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# Impact of CEO turnover on analyst earnings forecasts: A communication disruption perspective

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ABSTRACT

This study examines how CEO turnover affects analyst earnings forecasts in Chinese A-share listed firms, focusing on communication disruptions in China's evolving disclosure environment. Using a difference-in-differences approach, external CEO succession is found to significantly increase forecast errors and optimism due to increased information asymmetry, whereas internal succession causes less disruption. Prior analyst coverage of the new CEO's former firm mitigates these effects, enhancing accuracy and reducing bias. Over time, analysts revise optimistic forecasts toward greater accuracy. These findings emphasize the CEO's role in information disclosure and offer guidance for enhancing communication during leadership transitions.

## 1. Introduction

High-quality corporate disclosure is essential for capital market efficiency and informed investor decision-making (Akerlof, 1978). Chief executive officers (CEOs), as key decision-makers, shape the information environment through their interactions with stakeholders. Although extensive research in western markets has examined the CEO's role in disclosure (Soltes, 2014; Brown et al., 2015; Druz et al., 2020; Le et al., 2024; Twongirwe and Bakundana, 2025), this area remains underexplored in China, where board secretaries handle disclosures (Zhong et al., 2024). Recent enhanced governance and judicial oversight (Liu et al., 2025a; Sayyad et al., 2025) have expanded the CEO's responsibility in corporate communication. Earnings communication conferences and similar platforms now enable direct engagement with analysts and investors. Simultaneously, regulatory changes have made CEOs the primary disclosure agents, increasing their accountability. In China's context of high information asymmetry, understanding how CEOs shape information flows offers valuable insight into disclosure practices and evolving regulatory dynamics.

This study examines the CEO's disclosure role by assessing its effect on analysts, who rely on executive communication and corporate disclosures for earnings forecasts (Soltes, 2014; Brown et al., 2015). CEO–analyst communication often takes place through informal or private channels, complicating empirical analysis with omitted variables and endogeneity. To overcome this, CEO turnover is treated as a natural experiment that disrupts CEO–analyst communication. From an information economics standpoint, it introduces significant asymmetry, particularly when the outgoing CEO cuts off real-time insights. The incoming CEO, typically an outsider, may lack this context. This uncertainty frequently prompts analysts to issue overly optimistic forecasts as they attempt to build rapport with the new CEO. In contrast, internal successors tend to cause less disruption due to preexisting relationships with analysts. External successors often lead to greater forecast errors and optimistic biases. However, prior analyst exposure to the new CEO's former firm may ease this uncertainty.

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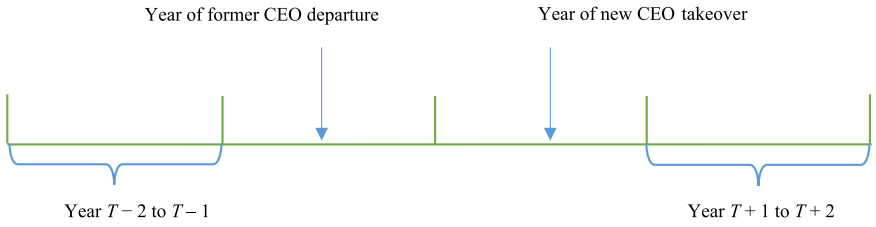


**Fig. 1.** Sample period selection, performed to examine changes in analyst earnings forecasts surrounding CEO turnover.

Using data from Chinese A-share listed firms between 2007 and 2019, a difference-in-differences (DiD) approach is applied to examine how CEO turnover affects analyst earnings forecasts. Results show that external succession significantly increases forecast errors and optimism. However, when analysts have previously covered the CEO's former firm, accuracy improves and optimism declines. Analysts issuing optimistic forecasts initially tend to correct toward greater accuracy over time, adapting to the new environment. Notably, analysts known for high forecast accuracy tend to lose their edge after turnover. These results are robust across subsample analyses, instrumental variable (IV) tests, propensity score matching (PSM), and controls for earnings management, investment, and disclosure behavior.

This study expands the literature on how managerial communication influences analyst forecasts by examining CEO turnover disruptions. Unlike prior studies that focus on specific channels (e.g., Solomon and Soltes, 2015; Soltes, 2014; Kirk and Markov, 2016; Druz et al., 2020; Du et al., 2024) or other executives (e.g., Cheng et al., 2016; Xing et al., 2019), this paper evaluates how breaks in CEO–analyst communication affect forecast accuracy, distinguishing between internal and external succession. It adds to CEO turnover literature by shifting focus from firm performance and strategy (e.g., Murphy and Zimmerman, 1993; Weisbach, 1995; Cheng et al., 2021; Liu et al., 2023b; Salvi et al., 2024; Wang et al., 2024; Yu et al., 2024) to analyst communication. Although Choi et al. (2014) examined forced turnovers, their focus was on operational changes using a different method. This study shows that effective communication during transitions can reduce forecast errors, offering a more refined understanding of turnover's impact on information flows in emerging markets.

