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Abstract: As China's capital market matures, any event that occurs in an enterprise may have an impact on the stock price of a listed company. When a company changes its executives, it usually brings different degrees of fluctuations in the company's stock price. Generally speaking, the background characteristics of the executive's educat*ion, age, and social relations will contain a certain amount of information, and according to relevant information, the stock price can be impacted. This study will use event analysis method which obtain a three-day period before and after the occurrence of executive change to study whether the background characteristics of the previous and next executives of the company's executive turnover affect the degree of stock price changes. This article focuses on companies listed on the China Growth Enterprises Market, because the volatility of such companies' stock price fluctuations for executives will be more significant.

Keywords: executive turnover, background characteristics, stock price, difference of characteristics

1. INTRODUCTION

In recent years, with the continuous improvement of China's capital market, the content of corporate governance has received more and more attention from scholars at home and abroad. As an important decision-maker of the company's business activities, executives manage the company's affairs and represent the company's image, so the characteristics, words and deeds will receive public attention. Executives represent the company's image. The public will evaluate the company based on the judgment of the company's executives, and choose whether to hold the company's stock, which in turn affects the company's stock price. Executives' age, gender, education, and work experience also play an important role in corporate governance. The differences in the background characteristics of executives lead to different behaviors, which indirectly affect the company's business activities. When a company executive change occurs, it will inevitably bring about certain changes to the company's governance system and value. When the executive change is released, it will send a message to the market about the company's value and possible future direction. Based on their own judgments on the company's information, the shareholders' meeting chooses whether to continue to hold shares, which in turn leads to different levels of fluctuations in the stock price. And for startups, which rely heavily on the guidance of executives or general managers and the chairman, as well as the resources provided. Therefore, for companies in the Growth Enterprises Market(GEM), executives have a decisive influence on the development and operation of their companies. So when a startup has a change in executives, it will have a more significant impact on the company than the average company.

Much of the previous research was about the impact of executive background characteristics on company performance. However, there is not much research on the relationship between the background characteristics of executives and the company's market value. Most research is about the background characteristics of executives and the impact of company operations. This study in this paper go to find how investors evaluate the background characteristics of executives in the context of executive changes from a market perspective, and

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how to look at the direction of the company's market value by assessing the company's background characteristics. This paper will focus on the impact of differences in the background characteristics of succession and resignation executives on the company's stock price volatility to determine the extent of the impact of executive background characteristics.

The development of China's stock market has experienced a period from initial creation to maturity. Previous studies have shown that executive change can cause a relatively strong market reaction, but there are few studies on executive change events of China's Growth Enterprise Market. We are the first to study the change of executives on the China Growth Enterprise Market. In addition, we use the event research method, and the professional background is also the focus of attention in recent years. At the same time, it is also beneficial for investors to make their own judgments on the stock price movements of the administrative change company. This article will also enrich relevant theoretical research on the impact of executive background on company value.

2. LITERATURE REVIEW

The “upper echelon theory” is a theory proposed by Hambrick and Mason (1984) about managers' influence on corporate behavior[1]. According to the theory, due to the complexity of internal and external environments, managers cannot fully understand all aspects of knowledge and management. The traits of the people will influence their strategic choices, which in turn will affect the behavior of the company. Due to the different characteristics and background characteristics of senior managers, they often bring different strategic choices to the company. The upper echelon theory is the most important theoretical basis for the study of managerial behavior and corporate governance. The theory can be applied to various researches on managerial characteristics and is one of the most widely used theories in the field to date.

The main purpose of “the principal-agent theory” is that in the production and operation process of modern enterprises, it should be the separation of ownership and management rights. The owner of the enterprise should retain the remaining ownership and transfer the management rights. That is to say, the enterprise should be managed by the special management personnel for the daily affairs of the enterprise, and the shareholders only participate in the dividend income of the enterprise. The theory was proposed by American economists Berle and Means in the 1930s and is the logical starting point for modern corporate governance. And from this theory, Jensen and Meckling (1976) proposed the famous "agent theory": there is a contractual relationship in the corporate governance system, which is signed by the company's shareholders and the company's management.

