



**RESEARCH PAPER**

**Moderating role of Family involvement in Relationship between Corporate Performance and CEO's turnover: Evidence from Chinese Firms**

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PAPER INFO	ABSTRACT
<b>Received:</b> June 03, 2021 <b>Accepted:</b> September 12, 2021 <b>Online:</b> September 15, 2021 <b>Keywords:</b> CEO's turnover, Chinese Firms Corporate Performance Family involvement <b>*Corresponding Author:</b> waseem.ullah@uog.edu.pk	Prior studies regarding the corporate performance and CEO's turnover produce inconclusive results. Using a comprehensive database of Chinese firms, this paper proposes a newly formulated conceptual framework that an introduction of interaction term of family involvement in the relationship between corporate performance and CEO's turnover. Our data sample is composed of 1537 listed non-financial companies for the period 2006 to 2016. We use fixed effect model to analyze the data. The findings show that CEO turnover has a significant negative impact on corporate performance. Furthermore, the family involvement plays crucial moderating role in the relationship between corporate performance and CEO's turnover. The robust and additional analyses validate the findings of the study.

**Introduction**

Corporate governance is an aggregate of multidimensional procedures; together put pressure on top management to work in the best interest of shareholders (Marchington, Wilkinson, Donnelly, & Kynighou, 2016). Keeping in view the complexities of company activities, the board of directors, representative of shareholders, delegates its powers to upper management for effective execution of operations (Cullen & Brennan, 2017). Newly introduced reforms and aggressive approach of shareholders are enhancing pressure on newly appointed CEOs to perform as per their expectations immediately after being in-charge. The essential issue for CEO selection is related to the decision of whether candidates will be from inside or outside of the family-owned firm. In other words, a family business may confront a dilemma in deciding to choose from family members or non-family members or an employee promotion or recruited outside the firm when choosing the new CEO to meet both the family needs and business requirements (Luan, Chen, Huang, & Wang, 2017).

The economy of China is growing fast and reaching to maturity as GDP growth moves around eight percent in last three decades, the performance-turnover relationship is not adequately studied in Chinese firms. Economic development also effects on corporate performance for example, R. Ding, Li, & Wu (2018) found the regional economic development moderates the association between real earning management, politically affiliation and firm performance in China. There are two main stock exchanges in China named as Shenzhen Stock Exchange and Shanghai Stock Exchange. These stock markets started their working in 1992, and since then, these markets showed a magical expansion in their sizes. This expansion has intensified the need for better understanding of effective corporate governance and performance-turnover relationship (Conyon & He, 2008). Chinese listed companies have had different organizational structure compared to listed companies in rest of the world. Majority of Chinese companies were under government possession in the past. The position of CEO and board chairman was mostly held by a single person (Muller-Kahle, Wang, & Wu, 2014). Executives in these companies were bureaucrats duly appointed by the government and their performance, therefore, had been questioned at various forums (Jingu, 2007). To build up the confidence of investors and address some of the corporate scandals in the late 90s, China Securities Regulatory Commission (CSRC) introduced various reforms.

Being a major issue, corporate performance and CEO turnover relationship have been evaluated using different performance measuring tools in recent years while taking numerous variables as moderators. For example, Liu (2014) worked on the relationship between company performance and forced turnover. Results revealed a negative relationship between company performance and forced turnover. Fiordelisi & Ricci (2014) studied the corporate performance and CEO turnover by incorporated the corporate culture. The findings recommend that negative association between performance and CEO turnover in the presence of control-oriented culture.

. Durukan, Ozkan, & Dalkilic, (2012) studied turnover performance relationship of Turkish company's using IFRS period as an event. The main purpose was to find out the effectiveness of corporate governance in Turkey. Regression was used for statistical analysis. They found that IFRS reports strengthen the negative relationship of performance-turnover. (Dikolli, Mayew, & Nanda, 2014) tried to find out effects of CEO tenure on performance-turnover sensitivity in US companies. Results disclosed that experienced CEO turnover ratio on poor performance is much lower than the new CEO.

