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Corporate governance practices, CEO characteristics and firm performance of Russian public companies

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Table of content

Introduction

The Queen of Hearts in *Alice in Wonderland* in case of her dissatisfaction of any result has a universal method to solve this issue: "Off with persons head," she could order. In other words, we can rephrase her idea as “No person no problem”. More interesting that Board of directors of some companies in our real world can accept such approach to their decision. Of course, this is said with great exaggeration, however how else is it possible to explain that companies are so fast laying off their CEOs without giving them enough time to show better performance?

Nowadays such situation is quite typical. A lot of CEOs were fired during their first years in the firms. The fist attention to such problem was presented by McKay & Deogun in Wall Street Journal (1999). The authors discuss why Douglas Ivester was fired “SO FAST?”(just 2 year) from CEO position of Coca Cola in 1999. The same question was asked again regarding dismissal other Chief executives, who could not remain in office for a stipulated time.

Another celebrity top managers also find themselves powerless before dismissal. For example, in 2011 Yahoo! CEO Carol Bartz was fired after 2 years in the firm. During that period, the company has become a major operator in the telecommunication market as a result of the introduction of new technologies, changes in the structure of the organization, changes in management team and a significant reduction in costs through the optimization of jobs. However, due to these changes the revenue forecast was not so optimistic. Moreover, and Bartz unexpectedly introduced a regime of strict secrecy. Bartz demanded from employees to literally keep a "mouth shut," Thus, avoiding potential leakage of information. As a result, almost any dissemination of information about the company, previously considered to be normal, was ceased. Such situation entailed dissatisfaction of the board of directors with actions of the CEO, who in their opinion did not fit the company.

At the same time Leo Apotheker also paid for his vision of the HP company future, in the result he was removed from the CEO position after 10 months. Leo Apotheker focused on the HP’s long-term growth prospects and refused to invest in the development of tablets. This led to a significant decline in the company's sales volumes, a drop-in share prices and a reduction in capitalization of $ 60 billion.

If the situation with the dismissal of Carol Bartz and Leo Apotheker can be explained rationally in terms of financial losses, than Joe Briner dismissal from CEO&President of Alpha Bank & Trust was quite strange. The Board of directors decided to fire him after not so significant loss in first quarter after stable large growth during his two years of tenure (Y. U. Kim , 2011).

However, not only the company decides to dismiss the CEO or the president of the company. So, Jeff Jones himself decided to resign from the post of the precedent and the CEO of Uber after half of the year. It is worth noting that one of the main tasks of Johnson was to improve the company's image, but the situation was much worse than he had expected. Jones justified his decision by disappointing in the methods and leadership of Uber, saying that his methods and principles are incompatible with the company's ones.

Executive Director of the largest Danish bank Danske Bank Eivind Kolding was dismissed from his post in September 2013. The Bank explains this decision by the lack of the Kolding' necessary experience as a financier. In other words, person with insufficient experience in banking field does not match to CEO position of the biggest Danish financial organization. However, Board of directors noted that o under Kolding leadership during the 1,5 years the bank conducted significant reforms and the development of a new strategy which lead to improvement of its financial position.

In Russia, the situation is slightly different. Despite the importance of the financial component in deciding on the imminent dismissal of the CEO, the human factor also plays a key role. A striking example is Bu Inge Andersson departure from the CEO post in AvtoVAZ. Bu Inge Andersson was the first foreigner at the helm of AvtoVAZ and worked there only for 2 years. He was significantly different from his predecessors in his approach to work. He was different in everything: starting with his early gliders, repairing the premises and personal control of cleanliness at the enterprise (On the road he could pick up a cigarette butt and throw it in the trash), ending with an unprecedented decision for top management to change their Infinity cars for the own AvtoVAZ product. Andersson sought to create a truly high-quality product, reduce costs, create competition among suppliers, but preferred to work with foreign suppliers of components. But the financial results for 2015 were record-breaking. In the conditions of a sharp fall in the ruble exchange rate and a sharp rise in price of components, as well as the spin-off of the auto industry, such results, according to many analysts, could be considered legitimate and even good, Nevertheless, Board of Directors decided to say goodbye to the head of the company.

In general, in Russia, many companies were faced with the dismissal of CEO, who could not hold out for more than 2 years, and we tried to find foundation for it during this research.

Thus, we see enough cases when the company changed its CEO ahead of schedule. What could be the reason? Why did the executives show unsatisfactory results? Their professionalism they have repeatedly proved by their experience. What is the reason for such situation? Unfortunately, the answers to this question does not lie on the surface, and that is why it is interesting to study it in more detail within the framework of this paper.

Certainly, we can predict that these top managers lacked the knowledge and specifics of the company or industry itself, they or the Board of Directors saw that they did not match certain characteristics to these companies, and therefore it was necessary to terminate the employment relationship ahead of schedule. In the other words , there are not bad leaders, but exist inappropriate ones for certain firm. That the company and the CEO simply may not be suitable to each other. So, the main question of the research can be formulated as what characteristics the CEO should have in order to match or not match to the company.

It is worth noting that the study of this issue occurs mainly from in terms of the Upper echelons theory, of the concept of human capital or from the point of view of the theory of mobility. However, the number of studies trying to explain the interconnected practices of corporate governance, the characteristics of CEO and the firms performance is very limited. Therefore, it is interesting for us to study this question precisely from the point of view of the match theory in Russian frameworks (Jovanovic, 1979).

The relevance of this study is attached to the consequences of the global financial crisis 2007-2009, which led once again to address the issue of corporate governance and the role of CEO in the company. As a result, owners, international expert organizations and governments began to try to understand how the internal efficiency of the company can be improved, and what role in this issue is belonged to the correct CEO selection. In general, the crisis itself has given a push to analyze what the CEO characteristics can influence on the firm performance.

Moreover, the globalization of the Russian economy forced the Russian companies to significantly tighten its corporate governance in order to comply with international standards. That is why the candidate requirements for the CEO post are becoming more stringent.

The development of the Russian labor market itself is also the reason for analyzing the combination of the CEO-company, in connection with the popularization of business education and the aspects, as one of the main criteria for the manager success. The increased demand for the top management labor has forced the performers themselves to pay attention to their human capital, and to think about what they can give to the firms.

The additional interest to this research is the fact that the moment, studies studying the relationship between the characteristics of CEO and the firms outcomes in Russia are very limited. However, none of them examines this issue in terms of match concept. Moreover, The Russia was chosen for specific reasons. First, large companies in the Russian Federation experience a tendency towards demographic change and paying more attention to education aspect. Also, due to numerous historical reasons of the late 20th century as the collapse of the Soviet Union, redistribution of Soviet assets among oligopoly, foundation a new enterprise, Russian companies have only firmly occupied their positions in the market and began to attain the respect in corporate government fields from foreign colleagues. In additional, the majority of Russian companies decided to be present on the stock exchange only at the beginning of the 21st century. Therefore, only so far in Russia formed a certain information component to be able to analyze on the basis of sufficient database. This offers a suitable context for examining the impact CEO characteristics on firm performance in.

As result of our paper we can identify portrait of the Russian CEO, which shows us the main aspect of the CEO's characteristics that were in demand in 2007-2013. Moreover, the results of this study can help in the selection of an upcoming candidate. From the point of employee view this research is significant, since it helps to understand what kind of experience or skills you need to acquire in order to build your career in the best way possible.

Thus, we can conclude that the study of this issue is the relevant.

As result *our research goal is to establish and to study a relationship between CEO characteristics and company performance In Russia in terms of CEO-FIRM match, provide a qualitative analysis.*

In the framework of achieving this goal, it is necessary to fulfill the following tasks:

- Define the range of CEO rights and duties in Russian companies in the context of Russian legislation.
- Provide the literature review about the theoretical basis of the relationship between the CEO characteristics and firm performance, as well as CEO-FIRM match concept.
- Introduce empirical analysis of the relationship among the characteristics of CEO, CEO-Company match, and firm performance.
- Analyze the obtained results of the study, summarize the conclusions and on their basis, give practical recommendations.

In this research regression analysis were employed as main research techniques. Regression analysis was used to investigate the moderating the link between individual CEO characteristics and firm performance.

This research is structured as follows. In the first part, there is the analysis of theoretical and empirical studies on based on which hypotheses are formulated. The second part is the empirical analysis itself with the interpretation and discussion of the results and their application in practice.

Chapter 1 Theoretical background and Literature review of the CEO characteristics and firm performance

1. CEO definition in Russian framework

Before the exploring the relationship between the characteristics of the Chief Executive Officer and the company performance it is necessary to briefly review the CEO definition in Russia contest.

In modern Russian literature has not yet developed fixed term for an English definition CEO. The scientific and business articles, legislation and statistics, the practice of Russian companies and foreign affiliates used several different terms. This can be explained by several factors, including: weak developed of the topic in the scientific and practical publications, lack of a clear separation of the group in the regulatory and legal acts and statistical materials, differences in corporate governance of Russian and foreign organizations. At the same time, it can be argued CEOs have formed a fairly stable and the isolated segment of the labor market with its own characteristics and differences from other salaried workers. So as we mentioned before to study this concept it is necessary to define and organize the use of various modifications of this terms.

In American English the person who has highest position in the company and who runs the company is named Chief Executive Officer or CEO. In British English the same position can be called as managing director or MD. In the world there exist some other titles of the CEO position holder such as president, chief executive (CE) and so on.

The Russian law specifies the exact name of the head of the company's position but not in the all cases.

The Article 65 of the Civil Code of the Russian Federation and the Article 69 of the Federal Law "On Joint Stock Companies" indicates that the sole executive body of the company may be called only a “director” or “general manager(director)”.

In the Federal Law "On Limited Liability Companies" there are no restrictions in the choice of names of the sole executive body of the company. In accordance with Article 40 of the Law, the sole executive body of the company with a limited liability company may be called a “general manager(director)”, “president”, or it can have other names.

A little different situation occurs in the banking sector, where Article 11.1 of the Federal Law "On Banks and Banking Activities" does not set specific requirements for the name of the sole executive body of the credit organization. In other words, in credit institutions the name of the sole executive body of the credit institution may be different (for example, "President").

In case of group of the companies the head of such group is named a “President”. But there is no any specific norms for such title name.

However, despite widely use of this term its definition is not clear. The CEO role is varying from one firm to another and first of all depends on size and organization. In small firms the CEO in addition to strategic decisions usually performs many functions with practical value such as hiring new stuff. In large companies as a rule CEO responsible for high-level issues, deals with strategic options and operating activities, ensures the growth of the company and delegates the ordinary function to subordinates.

To sum up this small note about title of the executive body it is necessary to conclude that there are many variants of the highest position names in Russia and in the world. However, despite the legislative setup, in this paper we prefer to use term CEO as a more general and more useable in the modern world.

2. Juridical aspects of the functioning CEO of the Russian joint-stock companies

To understand such a complex and multifaceted problem, it is necessary to start at the very beginning. So, who can be appointed to the position of CEO?

Many people mistakenly claim that the law makes stringent demands for the candidate of the CEO; however, it's not like that at all. The Federal Law "On Joint-Stock Companies" does not contain any special restrictions for this position; therefore, any person can be the CEO of any company. Of course the candidate must reach the age of majority and is legally capable.

Special requirements can be established only by specific laws. For example, in order to become the CEO of a bank, you still need to have the proper qualifications. But, the establishment of special requirements is an exception, not a general rule. For the vast majority of companies, there are no legislative restrictions.

However, these restrictions can be spelled out in the company's charter and internal documents, but they are must not discriminating and not contradict the Constitution of the Russian Federation. For example, it's prohibited to prescribe in the charter of the joint-stock company that a woman or a person of the Muslim faith cannot be appointed to the position of CEO.

Who conducts an interview for candidates for the position of CEO? Legislatively it is not established, but in practice the interview is conducted by the Board of Directors, since CEO is subordinate to this management body. Preliminary search, as a rule, trusts recruitment agencies or the HR department of the company itself. When selecting candidates at the first place, it is necessary to pay attention on:

• Experience of applicants (can be assessed by CV and recommendations)

• Personal qualities. Especially focus on responsibility that the potential CEO is willing to assume (can be assessed with various psychological tests)

• The availability of the required skills and competences (for assessment it's necessary to prepare various questions, business-cases, and other tasks)

As a rule, the best candidates are those whom your good friends and partners had offered to you, but another interesting way of searching is to advertise an open vacancy at various thematic conferences, forums, etc. (on the scope of the company).

General Director and Chief Executive Officer (CEO)

In countries with the Anglo-Saxon system of Law (England and the United States, in the first place), the highest official of the company is called the Chief Executive Officer. In Russian law, this position is closest to the position of General director. The General director manages the current activities of the company, performs the functions of the international organization's representative, and determines the overall strategy of the enterprise development.

However, it is interesting to note that in the Anglo-Saxon system of law the Chief Executive Officer is a collective concept. Under the concept of CEO can be understood as the leading person of the company, and one of the directors of the company, performing only a certain part of the functions. Thus, in Russia, the CEO is a very specific concept, while in England and America this is a generic concept.

The order of appointment to the post

If the joint-stock company is created by several founders, first of all it has to convene the general meeting of founders and the decision on appointment of the CEO is fixing in the protocol. In case of foundation of a company by one founder, the decision shall be made by himself and shall be fulfilled in writing. If the sole founder wishes to manage the organization independently, the corresponding entry in the decision will look like this: "I assign the duties of the CEO of the Company". If the sole founder decides to use the services of an employee, the same point of the decision will be: "To elect Ivan Ivanov (passport data) as CEO of the company and sign an employment contract with him for a period of one year".

A mandatory should be drawn up a protocol of convocation of participants of JSC, in which everything is carefully fixed. Protocol are drawn up on several sheets, stitched, the sheets numbered, and on the back the stitched document is sealed with the signatures and seals of the persons who signed the protocol (or the decision of the sole participant / shareholder). The protocol (decision) on the appointment of the CEO of the JSC are provided to the tax authorities for registration, as well as to the bank for opening a settlement account or changing a bank card, to counterparties.

If the joint-stock company is already established, the decision to appoint a CEO is taken by the general meeting of shareholders, with a simple majority (>50%) or the board of directors (transfer of this authority from the general meeting to the board of directors must be prescribed in the charter). Further, the Board of Directors sign up an employment contract with the CEO, since, although he holds such a high position, he must still obey the labor law of our country.