The remainder of the paper is organized as follows: Section 2 presents the hypotheses, Section 3 details the research design, Section 4 reports the empirical results, and Section 5 concludes.

## 2. Hypothesis development

CEO turnover is a pivotal event that disrupts internal operations and external relationships. New CEOs often initiate strategic changes (e.g., shifts in capital expenditures, research and development, corporate social responsibility practices, and organizational structures) that affect firm performance and stakeholder perceptions in broader regulatory and financial contexts (Denis and Denis, 1995; Wiersema, 1995; Wang et al., 2024; Yu et al., 2024; Liu et al., 2025b). These changes reverberate through the information environment, influencing analysts' ability to access and interpret key information. Adopting an information economics perspective, this study explores how CEO turnover disrupts communication with analysts, creating information asymmetry that affects forecast errors and optimistic bias.

From an information economics viewpoint, CEOs are key channels of firm-specific information, communicating through public forums (e.g., conference calls) and private exchanges (e.g., one-on-one meetings; Bowen et al., 2002; Soltes, 2014; Brown et al., 2015; Du et al., 2024). Such communication reduces information asymmetry, allowing analysts to issue more accurate forecasts based on detailed operational and strategic insights. CEO turnover interrupts this flow, producing uncertainty similar to forecasting with incomplete information (Polat et al., 2025). The departure of a CEO cuts off real-time access to institutional knowledge, whereas a newly appointed CEO may initially lack the historical or firm-specific context to bridge the gap effectively. This asymmetry often prompts analysts to issue overly optimistic forecasts as they cope with uncertainty and attempt to build rapport with the new CEO (Francis and Philbrick, 1993; Chen and Matsumoto, 2006).

The degree of disruption depends on the type of succession. Internal successors, typically promoted from within, tend to maintain existing communication channels with analysts, providing continuity that limits forecast errors and reduces optimism. In contrast, external successors, lacking firm-specific experience and prior analyst relationships, exacerbate uncertainty. Analysts must rely on incomplete or outdated data, increasing forecast errors and optimism, particularly early in the CEO's tenure. Based on this reasoning, we reach the following hypothesis.

H1: External CEO succession results in larger forecast errors and more optimistic forecasts than internal succession.

## 3. Research design

### 3.1. Sample selection

To test **H1**, this study leverages analyst, CEO turnover, and financial data from the CSMAR database (2007–2019). The treatment group consists of firms where both outgoing and incoming CEOs served for at least two full fiscal years—before and after turnover—enabling the study of analyst forecast changes from two years before ($T-2$ to $T-1$) to two years after ($T+1$ to $T+2$) the

**Table 1**
Descriptive statistics.

| Variables | (1) N | (2) Mean | (3) SD | (4) P25 | (5) Median | (6) P75 |
|---|---|---|---|---|---|---|
| *Error* | 39,854 | 0.576 | 1.242 | 0.063 | 0.169 | 0.518 |
| *Optimism* | 39,854 | 0.502 | 1.241 | −0.010 | 0.119 | 0.492 |
| *Turnover* | 39,854 | 0.538 | 0.499 | 0.000 | 1.000 | 1.000 |
| *Post* | 39,854 | 0.580 | 0.494 | 0.000 | 1.000 | 1.000 |
| *External* | 39,854 | 0.083 | 0.276 | 0.000 | 0.000 | 0.000 |
| *Size* | 39,854 | 22.31 | 1.226 | 21.44 | 22.11 | 22.95 |
| *ROA* | 39,854 | 0.106 | 0.087 | 0.046 | 0.086 | 0.143 |
| *Leverage* | 39,854 | 0.386 | 0.199 | 0.228 | 0.380 | 0.539 |
| *#Analyst* | 39,854 | 3.564 | 0.548 | 3.219 | 3.611 | 3.970 |
| *BrokerageSize* | 39,854 | 2.983 | 0.889 | 2.565 | 3.045 | 3.638 |
| *NumIndustry* | 39,854 | 2.803 | 1.297 | 1.609 | 3.367 | 3.951 |
| *NumFirm* | 39,854 | 4.327 | 1.691 | 2.833 | 4.771 | 5.778 |
| *Firm_Exp* | 39,854 | 0.495 | 0.617 | 0.000 | 0.000 | 0.693 |
| *Career_Exp* | 39,854 | 1.546 | 0.753 | 1.099 | 1.792 | 2.079 |
| *Horizon* | 39,854 | 247.5 | 100.3 | 160 | 229 | 346 |
| *Num_Forecast* | 39,854 | 5.001 | 1.895 | 3.434 | 5.434 | 6.564 |