Numerous studies have also explored the relationship between performance and in-coming and out-going CEO. (Huson, Malatesta, & Parrino, 2004) researched on successor CEO and post-turnover firm performance. The sample contained 1,344 CEO successions of big companies in the period ranging from 1971 to 1994. Cross-sectional regression, control group matching method and other econometric methods were used for statistical analysis. Results revealed a negative relationship between successor CEOs and post-turnover firm performance. (Choi, Kwak, & Choe, 2014) studied both outgoing and incoming CEOs concerning CEO turnover and earning management. They used earning management and CEO turnover as independent variable while dependent variables included corporate governance, corporate performance, etc. Results showed that forceful departure followed by insider CEO cause big bath through discretionary accruals and expenditures.

A few studies have shown interest in performance and board characteristics like diversity and ownership structure. (Nguyen, 2011) worked on the sensitivity of turnover-performance relationship of French companies using board characteristics and ownership structure as moderating variables. He collected data 2536 companies between 1994 to 2001. Results revealed a significant impact of ownership structure and characteristic of boards of directors on the turnover-performance relationship. We proposed the hypothesis in the light of previous findings.

**Hypothesis 1: Corporate performance has a negative relationship with forced CEO turnover.**

Family firm and the non-family firm are the different impact on firm performance. The researcher has used two distinct approaches to explain this phenomenon. Some of the researchers use the resource-based approach and agency theory to explain the family business (Chrisman, Chua, & Sharma, 2005). The resource base approach helps the family business to get the competitive advantages, although family business creates the agency issues (Westhead & Howorth, 2006). While researcher use agency and stewardship theories to explain the agency issues. Agency theory discusses the managers and shareholder or minority and majority shareholder issues (Chrisman et al., 2005). The stewardship theory explains another perspective that family business faces the agency problem due to centralized behavior (Corbetta & Salvato, 2004; Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). The prior researcher reported the inclusive finding rather family business significantly increase or decrease the financial performance. Some studies discuss the relationship between family involvement and CEO turnover in the literature (Fiordelisi & Ricci, 2014). Also, (Y.-M. Chen, Liu, Yang, & Chen, 2016) studied on CEO succession in family business. They found that executive incentives scheme and industry influence individually effect the degree of stewardship via pay premium and industrial growth. The empirical findings also explain the CEO succession in the family business. (Furthermore, (Maloni, Hiatt, & Astrachan, 2017) documented that family business effect on the business strategies. Additionally, Family involvement in shareholding creates the agency issues. (Amedeo De Cesari, 2016) found that CEO creates the agency problem in controlling family firms. CEO turnover likelihood decrease in the family firm even they get higher salaries. (Villalonga & Amit, 2006) investigates that family business creates the agency issues between managers and shareholders. (Khanna & Palepu, 2000a, 2000b) discussed that internal labor market within group increased the probability of CEO turnover. Despite the presence of some studies, family involvement and CEO turnover has not been studied in Chinese context adequately and needs further exploration.

Hypothesis 2: Family involvement has moderating effect in the relationship between corporate performance and CEO turnover

**Material and Methods**

**Sample and Data**

This study used the data of 1537 non-financial companies over the period 2006 to 2016. Data collected from the CSMAR (China Security Market & Accounting Research) database. Those Companies were being deleted which had not complete data.

### **Dependent Variable**

This study uses the forced CEO turnover as the dependent variable. We made two dummies 1 and 0 for estimation of CEO turnover. Whenever CEO changed due to following reason (job mobility, change due to controlling stock, resign the job, dismiss, due to the bad health, turnover for improving the corporate governance structure, change job due to the personal reasons, change job due to other reason) equal to 1 otherwise 0 (Boeker & Goodstein, 1993; Cannella & Lubatkin, 1993; Fredrickson, Hambrick, & Baumrin, 1988).

### **Independent Variable**

We use industry-adjusted return on assets as an independent variable. The lagged value of return on assets is used to avoid the double casualty problem. Furthermore, the industries are categorized according to their stock code and estimated the average return on assets by industry. Next calculated the annual return on assets of each firm and estimated the difference between the average return on assets and average return on assets. For checking the robustness, we used operating return on assets instead of return on asset and applied the same criteria for calculation the lag value of operating return on assets (González, Guzmán, Pombo, & Trujillo, 2015).

