VARIABILITAS RETURN SAHAM DI SEKITAR PENGUMUMAN PERGANTIAN CHIEF EXECUTIVE OFFICER

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ABSTRACT

The research aims at examining market reaction to CEO turnover announcements. The samples of the research consist of 59 CEO turnover announcements during 1992-2003 periods. The author use security returns variance to examine information content of CEO turnover announcement. Friedman and Singh (1989) argue that contextual factors moderating the market reaction to the CEO turnover announcements. Therefore the author considering two factors: the succession process and the origin of incoming CEO. The author divide sample based on the succession process: routine and non-routine, and the origin of incoming CEO: inside and outside firm. In the analyses process we observe market reaction to: (1) all sample of CEO turnover announcement, (2) routine CEO turnover, (3) non-routine CEO turnover, (4) inside CEO turnover, (5) outside CEO turnover, (6) routine inside CEO turnover, (7) routine outside CEO turnover, (8) non-routine inside turnover, (9) non-routine outside turnover. The results from security return variance test shows that there are indifference variance returns to all sample, routine turnover, nonroutine turnover, inside CEO, outside CEO. When the author combines the contextual factor, he find market also does not react to: (1) non-routine process turnover and incoming CEO come from inside and (2) routine process turnover and incoming CEO comes from outside. But, there are information content from: (1) routine process turnover and incoming CEO comes from inside and (2) non-routine process turnover and incoming CEO comes from outside. These result shows that market react to smooth process succession (routine inside CEO turnover) because it can reduce uncertainty and incoming CEO tend to follow previous CEO strategy. If succession process is non-routine market prefer to candidate from outside because he will bring a different strategy.

Keywords: CEO turnover, inside and outside CEO, routine, nonroutine