At the same time, the employment of the CEO can't be implemented solely like the internal issue of the company, this decision must have to be notified to numerous state and other bodies.

Firstly, actual information about the CEO should be submitted to the Federal Tax Service that makes changes in the Unified State Register of Legal Entities. To do this, you need to fill out an application on Form No. P14001, in which we need Sheet B. The application is signed by the CEO, and then it is certified by a notary and submitted to the FTS in person or by mail. It is not necessary, but it is desirable to attach to the application an order for employment, the minutes of the general meeting of shareholders or the board of directors, the decision of the sole founder. It is important to note that it is necessary to do this within three working days from the moment that the CEO takes office.

Further, the FTS itself will take care of conveying the relevant information to extra-budgetary funds and statistical bodies.

Secondly, it is necessary to notify the bank that servicing your organization, since the CEO has the right of signature on payment documents. As a rule, the bank requires the protocol of the general meeting or the board of directors (decision), the passport of the CEO, and an extract from the USRLE (Unified State Register of Legal Entities), in which this CEO will appear soon. The period of notifying the bank is not legally fixed, however, it is in the interest of the organization itself to do this as quickly as possible, because until that moment no payments can be made through the bank.

Thirdly, it is often necessary to notify counterparties if the new CEO already takes office that and a change has occurred. Usually this requirement is prescribed in contracts. This can be done by sending an information letter via e-mail, as well as through standard mail.

Powers and responsibilities of the CEO of the joint-stock company

The CEO is, first of all, the head of the organization. He is involved in the overall management of the all company's economic activities.

In its most general form, the CEO:

• Manages the enterprise;

• Acts on behalf of the company;

• represents the interests of the company.

The peculiarity of the position of the CEO is that he is an employee of the company and the head of its employees at the same time.

The CEO is obliged to supervise the work of all other employees of the organization, for which he will need understand at least In general,terms the specifics of the work of each employee. Undoubtedly, that is possible only by a highly erudite and patient person who is ready to constantly learn something new.

One can even say that when taking up the post of CEO, a person voluntarily subscribes to a non-standard working day and constant stressful situations, as we all imagine how difficult it is to manage a huge mechanism and at the same time do his work not by “lowered sleeves”, but in a good shape and efficiently.

In case specifying the powers of the CEO, he:

• solves the issues of hiring and firing employees (that is, from its point of view, providing the company experienced personnel);

• organizes interaction of various departments of the enterprise, manage their work;

• Ensures that the company complies with all the requirements of the law, so that the activities of the enterprise do not go beyond the scope of the charter;

• represents the interests of the organization in all state and municipal bodies, other organizations, etc.

Most importantly, that the CEO must always act in the public interest; he must take care of the prosperity and well-being of his organization.

At the same time, the Director General bears material, administrative and criminal responsibility for his actions. He is also responsible for all decisions taken, for the effectiveness of the organization, for the safety of the property. Thus, the work of the CEO is far from being as easy as one can imagine at first look. Moreover, it is not everyone's responsibility to cope with the responsibility that lies with this person, so it is certain that the CEO should be a very strong and determined person, he must have a certain set of character traits and internal qualities.

Role of the Board of Directors of JSC. Interaction with the CEO

The main task of the Board of Directors is to monitor the activities of the CEO. The Board of Directors, in the most general view, must ensure the activities of the CEO in line with the decisions of the General Meeting of Shareholders, but, however, should not interrupt with the decision-making process of the CEO.

The charter of the company may provide for the approval of certain transactions made by the CEO or the board of directors. In the case that the CEO breaks this rule, the transaction can be challenged. In addition, it is necessary to approve major transactions (> 25% of the book value of the assets of the company, not taking into count transactions that occur in the ordinary course of business, that is, differing in the frequency of their execution) and related party transactions.

In addition, the board of directors has its own exclusive competence of course. These powers are regulated in Art. 65 of the Federal Law "On Joint Stock Companies", but their list is not exhaustive. Any joint-stock company can easily supplement this list by including the necessary powers in the charter. Exclusive competence can’t be transferred to the CEO, nor to anyone else. As an example, we give a few such questions, the right to resolve which is granted only to the board of directors:

- approval of the agenda of the general meeting of shareholders
- recommendations on the amount of paying dividends
- identification of priority areas of the company's activities, etc.

Compensation aspect

As of the beginning of 2017, the average salary of the CEO in Russia is 60,000 rubles.

The law does not specify which particular management body of the joint-stock company should decide on the payment of the CEO, including determining the amount of this payment.

As a rule, this issue is decided by the board of directors and is not submitted to the general meeting of shareholders. The amount and procedure of payment is regulated by internal documents of the joint-stock company that are not in the public domain, and is also regulated by the employment contract.

Transfer of powers of the CEO to the management company (manager)

This question usually arises when creating a group of companies to avoid chaos in management.

The essence of this procedure is that the functions of the CEO are transferred to another organization or individual entrepreneur (manager). With this organization or an individual entrepreneur a civil-law contract is concluded, according that manager or the management company receives the powers of the CEO. At the same time, it is necessary to draw up the termination of the employment contract with the former CEO, and an order for dismissal. The possibility of transferring powers, like all other issues related to the CEO of the joint-stock company, is regulated in art. 69 of the Federal Law "On Joint Stock Companies".

The issue of transferring authority is generally decided by the general meeting of shareholders, but the charter may provide for the possibility of adopting a decision on this issue by the board of directors.

One of the biggest advantages of attracting such a third-party manager is that the contract can prescribe all of its powers, as well as the procedure for making certain decisions. Thus, unlike the CEO, the third-party manager becomes practically controlled by the shareholders or founders.

Dismissal of the CEO

Any employee of an organization can retire at his will. The leader is not an exception.

Since the CEO has considerable authority over the management of the organization, and also bears tremendous responsibility for his actions and decisions, the process of his dismissal becomes even more complicated, even if he realize it by himself.

When the CEO of the JSC wishes to terminate the activity of his own will, careful abidance of the transfer of powers is required; this is one of the key differences between the dismissal of such an important entity and an ordinary employee.

In addition, for any employee of the organization, the process of dismissal at will is to apply two weeks before the final settlement date. Notification from the CEO should be followed not later than a month before the expected date of dismissal. This is primarily due to the fact that it is the manager who is responsible for all production processes and proper reporting, so it will take him longer than the average employee to complete all his current affairs and transfer the management of the organization to his successor.

Also, unlike ordinary employees, the dismissal procedure of the director requires notification to all members of the board of directors, so that they in turn convene a general meeting of shareholders (if the board of directors under the charter is not competent to decide on the termination of the employment contract with the CEO).

After the transfer of cases to the successor, the CEO and his successor sign the relevant act. Then, an order for dismissal is issued, which is signed by the CEO himself.

The entry in the employment history is also made out by the dismissed manager himself.

The powers of the director cease from the moment of issuing the order, entering the record in the employment history and transferring the cases to them. Regardless of the reason for the dismissal of the director, it is necessary to draw up the minutes of the general meeting of shareholders or the decision of the sole founder (or the decision of the board of directors).

When the CEO is dismissed, the employer must pay him severance pay (called "golden parachute") - compensation in the amount established in the employment contract, but not lower than his three-time monthly salary.

It should be noted that the CEO and after dismissal can maintain business ties with partners and competitors of the organization, have access to trade secrets or even compromising the organization of information. That is why the size of the "golden parachute" for the loyalty of the former CEO could very recently reach the amount of an annual salary or several million rubles. The largest amount of such compensation was paid to the CEO of Norilsk Nickel - Vladimir Strzhalkovsky was enriched at his dismissal by one hundred million dollars.

Since 2014, the size of the "golden parachute" of CEO of state companies and organizations has been limited to three-time monthly salary, more than 50% of the shares (stakes) in the authorized capital of which are state or municipal property, and since 2015 it is allowed to limit the size of the "golden parachute" heads of all other organizations, including joint-stock companies.

Thus, we defined the range of CEO rights and duties in Russian companies as well as we analyzed the peculiarities of CEOs the context of Russian legislation. The understanding of this basis allows us to move on to the next point of the literature review.

3. Job Match Model and the CEO Characteristics.

However, how to understand that CEO is suitable for the company? What characteristics should he possess to maximize his productivity in order to maximize the company's positive outcomes? It is worth noting that it is quite difficult to judge bystanders. At the same time, the board of directors has more internal information and its decisions cannot be groundless. In this connection, we can suggest that CEO replacement occurs when BoD’s estimation of the true CEO-firm match level falls below a critical point. It means that CEOs with longer tenure in the companies have a higher fitting grades with these firms and these matches create the necessary superior results for owners if CEO-firm match is a significant indicator of company performance.

This description implies the following. The board of directors updates its assessment of the CEO's activity every period, since during this period they receives new information and a new signal about the true CEO-firm match. Moreover, the evaluation of each subsequent time period refines and corrects the previous estimates, since the previous estimates are also taken into account for the new ones. According to this logic, the average estimated value for shorter serving CEO should be less than for longer ones. Thus, there is a positive correlation between match quality and CEO tenure in the company, which led us to consider tenure as true measure of match quality. Garen (1988), one of the first authors who provided his explanation to this theory, stressed that participants do not know the real match level at the beginning of their relationship which each other, they only know their expected ones. And at the initial stage the quality of this match becomes clear, because bad matches must stop quickly and the good ones stay for a long time. (This aspect is also considered a study by Gibbons and Murphy(1992), where they explain resignation and dismissal as result of inconsistent of real and expected match quality occurred du to asymmetry of information.)

We conceder CEO-firm relationship as two-side matching market. Pan (2010) sufficient explanation to this issue, which was based on the Roth and Sotomayor (1990) study about difference between two-sided matching and commodity markets. In accordance with their idea, only the commodities are important on the one-sided market, and the consumer does not pay any attention to the source of this product. The different situation occurs in two-side matching market. The participants of the relationship are interested in the right choice of the best partner. In this connection, the CEO market can be considered as a good example of two-way correspondence. According to Pan's explanation, we cannot consider the competence of the CEO as a commodity, because CEO performance depends on the place of its work, which means the variability of this assessment. Based on same logic, we cannot consider companies themselves as a commodity. Thus, the source of value creation is based on the compliance of the characteristics of the firm and the CEO, since both parties are interested in selecting the most deceased employee / employer. As a result, we can conclude that the correspondence theory can more accurately describe the labor market.

In general,the idea of matching concept regarding CEO characteristics and firm performance is following. Each employee with a set of unique characteristics can find a position ore firm that maximizes his performance and will use his knowledge and skills in the highest degree. Accordingly, each position and firm with different duties and singularities needs a person who, with some necessary features, can show the best result. In other words, there are not exist a bad workers and bad jobs, as well as there are no good workers and good jobs. There is only the presence or absence of correspondence between the employee and the position or firm.

One of the first studies examining the compliance of the firm and employees was presented by Jovanovic (1979). It is necessary to emphasize that Jovanovic in his research did not consider the reasons for leaving office, however, subsequent studies revealed the need to diversify the reasons for it. In the research Jovanovic built his model in accordance with 3 assumptions.

First of all, there is exist heterogeneity among same employees due to difference in their productivity at the same position.

The second assumption implies the necessary to experience of serving in this position to estimate the true quality of match, which differs from expected ones. And the last assumption is an individual base of compensation formulation through negotiation with employer.

Third, workers and firms negotiate compensation on an individual basis for each time period. Although the last assumption is one of the main ones, in practice it is rarely observed, since the reduction in compensation due to less efficient work is covered by the guaranteed increase in it in accordance with the terms of the employment contract. Nevertheless, the match theory suggest an alternative approach to a main aspect of CEO replacement in term of human capital point of view. (Allgood and Farrell, 2003).

However, the second assumption can play big role in understanding CEO-firm match concept. Asymmetry of information is influence on difference of match quality between insider and outsider CEOs. In terms of match theory regarding to origin of CEO as well as all candidates, organizations has less information about an external candidate's skills and abilities in comparison with insider's ones. (Granovetter, 1981). It happened because internal candidates have previously worked within the firm, and thus, they have demonstrated the skills and abilities developed during their prior tenure within the organization (O'Reilly, Chatman & Caldwell, 1991) in means that they gives signals about match quality to the board of directors. In contrast, external candidates have not worked inside the firm, and thus, information on their past performance is often unavailable to the organization (Zajac, 1990). Crain research (1984) has shown that information on an external candidates' actual skills and competencies acquired from external sources, such as recruitment agencies or references from a previous employer, cannot substitute for information acquired from direct interaction with the candidate. Essentially, information derived from inside the firm is more valuable and accurate in judging the suitability of the candidate (Bills, 1999). Asymmetry of information also can be explanation for resignation and dismissal explanation as result of inconsistent of real and expected match quality (Gibbons and Murphy, 1992).

In general,the theory of higher echelons as well as other labor theories is based on the idea of heterogeneity of CEOs which can be implemented in the matching theory. This heterogeneity manifests itself beginning with such observable characteristics as gender, age (Hambrick and Mason, 1984) and end and ends with CEO power (Cannella and Holcomb,2005), management styles(), CEO ego (Malmendier and Tate, 2005) and other non-observable qualities.

Moreover, match theory as well as theory of human capital prove that firm specific knowledge, industry experience as well as other quality characteristics, which increase and improve over time, positively influence on CEO good match. If in the case of Human capital approach, they increase a human capital of employee, that in case of match model, they increase quality of match. As a result, it leads to increasing of productivity, which eventually influences on firms' outcomes.

Joos, Leone, Zimmerman (2003) identified the following aspects of CEO human capital, which can be considered in terms of match theory as more significant for good match:

- General management skills including knowledge in accounting, finance, marketing, management and so on. In other words, this category includes general CEO experience in corresponds with economics knowledge (education).

- Firm-specific beckgroung about relationship with suppliers, consumers, as well as understanding the competence of the all staff. This aspect `CEO can get only during the work within company.

- Industry-specific background regarding input and output markets, state regulations and so on. (Hadlock et al. (2002) report a higher incidence of CEOs with legal backgrounds than in unregulated industries.)

- Technology-specific knowledge about understanding new technology, and opportunity to their application and implication to the companies needs. (Also this aspect dealing with educational or experience background) (Feyrer, 2002).