### **Control Variables**

We used eleven control variables. First, firm size, it is measured by the natural log of assets Dyreng, Hanlon, and Maydew (2010). Second, leverage, which is calculated the total asset divided by total liabilities Kallapur, Sankaraguruswamy, and Zang (2010). Next, we use growth opportunity (González, Guzmán, Pombo, & Trujillo, 2015). We calculated the percentage of growth in real tangible assets. Fourth, we include the tangibility measured as added the fixed tangible asset and inventories and divided by the total assets (González et al., 2015). Fifth, we use outside director, it is estimated as if the company has outside director equal to 1 otherwise 0 (Cai & Nguyen, 2016). Next, we use board size calculated a total number of board directors (Mohapatra, 2017). Seventh, we include the SOE (state-owned enterprises) estimates as if company belong to state-owned enterprises equal to 1 otherwise 0 by following the H. Chen, Chen, Lobo, and Wang (2011). Eight, we control from loss estimated as if company suffered a loss equal to 1 otherwise 0 by following the Kallapur et al. (2010). Next, We include gender if company CEO is male equal to 1 (Andries, Mehdian, & Stoica, 2017). Tenth, we used board reputation by following the (González et al., 2015). It is estimated as a total number of an external director which is held by the inside firm or affiliated business groups divided by the board size. Finally, we used family involvement as control and moderating variable. There are many definitions of Chinese family business. We followed if the firm is controlled by the family person called the family business. Further, we used dummies 1 and 0 if firm ownership controlling family has the largest shareholder must be greater or equal 10% equal to 1 otherwise 0 by following the (S. Ding, Qu, & Zhuang, 2011).

**Research Model**

**Model 1**

$$FECO_{turn} = r_0 + s_1(IAROA) + s_2(FS) + s_3(LEV) + s_4(GO) + s_5(Tang) + s_6(OSD) + s_7(BS) + s_8(SOE) + s_9(LS) + s_{10}(GR) + s_{11}(BR) + s_{12}(FI) + \sim_0$$

**Model 2**

$$FECO_{turn} = r_0 + s_1(IAROA) + s_2(FS) + s_3(LEV) + s_4(GO) + s_5(Tang) + s_6(OSD) + s_7(BS) + s_8(SOE) + s_9(LS) + s_{10}(GR) + s_{11}(BR) + s_{12}(FI) + s_{13}(IAROA \times FI) + \sim_1$$

FCEO Turn = Forced CEO turnover

FS= Firm size

LEV= Leverage

GO= Growth opportunities

Tang = Tangibility

OSD = Outsider directors

BS= Board size

SOE=State owned enterprises

LS= Loss

Gr= Gender

BR= Board reputation

FI=Family involvement

**Results and Discussion**

Table 1 describes the descriptive statistics results. Industrial adjusted return on assets has mean value 3.601, range from -2.567 to 2.330, 25% percentile has -0.020 value and 75% percentile has -0.160 value. Forced CEO turnover represents the mean value 0.144 and has ranged from 0 to 1, and 25%, 75% percentile have 0.000, 0.000 value respectively. Firm size has mean and ranges from 0.000 to 28.508. Leverage has to mean value 7.592 and range from 0.194 to 3.465, and 25%, 75% percentile have 20.59, 21.970 value respectively. Board reputation has mean value 7.52 and range from 2 to 19. SOE has mean value 0.519 and range from 0 to 1 and 25%, 75% percentile have 0.000,1 value respectively. In the next step, we perform the Pearson correlation. The results are not reported due to the limited word requirement. The Pearson correlation result indicates that there is no serious multicollinearity problem.

