ผลกระทบของวาระการดำรงตำแหน่งของประธานกรรมการบริหารต่อการเติบโตของยอดขาย: หลักฐานเชิงประจักษ์จากบริษัทจดทะเบียนในประเทศไทย

The Impact of CEO Tenure on Sales Growth: Empirical Evidence from Thai Listed Companies

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บทคัดย่อ

วัตถุประสงค์ของงานวิจัยนี้ เพื่อศึกษาผลกระทบของวาระการดำรงตำแหน่งของประธานกรรมการบริษัทต่อการเติบโตของยอดขายในบริษัทจดทะเบียนในประเทศไทยระหว่างปี พ.ศ. 2555 ถึง พ.ศ. 2564 โดยใช้ข้อมูลจากตลาดหลักทรัพย์แห่งประเทศไทย (SETSMART) และแบบฟอร์ม 56-1 (One report) การศึกษานี้ใช้สถิติเชิงพรรณนา และการวิเคราะห์ถดถอยโลจิสติกส์เพื่อตรวจสอบความสัมพันธ์ระหว่างวาระการดำรงตำแหน่งของซีอีโอกับการเติบโตของยอดขาย ผลการวิจัยพบว่ามีความสัมพันธ์เชิงลบอย่างมีนัยสำคัญ ซึ่งบ่งชี้ว่าวาระการดำรงตำแหน่งที่ยาวนานของประธานกรรมการบริหารอาจไม่ส่งผลดีต่อผลการดำเนินงานด้านยอดขาย โดยเฉพาะอย่างยิ่งการมีผู้นำที่ดำรงตำแหน่งเป็นเวลานานภายใต้ประธานกรรมการบริหารคนเดิมมีแนวโน้มที่จะทำให้เกิดความเฉยชา การต่อต้านการเปลี่ยนแปลง และนวัตกรรมที่ลดลง ซึ่งในที่สุดก็ขัดขวางความสามารถของบริษัทในการปรับตัวให้เข้ากับสภาพตลาดและกระตุ้นการเติบโตของยอดขาย นอกจากนี้ยังพบว่าผลตอบแทนจากสินทรัพย์ (ROA) มีผลเชิงบวกต่อการเติบโตของยอดขาย ในขณะที่กระแสเงินสดจากกิจกรรมดำเนินงานส่งผลเชิงลบต่อการเติบโตดังกล่าว

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ข้อมูลเชิงลึกเหล่านี้มีส่วนช่วยในวรรณกรรมด้านความยั่งยืนขององค์กรและกลยุทธ์การพลิกฟื้น โดยให้ข้อเสนอแนะเชิงปฏิบัติสำหรับนักลงทุน ทีมผู้บริหาร และหน่วยงานกำกับดูแลในตลาดเกิดใหม่

คำสำคัญ: ความยั่งยืน กลยุทธ์การพลิกฟื้นกิจการ ผลตอบแทนจากสินทรัพย์ วาระการดำรงตำแหน่งของประธานกรรมการบริษัท ประเทศไทย

Abstract

This study investigates the impact of CEO tenure on sales growth in Thai listed companies from 2012 to 2021. Utilizing data from the Stock Exchange of Thailand (SETSMART) and Form 56-1 (One report), the study employs descriptive statistics and logistic regression analyses to examine the relationship between CEO tenure and sales growth. The findings reveal a significant negative association, indicating that extended CEO tenure may not enhance sales performance. Specifically, prolonged leadership under the same CEO tends to result in complacency, resistance to change, and reduced innovation, ultimately hindering the company's ability to adapt to market dynamics and drive sales growth. Additionally, the study identifies that return on assets (ROA) positively influences sales growth, while cash flows from operating activities negatively impact it. These insights contribute to the literature on corporate sustainability and turnaround strategies, offering practical implications for investors, management teams, and regulators in emerging markets.

