

Top Executive Turnover in Japanese Non-listed Firms: Causes and Consequences¹

Ichiro Uesugi² Yukiko Saito³

3/14/2009

Abstract

We examine the pattern of top executive turnover among small non-listed businesses in Japan using a unique panel data set of about 25,000 firms for 2001-2007 and find the following. First, the likelihood of a change in top executive among non-listed firms is independent of their ex-ante performance, especially when the firms are owned by the top executives themselves or by their relatives. Second, non-listed firms which experienced a top executive turnover saw an improvement in ex-post performance relative to firms without turnover. The extent of the improvement is similar between non-listed firms and listed firms. All of the above results indicate that underperforming non-listed firms do not face disciplinary pressure to replace their executive, but that once new top executives are in place, they exert high managerial effort and thus significantly improve their firm's profitability.

¹ Excellent research assistance was provided by Yugo Shinozuka. We are also grateful for the permission to use the firm-level database maintained by the Research Institute of Economy, Trade and Industry (RIETI).

² Institute of Economic Research, Hitotsubashi University; Email: iuesugi@ier.hit-u.ac.jp

³ Institute of Economic Research, Hitotsubashi University and Fujitsu Research Institute