where, SP_{it} is the share price of the companies' securities and the Amsterdam SE All Share price index. This is done for all succession announcements. Next, formula (1) is calculated for each announcement. Formula (2) is calculated for each day in the event window (-10, +10) for all announcements. Then, all daily abnormal returns in the event window are cumulated for each announcement using formula (3). Finally, formula (4) is used to calculate the averages of all the announcements in the different categories 'Total', 'Resignation', 'Retirement', 'Dismissal' and 'Death/Illness'.

Appendix 4. Complete significance test output tables of 'One-Sample T Test'

In this appendix, the output tables can be found for the tests that are executed on the results of the market model event study to test if the abnormal returns are significantly different from zero. The 'One-Sample T test' in SPSS is used for this.

CEO succession announcements

In table 15 and 16, the results of the significance tests are given for the CEO succession announcements in the event window (-10, +10).

Table 15. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-10, +10)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	120	0,006910	0,1529279	0,0139603
Resignation	71	0,018083	0,1853960	0,0220025
Retirement	38	0,000911	0,0777072	0,0126058
Dismissal	7	-0,083612	0,0705562	0,0266677
DeathIllness	4	0,023920	0,1355545	0,0677773

Table 16. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-10, +10)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	0,495	119	0,622	0,0069100	-0,020733	0,034553
Resignation	0,822	70	0,414	0,0180835	-0,025799	0,061966
Retirement	0,072	37	0,943	0,0009110	-0,024631	0,026453
Dismissal	-3,135	6	0,020	-0,083612	-0,148866	-0,018358
DeathIllness	0,353	3	0,747	0,0239205	-0,191777	0,239618

In table 17 and 18, the results of the significance tests are given for the CEO succession announcements in the event window (-5, +5).

Table 17. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-5, +5)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	120	0,007680	0,1108852	0,0101224
Resignation	71	0,014063	0,1316534	0,0156244
Retirement	38	0,005665	0,0697390	0,0113132
Dismissal	7	-0,033160	0,0699258	0,0264294
DeathIllness	4	-0,014993	0,0889404	0,0444702

Table 18. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-5, +5)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	0,759	119	0,450	0,0076800	-0,012363	0,027723
Resignation	0,900	70	0,371	0,0140628	-0,017099	0,045225
Retirement	0,501	37	0,619	0,0056653	-0,017257	0,028588
Dismissal	-1,255	6	0,256	-0,0331602	-0,097831	0,031510
DeathIllness	-0,337	3	0,758	-0,0149927	-0,156517	0,126531

In table 19 and 20, the results of the significance tests are given for the CEO succession announcements in the event window (-1, +1).

Table 19. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-1, +1)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	120	0,002442	0,0823000	0,0075129
Resignation	71	-0,000126	0,0995344	0,0118126
Retirement	38	0,005895	0,0492250	0,0079854
Dismissal	7	-0,003502	0,0518424	0,0195946
DeathIllness	4	0,025730	0,0338636	0,0169318

Table 20. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CEO succession announcements in the event window (-1, +1)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	0,325	119	0,746	0,0024425	-0,012434	0,017319
Resignation	-0,011	70	0,992	-0,0001263	-0,023686	0,023433
Retirement	0,738	37	0,465	0,0058954	-0,010285	0,022075
Dismissal	-0,179	6	0,864	-0,0035019	-0,051448	0,044444
DeathIllness	1,520	3	0,226	0,0257299	-0,028155	0,079614

CFO succession announcements

In table 21 and 22, the results of the significance tests are given for the CFO succession announcements in the event window (-10, +10).

Table 21. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-10, +10)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	59	0,001998	0,1134536	0,0147704
Resignation	44	0,007770	0,1185229	0,0178680
Retirement	12	0,000717	0,1028459	0,0296891
Dismissal	2	-0,056650	0,0555079	0,0392500
DeathIllness	1*	-0,119300		

* t cannot be computed because the sum of caseweights is less than or equal to 1.

Table 22. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-10, +10)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	0,135	58	0,893	0,0019983	-0,027568	0,031564
Resignation	0,435	43	0,666	0,0077705	-0,028264	0,043805
Retirement	0,024	11	0,981	0,0007167	-0,064628	0,066062
Dismissal	-1,443	1	0,386	-0,0566500	-0,555369	0,442069
DeathIllness						

In table 23 and 24, the results of the significance tests are given for the CFO succession announcements in the event window (-5, +5).