**Table 1**  
**Results of Descriptive statistics**

Variables	Obs	Mean	Std.Dev	Min	Max	P25	P75
Industry adjusted	15700	3.601	0.2667	-2.567	2.330	-0.020	-0.160
Forced CEO turnover	15700	0.144	0.352	0	1	0	0
Firm Size	15700	21.754	1.401	0.000	28.508	20.59	21.970

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Leverage	15700	7.592	0.351	0.194	3.465	0.597	0.598
Growth	15700	0.389	1.538	-0.817	1	-0.143	1
Tangibility	15700	0.145	1.924	0.00	1.110	0.010	0.273
Outsize director	15700	0.004	0.059	0	1	0.000	0.000
Board reputation	15700	7.512	1.436	2	19	0.000	1
Board ratio	15700	0.0005	0.0089	0	0.25	0.000	0.000
Loss	15700	0.589	0.491	0	1	0.000	1
SOE	15700	0.519	0.499	0	1	0.000	0.000

**Table 2**  
Results of Fixed effect model with and without interaction term

Variables	Obs	Results without the interaction term	Results with the interaction term
Industry adjusted (ROA)	15700	0.015 (-0.001)**	0.915 (-0.004)
Firm Size	15700	0.016 (-0.129)**	0.101 (-0.067)
Leverage	15700	0.218 (0.002)	0.145 (0.001)
Family involvement	15700	0.040 (-0.027)**	0.030 (-0.020)**
Family involvement x Industry adjusted	-	-	0.000 (0.991)**
Growth opportunities	15700	0.090 (0.004)*	0.967 (0.001)
Tangibility	15700	0.992 (0.003)	0.758 (0.007)
Outside directors	15700	0.844 (0.019)	0.945 (0.006)
Board size	15700	0.580 (0.003)	0.245 (0.005)
SOE	15700	0.954 (0.001)	0.000 (0.209)***
Loss	15700	0.314 (0.017)	0.745 (0.004)
Gender	15700	0.996 (0.137)	0.985 (-1.760)
Board reputation	15700	0.050 3.695**	0.993 (3.510)

Note: \*, \*\*, \*\*\* Represent significance level at the 10, 5, and 1 percent, respectively.

Table 2 represents the main model results. Model 1 represents the without interaction term. It shows that the direct relationship between performance and CEO turnover. CEO turnover has a significant negative relationship at 5% significance level. It means that the poor performance increases the likelihood of CEO turnover and better performance decrease the probability of CEO turnover. Other variables firm size has a positive significant relationship with CEO turnover. It means that large size firms have more CEO turnover and small size firms have less CEO turnover. Leverage has an insignificant positive relationship with CEO turnover. Other important variable growth opportunities have a positive relationship at 10% significance level. When firms have more growth opportunities then CEO turnover increases. When firms have fewer growth opportunities CEO turnover also decreases. Board reputation has positive significant at 5% significance level with CEO turnover. It indicates that more board reputation increases the CEO turnover and less board reputation decrease the CEO turnover. Tangibility, outside director, board size, SOEs, loss, and gender has a positive non-significant relationship with CEO turnover. Model 2 indicates the performance and CEO turnover with moderating effect of family involvement. We use the right of ownership as family involvement. It describes the performance has a negative non-significant relationship with CEO turnover with the presence of family involvement. Family involvement has a positive relationship at 1% significance level with CEO turnover. It means that family ownership affects the performance and CEO turnover relationship.

This study examines the impact of corporate performance on CEO's turnover, by incorporating family involvement as a moderator. The study based on agency theory suggests that performance can lead to the involvement of CEO turnover. We use industry-adjusted ROA as a proxy for measuring the financial performance of the corporation. *Table 2, (model-1)*: The analysis of the study confirms that financial performance of corporation's impact on CEO's turnover, and our results support the view of Banu Durukan et., al. (2012). Our additional analysis findings also support out main result. In additional analysis when we use normal CEO turnover then performance does not effect on the CEO turnover. This results are in line with (Zhu & Wang, 2013) study. These results also increase the validity of our main results.