Moreover, for developing economies, where the production aspect prevails, industry and technical specific knowledge and experience is of particular importance for a higher level of CEOs match.

It is worth noting that it is naive to assume that the CEOs turnover performance and firm performance can be explained only by the match theory. Of course, such a broad concept has several alternative approaches to understanding the essence of the issue. However, this approach gives a more complete understanding of the tendency of CEO replacement in the early years of service in posts. Moreover, it is likely that this theory will also be able to determine which characteristics of directors make them most suitable for companies.

4. Literature review of CEO characteristics and firm performance and Hypothesis statement

As we have repeatedly tried, any company needs a good leader for daily work. When evaluating the activities of a company, we first of all evaluate its management by the CEO. The actual question is whether there is a link among Corporate governance practices, CEO characteristics and firm performance of Russian public companies. This question has already been investigated by foreign authors more than once, singling out several hypotheses for conducting research on the issue under study.

However, due to the fact that the match theory, within investigation the relationship between the characteristics of the CEO / company's performance is not widespread, it is necessary to look at the results of studies using other more classical approaches to identify this connection.

Age, experience and education

It should be noted that there are many researches devoted to the study of this issue. First of all, it is worth mentioning the work of Hambrick and Mason 1984, which included such observable features that have effect on businesses. For example, in 1993, Cannella and Hambrick suggested tenure as one of the key characteristics for a decision making process and company performance. In 1997, Geletkanycz and Hambrick examined external ties of top executives. This field was expanded in 2003 by Collins and Clark, who stressed the role of social networks. Carpente and Fredrickson (2001) as well as Kor (2003) have received such parameters as managerial experience and executives' competence. In other words, the list of the observable variables has been improved by various studies during the last 35 years.

In recent years, the correspondence between the experience and demographic characteristics of the CEO's personality and the company performance has been tried to justify in Emilia Peni (2014). Based on a sample of S&P 500 companies, it was revealed how the indicators affect the company’s market valuation and financial performance. The results concerning the CEO's age were disputable, while the experience can have a positive effect on the company’s productivity. However, in the case of a new appointment, it may prove superfluous (having a negative impact on the company's performance) (E. Knutsson, 2015). In most studies, the powers of the CEO are considered as a single indicator, since it is assumed that managers are at the same starting point and have a similar level of propensity to change when taking office. However, in fact, the new CEO may accumulate experience through various senior positions as the chief executive, director or president. The level of the CEO's work depends on his (or her) previous work experience (Bigley, Wiersema, 2002). It helps to achieve the company's best performance (H. David, Weng and Zhiang (John) Lin, 2012). In addition, you can use the experience of the predecessor to correctly make strategically important decisions in the management of the company (J.C. Coates IV, R. Kraakman (2010).

It is also worth to mark that despite the recent world trends to recruit CEOs from other industries, relatively modern research in the CEO-match concept shows only a very limited success of such actions. It’s emphasizing the importance of industrial experience and profile education (Huang, 2008). Nevertheless, according to Jalal and Prezas (2012) there is a lack of research and information on the difference between availability and absence industry experience.

In 2016 a group of scientists (G.R. Wang et al., 2016) conducted a study aimed at the relationship between the CEO's characteristics and the company's performance (and their correlation). The main attention was paid to the connection with the availability of management education and the productivity of the company. According to the results if the company wants to increase the innovative productivity, it’s associated with the introduction of a new product or technological process; it must find a relatively young CEO with a profile education and little experience in the industry. However, to gain profit, you need a more experienced manager. In addition, the presence of the engineer (U. Çelikyurt, BN Dönmez, 2017) and the political experience of the work (service) (Fisman, 2001, Faccio, 2006, L. Ma, S. Ma, G. Tian, 2013), contribute to the growth the company's performance and additional subsidies from the state for its development (J. Wu, ML Cheng, 2011; R. Sobel, Rachel Graefe-Anderson, 2014).

In general, it may be concluded that such combinations of characteristics of CEOs (age, ethnicity, professional qualifications, company size and steady age) affect the company’s performance (Noor et al., 2014; M. Huysentruyt, U. Stephan, S Vujić, 2015). However they should be studied in the multiple cultural and political contexts (C. Crossland, D.C. Hambrick, 2011), as well as free periods from global problems associated with the economic crisis (G. Wang et al., 2016).

Nevertheless, scientists can’t find evidence of importance CEO educational background despite the available studies about the relationship between the age of managers and the performance of the company. Their results are ambiguous (Bertrand & Schoar, 2003, B. Martinson, 2012, Jalbert et al. 2002). Those scientists said in their research about the significant relationship between these variables. While the work of Ayaba (2012) and Gottesman and Morey (2010) proved its absence. However, most investigators write about higher education does not play a big role in the company's decision to replace its current CEO - inefficient managers should be replaced regardless of their level of education (S. Allgood, KA Farrell, 2003; M. Eduardo, B. Poole, D. McMillan, 2016). However, in choosing a deputy this aspect should be taken into account. In addition, hiring new managers with MBA levels leads to short-term performance improvements (S. Bhagat, B. Bolton, A. Subramanian, 2010).

Unfortunately, domestic researchers paid little attention to the theme of the CEO match with the performance of the company in recent years. A.V. Hayrian (2015) on the basis of analysis of 68 Russian public companies for 2010-2014 concluded that the presence of an MBA degree and the age of the director adversely affects the performance of the company; the position of the CEO as a co-founder of the company positively affects the value of the company’s outcomes; the degree of Candidate of Science and the duration of the CEO's tenure in his position only affect 10% of the perdormance. Gerasimova MA, (2016) using the data of 2006-2012 came to the conclusion that the sex and age of the manager does not affect the company's performance, while citizenship and professional characteristics can affect the company's financial performance

CEO origin and succession

Based on two types of successors (insider or outsider), studies are conducted on the extent to which this characteristic affects the company's performance (S. Bulmash, 2009). Analysis of the literature showed that, in general, the characteristics of the CEO have a significant impact on the profitability of the company. In contrast with past work, which focused on the relationship between poor performance of the company and the choosing a CEO outside the company (Datta DK, Guthrie JP, 1994, Thong JY, Yap CS, 1995). However, many modern studies show the quite opposite results (A. Karaevli, 2007, EA Peyrache, F. Palomino, 2013, S. Ma, D. Seidl, S. Guerard, 2014). Outsiders affect the efficiency of the company, because they are interested in the job, which contributes to the company's profitability (Khurana R., Nohria N., 1999; Chen H.-L., 2013; D. Leitch, M. Sherif, 2017). There is another point of view, according to which the presence of corporate stability (the usual continuity, the long-awaited predecessor of the CEO and good work of the company), help outsiders generate their ideas in the company's activities (Zhang and Rajagopalan, 2003, 2004, A. Karaevli, E.J. Zajac, 2013). In general, it is necessary to consider the relationship between the choose CEO from the outside the company and the company’s performance as a multilevel structure that coordinates these opposite perspectives and explores the conditions under which the benefits from the external succession of the CEO outweigh the costs (D. Georgakakis, W. Ruigrok, 2017). However, there is an opinion that there is a mistake in the work on the "CEO effect" - it is attributed to the randomness effect (meant for the CEO), which violates the process of the research process itself (MA Fitza, 2014; TJ Quigley, DC Hambrick, 2015).

In the context of agency theory, the status of a CEO and a sole insider contributes to increased profits, that is the interaction between performance characteristics and organizational factors has important implications for company performance (RB Adams, H. Almeida, D. Ferreira, 2005, S. Her- Jiun, Y. Chi-Yih, 2005). The full share of insider ownership remains stable, and the ratio between the executor and the insider is significantly increased while neither full ownership by insiders nor the holding's relation to the insider have no effect on productivity.

Particular attention should be paid to the situation in which the succession of the CEO does not take into account the critical institutional reality: some of the outgoing leaders do not completely leave the place, but instead remain as chairman of the boards of directors. This retention of the predecessor limits the right of the successor thereby detracting his ability to make strategic changes or increase productivity, which differs from the succession levels (TJ Quigley, D.C. Hambrick, 2011).

By type of dismissal

The type of dismissal and the character of the position held by the director also affect the company's profitability (J. Ji, O. Talavera, S. Yin, 2016). The dismissal of the CEO has a negative impact on the company's work and that the company's profitability remains the main criterion used to assess the performance of the CEO. An important aspect is the nature of the dismissal. The departure of the previous CEO (by his own will (D. Jenter, F. Kanaan, 2015), by agreement or other reason (D. Jenter, E. Matveyev, L. Roth, 2016) and the potential for the CEO-successor an insider and an outsider are factors that impact the company's subsequent performance (W. Bouaine, L. Charfeddine, M. Arouri, F. Teulon, 2014).

The connection between the type of dismissal of the previous CEO and the origin of the existing one is reflected in the works of Kathleen A. Farrell (2003) and Khurana & Norhia (2000), where the authors argue that companies will show the best result if inside CEOs follow previous CEOs who quit and outside CEOs replace previous CEOs which is dismissed.

Hypothesis statement

As we noted earlier there are two dimensions of the CEO turnover may be outlined. Firstly, it is the type of previous CEO dismissal and its effect on organizational mode. The departure is usually classified as forced versus natural turnover. The Forced departure means that the CEO was fired or dismissed, the natural one means the CEO decided to leave his post voluntary. These two concepts are different in their effect on the organization, Moreover, forced removal is conceded as much more disruptive. According to Zald and Berger (1978) forced dismissals are involving vast amount of political coordination across a wide range of stakeholders

Secondly, as we also mentioned, the firm performance may be affected by the origins of successor (insider / outsider). As a rule outside successors are more likely to cause organizational changes (Gouldner, 1954) more likely to break with traditional policies and patterns in comparison to insiders states that outsider successors tend to bring and introduce new qualities and practices (W. Bouaine, L. Charfeddine, M. Arouri, F. Teulon, 2014.)

According to Khurana (2000) The change of the CEO comprises of two stages, departure and succession. The first is the manner in which CEO leaves the company, hence creating a vacancy. The second stage comprises of selection between the insider or outsider successor for the vacancy. Hence, there is a clear connection between departure and the succession in the CEO turnover process. That is why we can organize 4 types of CEO match

- insider CEO has replaced the predecessor who voluntarily left this post (PQCI);
- outsider CEO has replaced the predecessor who voluntarily left this post (PQCO);
- insider CEO has replaced a dismissed predecessor (PDCI);
- outsider CEO has replaced a dismissed predecessor (PDCO).

The probability of significant organizational changes in the first case is not high but, but it is better for organization. If after the resignation of the predecessor, an internal candidate was appointed to the CEO, then he should not radically change the firm's policy. A new person always brings a new opinion, and therefore we can conclude that such candidate seeing the shortcomings of the existing system, can softly change them by his actions, which should have positivelyaffect on firm performance. Moreover, in comparison with other types, This type can be considered as the best, because this type reflects stability of the organizational policies Helmich (1974).

Hypothesis: Russian Companies where an insider CEO has replaced the predecessor who voluntarily left this post demonstrates better performance compare to firms with other types of succession.

In general, we consider forced dismissal as a signal of necessary changes. And the outsider is more willing to make these changes.As result In total opposition to PQCI CEO match type , the PDCO type, which is perceived to be the most disruptive type with the highest chances for the significant organizational changes. Forced dismissal in combination with outsider successor leads to both emergence of obligation and potential of realization of the organizational change. In the new environment outsiders generate their ideas in the company's activities he can change the structure radically because they are not used to the systems and they are easy to change (Karaevli, E.J. Zajac, 2013)

Hypothesis: Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates better performance compare to firms with other types of succession

While the PQCI and PDCO types are focused either at maintaining the status quo or organizational change, (PQCO) and (PDCI) are in conflict, meaning that they do not effectively influence the organizational change (Khurana, 2000).

As we said earlier, forced dismissal tells us about two things: dissatisfaction with the company's activities and non-acceptance (objection from employees who never like change.

Thus, in the case of the dismissal of the company, changes are necessary. In the case of an external candidate, there are no problems, since he is willing to do this by nature (hypothesis 2).

However, in the case of an internal candidate, the situation is different, as he tries to maintain his status, find support in the team and at the same time he is not able to make the necessary changes due to pressure. In connection with which we can conclude about worth impact PDCI on firm performance in comparison with other types.

Hypothesis: Russian Companies where an insider CEO has replaced a dismissed predecessor demonstrates worse performance compare to firms with other types of succession

In Case of voluntary departure of previous CEO the owners are satisfied with the situation prevailing in the company and the arrival of an outsider with their changes to meet with a great confrontation. In any case outsider is considered as a threat because after his succession, changes would redistribute existing tasks and rewards, which were influenced by specific internal individuals and if in the PDCO case this changes are necessary and understandable than in PQCO they are not. In this connection, changes in the outsider may not be supported by both management and employees. which will affect the firm's activities from a negative point of view. So our next hypothesis is as follows:

Hypothesis: Russian Companies where an outsider CEO has replaced the predecessor who voluntarily left this post demonstrates worse performance compare to firms with other types of succession.

According to job match theory if the firm and the CEO understand their inappropriateness, they terminate this relationship. So it is logical that the Board of Directors makes a decision about CEO extension contract based on financial results of the company. That is why CEO may be considered as a criterion for the suitability between the CEO and the company. Similar logic were followed by *Allgood & Kathleen A. Farrell* (2003) who proposed to classify the CEO on match and mismatch ones depending on the his tenure.

Hypothesis : Russian Companies with GoodMatch CEO demonstrates better performance compare to firms with BadMatch CEO.

As a result we have the following hypothesizes:

Hypothesis 1: Russian Companies where an insider CEO has replaced the predecessor who voluntarily left this post demonstrates better performance compare to firms with other types of succession.

Hypothesis 2: Russian Companies where an outsider CEO has replaced the predecessor who voluntarily left this post demonstrates worse performance compare to firms with other types of succession.

Hypothesis 3: Russian Companies where an insider CEO has replaced a dismissed predecessor demonstrates worse performance compare to firms with other types of succession

Hypothesis 4: Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates better performance compare to firms with other types of succession

Hypothesis 5: Russian Companies with GoodMatch CEO demonstrates better performance compare to firms with BadMatch CEO.

Chapter 2. Empirical research

1. Methodology of the research

In this research, it was decided to focus our attention in the regression model on different types of compliance.