Table 23. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-5, +5)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	59	-0,015722	0,1071177	0,0139455
Resignation	44	-0,002002	0,1083211	0,0163300
Retirement	12	-0,043450	0,1016825	0,0293532
Dismissal	2	-0,104600	0,0724077	0,0512000
DeathIllness	1*	-0,108900		

* t cannot be computed because the sum of caseweights is less than or equal to 1.

Table 24. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-5, +5)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	-1,127	58	0,264	-0,0157220	-0,043637	0,012193
Resignation	-0,123	43	0,903	-0,0020023	-0,034935	0,030930
Retirement	-1,480	11	0,167	-0,0434500	-0,108056	0,021156
Dismissal	-2,043	1	0,290	-0,1046000	-0,755158	0,545958
DeathIllness						

In table 25 and 26, the results of the significance tests are given for the CFO succession announcements in the event window (-1, +1).

Table 25. 'One-Sample Statistics' of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-1, +1)

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Total	59	-0,005142	0,0547650	0,0071298
Resignation	44	0,003577	0,0579171	0,0087313
Retirement	12	-0,030717	0,0384143	0,0110892
Dismissal	2	-0,023400	0,0012728	0,0009000
DeathIllness	1*	-0,045400		

* t cannot be computed because the sum of caseweights is less than or equal to 1.

Table 26. Significance tests of the Average Cumulative Abnormal Returns (ACARs) of the CFO succession announcements in the event window (-1, +1)

One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Total	-0,721	58	0,474	-0,0051424	-0,019414	0,009129
Resignation	0,410	43	0,684	0,0035773	-0,014031	0,021186
Retirement	-2,770	11	0,018	-0,0307167	-0,055124	-0,006309
Dismissal DeathIllness	-26,000	1	0,024	-0,0234000	-0,034836	-0,011964

Appendix 5. Complete significance test output tables of 'Independent-Samples T Test'

In this appendix, the output tables can be found for the tests that are executed on the results of the market model event study to test whether the abnormal returns of the CEO succession announcements are significantly different from the abnormal returns of the CFO succession announcements. The 'Independent-Samples T test' in SPSS is used for this.

In table 27 and 28, the results of the significance tests are given for the event window (-10, +10).

Table 27. Group statistics of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-10, +10)

Group Statistics

	Title	N	Mean	Std. Deviation	Std. Error Mean
CARs	1 (CEOs)	120	0,0069	0,15293	0,01396
	0 (CFOs)	59	0,0020	0,11345	0,01477

Table 28. Significance tests of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-10, +10)

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CARs	Equal variances assumed	0,313	0,577	0,219	177	0,827	0,00491	0,02245	-0,03940	0,04922
	Equal variances not assumed			0,242	149,689	0,809	0,00491	0,02032	-0,03525	0,04507

In table 29 and 30, the results of the significance tests are given for the event window (-5, +5).

Table 29. Group statistics of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-5, +5)

Group Statistics

	Title	N	Mean	Std. Deviation	Std. Error Mean
CARs	1 (CEOs)	120	0,0077	0,11089	0,01012
	0 (CFOs)	59	-0,0157	0,10712	0,01395

Table 30. Significance tests of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-5, +5)

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CARs	Equal variances assumed	0,260	0,611	1,342	177	0,181	0,02340	0,01744	-0,01101	0,05781
	Equal variances not assumed			1,358	119,102	0,177	0,02340	0,01723	-0,01072	0,05752

In table 31 and 32, the results of the significance tests are given for the event window (-1, +1).

Table 31. Group statistics of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-1, +1)

Group Statistics

	Title	N	Mean	Std. Deviation	Std. Error Mean
CARs	1 (CEOs)	120	0,0024	0,08230	0,00751
	0 (CFOs)	59	-0,0051	0,05477	0,00713

Table 32. Significance tests of the Cumulative Abnormal Returns (CARs) of all CEO and CFO succession announcements in the event window (-1, +1)

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
CARs	Equal variances assumed	1,703	0,194	0,641	177	0,522	0,00758	0,01183	-0,01576	0,03093
	Equal variances not assumed			0,732	161,352	0,465	0,00758	0,01036	-0,01287	0,02804