The result implies that 1% increase in industry-adjusted return on assets decreases CEO's turnovers by 0.001%. It simply means that negative relationship exists between CEO turnover and adjusted return on assets, which is not surprising that an increase in return on assets of a corporate diminishing the CEO's turnovers. Further, the adjusted ROA in the closing years included. The industry-adjusted ROA is inversely related to the likelihood of CEO turnovers. Borokhovich, Parrino, and Trapani, (1996) confirm that firms are having low earnings before interest and tax to the asset ratio in the same period before CEO turnover time leads to hiring from outside. Further, Farrell and Whidbee, (2003) confirm that firm performance leads to CEO turnovers and the board of directors holds responsible the bad performance of the CEOs. The first possibility can be that when the return on assets increases the financial position of the corporate grows up and the dividend and total pay of the CEO's increases due to which the CEO's are less likely to turnover or to shift to another corporation. The second reason may be that most of the firms CEO's would like to prefer to go the corporation which has a high financial position, and that is why they want to stay with such corporation. The firm size also negatively affect the CEO turnover, i.e., 1% increase in firm size can negatively affect the CEO turnover up to 0.129%. The negative relationship shows that an increase in firm size the turnover of the CEO decreases. This show that CEO's turnovers in large size firm are low as compare to small size firm. Thus, the firm size also affects the turnover of CEO. The leverage has a positive and statistically significant impact on CEO turnovers, i.e., 1% increase in leverage of a corporation may cause an increase in CEO turnovers up to .002%. It means that high the value of leverage the turnover of the CEO is a corporation will be high. Both the firm size and CEO's turnovers are used by prior studies Chang and Shin (2006) and Hazarika et al. (2012). Regarding the results of other variables from table 4 show that; 1% increase in family involvement can decline CEO's turnover to 0.027%. The result show that 1% increase in growth opportunities, tenability, outside directors, board size, SOE, loss, gender can cause an increase by 0.004%, 0.003%, 0.019%, 0.003%, 0.001%, 0.017%, 0.137% (which are positive and statistically significant) impact on CEO's turnovers, while the 1% increase in the board size can affect CEO turnovers by 3.695% respectively.

Table 2, (model-2): The result for table 2 model 2 shows that, the insignificant relationship between performance and CEO turnover. We incorporated moderator among performance and CEO turnover. Bad performance does not affect the CEO turnover in the inclusion of the family involvement. These findings provide the two practical implications. Instance, the business group develops their executive's labor markets. They transfer their experience and knowledge from one company to another company and endeavoring to

develop the top management team which serves for controlling shareholder (Volpin, 2002). Second, these findings support the agency theory that families retain the CEO even company performance is going badly for private benefits from control (Anderson & Reeb, 2003; Claessens, Djankov, Fan, & Lang, 2002).

**Table 3**  
**Results of fixed effects model with industry-adjusted operating return on assets**

Variables	Obs	Results without the interaction term	Results with the interaction term
Industry adjusted (OROA)	15700	0.012 (-0.0012)**	0.933 (0.004)
Firm Size	15700	0.002 (-0.014)**	0.094 (-0.069)*
Leverage	15700	0.218 (0.002)	0.145 (0.001)
Family involvement	15700	0.050 (-0.030)**	0.043 (-0.027)**
Family involvement x Industry adjusted	15700	----	0.000 (0.992)***
Growth	15700	0.969 (0.004)	0.967 (0.001)
Tangible	15700	0.976 (0.004)	0.758 (0.007)
Outsize director	15700	0.182 (0.369)	0.945 (0.006)
Board size	15700	0.541 (0.004)	0.290 (0.004)
Gender	15700	0.094 (-2.373)	0.795 (0.009)
Board reputation	15700	0.718 (0.019)	0.209 (-2.320)
SOE	15700	0.436 (0.012)	0.000 (0.208)***
Loss	15700	0.392 (0.014)	0.759 (0.004)

Note:\*, \*\*, \*\*\* Represent significance level at the 10, 5, and 1 percent, respectively.