The presented study uses the following regression model to test hypotheses:

A_{it}= b$_0$+b_1*(CMT)$_{it}$+b_2*HR$_{it}$+b_3*$StrCh_{it}$+$b_4 A_{it-1}$ +ε$_{it}$

where

A_{it}= is performance of company i in t year;

CMT$_{it}$are the independent variables characterized the different CEOs match types;

HR$_{it}$ is the Hazard rate of the firm. This variable is modeled as a variable one and equal to 1 if CEO has been changed during the t year, equal to 0 if such event has not happened;

$StrCh_{it}$ is level of the Strategic Changes$_{it}$in i company during the t year; The detailed calculation of the value is presented in the description of this variable

$A_{it-1}$is performance of i company in previous (t-1) year;

t=2007,...,2013

Dependent Variable

In this work, we use set of dependent variables. First of all, it is annual **Return on Assets**. This indicator characterizes a firm efficiently of asset use for net income production per time period. In general, ROA is used by investors and high echelons to show the firms' asset profitability. Moreover, ROA is one of the most popular indicator for determination the company performance in academic research literature (Rappaport, 1986; Mankin and Jewell, 2010), where especially in case of its link with corporate governance, human capital and other personal characteristics this coefficient is in demand ones (e.g. Penni, 2014; Finkelstein and Hambrick, 1996; ….). In additional, according to Volkov, Nikulin (2009) return on asset can be considered as true measure for short-term operational performance, as well as Hagel at al (2009) consider it as underevaluated performance management ratio in terms of long terms profitability. In this research we define ROA as ratio of net profit to total assets. However taking into account the fact that ROA is best applied in companies within the same industry we adjust this indicators (as well as others ones) on an industry-adjusted basis. Namely, we extract industry average of each year from each measure. And after that to avoid atypical fluctuations of the indicator, it was decided to take the average for two years. Although most authors take longer periods to measure the average (for example Brickley, Linck, and Coles (1999) used 4 years; *Sam Allgood* & *Kathleen A. Farrell* (2003) - 3 years) , we preferred to use two years for more adequate comparison of companies due to the lack of information on them for previous years. In general,the similar procedure of calculation was presented in the research by Khurana (2000), Ferris, Sp; Jayaraman, N; Jongha (2015), etc. To sum up the ROA formula is following:

$$ROA_t = \frac{(ROA_{it} - ROA_{ind\,t}) + (ROA_{i\,t-1} - ROA_{ind\,t-1})}{2}$$

It is worth noting that similar to the *Sam Allgood* & *Kathleen A. Farrell* (2003) in the case of absence of information for two years, we used information only for one year.

The second dependent variable is **Return on equity**. ROE shows how much the shareholders can get from their investment in this firm. Companies try to increase this ratio because it indicates the level of management efficiency to generate profit per each dollar(rubles) of common stockholders' equity. In other words it can show is the management is good and uitable for the firm or not. Return on Equity is also ratio reflecting the management effectiveness of using equity to finance the firms’ operations and growth. In other words, ROE is ratio in term of investors not the firm. This indicator determines what percentage of profit the company makes for every monetary unit of equity invested in the company. (Berzkalne&Elvira Zelgalve, 2014). At the same time ROE cannot specify the amount of money coming back to the shareholders, because it depends on the firms’ dividend politics and stock price appreciation. Nevertheless, ROE is a useful measure for underfunding the firms’ capability to generate a return and reasonableness of the investment in terms of their risk (Berman et all, 2013). Put it other wise, ROE can be use as indicator of value creation process for shareholders. Warren Buffet also consider this ratio as the most favorable and mention it more that 30 times in his letters to shareholders (Prince, 2012). The same position was presented by Monteiro(2006), who emphasized ROE as main ratio for investors. Moreover, according to Rugman (1990,104) the average of the 5 years ROE can provide to investors the best description of the growth of firms. Rappaport (1986) has named this ratio as one of the most usable performance indicator and nowadays it is still one of the most popular performance measure in academic researches. Despite the fact that ROE is not widely common as ROA, it is still used as firms performance indicator in numerous corporate governance studies (Crespí-Cladera, Pascual-Fuster, 2014; Brown&Caylor, 2009; Prinz, 2006). Nevertheless, the effectiveness of ROE use for firms' comparison from different industries is not so high due to high level of heterogeneity of investors and income among industries. That is why we exclude banking industry at all and also prefer to use the industry-adjusted indicators. As result the ROE calculation is similar to ROA:

$$ROE_t = \frac{(ROE_{it} - ROE_{ind\,t}) + (ROE_{i\,t-1} - ROE_{ind\,t-1})}{2}$$

The third variant is **Stock return**. The study should include a market-based evaluation of firm performance, because the market always reacts to the actions of the CEO or the company situation as a whole. Moreover, unlike accounting indicators, market-based ratio is quite difficult to manipulate. It is worth noting that we preferred to use Stock returns since this is the easiest for calculation ratio. In this research, it Stock returns was calculated in a manner similar to the rest of the dependent overflow ones. The same approach was presented in studies by *Sam Allgood* & *Kathleen A. Farrell* (2003) as well as in research by Brickley, Linck, and Coles (1999).

Independent variables

We consider 4 cases of match types that were created in terms of combination the origin of new CEO and nature of departure of previous ones. Due to detailed consideration these 2 categories in literature review so it is better to notion only the immediate meaning of these 4 variables.

PQCI is a dummy variable, which takes following mining:

1. Current CEO is insider and previous CEO decided to voluntary leave his position;
1. In other cases:
    - Current CEO is outsider and previous CEO decided to voluntary leave his position;
    - Current CEO is insider and previous CEO was dismissed;
    - Current CEO is outsider and previous CEO was dismissed;
    - The absence of the previous CEO as a result of the formation of a completely new company.

PQCO is a dummy variable, which takes the value 1 in the case of the following combination:

1. Current CEO is outsider and previous CEO decided to voluntary leave his position;
2. In other 3 cases:
   - Current CEO is insider and previous CEO decided to voluntary leave his position;
   - Current CEO is insider and previous CEO was dismissed;
   - Current CEO is outsider and previous CEO was dismissed;
   - The absence of the previous CEO as a result of the formation of a completely new company.

PDCI is a dummy variable, which takes following mining:

1. Current CEO is insider and previous CEO was dismissed;
2. In other 3 cases:
   - Current CEO is insider and previous CEO decided to voluntary leave his position;
   - Current CEO is outsider and previous CEO decided to voluntary leave his position;
   - Current CEO is outsider and previous CEO was dismissed;
   - The absence of the previous CEO as a result of the formation of a completely new company.

PDCO is a dummy variable, which takes the value 1 in the case of the following combination:

1. Current CEO is outsider and previous CEO was dismissed;
2. In other 3cases:
   - Current CEO is insider and previous CEO decided to voluntary leave his position;
   - Current CEO is outsider and previous CEO decided to voluntary leave his position;
   - Current CEO is insider and previous CEO was dismissed;
   - The absence of the previous CEO as a result of the formation of a completely new company/

GOODMATCH

In additional we decide to check variable GOODMATCH. According to *Sam Allgood* & *Kathleen A. Farrell* (2003) we can consider CEO-Firm good match if the CEO tenure is equal or exceed 3 years, in other cases it is considered as badmatch. The logic behind this expression is the following: if the CEO is suitable for the company, then the company shows good results and the board of directors is satisfied with him. In this connection, both sides do not have any incentives to end this cooperation. three years have been taken in connection with the fact that, according to the studies of these authors (2000), the most probable division of the company's and CEO paths takes place during the first three years. As result we have is a dummy variable, which takes the value of 1 if the CEO tenure is equal or exceed 3 years, and 0 if the CEO tenure is less than 3 years.

Controls variables

Level of Strategic changes

To understand how strong companies activity has change after New CEO appointment in terms of strategic point of view, we need to create some specific measure. In accordance with Finkelstein & Hambrick (1990) and Khurana (2000) new indicator will include 5 main aspects, reflecting strategic changes in company's behavior. Despite Khurana (2000) and Finkelstein & Hambrick (1990) is basis for our indicator, we adopt to Russian reality almost each component.

- The first component is company size. The best proxy for this category can changes in the number of employees. In this case we dealing with employees' growth rate. The number of employees was determined from the information of quarterly reports, where all employee data relates only to the employee with official labor contracts and does not include the number of employees of subsidiaries.

$$GRemp_t = \frac{Nemp_t}{Nemp_{t-1}}$$

- The second strategic aspect is changes in terms of company structure and investment activity. To evaluate this indicator we turned to the Cash flow statement. The net amount of investment operation with securities of other companies is dividend of our ratio, while total sales is divisor.

$$IAsec_t = \frac{Net\,profit\ \text{investment operation with securities}o_t}{Total\,sales_t}$$

- The next one is expenditures in capital, namely expenditures associated with operations for the acquisition, creation, modernization, reconstruction and preparation for the use of non-current assets. This figure also considered as changes as present of total sales.

$$CAPinv_t = \frac{Investment\ in\ capital_t}{Total\ sales_t}$$

The forth part of our formula is R&D expenses. Due to the fact that in 2011 the accounting records in Russia changed, data sources for this category at different time periods are different. Until 2011, the number of R&D could be found in form number 5, while after 2011 this information is presented in the notes to the balance sheet in the first section (as a rule it is line № 5140). It is worth noting that we only consider the completed R&D received during the t period of time.

$$RD_t = \frac{RD_t}{Total\ sales_t}$$

And the last component is debt to equity ratio, which reflect strategic changes in finance approach.

As result all of these components reflect the diversity of changes in the firm's activities.

After calculation the each independent part of new ratio according to Finkelstein & Hambrick (1990) it was necessary to generate the 2- years average for 2 year and compare it with industry average. In the case of a positive difference, we code this value as 1, otherwise 0. As result we have 5 components, each of them is 1 or 0. To create the variable, reflecting the general changes we need to summarize these components. As result our Level of Strategic changes varies from 0 to 5.

Prior Performance

The necessary to use the meaning of the previous (t-1) year is thanks to our desire to adjust the result due to existence some endogenous variables in the model (Khurana ,2000). Namely the fact of CEO succession may occur due to unsatisfactory results of the company's activities.

Hazard rate

Hazard rate is dummy variable that reflecting whether there was a appointment of a new CEO this year (1) or not (0).

2. Sample and Data Collection

To analyze characteristics of CEOs and their influence on company performance , it was created a own database.

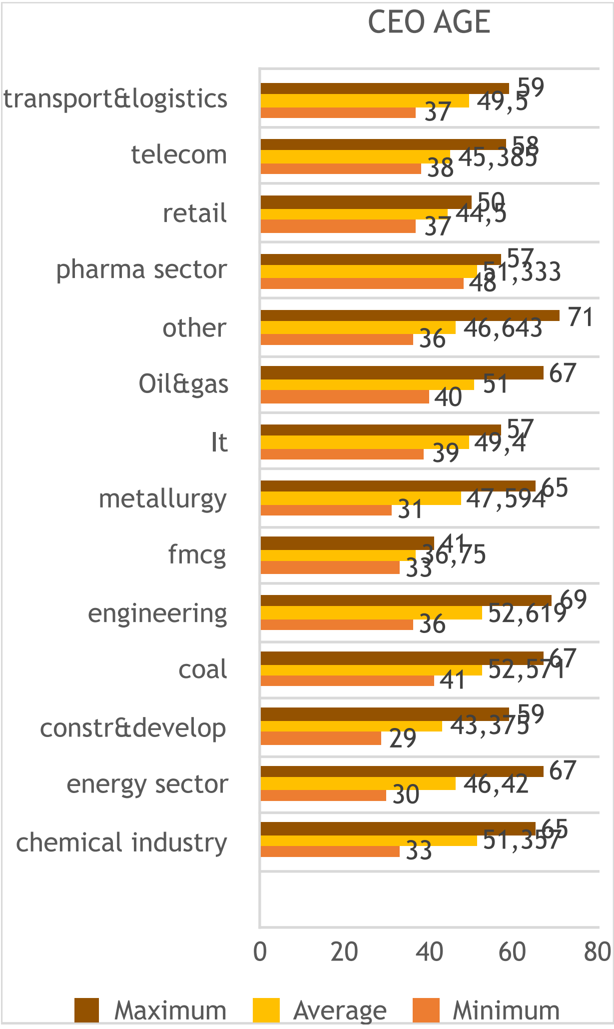
The data collection effort was based on two different steps: financial data collection and CEO data collection (a little bit different data collection structures were represented in Greve 2009). Regarding the company level the initial sample of the master dissertation is based on the 232 highest ranked organizations in Russia according to Thomson database estimation. This sample was limited my research to the listed companies due to promoting more relevant and transparent information about their governance and CEO characteristics as compared to non-listed companies. After that we selected companies, which provided information from 2006 to 2013 years. The time framework of our database 2007-2013, however to estimate previous firm performance we included 2006 year. The time period from 2007 to 2013 was chosen to exclude abnormal behavior of companies due to financial crisis sanction period, which begun in 2014. In general, the initial database consists of 1856 observation It is necessary to noted that to collect information about the dependent variables were used SKRIN databases, as well as annual and quarterly reports of companies presented in their websites as well as other widely available internet sources

After financial data capture we moved on to search informational about CEOs. There were considered more than 1000 annual reports and other open information to establish named and other personal characteristics of CEOs of in each company. All information about Chief executives were hand collected are not available in any database. The next step was to select CEOs. To be sure in a sufficient record for evaluation we take into account CEO who were running the company as minimum last 5-6 month of the fiscal years, because only in this case CEO can be partly responsible for firms' outcomes and does not be excluded from the full sample. Each company's CEO were identified on first of January of each year. However here there were adjustment as plus or minuses 1-3 month from begging of the year to provide more realistic result of CEO activity. The next action was to clearly considered the biography of CEOs to identify personal parameters regarding their education and experience as well as demographic factor. After that it was necessary to find information about the reasons of departures of CEOs, who were not included in the data due to delegation of their CEO authority to successor the was before 2007 year. All of this Information can be obtained from the annual reports, *Forbes* surveys, Vedomosti, Kommersant articles, companies websites and other internet recourses such as Wikipedia. The search of information about one person could take up to a couple of days, as this process is very time-consuming, and many "non-star" companies provide very limited information about CEOs. As a result, in order to find out the less complete biography of the CEO, it was necessary to look through a lot of earlier reports of other firms where this CEO held the leading position. Moreover, we also considered structure of management in organizations to identify the level of CEO power. As result our sample include 363 persons from 143 companies represented by 11 industries, and these people generated 991 observations at all . I n case of stock return there are 331 observation after excluding 690 missing values by STATA. It happened due to strange system of typology of Russian public companies during considerable period of time. according to this typology some firm can be public in terms of law but at the same time do not have active stock trading on the stock exchange (IV Berezinets, Yu. B. Il'ina, AD Cherkasskaya, 2013)

3. Descriptive statistics

It should be noted that the descriptive statistics includes not only variables presented in the regression, but also other set of the indicators that were hand-collected by author.