*Notes*: This table provides descriptive statistics for the key regression variables across the sample period of 2007–2019. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles.

appointment. Interim CEOs and partial-year turnovers not aligned with fiscal years are excluded for accuracy (see Fig. 1).

Control firms are matched 1:1 with treatment firms by the outgoing CEO's departure year, China Securities Regulatory Commission (CSRC) industry classification, and the natural logarithm of book assets. For control firms, the matched year is designated as the pseudo-turnover year, $T$, during which no actual CEO change occurs. The analysis spans two years before and after this pseudo-event ($T-2$ to $T-1$ and $T+1$ to $T+2$).

The latest individual analyst earnings forecast issued before fiscal year-end is used. However, forecasts released after year-end, firms covered by fewer than three analysts, financial firms, and those under "ST" status are excluded. The final sample includes 39,854 analyst–firm-year observations.

### 3.2. Model specification

To test **H1**, a DiD approach was adopted with the following model:

$$\begin{aligned} Y_{ijt} = {} & \beta_1 Turnover_j + \beta_2 Post_{jt} + \beta_3 Turnover_j \times Post_{jt} + \beta_4 Turnover_j \times External_{jt} \\ & + \beta_5 Turnover_j \times Post_{jt} \times External_{jt} + \beta_6 Size_{jt} + \beta_7 ROA_{jt} + \beta_8 Leverage_{jt} + \beta_9 Analyst_{jt} + \beta_{10} BrokerageSize_{ijt} \\ & + \beta_{11} NumIndustry_{ijt} + \beta_{12} NumFirm_{ijt} + \beta_{13} Firm\_Exp_{ijt} + \beta_{14} Career\_Exp_{ijt} + \beta_{15} Horizon_{ijt} + \beta_{16} Num\_Forecast_{ijt} \\ & + Fixed\ effects + \varepsilon_{ijt} \end{aligned} \tag{1}$$

where $i$, $j$, and $t$ index analyst $i$, firm $j$, and year $t$, respectively. The dependent variable, $Y$, represents forecast error, *Error*, or optimism, *Optimism*, defined following Dai et al. (2021), He and Li (2024), and Hossain et al. (2024). *Turnover* equals 1 for firms with CEO turnover; *Post* equals 1 for years after the new CEO's appointment (or pseudo-turnover for control firms). The interaction term, *Turnover* × *Post*, captures the overall turnover effect on forecasts. *External* equals 1 for external successions post-turnover. The triple interaction term, *Turnover* × *Post* × *External*, estimates the incremental effect of external succession.

Control variables known to influence analyst earnings forecasts (e.g., Clement, 1999; Liu and Loang, 2023; Cui et al., 2024; Zhang et al., 2025) include firm size, *Size*, return on assets, *ROA*, leverage, *Leverage*, analyst coverage, *#Analyst*, brokerage size, *BrokerageSize*, number of industries tracked by the analyst, *NumIndustry*, number of firms tracked by the analyst, *NumFirm*, firm-specific experience, *Firm_Exp*, analyst career experience, *Career_Exp*, forecast horizon, *Horizon*, and number of reports issued, *Num_Forecast*. Definitions appear in the Appendix. Firm- and year-fixed effects control for unobserved heterogeneity, standard errors are clustered at the analyst level, and all continuous variables are winsorized at the 1st and 99th percentiles to reduce the influence of outliers.

## 4. Empirical results

### 4.1. Descriptive statistics

Table 1 presents descriptive statistics for the primary regression variables. Among all observations, 53.8 % are from firms that experienced CEO turnover, and 17.5 % of those involved external successors. These sample characteristics are consistent with prior studies (Liu et al., 2023a; Zhang and Yu, 2024).