The research on executive turnover is not particularly early, but it is gradually maturing. Foster(1986) argues that CEO turnover contain useful information[2]. This implies that capital market will react to the release of announcements. Later, some people found that executive turnover has a positive market reaction, while some people think that have no clear market response. Monica (2005) argue that investors will judge companies based on their background characteristics, which in turn will influence investment decisions. This view also supports the influence of the background characteristics of executives on the company's stock price. Bhagat(2010) has studied the relationship between executive education and company performance[3].Simsek(2007)think that age of executives affects the company's business activities[4]. Huang Jicheng(2013) argue that the background characteristics of executives have a strong information content[5].When the executive changes, the stock price will have different degrees of fluctuation according to the different characteristics of the executive

3. HYPOTHESES DEVELOPMENT

According to existing research, the background characteristics of executives have a significant impact on company value. According to previous research, the background characteristics that affect the value of the company usually include the gender, age, education, social relations, and professional experience of the executive. This article is mainly to study whether the difference between these characteristics in the change of executives will affect the fluctuation of stock prices. Selecting the executive change event as the research object can overcome the potential endogeneity between the background characteristics of the executive and the company value to some extent. Therefore, based on the existing research results and theoretical basis, the following assumptions are made:

H1: The greater the difference in age between successor and outgoing executives, the more positive the market response will be.

H2: The greater the difference in academic qualifications between successors and outgoing executives, the more positive the market response will be.

H3: The greater the difference in the professional background between the successor and the outgoing executive, the more positive the market reaction will be.

4. DATA AND RESEARCH METHODOLOGY

4.1 Research methodology

This study will use the event analysis method to study the impact of the occurrence of the event on the organizational value during the selected window period. This study is mainly to study whether the market can respond quickly after the release of the executive change date, and to explore the extent to which the market reacts, because for GEM companies, the market reaction at this time is largely dependent. Made by the background characteristics of the executives, and because the change of the chairman and CEO is usually only a big impact on the company for the startup, the executives in the executive turnover only refer to the chairman and CEO. This study selects the announcement date of the release of executive change as the base point, pushes forward and backward for 3 days, for a total of 7 days as the event window, and uses event analysis to analyze the stock price changes of the company that has experienced the change of the executive.

4.2 Data

In the data sample of this paper, the financial data, stock data, executive change, and corporate governance related data of the GEM listed companies are all derived from the CSMAR database. The data about some of the missing data was collected manually by the author. The publication of other related announcements was collected by the author on the official website of the listed company or on the financial website. If the background of the executive is missing, the author searches for the relevant executive name from the search engine.

This study will select the executive change event from the companies listed on China's Growth Enterprise Market from 2013 to 2017 as a sample, and then remove the data obtained. The first thing to do is to exclude companies with financial samples, because the price fluctuations of financial companies are more complicated and are not within the scope of the study. Secondly, it is necessary to eliminate the sample data of other announcements or major events during the window period in which the re-announcement occurs. Such data has strong noise for the research in this paper; it is also necessary to eliminate obvious abnormal values and samples with serious data missing. The last remaining party is the sample data that can be studied later. As the data collation and culling work is still in progress, it is not yet possible to determine the last remaining valid sample data, so the results of the specific data analysis are temporarily unavailable. The estimated sample size is approximately 300.

This article will use SPSS and STATA software to analyze the sample data.

5. RESEARCH DESIGHN

5.1 Variable interpretation.

The market reaction triggered by the change of executives is the dependent variable. Drawing on the ideas of calculating excess returns by Ball and Brown (1968) and Yang Qingxiang (2012), this paper describes the market reaction after the occurrence of executive changes by introducing a surrogate variable[6], cumulative excess return. The greater the absolute value of the cumulative excess return (indicated by the symbol CAR_{33}), the stronger the market reaction. The steps to calculate CAR_{33} are as follows:

(1) Calculate the actual rate of return: (1) where $R_{i,m}$ represents the actual rate of return of the i-th enterprise at the closing of the m-th trading day, and $P_{i,m}$ represents the closing price of the company i on the m trading day.

$$R_{i,m} = (p_{i,m} - p_{i,m-1}) \div p_{i,m-1} \qquad (1)$$

(2) Estimated expected rate of return: The estimated rate of return is estimated using the market index model. In equation (2), $R_{j,m}$ represents the expected rate of return of the i-th enterprise at the close of the m-th trading day, and $p_{j,m}$ denotes i The closing index of the company on m-th trading day.