73% of the firms in our model altered their chief executive from 2007 - 2013, 29% percent did it two times, and 14% - three or more times. Looking at Fig. 1, at 2007 - 2012, the percentage of chief executive substitutes dropped almost twice. Yet, the three yearly repeated type of the alteration is established, with climaxes in 2007,2010 and 2013. The most efficient in terms of cases was the crisis of 2007 and the 2013 pre-crisis years. It should be noticed that we did not see instances of alteration of the chief executive after end of 2013.



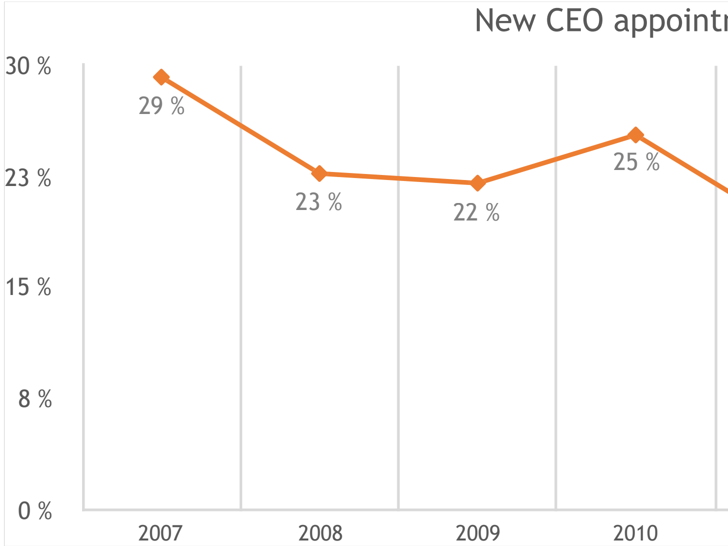


Figure 1 New CEO appointment

INDUSTRY FOCUS.

Chief executive change has an industrial specificity - some sectors display considerably greater instability in terms of equally the number of chief executive substitutions and the proportion of firms that have changed. The leader in both categories is the coal, energy and IT industries.

In the coal, IT areas, in addition to the chemical sector, normally, all firms came to the deduction that it was essential to alter the chief executive.

In the energy industry and broadcasting sector, the regularity of alteration of chief executive for 7 years has gone 2.6. A probable reason for this volatility in the energy industry is energy reform, corresponding to which throughout 2007 nearly half of the control and 22 supply firms of the country were privatized and by 2011 the production and allocation actions had entered free competition market. Furthermore, throughout this period there was numerous M&A and reorganization procedures, which led to the continuous chief executive change. Therefore, the alteration of ownership and volatility in the industry involved many employees reorganizations in executive tiers.

Alternative situation is detected in broadcasting. On the whole, due to the slowdown in the sector as a whole contrasted to 2000, stakeholders were disappointed with the economic outcomes and tried to discover the most appropriate chief executive. It shall be noticed that, corresponding to the Talent Equity Institute (2014), a comparable condition concerning broadcasting was detected around the world.

At another end, or in the lower left corner, fairly steady sectors are situated. Total superiors in this section are pharmaceuticals, in which all the chief executives were provided with unchanged. One of the possible justifications is that in these sectors a necessarily big quantity of firms, which are controlled by the establishing owners.

It should as well be noticed that in some sectors, for instance metallurgy, fairly few firms alter their chief executive, but due to specific motives, this swap is very enthralling.

Portrait of typical CEO.

Demography.

Chief executive usual age is 48 years, this makes Russian chief executives one of the youngest in the world (in the USA the same figure is 53 years, in Japan - more than 60 years), while the world trend is the rejuvenation of chief executives.

Though, the era, when youngsters came to run firms in our country have ended. Young executives who rose to head-positions in the 90s achieved the mean age throughout the period under analysis. Though, in our example, the youngest chief executive was 29 years old (Hals development), and the oldest 71 (JSC WTC MOSCOW) In Russia, the youngest chief executives are detected in FMCG (37 years), the oldest - in engineering (53 years).

It shall be noticed that, typically, chief executives linked to the research firms 45 years old, the freshest was 23 years old chief executive, and the oldest was 68.

Female CEOs

Among the CEOs who headed the largest

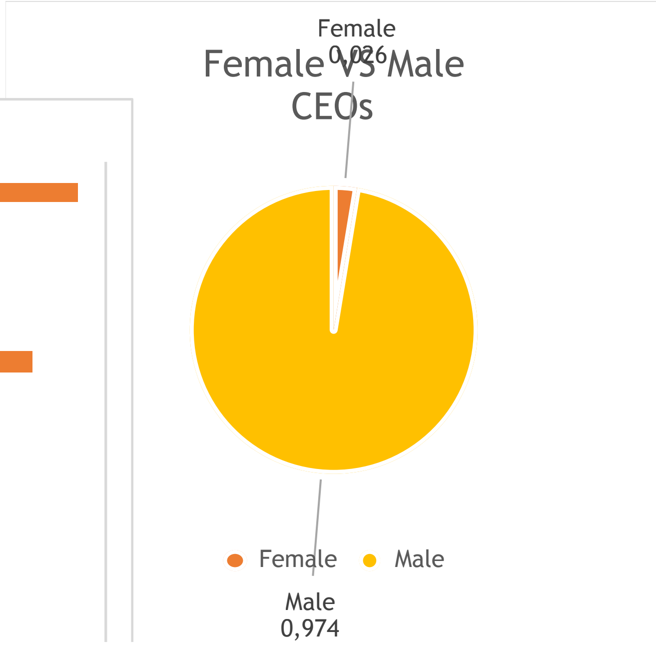
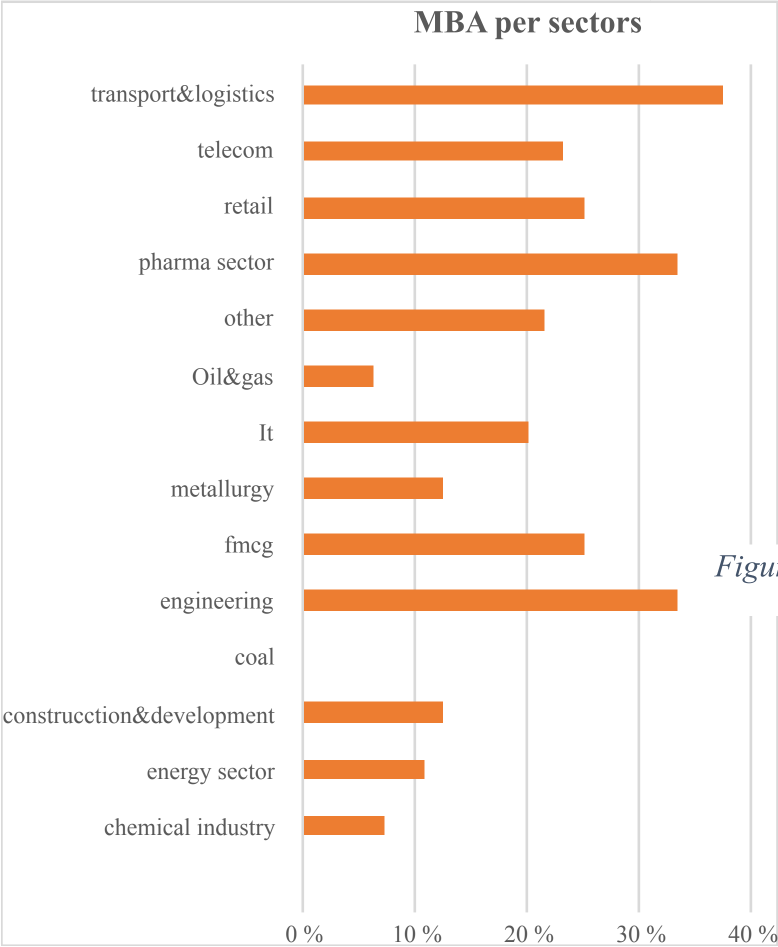


Figure 3 Female VS Male CEOs



Russian companies in the last study period, there were only four women (about 2.5%). At the same time, only half of them managed the company for more than 2 years. There is no any domination of Women CEO in any sector of Russian economy. These data indicate the existence of a "ceiling" for female employee, that is, an invisible career barrier limiting the promotion of an employee in the company. In the world, the situation with women at the head of companies is quit better. According to Qlik estimates (2014), only 4% of the CEOs of the world are women. The largest share of in India - 8%, especially in women who are headed by all major financial organizations. Following India, the proportion of women CEO in the ranking followed by Britain and Australia (5%). For comparison: in Japan and Hong Kong, all CEOs are men.

Business Education

The average number of educations held by CEOs is 1.36, rising up to 5, while almost 2% of CEOs did not have at least one higher education, only vocational ones. It is possible that these

Figure 4.

two percent have a higher education, since it is more likely in all job descriptions that it is indicated as a condition for consideration for a position. A rational reason for the lack of such degree is the fact that CEO is an owner or a founder. Another reason is to get a correspondence

Figure 4. MBA per sectors

higher education, which is simply not included in the reporting. Nevertheless, the world knows a lot of examples when people without education created an empire (for example, Steve Jobs) In any case, exceeding 1 by 30% implies that every third CEO was interested in expanding his knowledge and gaining additional degrees.

15% of CEOs have an MBA. For the Russian market this is quite high, although not comparable with the US market CEO, where about 40% have an MBA. It should be noted that according to the HBR(2014) survey of 100 top companies, this indicator was twice as high as Russia's (29%). High indicators are observed in transport& logistics, in pharmaceutical sector and in engineering. It is worth noting that these industries have indicators for turnover below the average. An interesting factor is the total absence of the CEO with MBA degree in coal industry. Apparently, these traditional industries value more experience and not education. Regarding comparing Current VS previous CEOs the incidence of MBA degrees is higher among current CEOs, than among their predecessors. On average 16% of current CEOs hold an MBA degree, while only 13% of previous CEOs.

It is necessary to mention again that studies can not find an exact answer about the impact of the MBA CEO on the company's performance. So in 2009 the INSEAD study confirmed the positive effect of having a MBA degree from a CEO for a long-term shareholder value, but Gottesman and Morey (2010), Ayaba (2012) as well as other research proves an abcence of any link.

Nevertheless, Adi Ignatius (2014) called the MBA one of two ways for the CEO success. The second condition is the technical education. Koyuncu et al. (2010) agrees with him, saying that managers with technical education show better performance than managers with another ones.

In general, technical education is the most popular major for russian CEO(68%), which corresponds to the conclusions of gnatius and Koyuncu. The second most popular direction among top management is economic (41%). The legal and management diplomas are owned only by nearly 10% of the CEO.

However, in the opinion of Burkart et al. (2003) and Bhattacharya et al. (2004) the most important is the coincidence of the specialization of the company with the specialty of education. Since we have identified two degrees of coincidence (the narrow specialty of CEO completely coincides with the company's activity, the broad profile (industry specific) of education coincides with the profile of the company), in the first case the indicator reached 33% of coincidences, while in the second case it was 69%.

Regarding scientist degree 25 % of CEOs had it. If be more precisely, 17 % had Ph.D., and 8% own a title of Doctor of Science, and 0,3% received more than two scientific degrees.

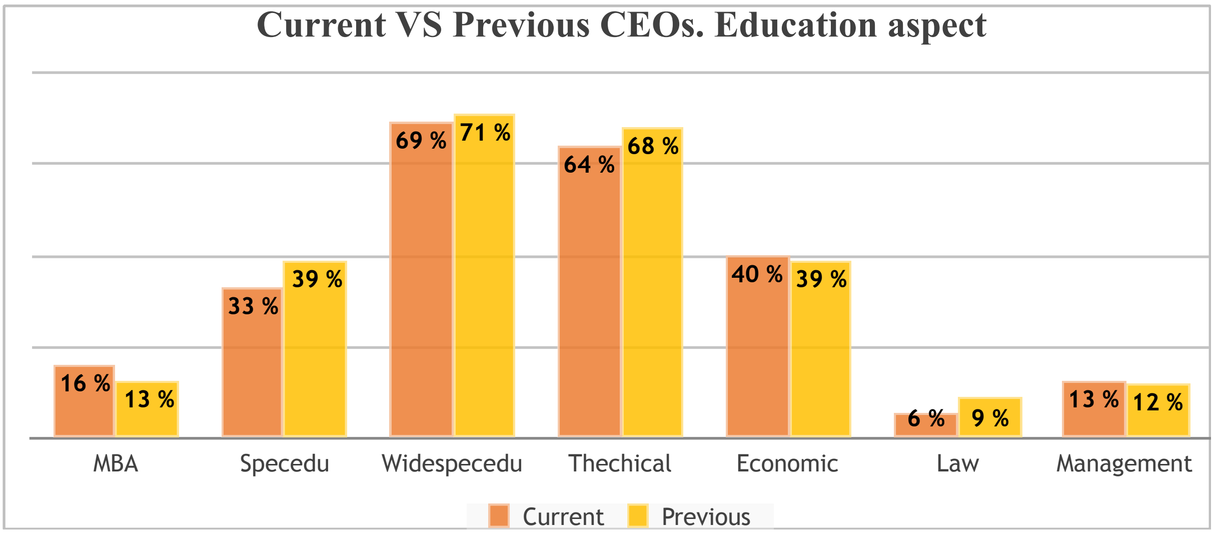


Figure 5 ***Current VS Previous CEOs. Education aspect***

Industrial experience.

According to the statistics, less than 25% of cheif excecutive officers of the companies did not have experience in the field in which the company operates in. This actually makes sense, as the knowledge of technology and processes is of crucial importance in heavy industries that form the core of russian economy. As a rule, the future CEO would begin his or her career from the bottom and steadily rise from there to the top.