**Table 2**
Impact of CEO turnover on analyst earnings forecasts.

| Variables | (1) *Error* | (2) *Optimism* | (3) *Error* | (4) *Optimism* |
|---|---|---|---|---|
| *Turnover* | 0.182*** | 0.185*** | 0.185*** | 0.188*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Post* | 0.037* | 0.040* | 0.037* | 0.040* |
| | (0.08) | (0.05) | (0.08) | (0.05) |
| *Turnover* × *Post* | −0.032 | −0.036 | −0.072*** | −0.076*** |
| | (0.21) | (0.17) | (0.01) | (0.01) |
| *Turnover* × *External* | | | 0.034 | 0.027 |
| | | | (0.50) | (0.60) |
| *Turnover* × *Post* × *External* | | | 0.244*** | 0.243*** |
| | | | (0.00) | (0.00) |
| *Size* | 0.014 | 0.037 | 0.019 | 0.041 |
| | (0.59) | (0.17) | (0.48) | (0.13) |
| *ROA* | −3.248*** | −3.666*** | −3.256*** | −3.674*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Leverage* | 0.583*** | 0.424*** | 0.552*** | 0.394*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *#Analyst* | −0.106*** | −0.051* | −0.105*** | −0.050* |
| | (0.00) | (0.06) | (0.00) | (0.06) |
| *BrokerageSize* | 0.010 | 0.012 | 0.010 | 0.011 |
| | (0.14) | (0.11) | (0.16) | (0.12) |
| *NumIndustry* | 0.002 | 0.004 | 0.001 | 0.003 |
| | (0.91) | (0.81) | (0.96) | (0.85) |
| *NumFirm* | −0.009 | −0.017 | −0.009 | −0.017 |
| | (0.76) | (0.57) | (0.77) | (0.58) |
| *Firm_Exp* | 0.022** | 0.023** | 0.021** | 0.023** |
| | (0.04) | (0.02) | (0.04) | (0.02) |
| *Career_Exp* | −0.015 | −0.014 | −0.015 | −0.014 |
| | (0.21) | (0.25) | (0.21) | (0.25) |
| *Horizon* | 0.003*** | 0.003*** | 0.003*** | 0.003*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Num_Forecast* | 0.006 | 0.012 | 0.007 | 0.012 |
| | (0.76) | (0.57) | (0.75) | (0.56) |
| Observations | 39,854 | 39,854 | 39,854 | 39,854 |
| Adjusted $R^2$ | 0.372 | 0.369 | 0.373 | 0.370 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |

*Notes*: This table shows the effect of CEO turnover on analyst earnings forecasts. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are clustered at the analyst level, with *p*-values reported in parentheses below the estimates. Significance is denoted by *, **, and *** for the 10 %, 5 %, and 1 % levels, respectively.

### 4.2. Baseline results

Table 2 presents the results for testing **H1**. In Columns (1) and (2), the coefficients of *Turnover* × *Post* are statistically insignificant, suggesting that overall, CEO turnover does not significantly increase forecast errors or optimism relative to firms without turnover. This may reflect the high proportion of internal successions (82.5 %), which typically causes minimal disruption. In contrast, Columns (3) and (4) show that the coefficients of *Turnover* × *Post* × *External* are significantly positive, indicating that external succession leads to greater forecast errors and optimism. The economic effect is considerable: the coefficients imply a 42.4 % increase in forecast errors (0.244 ÷ 0.576) and a 48.4 % rise in optimism (0.243 ÷ 0.502) compared with internal succession. These findings support **H1**, confirming that external CEO succession is associated with greater forecast inaccuracy and bias.

### 4.3. Mechanism test

**H1** assumes analysts lack prior communication with incoming external CEOs, yet some may have tracked the CEO's previous firm (Brochet et al., 2014). Such prior exposure could preserve information access, leading to improved accuracy and reduced optimism. To test this mechanism, *PreCover*, which equals 1 if the analyst previously covered the external CEO's former firm, is included and interacted with *Turnover* × *Post* × *External*.[1] Table 3 shows that the coefficient of *Turnover* × *Post* × *External* × *PreCover* is significantly

[1] The variable *PreCover* applies solely to external successor CEOs in the post-appointment period, taking a value of 1 in these cases. Assigning a value of 0 to *PreCover* for control firms, pre-pseudo-CEO change periods, or internal successions lacks substantive meaning. Consequently, *PreCover* is not interacted with other key variables in the analysis.