**Table 4**  
**Results of fixed effects model with two lagged operating return on assets**

Variables	Obs	Results without the interaction term	Results with the interaction term
Lagged value of (OROA)	15700	0.068 (-0.003)*	0.990 (0.014)
Firm Size	15700	0.009(-0.061)*	0.084 (-0.070)*
Leverage	15700	0.131 (0.006)	0.510 (0.003)
Family involvement	15700	0.070 (-0.080)*	0.055 (-0.030)**
Family involvement x Industry adjusted	15700	----	0.001 (0.049)**
Growth	15700	0.596 (0.002)	0.890 (0.030)
Tangible	15700	0.870 (0.090)	0.708 (0.008)
Outsize director	15700	0.634 (0.215)	0.890 (0.020)
Board size	15700	0.547(0.045)	0.490 (0.040)
Gender	15700	0.767 (-3.509)	0.990 (0.080)
Board reputation	15700	0.408 (2.140)	0.340 (-1.309)
SOE	15700	0.670 (0.580)	0.809 (0.390)***
Loss	15700	0.290 (0.0560)	0.609 (0.080)

Note:\*, \*\*, \*\*\* Represent significance level at the 10, 5, and 1 percent, respectively.

This test describes the examination of instrumental variables regression for controlling the double causality and endogeneity in performance and CEO turnover. We used the lagged value of adjusted return on assets in the main regression model. It is necessary to understand the lag value of return on an asset does not resolve the double causality problem. It can be defined as poor performance of the firm lead the CEO turnover on the other aspects such as CEO can get private information about the poor future prediction of a firm.



## Robustness Test

To further examine the impact of corporate performance on CEO turnovers, we conducted an additional robustness check. We used industry-adjusted operating return on assets and two different lag period of performance for checking the robustness. First, we use the industry adjusted operating return on assets. Table 3 reveals the robustness test. We use the industry adjusted operating return on assets for both model 1, and 2. The robustness is to check either the result from the main regression hold are similar or not. The results from the industry adjusted operating return on asset and CEO's turnovers do not change. It simply means that the result from the original specification does not change. We found that the sign of all the variables was a same and only loss the statistical significance levels for two variables, i.e., board size and outside directors, and also found two variables changed from non-significant to statistically significant level. Second, we used the two lag period of performance in both models for checking the robustness. The results are reported in table 4. The results do not change with a main regression model. So it validates the result of the main regression model.

**Table 5**  
**Results of Fixed effect model**

Variables	Obs	Results without interaction term	Results with interaction term
Industry adjusted (ROA)	7150	0.063 (-0.021)**	0.998 (-0.003)
Firm Size	7150	0.027 (-0.019)**	0.970 (-0.089)
Leverage	7150	0.520 (0.006)	0.984 (0.001)
Family involvement	7150	0.060 (-0.071)*	0.000 (-0.023)***
Family involvement x Industry adjusted	7150	-	0.000 (0.017)***
Growth opportunities	7150	0.052 (0.009)**	0.780 (0.032)
Tangibility	7150	0.773 (0.062)	0.902 (0.033)
Outside directors	7150	0.620 (0.092)	0.997 (0.002)
Board size	7150	0.934 (0.007)	0.997 (0.002)
Loss	7150	0.424 (0.060)	0.880 (0.033)
Gender	7150	0.880 (0.234)	0.895 (-0.350)
Board reputation	7150	0.070 3.695*	0.996 (0.162)

Note:\*, \*\*, \*\*\* Represent significance level at the 10, 5, and 1 percent, respectively.

### Additional analysis

We performed several additional analyses in this study. First, we selected the non-SOEs for additional analysis. We used family involvement as moderator in the relationship between performance and CEO turnover. We deleted the SOEs from sample to check the minimum government intervention. Table 5 revealed the result of non-SOEs. Model 1 represents the without interaction term. It describes that the direct relationship between performance and CEO turnover. CEO turnover has a significant negative relationship at 10% significance level. It means that the poor performance increases the likelihood of CEO turnover and better performance decrease the probability of CEO turnover. Other variables firm size has a significant positive relationship with CEO turnover. Leverage has an insignificant positive relationship with CEO turnover. Other important variable growth opportunities have a positive relationship at 5% significance level. When firms have more growth opportunities then CEO turnover increases and firms have fewer growth opportunities CEO turnover also decreases. Board reputation has positive significant at

10% significance level with CEO turnover. It indicates that more board reputation increases the CEO turnover and less board reputation decrease the CEO turnover. Tangibility, outside director, board size, loss, and gender has a positive non-significant relationship with CEO turnover. Model 2 indicates the performance and CEO turnover with moderating effect of family involvement. We use the right of ownership as family involvement. It describes the performance has a negative non-significant relationship with CEO turnover with the presence of family involvement. Family involvement has a positive relationship at 1% significance level with CEO turnover. It means that family ownership affects the performance and CEO turnover relationship.