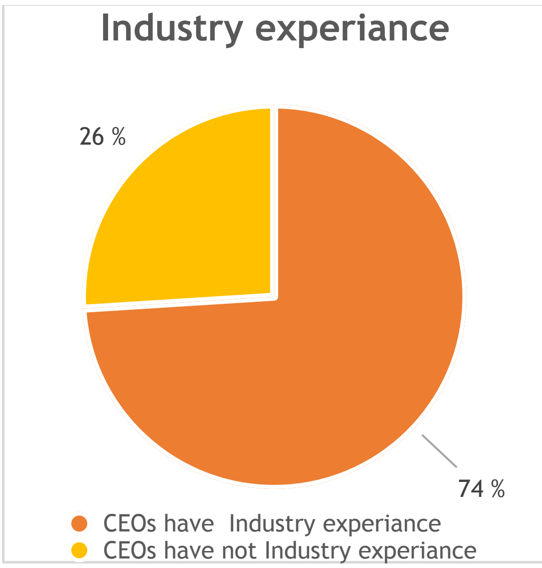


Figure 6 Industry experiance

Actually the average industrial experience before becoming CEO was 11 years, but in the sample it became 41 years. In the coal sector this figure is 21 years and in IT it is 18. In the FMCG and construction sectors the figure is minimum – 3-4 years. What is interesting, in Russia there are about 38% of CEOs with governmental experience and 62.5% of them are in Oil&Gas sector. It is not a surprise as the majority of these assets are public property.

Prior experience as CEO .

According to the survey, 54% of CEOs previously led the company. But in construction and development sector the figure is lower – around 25%. In metallurgy and FMCG the survey shows the most considerable experience of CEOs. In average, previous experience as CEO in all industries is around 3 years. In mechanical engineering, chemical and coal industry, tthe figure is under 8 years. Butin construcction & development it is around 1 year. 63% of current CEOs have previous experience as chief executive officer. And out of these ex-CEOs 71% worked in other firms.

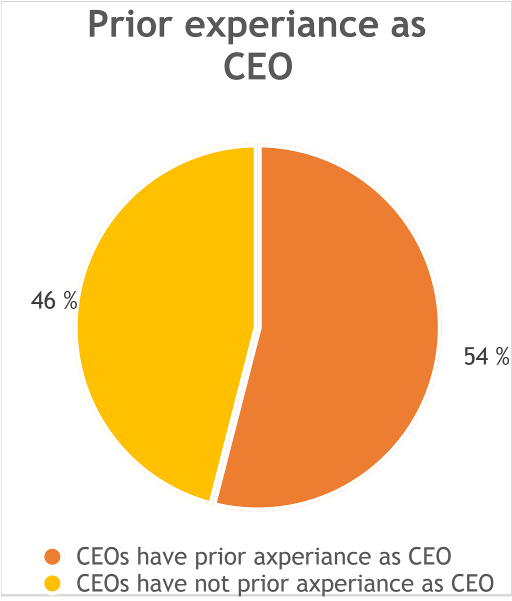


Figure 7 Prior experiance as CEO

CEO tenure

In average CEOs remain in their positions during three years, while 30% of them left the company one year since they were hired. For instance, the US CEO holds its position for 7-8 years (Schloetzer, Tonello, Aguilar, 2014), in Australia – for 5 or 6 years. Before the year 2010, the term of CEO's work in this organization wasn't more than 2 years, but afterwards this figure was overcome.

This situation may be probably caused by the crisis aftermaths in 2007, when new CEOs got appointment to take some anti-crisis measures relevant at that time. Moreover, with the economy being more sound, companies also got some consistent results, which, theoretically, can help to decrease turnover of employees. At the beginning of the period under discussion, 87% of staff had experience to be a CEO, with the duration of their work from 5 till 27 years maximum.

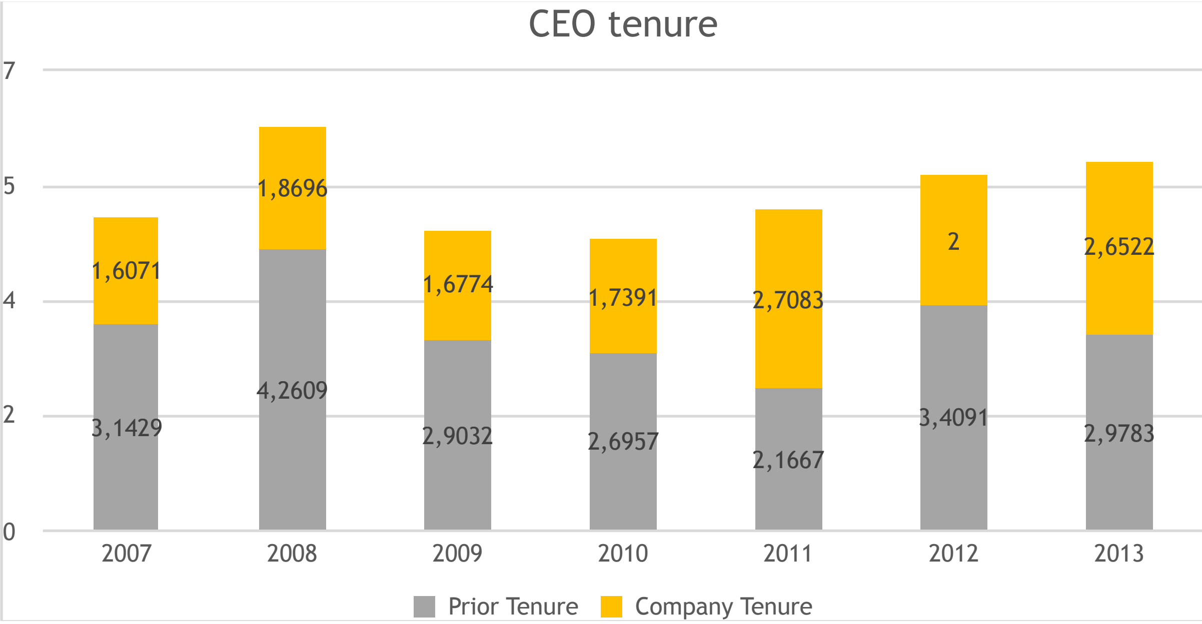


Figure 8 CEO tenure (years)

Insider VS outsider or the CEO origin

It may be seen at the allocation of replacements amongst insider/ outsider, that the proportion of insiders (54%) in Russia is usually lesser than in established markets. For instance, worldwide this proportion is 76-78, in Canada and the USA it is about 80%, in China -85%, in Japan - 97% (PWC, 2016)

From one point of view, this is due to the pretty vulnerable instruments for the growth of future executives from inside, from another point of view, regular relocations of possession and, therefore, disbelief of new possessors to inside administration.

Considering the distribution variation by year, several appealing problems may be seen. It is noteworthy that in 2013 and 2007 there was a number of cases of employing internal chief executive (63% and 54%), this underlines the firms' aspiration to remain with the one who has knowledge and ultimately approves the dependency of this marker on volatility Economy. Period, when the amount of outsiders (about 60%) surpassed the amount of insiders, is 2008-2011 post-crisis years.

Hence, it results in the fact that throughout the crisis phase, firms aspire to shift their internal employees more, as they are more devoted to the firm and its employees, but meeting the incapacity of insider chief executive to handle the established goals, the firm turns to outsiders, since it needs a rather solid business reformation.

55% of existing chief executives have former practice with the same firm. Before becoming the chief executive, present chief executives have operated in the same firm during, on average, 3,82 years. Of previous chief executives, only 47% have operated within the same firm before becoming the chief executive. Their normal practice of working in the firm in different titles is 2,55 years. Generally, the usual firm occupation before chief executive employment is 3,75 years.

It should be noticed, that the normal occupation for insiders and outsiders is almost the same. For insiders, it is 3 years 2 months, and for outsiders - 3 years 2,5 months. The variance of conditions amongst the two sets is just half a month in favor of outsiders.

It should be noticed that the parity of conditions communicates about the identical approach to the two clusters and the absence of a more recognition of belief to insiders from proprietors.

It also must be noticed, that normally, it takes 7 years for the insiders to spend in the firm before the employment.

One more noteworthy tendency is the fairly reverse association of firm occupancy before employment and chief executive occupancy in this company.

Those people that have operated in the firm for more than 10 years, as a rule, can't stay in the company as chief executive for more than 7 years. Though, it is fairly simple to elucidate the fairly small occupancy as chief executive for workers who have given their firms all their life. If it is assumed, that they went to the firm after completion of university for an initial position, they operated there for 20 years, then they have roughly just 5 years before leaving.

Furthermore, a necessary amount of individuals who after 10 years' practice in the firm operated in the top position for less than 3 years. This advocates that evidently, such executives could not sufficiently demonstrate their executive abilities regardless of the massive credit of trust and admiration from the proprietors.

Prior to consideration the subsequent parts concerning sort of substitution, it must be noticed that in the regression analysis the Force Dismissal and Promotional motives constructed on the character of the solutions have been unified.

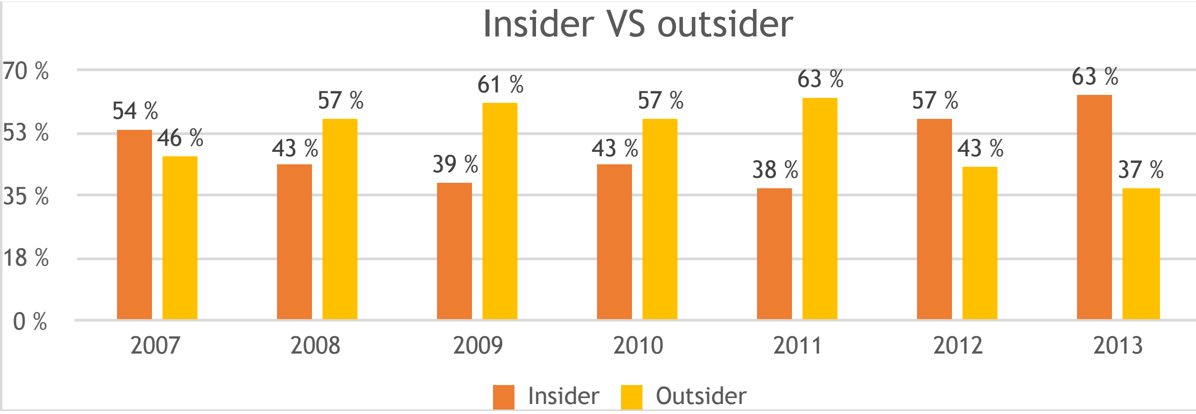


Figure 9 Insider VS outsider by years

Reasons for Resignation of previous CEO .

First of all, it should be noted that this statistics is only relevant to the previous CEOs who have worked in companies during 2007-2012 years.

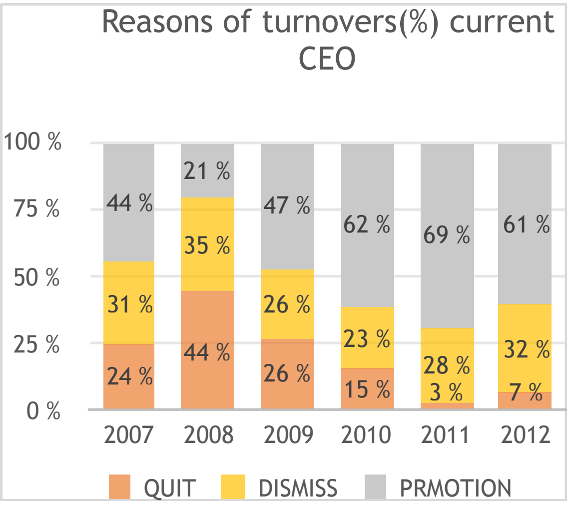


Figure 10 Reasons of turnovers(%)

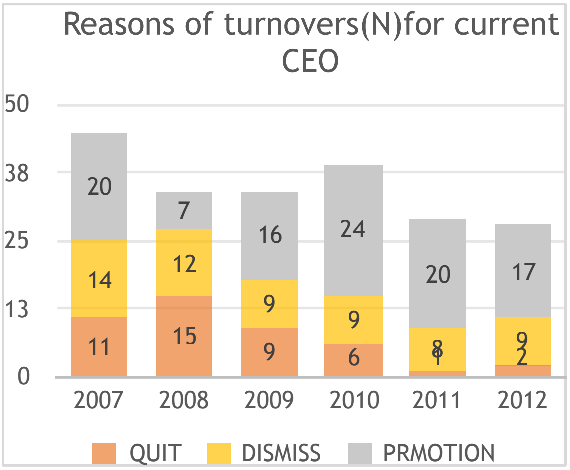
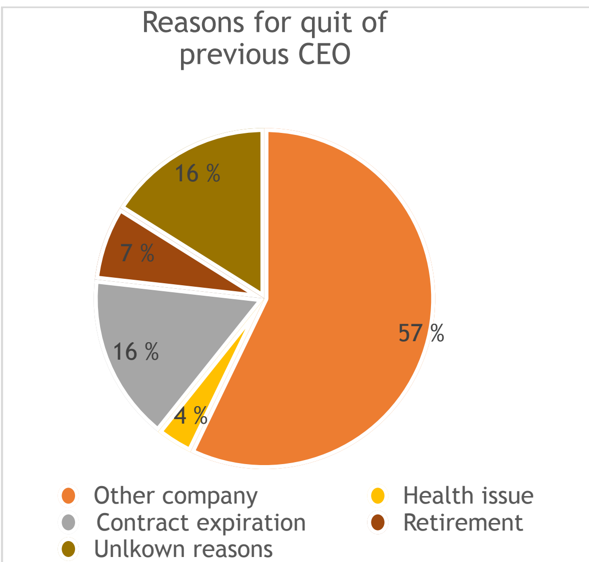


Figure 11Figure 11 Reasons of turnovers(N) for current CEOs



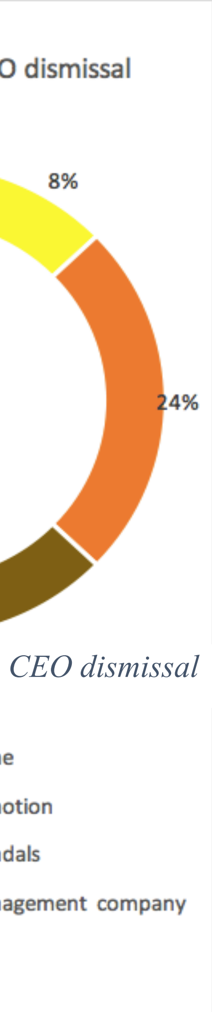
In 32% of cases the new CEO came to the office because of his predecessor decided to quit.