**Table 3**
Mechanism test.

| Variables | (1) *Error* | (2) *Optimism* |
|---|---|---|
| *Turnover* | 0.185*** | 0.188*** |
| | (0.00) | (0.00) |
| *Post* | 0.037* | 0.040* |
| | (0.08) | (0.05) |
| *Turnover* × *Post* | −0.072*** | −0.076*** |
| | (0.01) | (0.01) |
| *Turnover* × *External* | 0.034 | 0.027 |
| | (0.50) | (0.60) |
| *Turnover* × *Post* × *External* | 0.245*** | 0.243*** |
| | (0.00) | (0.00) |
| *Turnover* × *Post* × *External* × *PreCover* | −0.340*** | −0.233** |
| | (0.00) | (0.02) |
| Control Variables | YES | YES |
| Observations | 39,854 | 39,854 |
| Adjusted $R^2$ | 0.373 | 0.370 |
| Firm FE | YES | YES |
| Year FE | YES | YES |

*Notes*: This table shows the results of the mechanism test. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are clustered at the analyst level, with *p*-values reported in parentheses below the estimates. Significance is denoted by *, **, and *** for the 10 %, 5 %, and 1 % levels, respectively.

**Table 4**
Impact of pleasing the new CEO on analyst earnings forecasts.

| Variables | (1) *Ch_Error* | (2) *Ch_Optimism* | (3) *Ch_Error* | (4) *Ch_Optimism* |
|---|---|---|---|---|
| *Turnover* | −0.107 | 0.381** | −0.084 | 0.271* |
| | (0.42) | (0.02) | (0.53) | (0.06) |
| *Please* | −0.056 | −0.154*** | −0.054 | −0.152*** |
| | (0.29) | (0.01) | (0.31) | (0.01) |
| *Turnover* × *Please* | −0.141* | −0.415*** | −0.095 | −0.259*** |
| | (0.07) | (0.00) | (0.20) | (0.00) |
| *Turnover* × *External* | | | −0.069 | 0.795*** |
| | | | (0.74) | (0.00) |
| *Turnover* × *External* × *Please* | | | −0.346** | −1.080*** |
| | | | (0.05) | (0.00) |
| Control Variables | YES | YES | YES | YES |
| Observations | 3798 | 3798 | 3798 | 3798 |
| Adjusted $R^2$ | 0.646 | 0.611 | 0.647 | 0.618 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |

*Notes*: This table presents the results testing the impact of pleasing the new CEO on analyst earnings forecasts. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are clustered at the analyst level, with *p*-values reported in parentheses below the estimates. Significance is denoted by *, **, and *** for the 10 %, 5 %, and 1 % levels, respectively.

negative in Columns (1) and (2), suggesting that prior exposure to the CEO attenuates the disruptive effects of external succession by reducing forecast errors and optimism.

### 4.4. Additional tests

#### 4.4.1. Impact of pleasing the new CEO on analyst earnings forecasts

CEO turnover may lead analysts to issue optimistic forecasts to build rapport with the new CEO. This section tests whether analysts who initially issue optimistic forecasts later improve accuracy and reduce bias. Changes in forecast accuracy are examined over the two fiscal years following the CEO's appointment using the following change regression:

$$\begin{aligned}\Delta Y_{ijt} = {} & \alpha_0 + \beta_1 Turnover_j + \beta_2 Turnover_j \times Please_{ijt-1} + \beta_3 Please_{ijt-1} + \beta_4 Turnover_j \times External_{jt} \\ & + \beta_5 Turnover_j \times External_{jt} \times Please_{ijt-1} + \beta_6 \Delta Size_{jt} + \beta_7 \Delta ROA_{jt} + \beta_8 \Delta Leverage_{jt} + \beta_9 \Delta Analyst_{jt} \\ & + \beta_{10} \Delta BrokerageSize_{ijt} + \beta_{11} \Delta NumIndustry_{ijt} + \beta_{12} \Delta NumFirm_{ijt} + \beta_{13} \Delta Firm\_Exp_{ijt} + \beta_{14} \Delta Career\_Exp_{ijt} \\ & + \beta_{15} \Delta Horizon_{ijt} + \beta_{16} \Delta Num\_Forecast_{ijt} + Fixed\ effects + \varepsilon_{ijt}, \end{aligned} \quad (2)$$