**Table 6**  
**Results of Fixed effect model**

Variables	Obs	Results without interaction term	Results with interaction term
Industry adjusted (ROA)	7150	0.063 (-0.021)**	0.998 (-0.003)
Firm Size	7150	0.027 (-0.019)**	0.970 (-0.089)
Leverage	7150	0.520 (0.006)	0.984 (0.001)
Family involvement	7150	0.060 (-0.071)*	0.000 (-0.023)***
Family involvement x Industry adjusted	7150	-	0.000 (0.017)***
Growth opportunities	7150	0.052 (0.009)**	0.780 (0.032)
Tangibility	7150	0.773 (0.062)	0.902 (0.033)
Outside directors	7150	0.620 (0.092)	0.997 (0.002)
Board size	7150	0.934 (0.007)	0.997 (0.002)
Loss	7150	0.424 (0.060)	0.880 (0.033)
Gender	7150	0.880 (0.234)	0.895 (-0.350)
Board reputation	7150	0.070 3.695*	0.996 (0.162)

Note:\*, \*\*, \*\*\* Represent significance level at the 10, 5, and 1 percent, respectively.

Second, we used normal CEO turnover for this purpose selected the two reasons retirement and term expire of CEO. We selected the normal turnover for validation of our results of performance and forced CEO turnover by incorporating the family involvement as moderator. The results are reported in table 6. Model 1 to present the without interaction term. It reports the direct relationship between performance and CEO turnover. Normal CEO turnover has an insignificant relationship with performance. It means that performance does not effect on normal CEO turnover. This results in line with (Zhu & Wang, 2013) study. Firm size has positive significant relationship with normal CEO turnover. Large size firms have more normal CEO turnover, and small size firm have lower CEO turnover. Leverage, Growth opportunities, tangibility, outside directors, Board size, loss, gender and board reputation have a positive non-significance relationship. Another main variable family involvement has negative significant at 10% significance level. It means that increase in the family involvement decreases the normal CEO turnover. Model 2 describes the performance and CEO turnover with moderating effect of family involvement. We use the right of ownership as family involvement. It describes the performance has a non-significant relationship with CEO turnover with the presence of family involvement but a decrease in the coefficient indicates the family involvement moderates the performance and CEO turnover.

## **Conclusion**

This study attempts to find the moderating effect of the family firm in the association between corporate performance and CEO turnover. We use 1570 companies' data from 2006 to 2016 and use fixed effect model for analyzing the results. The findings show that the direct relationship between performance and CEO turnover. CEO turnover has a significant negative relationship with performance. It means that the poor performance increases the likelihood of CEO turnover and better performance decrease the probability of CEO turnover. Although, by incorporating the family involvement as moderating variable findings describe the performance has a negative non-significant relationship with CEO turnover. These novel findings suggest that family involvement has significantly moderated the relationship between corporate performance and CEO's turnover.

The Chinese family business rapidly increases in last two decades. Despite, these businesses are facing the strategic planning issues specifically in the areas of professionalizing and business succession planning. Chinese government needs to develop the policies for controlling these issues. Our study findings especially highlight the lack of professionalism issues in Chinese family business. The findings of the study recommend the policymaker to develop those strategies which enforce the family business to adopt the professionalism regarding the appointment of CEO and discourage the family CEO if he/she is not capable to become a CEO. This study also recommends the family business management if they appoint right man for the right job, they can get more benefit from CEO. The recent study has following limitations. First, this study focuses on family ownership and ignores the family involvement in management and board. Second, this study uses the family involvement as moderator and does not use the whole family business sample.

## **Recommendations**

The recent study opens the broad avenue for the future researcher in two ways. First, this study would be extended in the international setting if the data is available. Second, China has different types of family firm definitions. We use one of them; the researcher would be used the rest of the family business definitions for checking the moderating effect of family ownership in the association between the performance and CEO turnover.

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