The reason for quit in most cases was the job offer from other companies (56%). We did not distinguish this reason between the preterm character of the termination or not.

In 16 percent of cases, the reason was the expiration of the terms of the employment

Figure 12 Reasons for quit of previous CEO contract, in 7% of cases- retirement and in 4 -%health problems of previous CEO.

In 45% of cases, the board of directors was forced to dismiss the previous CEO. The most common reason is a change of ownership / restructuring / M&A, which covers 24% of all layoffs.



CEO dismissal

In 19% of cases , the CEO was simply downgraded. It is most likely that he held this position temporarily while searching for a more suitable candidate.

In 14% of cases the replacement occurred due to the decision of the Board of Directors to conclude or terminate the contract with the management company. It is mainly inherent to the holdings companies and to the energy sector.

A criminal case was filed against the CEO in 8% of cases. Naturally it entailed CEO dismissal. In 4% , the cause was scandals, as a rule of ethical nature. Such events significantly affect the reputation of the company, especially the value of shares.

The 6% of the CEOs were redirected to other positions within the holding for more rational use of their knowledge and skills.

In 4% of cases, the CEO had a conflict with the owner. Most likely, both sides did not share a common vision of the company's future.

The most interesting thing is that, due to unsatisfactory results, only 5% of the CEO was fired! This seems extremely illogical. However, it is worth noting that companies are trying not to classify the theta reason and offer a less-punctual formulation.

Change of leadership due to the promotion of the previous CEO took place only in 23% of cases. Naturally, the largest share belongs to the appointment of the CEO by the chairman of the board of directors. Which is 45% of cases. Almost the same proportion is accounted for by individuals who have been increased by parent companies to managerial positions (42%). 13% of the predecessors left office in connection with appointment to state

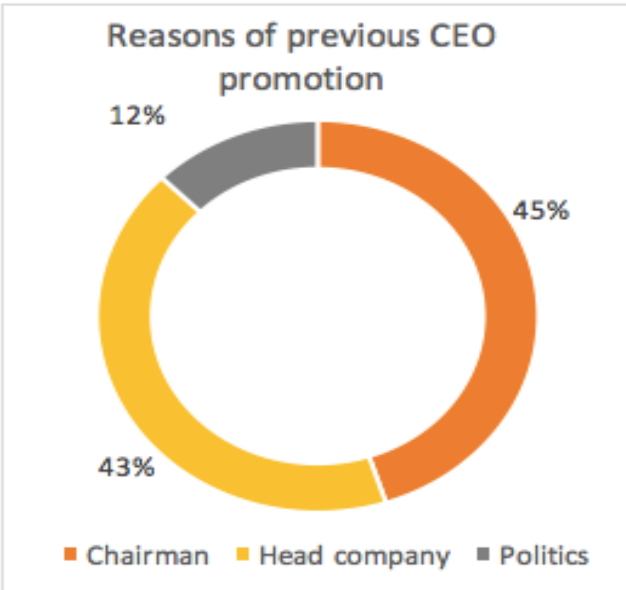


Figure 14 Reasons of previous CEO promotions

positions.

Thus, it can be concluded that in most cases the appointment of a new CEO was due to the unforced release of the post by his predecessor. However, in the case of layoffs, the financial factor does not take the first place.

Moreover, it is worth noting that 25% of the previous CEOs have remained in the company in one or another roles after their dismissal. This is, on the one hand, good, since it allows smoothly transferring business and in a certain sense to organize the process of "Succession". On the other hand, this limits the power of the head manager, since new leader is under the pressure of his predecessor.

Regarding whole sample it is worth noting that in 57% of the previous CEO (including previous CEO who worked before 2007) wanted to leave the position voluntarily, while in 31% of cases this decision was made not by him.

Goodmatch or Badmatch

42 % of the entire sample is treated as goodmatch, 58% as badmatch. Of current CEOs 32% are a goodmatch to the company, while 68% are a bad match. Of previous CEOs 27% are a goodmatch to the company, while 73% are a bad match.

On average 10% of goodmatch current CEOs decided to quit and 10% were dismissed. 3 % of the goodmatch current CEOs were promoted, and 80% were working in company at the end of 2013.

Of goodmatch previous CEOs, 34% decided to quit, 49% were dismissed and 19% were promoted. Of badmatch previous CEOs, 32% decided to quit, 43% were dismissed and 25% were promoted.

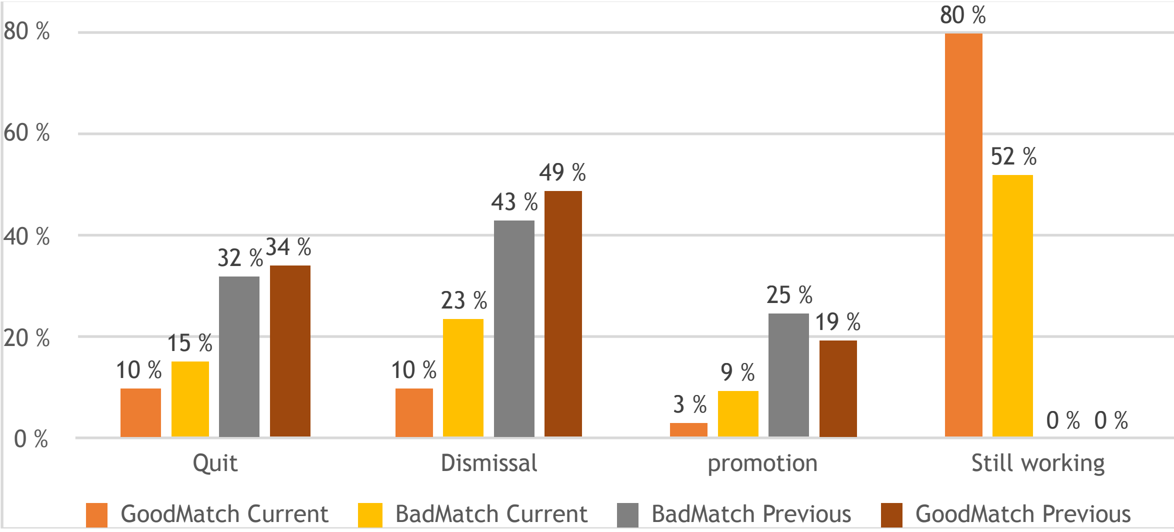


Figure 15 GoodMatch VS Badmatch by type of succession

It is worth noting that we can not consider badmatch Current and Previous CEO in negative aspect. On the contrary, this tells us that their performance were so good that the CEO was promoted.

Goodmatch vs Badmatch CEOs

Goodmatch current CEOs tend to be older and have shorter experience working in the company and longer industry experience before becoming a CEO, than badmatch current CEOs. Goodmatch current CEOs on average start their CEO tenure at 45 years old, while badmatch current CEOs start on average at 46years old. The average CEO experience before becoming the CEO of the current company for goodmatch current CEOs is a little bit shorter than badmatch has, but in average it is 3 years. Current good match has a higher present of CEO with MBA and correspondence their education with firm activity. Moreover, among current good match more CEOs have economical and law major in comparison with badmatch. The average number persons with academic degree is almost twice higher. However the opposite situation in term of education regarding previous CEOs. CEOs with additional education, MBA and scientific degree are more likely were badmatch. However, Goodmatch CEO also have less experience as CEO in comparison with badmatch.

To sum up we can conclude that Good match CEOs as rule are older than Bad match, have less experience as CEO, and their education should match firm activity.

CEO match types

This Descriptive statistics shows us that there are 36% of combination among Russian Companies where an insider CEO has replaced the predecessor who voluntarily left this post. It make this type of match the most popular.

The second place belongs to combination where an outsider CEO has replaced the predecessor who voluntarily left this post. 208 times or in 21% of cases this combination is watched.

The third and forth combination occur in the sample approximately the same number of times. In case of situation when an insider CEO has replaced a dismissed predecessor ,this value is 147 or 15% of the total sample. While the case of appointment of an outsider CEO instead of a dismissed ones occur 157 times or in 16% of total sample

Table 1 Descriptive statistics for CEO match types

	CEO match type			Other types		
	Name	%	Freq.	structure	%	Freq.
1	PQCI	36,53%	362	PQCO+PDCI+PDCO+NC	63,47%	629
2	PQCO	20,99%	208	PQCI +PDCI+PDCO+NC	79,01%	783
3	PDCI	14,83%	147	PQCI +PQCO +PDCO+NC	85,17%	844
4	PDCO	15,84%	157	PQCI +PQCO+PDCI+NC	84,16%	834
5	New comp (NC)	11,81%	117	PQCI +PQCO+PDCI+PDCO	88,19%	874

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Firm Performance

We calculated the Performance by the formula, which actually gives us the average performance deviation from the he average industrial significance. Due to the fact that the average industrial values were calculated on the basis of the same sample, it is logical that the average deviation will be zero.

$$Perf_t = \frac{(Perf_{it} - Perf_{ind\,t}) + (Perf_{i\,t-1} - Perf_{ind\,t-1})}{2}$$

Table 2 Descriptive statistics for performance

	N	mean	ST Dev	Min	Max
ROA	991	0,00	0,26	-2,6	1,5
ROE	991	0,00	2,05	-15,49	33,71
ST return	331	0,00	0,72	-8,68	2,42

The maximum average ROA deviation from the industrial was observed 1,5 while the minimum is -2,6. Note that the group of companies with the highest value of ROA deviation includes AO OMPK (the average for 7 years is 0,4) ARMADA(0,3); AO MOSTOTREST (0.39) RUSS-INVEST(0,32). At the same time group with the lowest value include GRUPPA CHERKIZOVO (-0.69), KUZBASSENERGO (-0,32), YAKUTSENERGO (-0,31).

In case of ROE the minimal value of deviation is -15,46, maximum – 33,71. Companies with the highest ROE deviation from industrial ones are VOLGOGRADENERGOSBYT, APTECHNAYA SET' 36, KSK, AVIAKOMPANIYA UTAIR ; firms with the lowest are MAGNIT, M.VIDEO, KUZBASSENERGO.

Regarding Stock returns, the maximum positive meanings for deviation is 2,49, and maximal negative value is -8,68. Companies with the highest average deviation are LENZOLOTO, TORGOVYI DOM TSUM, ARMADA; with the lowest average deviation - VOLGOGRADENERGOSBYT , DEC, KUZBASSENERGO.

Strategic Changes

Table 3 Descriptive statistics for Strategic Changes

N of observation	Mean	ST.Dev	Min	Max
991	1.479	1.061	1	0

A large part of the sample is made up of companies with the first or second level of strategic changes. In 35% of cases the companies have the 1 level, in 30% - the second level, in 13% -the 3 level, in 3% - the 4 level and only in 1 % of cases companies has the highest level. The fifth level of strategic changes in different years managed to be realized by the following companies: AVTOVAZ, KORPORATSIYA VSMPO, MOSTOTREST, NIZHNEKAMSKSHINA, RED OCTOBER CONF. , RUSPOLYMET

Table 4 obzervations distribution by the level of the strategic changes

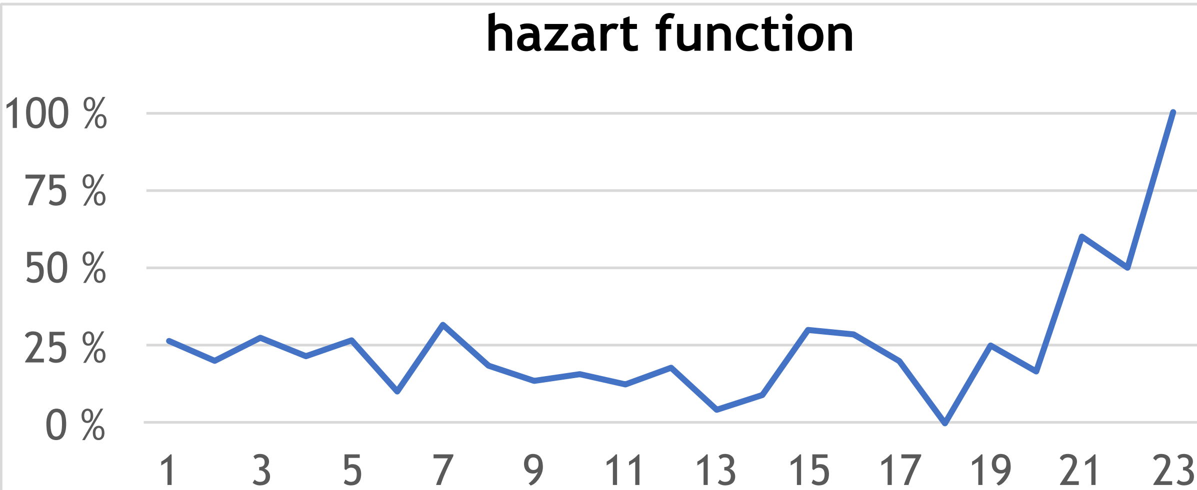
Level of the strategic changes	freq	%
1	348	35%
2	302	30%
3	124	13%
4	28	3%
5	7	1%

Hazard rate

We have already mentioned general succession statistics among Russian companies, however such indicator as Hazard rate gives us information about the total number of new CEO appointment cases. Thus, in 2007-2013 the new CEO was appointed 339 times, which is 34% of the total sample.

In connection with that, lets consider here additional hazard function, that represent probability that a newly CEO will stay in this firm during the t yearth, and after that he will decide to leave.

Figure 16 Hazard function (years of tenure)



According to match concept this function should increases and then decreases. There we do not see a significant changes in probability. Nevertheless, during the first 7 years every two years, the probability of leaving the position for the CEO is likely to increase. However, after seven years of CEO tenure in office, the probability of leaving this post for CEO is declining by year to year till tenure reaches a minimum of 13 years. Thus, the average cycle length in our case is 8 years.