**Table 5**
Effect of earnings management, investment, and disclosure practices.

Panel A. Effect of CEO turnover on earnings management, investment, and disclosure practices

| Variables | (1) *AEM* | (2) *DE* | (3) *Investment* | (4) *MEF* |
|---|---|---|---|---|
| *Turnover* | 0.013* | 0.003 | −0.001 | −0.015 |
| | (0.07) | (0.50) | (0.85) | (0.64) |
| *Post* | 0.006 | 0.005* | −0.000 | −0.042** |
| | (0.22) | (0.05) | (0.91) | (0.05) |
| *Turnover* × *Post* | −0.009 | −0.005 | −0.007 | 0.010 |
| | (0.13) | (0.16) | (0.16) | (0.67) |
| *Turnover* × *External* | −0.007 | 0.008 | −0.009 | 0.030 |
| | (0.52) | (0.24) | (0.34) | (0.59) |
| *Turnover* × *Post* × *External* | 0.011 | −0.003 | −0.009 | −0.018 |
| | (0.26) | (0.65) | (0.33) | (0.61) |
| Control Variables | YES | YES | YES | YES |
| Observations | 3028 | 3028 | 3028 | 3028 |
| Adjusted $R^2$ | 0.243 | 0.861 | 0.815 | 0.663 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |

Panel B. Including earnings management, investment, and disclosure practices as additional control variables

| Variables | (1) *Error* | (2) *Optimism* | (3) *Error* | (4) *Optimism* |
|---|---|---|---|---|
| *Turnover* | 0.189*** | 0.197*** | 0.190*** | 0.198*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Post* | 0.030 | 0.037 | 0.029 | 0.036 |
| | (0.23) | (0.15) | (0.24) | (0.16) |
| *Turnover* × *Post* | −0.026 | −0.037 | −0.061** | −0.072** |
| | (0.40) | (0.23) | (0.05) | (0.02) |
| *Turnover* × *External* | | | 0.048 | 0.043 |
| | | | (0.42) | (0.48) |
| *Turnover* × *Post* × *External* | | | 0.224*** | 0.221*** |
| | | | (0.00) | (0.00) |
| *AEM* | −0.504*** | −0.606*** | −0.526*** | −0.627*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *DE* | 0.911*** | 0.963*** | 0.857*** | 0.912*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Investment* | 0.212 | 0.032 | 0.269 | 0.087 |
| | (0.21) | (0.85) | (0.11) | (0.61) |
| *MEF* | −0.112*** | −0.142*** | −0.109*** | −0.139*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| Other Control Variables | | | | |
| | YES | YES | YES | YES |
| Observations | 34,401 | 34,401 | 34,401 | 34,401 |
| Adjusted $R^2$ | 0.378 | 0.375 | 0.379 | 0.376 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |

*Notes*: This table shows the effect of earnings management, investment, and disclosure practices. Panel A reports the results of the effect of CEO turnover on earnings management, investment, and disclosure practices. Panel B presents the results incorporating these factors as additional control variables. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are clustered at the analyst level, with *p*-values reported in parentheses below the estimates. Significance is denoted by *, **, and *** for the 10 %, 5 %, and 1 % levels, respectively.

**Table 6**
Changes in analyst earnings forecast accuracy rankings.

| | (1) Turnover firms | (2) Nonturnover firms | (3) Difference (1)–(2) | (4) *p*-value |
|---|---|---|---|---|
| Percentage of analysts that remain in the superior group | 35.46 % | 44.06 % | −8.60 % | 0.064* |

*Note*: This table shows the changes in the ranking of analyst forecast accuracy in both turnover and nonturnover firms.