$$R_{j,m} = (p_{j,m} - p_{j,m-1}) \div p_{j,m-1} \qquad (2)$$

(3) Calculating the excess return rate: The excess return rate $AR_{i,m}$ is the difference between the actual rate of return $P_{i,m}$ of the enterprise on the same trading day and the expected rate of return $P_{j,m}$.

$$AR_{i,m} = R_{i,m} - R_{j,m} \qquad (3)$$

(4) Calculating the cumulative excess return rate: based on the announcement release date, each of the three trading days is forwarded as an event window. In the formula (4), $CAR_{(m1,\ m2)}$ indicates that Cumulative excess return of the i-th enterprise in [m1, m2].

$$\mathrm{CAR}_{(m1,m2)} = \sum_{m1}^{m2} AR_{i,m}\,, [m_1, m_2] \in [-3,3] \qquad (4)$$

This paper will select the age difference, academic difference, and professional background difference between successor and outgoing executives as independent variables. Drawing on existing research, the background differences of executives are fully considered. Although gender differences are also an important feature of the background characteristics, it is not uncommon for women to be the chairman and CEO, and the likelihood of gender differences between successor and outgoing executives is not very high and there is not enough data. To support the research, this feature difference is not studied for the time being. The specific description of each variable is shown in Table 1.

Table 1: Table of Variable

Variable	Explanation
Age1	The age of previous executive
Edu1	The education of previous executive, high school and below assignment 1, college assignment 2, undergraduate assignment 3, master assignment 4, doctor assignment 5
Exp1	The experience of previous executive，Without the experience of senior management, the assignment is 0. If there are n times executives experience, the assignment is n.
Age2	The age of next executive
Edu2	The education of next executive, high school and below assignment 1, college assignment 2, undergraduate assignment 3, master assignment 4, doctor assignment 5
Exp2	The experience of next executive，Without the experience of senior management, the

Variable	Explanation
	assignment is 0. If there are n times executives experience, the assignment is n.
ΔAge	The age difference of previous and next executives
ΔEdu	The education difference of previous and next executives
ΔExp	The career experience difference of previous and next executives
CAR	The difference between the actual difference yield and the expected difference yield in the window date
ES	Company size :The logarithm of the company's total assets
ROA	Total Assets Net Profit Margin: The ratio of the company's net profit to total assets
OD	Independent Directors :Percentage of Independent Directors in the Executive Team

5.2 Research design

The research questions and hypotheses proposed in this paper are the authors who have read more than 50 related documents and have obtained reliability in the review of some classic theories and books. The relevant data involved in the paper need to be sorted out, and the data of more than 300 companies on the GEM will be collated and eliminated in the past five years, and the stock price, executive change information, and basic information of executives will be obtained. In order to get the arguments and dependent variables needed for this study, it is vital to organize the above information. This study will firstly perform descriptive statistical analysis on the sample that has been screened, showing the mean (Mean), variance (SD), maximum (Max), and minimum (Min) of the independent and dependent variables, respectively. The multiple regression linear model tests the sample data:

$$\mathrm{CAR}_{(3,3)} = \alpha_0 + \alpha_1 \times \Delta Age + \alpha_2 \times \Delta Edu + \alpha_3 \times \Delta Epx + \alpha_4 \times \mathrm{ES} + \alpha_5 \times \mathrm{ROA} + \alpha_6 \times \mathrm{OD} + \varepsilon$$

After descriptive statistical analysis, correlation analysis of data independent variables is also required to ensure that there is no strong correlation between independent variables; then multiple regression analysis is performed to obtain corresponding results, and finally a robustness test is performed to ensure accuracy of results.

6. CONCLUSIONS

The hypothesis of the research problem is that the author has read more than 50 related documents, and has obtained reliability in the review of some classic theories and books. The relevant data involved in the paper need to be sorted out, and the data of more than 300 companies on the GEM will be collated and eliminated in the past five years, and the stock price, executive change information, and basic information of executives will be obtained. In order to get the arguments and dependent variables needed for this study.

This study focuses on the relationship between the characteristics of predecessor and successor executives and market response in the event of executive change. According to the existing research, it is Speculated they should have a certain correlation, and as China's capital market matures, the relationship should be more significant. However, the relevant data of this study has not been completed, and the study has yet to be completed.

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