4. Regression analysis results

First of all, we created a basic model (the first column) that characterizes the relationship between the dependent variables and the premature, describing the CEO characteristics in terms of match concept point of view. To test our hypotheses the different of combinations of matches were added to each basic model. As a result of testing the models, we came to the conclusion that the most preferable is the models with OLS regression.

The basic models describing ROE or ROA were recognized as statistically significant. At that time, the basic model for stock return has not show sufficient significance. This can be explained by the situation that has developed in the period under consideration. As we have mentioned before, many public companies in terms of the Russian the law did not actually trade on the stock exchange, that lead to is impossible of determination of stock return. More than half of our data includes missing values of stock returns. Moreover, the situation with the merger of the two Russian exchanges in 2011 is added to this problem.it is lead to the revaluation of the market value of the companies and stock returns has changed significantly. On the basis of the foregoing, consideration of models, explaining the stock returns is irrelevant.

Table 5 Regression analysis (ROA)

	Model 1.1	Model 1.2	Model 1.3	Model 1.4	Model 1.5	Model 1.6
Constant	-0.278*	-0.315 **	-0.317 **	-0.278 *	-0.164	-0.133
PQCI		0.117				
PQCO			0.226			
PDCI				0.006		
PDCO					-0.495 **	
goodmatch						-0.277 *
Prior performance	0.363 ***	0.362 ***	0.364***	0.363***	0.363 ***	0.362 ***
HR	0.279 *	0.286 *	0.279 *	0.281 *	0.302 *	0.1621
Strategic Changes	0.133 *	0.128 *	0.12715 *	0.132*	0.124*	0.147**
R^2	0.141	0.142	0.1426	0.1414	0.145	0.144
P value	0,0000000	0,0000000	0,0000000	0,0000000	0,0000000	0,0000000
N	991	991	991	991	991	991

All the models dealing with ROA presented in Table 3 and they are statistically significant. In the 2-4 models, all variables of the basic model are significant. In model №5 Hazard rate is considered as insignificant, in comparison with the basis ones.

Table 6 Regression analysis (ROE)

	Model 2.1	Model 2.2	Model 2.3	Model 2.4	Model 2.5	Model 2.6
Constant	-0.089 (-0.10029)	-0.049	-0.102	-0.119	-0.154 *	0.042
PQCI		-0.167*				
PQCO			0.011			
PDCI				0.113		
PDCO					0.221*	
goodmatch						-0. 155 *
Prior performance	0.595 *** (0.595)	0. 593 ***	0.595***	0.595***	0.595***	0.595***
HR	-0.022 (-)	-	-	-	-	-
Strategic Changes	0.107 *** (0.108***)	0.115***	0.108 ***	0.109***	0.121***	0.117***
R^2	0.576 (0.576)	0.577	0.576	0.576	0.577	0.577
P value	0,0000000	0,0000000	0,0000000	0,0000000	0,0000000	0,0000000
N	991	991	991	991	991	991

It should be noted that in the case of ROE as dependent variable, Hazard rate is an insignificant variable in the basic model, and therefore it was deleted for model optimization. Other control variables show height level of significance (1%) in all other specifications dealing with ROE. Moreover, in average 58% of response variable ***variation*** that is ***explained*** by our models.

Strategic Changes

In all models, we see a we strategic changes influence on performance. It is natural, since the aim of any strategic changes is improvement the company performance. Even though strategic changes are focused mainly on a long-term perspective, the first results can be seen early. It is confirmed by the relatively low coefficients of this variable.\

HR

The HR control variable indicates that the CEO replacement event. The regression analysis shows that companies, where succession event has happened shows a better performance in comparison with the firm, where CEO has not changes.. Such relationship was presented in 1-5 models. It can be explained by main assumption of Goodmatch concept that CEO and firm decide to separate their ways, when they understand their mismatch by poor firm performance. The next CEO should be more suitable for the firm than the previous ones, that is why the firm performance should be better in comparison with previous one. However, in ROE cases we cannot find any differences in performance among Russian firms in terms of existence or not of succession events.

PQCO and PDCI

PQCO variable as well as PDCI are statistically insignificant in all specifications, where they are presented. It means that there are no any differences in firm performance between there types of match and other combination together . So In other words, as results of our research we are not allow us to accept or reject the hypothesis № 2 (models 1.3 and 2.3) as well as hypothesis №3(models 1.4 and 2.4).

Among the variables that characterize CEO match types, the variables PQCI in 2.2 model, PDCO in 1.5 and 2.5 models, goodmatch in 1.6 and 2.6 models are statistically significant.

Lets consider them in more detail.

PQCI

The firms where Replacement CEO who voluntarily left this post by New insider CEO demonstrates worse performance, expressed in ROE, than the company with other types of CEO match types together. It means that we need to accept the first Hypothesis. This result is logical enough, since the replacement by an insider who voluntarily left the CEO means, as a rule, the transfer of power to one of the top managers. In this case, the company's policy and tactics should not change, it will simply continue the line of behavior of the previous CEO., since the new CEO worked under command of previous ones and shared his vision. However, a negative influence is inevitable, since within the framework of the match theory this would mean that a more suitable person (the new CEO) could take this position earlier (model2.2). As result we reject the first hypothesis. At the same time, we can not accept or reject the hypothesis of the impact of this category on performance expressed in ROA in comparison with other possible combination (model1.2)

PDCO

In case of the appointment of an outsider CEO instead of a dismissed one there are difference in outcomes of the firm with such combination in comparison with other types (PQCI +PQCO +PDCI+NC). however, the direction of the differences is contradictory. In case of financial performance expressed in ROA we can see that companies with this match type of CEO present poorer performance in comparison with other types together (PQCI +PQCO +PDCI+NC) (model1.5). At the same time the same category of the organizations shows the better outcomes, expressed in ROE, as opposed to other combination together (PQCI +PQCO +PDCI+NC) (model2.5). Taking into consideration the fact that the ROA and ROE have the same numerator, then the different direction of communication is explained only by the denominator. In other words, according to formulas ROE=ROA*financial leverage and Total assets=equity + liabilities, difference in signs can be explained by increasing amount the borrowed capital in Companies where Outsider CEO, who replaced dismissed predecessor. Thus, we can not reject the 4 hypothetic dealing with ROE an we reject the 4 hypothetic dealing with ROA.

Goodmatch

Both models containing a Goodmatch variable present us that he firms with Goodmatch CEO demonstrates a worse performance, than the firms with badmatch. Thus, we can conclude that the decision on the termination of the CEO's duties is mainly made not on the basis of financial indicators but due to other factors. In connection with that we reject hypothesis № 5.

The summary of our result present in the following table

Table 7 Result of the Hypothesis testing

№	Hypothesis	performance	Can not reject	reject
1	Russian Companies where an insider CEO has replaced the predecessor who voluntarily left this post demonstrates better performance compare to firms with other types of succession.	ROA	-	-
		ROE		✓
2	Russian Companies where an outsider CEO has replaced the predecessor who voluntarily left this post demonstrates worse performance compare to firms with other types of succession.	ROA	-	-
		ROE	-	
3	Russian Companies where an insider CEO has replaced a dismissed predecessor demonstrates worse performance compare to firms with other types of succession	ROA	-	-
		ROE	-	
4	Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates better performance compare to firms with other types of succession	ROA		✓
		ROE	✓	
5	Russian Companies with GoodMatch CEO demonstrates better performance compare to firms with BadMatch CEO.	ROA		✓
		ROE		✓

5. Result and their managerial application

A detailed discussion of the results of the study was presented in the section with descriptive statistics and regression analysis. In this part, we give some excerpts that seemed most interesting to us, and also try to give recommendations for the application of these results.

As a result of the study, we obtained the following finding:

- Russian chief executives are considered as one of the youngest in the world (48 years old). This indicates the desire of the owners to create conditions for the involvement the innovations in the company. Also it could mean the existence of the conditions for faster career advancement in Russia, compared to other countries.

- The overwhelming majority of senior managers are men. There is exist a "ceiling" for female employee. At the Same time, there is no any domination of Women CEO in any sector of Russian economy.
- Almost 2% of CEOs did not have at least one higher education. Only a very limited circle of people managed to achieve success thanks only to their skills. Thus, the practice of corporate governance suggests the need for at least one major to be able to be considered for the CEO post.
- 15% of CEOs have an MBA. The total absence of the CEO with MBA degree in coal industry. Educationis (particularry MBA) considered as one of the criteria of the CEO competitiveness. However, the additional research have showed that companies in which the CEO who has an MBA, shows better performance than firms where CEO does not have the MBA degree.
- The share of general directors with technical education is 68%, the second place belongs to economic education, which indicates the need for a leader to achieve goals and solve stated problems of developed logical thinking, ability to analyze and establish causal relations
- In average CEOs remain in their positions during three years, which agrees with the match theory. Nevertheless, 30% of CEO left the company one year since they were hired.
- Actually the average industrial experience before becoming CEO was 11 years, but in the sample it can achieve 41 years. Industrial experience is considered as a significant factor for the retention of the post for a longer tenure.
- Due to unsatisfactory results, only 5% of the CEO was fired. which means ignoring the financial results when making a decision to extend contracts with the CEO, as well as the reluctance of the company to disclose the true reason for the dismissal.
- The reason for quit in most cases was the job offer from other companies (56%), which can mean understanding by CEO of his mismatch with the firm, and his desire to realize his potential elsewhere.
- A criminal case was filed against the CEO in 8% of cases . This means weak corporate governance. Unfortunately, the CEO in Russia still want to get around the law to please their interests.

- Russian Companies where an insider CEO has replaced the predecessor who voluntarily left this post demonstrates worse performance (expressed in ROE) compare to firms with other types of succession.
- Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates better return on equity compare to firms with other types of succession
- Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates worse return on assets compare to firms with other types of succession
- Russian Companies with Good Match CEO demonstrates worse performance compare to firms with Bad Match CEO.. Thus, the match theory is implemented in terms of tenure, but not in terms of the company performance

Using the findings, we can present the following conclusions and recommendations

First of all, it should be noted that the board of directors should make decisions based on financial results. We came to this conclusion, since companies with well-match CEOs have worse performance than the firms with badmatch CEO. In other words, our study showed that it is not relevant for Board of Directors to extend contracts for a second term.

In cases where the company has dismissed the director, it should prefer an outsider candidate. Although this can have a negative impact on ROA, from an investor's point of view, whose interests are partially reflected by ROE, it is more favorable. Moreover, we also found out that in case of appointment of an insider to a post voluntarily left by the previous CEO, the performance in the form of ROE may decrease. What does it mean? It means that companies should not promote insider candidate for CEO position. This person is somehow already part of the organization, used to the environment around him and is not able to introduce cardinal prejudices in the firm's activities. Thanks to our finding regarding influence the level of strategic changes on performance , CEO should introduce his changes ore trying to achieve a higher level of the strategic chances.

Regarding the main CEO characteristics we can conclude that Goodmatch current CEOs tend to be older and have shorter experience working in the company and longer industry experience before becoming a CEO, than badmatch current CEOs. Moreover, their education should match firm activity and preferable to have MBA. Nevertheless, tehe statistics show that about 50% of CEOs, which were considered as goodmatch, were eventually dismissed.

In other words, we can provide the following recommendation.

To company (goal: better performance).

- To make decisions on dismissal based on financial indicators;
- Do not extend contracts with the current CEO (one term);
- Looking for a new CEO among outsiders;
- Prefer CEO with industrial experience.
- The match between education and firm activity does not matter.
- Do not be afraid to say goodbye to the CEO early than three years.
- Don’t invest in education of top management

To potential or current CEO (goal: get an appointment or increase tenure as CEO)

- Start a career in the company you want to lead in the future, do not pay attention to other companies in this industry
- Invest in education (MBA and other degrees)
- Organize the correspondence between education and the company's field of activity.

Certainly, if the candidate's goal is to be an effective CEO, he must take into account both parts of the recommendations

Conclusion

In this paper, a study was made of the a relationship between CEO characteristics and company performance in Russia

The main goal of the research was achieved - we established and to studied a relationship between CEO characteristics and company performance In Russia in terms of CEO-FIRM match, also we have provided a qualitative analysis by fulfilling all the task. Namely we have defined the range of CEO rights and duties in Russian companies in the context of Russian legislation, we have provided the literature review about the theoretical basis of the relationship between the CEO characteristics and firm performance, as well as CEO-FIRM match concept, we have introduced the empirical analysis of the relationship among the characteristics of CEO, CEO-Company match, and firm performance as well as we have analyzed the obtained results of the study were analyzed, the conclusions were summarized and practical recommendations were given on their basis.

Thus, this study succeeded in establishing, that:

- It is preferable to look for an outsider CEO with significant industrial experience, and major of education or scientific degrees should not be a primary criterion when choosing a candidate.
- Russian Companies with Good Match CEO demonstrates worse performance compare to firms with Bad Match CEO The results of this study can be used in practice;
- Russian Companies where an insider CEO has replaced the predecessor who voluntarily resigned demonstrates worse performance(expressed in ROE) compare to firms with other types of succession;
- Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates better return on equity compare to firms with other types of succession;
- Russian Companies where an outsider CEO has replaced a dismissed predecessor demonstrates worse return on assets compare to firms with other types of succession.

The presented research can be interesting both from the theoretical and from the practical point of view.

From the theoretical point of view, we tried to present relationship between CEO characteristics and company performance In Russia in terms of match theory. From a practical point of view, we have submitted recommendations for both owners of companies (boards of directors), and for the CEO himself or candidates for this position. These recommendations differ in their essence, since the company and the CEO have different purposes (agency problem).

Also, the presented research can be interesting for the audience, as it presented a portrait of a typical CEO.

In conclusion, it should be noted that this study has some limitations. Firstly, because of the lack of open access information and the nature of data collection (hand-collected data), the sample only covers 8 years, which does not allow for make a conclusion about the long-term perspective.

Secondly, we can improve the selection criteria for GOOD MATCH CEO, which in our case is determined by tenure.

Thirdly, due to the fact that all companies are public, announcements about the dismissal of the CEO may affect the value of shares. Therefore, companies prefer not to disclose the true reason for dismissals. In this connection, information on the type of dismissal of previous CEO may not reflect the essence of the solution behind it.

It should be noted that the listed restrictions (except the last one) can be perceived as further directions of research in this field.

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