**Table 7**
Robustness tests.

| Panel A. Subsample analysis | | | | |
|---|---|---|---|---|
| Variables | (1)<br>*Error* | (2)<br>*Optimism* | (3)<br>*Error* | (4)<br>*Optimism* |
| *Turnover* | 0.042 | −0.004 | 0.041 | −0.001 |
| | (0.42) | (0.94) | (0.42) | (0.98) |
| *Post* | 0.048 | 0.080*** | 0.048 | 0.080*** |
| | (0.11) | (0.01) | (0.12) | (0.01) |
| *Turnover* × *Post* | −0.020 | −0.039 | −0.055 | −0.076** |
| | (0.55) | (0.24) | (0.11) | (0.03) |
| *Turnover* × *External* | | | 0.000 | −0.024 |
| | | | (1.00) | (0.76) |
| *Turnover* × *Post* × *External* | | | 0.203** | 0.216*** |
| | | | (0.01) | (0.01) |
| Control variables | YES | YES | YES | YES |
| Observations | 24,819 | 24,819 | 24,819 | 24,819 |
| Adjusted $R^2$ | 0.362 | 0.361 | 0.362 | 0.361 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |
| Panel B. Instrumental variable approach | | | | |
| **Variables** | **(1)**<br>***Error*** | **(2)**<br>***Optimism*** | **(3)**<br>***Error*** | **(4)**<br>***Optimism*** |
| *Turnover* | 0.582* | 0.720** | 0.523* | 0.663** |
| | (0.07) | (0.02) | (0.09) | (0.03) |
| *Post* | 0.154*** | 0.153*** | 0.155*** | 0.154*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Turnover* × *Post* | −0.218** | −0.212** | −0.254*** | −0.249** |
| | (0.03) | (0.03) | (0.01) | (0.01) |
| *Turnover* × *External* | | | 0.247** | 0.229* |
| | | | (0.03) | (0.05) |
| *Turnover* × *Post* × *External* | | | 0.295** | 0.303** |
| | | | (0.01) | (0.01) |
| Control Variables | YES | YES | YES | YES |
| Observations | 38,028 | 38,028 | 38,028 | 38,028 |
| Adjusted $R^2$ | 0.372 | 0.368 | 0.373 | 0.369 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |
| Panel C. Propensity score matching | | | | |
| Variables | (1)<br>*Error* | (2)<br>*Optimism* | (3)<br>*Error* | (4)<br>*Optimism* |
| *Turnover* | 0.168*** | 0.169*** | 0.178*** | 0.181*** |
| | (0.00) | (0.00) | (0.00) | (0.00) |
| *Post* | 0.034 | 0.031 | 0.034 | 0.031 |
| | (0.11) | (0.14) | (0.11) | (0.14) |
| *Turnover* × *Post* | −0.034 | −0.035 | −0.084*** | −0.083*** |
| | (0.20) | (0.19) | (0.00) | (0.00) |
| *Turnover* × *External* | | | −0.002 | −0.018 |
| | | | (0.96) | (0.69) |
| *Turnover* × *Post* × *External* | | | 0.307*** | 0.293*** |
| | | | (0.00) | (0.00) |
| Control Variables | YES | YES | YES | YES |
| Observations | 32,106 | 32,106 | 32,106 | 32,106 |
| Adjusted $R^2$ | 0.390 | 0.385 | 0.391 | 0.387 |
| Firm FE | YES | YES | YES | YES |
| Year FE | YES | YES | YES | YES |

*Notes*: This table reports the results of robustness tests. Panel A presents the findings from the subsample analysis. Panel B displays the results from the instrumental variable test. Panel C shows the results of propensity score matching. Variable definitions are detailed in the Appendix. All continuous variables are winsorized at the 1st and 99th percentiles. Standard errors are clustered at the analyst level, with *p*-values reported in parentheses below the estimates. Significance is denoted by *, **, and *** for the 10 %, 5 %, and 1 % levels, respectively.

where $\Delta Y$ denotes the change in forecast error or optimism over two postappointment years. *Please* equals 1 if the analyst's prior-year forecast exceeded actual earnings-per-share. All control variables from Eq, (1) are used in first-difference form. As shown in Table 4, Columns (1) and (2) reveal significantly negative coefficients of *Turnover* × *Please*, indicating that initially optimistic analysts improve in accuracy and reduce bias over time. Columns (3) and (4) show that this pattern also holds after external succession, supporting the idea that early optimism may help establish communication, with accuracy improving as the relationship develops.

#### 4.4.2. Effect of earnings management, investment, and disclosure practices

New CEOs may introduce distinct policies related to earnings management, investment, or disclosure, potentially affecting analyst forecasts. To rule out these confounding effects, two robustness checks were completed to test whether CEO turnover affects accrual earnings management (*AEM*; Dechow et al., 1995), real earnings management via abnormal discretionary expenses (*DE*; Roychowdhury, 2006), investment (measured as capital expenditure scaled by book assets; Deng et al., 2020), and disclosure (measured by the issuance of management earnings forecasts, *MEF*). Table 5, Panel A, shows that the coefficients of *Turnover* × *Post* × *External* are insignificant across these outcomes, suggesting no meaningful change in these variables due to external succession.

After adding *AEM, DE, Investment*, and *MEF* to the baseline model as controls, Panel B shows that the main results remain unchanged, confirming robustness.

#### 4.4.3. Changes in analyst earnings forecast accuracy rankings

If CEO turnover disrupts communication, analysts previously ranked as highly accurate may lose their edge. To test this, analyst accuracy rankings are compared before and after turnover. Analysts consistently outperforming the average are labeled as "Superior." Table 6 shows that 35.46 % of analysts remain "Superior" post-turnover, compared with 44.6 % for firms without turnover. This decline is statistically significant ($p$-value = 0.064), supporting **H1** and indicating that CEO turnover diminishes forecast accuracy even among top-performing analysts.

### 4.5. Robustness tests

#### 4.5.1. Subsample analysis

To address endogeneity concerns arising from changes in control, dismissals, or case-specific events, a subsample analysis limited to turnovers due to retirement, job transfer, or term expiration was performed. Panel A of Table 7 confirms that the results remain consistent, suggesting the observed effects are not driven by endogenous turnover causes.

#### 4.5.2. Instrumental variable approach

Because CEO turnover may not be entirely exogenous, an IV approach was applied to mitigate potential endogeneity concerns. Following Jenter and Kanaan (2015), three instruments were applied: prior-year average Tobin's Q of firms in the same industry as the departing CEO, number of CEO turnovers in the same city during the turnover year, and number of turnovers in the same CSRC industry in that year. Two-stage least squares estimations were used to test **H1**. Panel B of Table 7 shows that the results are consistent under the IV approach.

#### 4.5.3. PSM

To address potential bias from functional form misspecification, a one-to-one nearest-neighbor PSM method with a 1 % caliper is applied, using firm and analyst characteristics from Eq. (1) to create a control sample. This yields 32,106 matched firm-year observations. *Re*-estimating Eq. (1) with the matched sample produces consistent results, as reported in Panel C of Table 7.

## 5. Conclusion

This study examines how CEO turnover disrupts analyst–CEO communication and influences earnings forecasts. Using a matched-sample DiD approach, this study found that external succession leads to greater forecast errors and optimism than internal succession. However, analysts with prior exposure to an external CEO generate more accurate and less biased forecasts. Additionally, analysts who initially issue optimistic forecasts tend to improve accuracy over time. These results hold across multiple robustness tests.

Theoretically, the findings highlight the CEO's central role in information disclosure and the importance of consistent communication for forecast accuracy. Practically, the disruptions caused by external succession point to the need for stronger CEO–analyst communication channels. Prior familiarity with the CEO helps mitigate transitional uncertainty, illustrating the value of analyst tracking and adaptive communication strategies (Sun, 2025). By analyzing CEO turnover through the lens of information disclosure, this study offers a new perspective on the broader impact of leadership transitions.

## Author statement

The author whose name is listed immediately below certifies that she has NO affiliations with or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial

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## CRediT authorship contribution statement

**Mengshu Hao:** Writing – review & editing, Writing – original draft, Validation, Software, Resources, Methodology, Investigation, Formal analysis, Data curation, Conceptualization.

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## Appendix

Table A1.

**Table A1**
Variable definitions.

| Variable Name | Definition |
|---|---|
| **Dependent variables** | |
| *Error* | Absolute difference between analyst earnings-per-share (EPS) forecast and actual EPS, divided by actual EPS, and multiplied by 100 |
| *Optimism* | Difference between analyst EPS forecast and actual EPS, divided by actual EPS, and multiplied by 100 |
| **Independent variables of interest** | |
| *Turnover* | Equals one if a CEO turnover occurs, zero otherwise |
| *Post* | Equals one for years following new CEO's appointment (pseudo-turnover year), zero otherwise |
| *External* | Equals one for external succession and year for post-turnover period, zero otherwise |
| *PreCover* | Equals one if analyst previously tracked the external CEO's prior firm, zero otherwise |
| **Additional tests variables** | |
| *Please* | Equals one if analyst earnings forecast for previous fiscal year exceeds actual EPS for that year, zero otherwise |
| *AEM* | Accrual earnings management (modified Jones model) |
| *DE* | Real earnings management, measured by abnormal discretionary expenses |
| *Investment* | Investment expenditure, measured as capital expenditure (change in net fixed assets from year $t-1$ to $t$, plus depreciation), scaled by book assets |
| *MEF* | Equals one if firm issues at least one management earnings forecast in a year, zero otherwise |
| **Control variables** | |
| *Size* | Natural logarithm of book assets |
| *ROA* | Net income divided by book assets |
| *Leverage* | Ratio of total liabilities to book assets |
| *#Analyst* | Natural logarithm of number of analysts covering firm |
| *BrokerageSize* | Natural logarithm of number of analysts employed by the brokerage |
| *NumIndustry* | Natural logarithm of number of industries tracked by analyst |
| *NumFirm* | Natural logarithm of number of firms tracked by analyst |
| *Firm_Exp* | Natural logarithm of number of years analyst covers the firm |
| *Career_Exp* | Natural logarithm of number of years of analyst experience |
| *Horizon* | Number of days between analyst forecast and date of annual report |
| *Num_Forecast* | Natural logarithm of number of reports issued by analyst |

## Data availability

Data will be made available on request.

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