Keywords: Sustainability, Turnaround strategy, Return on assets, CEO tenure, Thailand

Introduction

The motivation of this study is to find empirical evidence of the situation indicating turnaround and sustainability signals. Previous studies have shown that many factors reflect turnaround strategies. The well-known criteria include new investments in order to increase sales, new capital groups, debt negotiation among others (Schmalensee, 1989; Hirsch, 1991; Manodamrongsat, 2020). In addition, prior studies have attempted to identify sustainability criteria. The well-known indicators include sales growth, return on assets, profit before tax, leverage firm size among others (Ameer and Othman, 2012; Kaoke and Auwal, 2020; Mal et al., 2023). These two concepts agree that sales growth or sales performance should be one of excellent criteria to

indicate firms' turnaround and sustainability signals. In addition, House and Benefield, M. (1995) stated that sales growth is the most significant growth variable affecting financial performance. Therefore, this study introduces sales growth as turnaround and sustainability signal.

However, possible factors influencing sales growth vary in many circumstances. This study introduces CEO tenure as a factor influencing sales growth. Despite extensive research on the impact of CEO tenure on firm performance, there are mixed results and limited studies focusing specifically on its effect on sales growth (Bettis et al., 2003; Bebchuk et al., 2011), particularly in the context of emerging economies like Thailand. Previous studies have shown that firm performance may either improve with CEO tenure as the CEO gains experience or decline as CEOs become risk-averse or less driven over time. However, the specific relationship between CEO tenure and sales growth remains underexplored. This study aims to fill this gap by investigating the predictive value of CEO tenure on sales growth, providing empirical evidence from the Thai market.

The study fulfils the research gap the predictive value of CEO tenure and sales growth. The study found a significant negative relationship between CEO tenure and sales growth among Thai listed companies. Specifically, the logistic regression analysis revealed that prolonged CEO tenure does not support sales growth. This implies that extended periods of leadership under the same CEO may not lead to enhanced sales performance. The findings suggest that longer-serving CEOs may become complacent, resistant to change, and less innovative, which can hinder the company's ability to adapt to market dynamics and drive sales growth.

The remainder of this paper is organized in the following manner: Section 2 delves into the literature review and the development of hypotheses. Section 3 outlines the conceptual framework of the study. Section 4 details the research methodology, including the dataset used, measurements, hypothesis formulation, and logistic regression models. Section 5 provides an analysis of the data and discusses the results. Section 6 addresses the discussion and practical applications of the findings. Finally, Section 7 offers conclusions that summarize the key topics explored in this study.

Research Objectives.

1. To examine the impact of CEO tenure on sales growth in Thai listed companies: This objective focuses on identifying whether prolonged CEO tenure is positively or negatively

associated with sales growth.

2. To provide empirical evidence from an emerging economy: By focusing on Thai listed companies, this study aims to contribute to the literature on corporate sustainability and turnaround strategies in emerging markets.

3. To inform investors, management teams, and regulators about the implications of CEO tenure on sales performance: This objective is to highlight how CEO tenure influences sales growth and to provide actionable insights for various stakeholders in the business environment

Literature review

Underlining concepts

This study is motivated by the sustainability concept and turnaround strategy concept. Sustainability concept is the capacity to maintain or endure something over time, involving practices and approaches that ensure long-term viability. It encompasses fostering resilience, adaptability, and longevity in systems, organizations, and societies, with a focus on long-term well-being and thriving. Balancing short-term interests with longer-term considerations is crucial to ensure that actions taken today do not compromise future opportunities or resources. Previous studies about the sustainability concept and sales growth have been carried out for some time. For example, Ameer and Othman (2012) discovered that significantly higher average sales growth, return on assets, profit before taxation, and cash flows from operations contribute to corporate sustainability. Kaoje and Auwal (2020) found that firm characteristics, represented by sales growth and leverage, have a negative and significant impact, while firm size has a positive and significant impact on the sustainability reporting and profitability of oil and gas companies. Mal et al. (2023) discovered a positive impact of corporate sustainability performance on firms' sales performance, regardless of the firm's characteristics. This research fills a notable gap in the understanding of corporate sustainability performance, specifically regarding its relationship with firms' sales performance in a developing country. Moreover, it underscores the slight advantage that new and large firms have over old and small firms, respectively.

A turnaround strategy refers to a series of actions taken by a company facing significant challenges or poor performance, aimed at reversing its situation and returning to profitability. This strategy is typically employed when a company is in financial distress, experiencing declining sales, losing market share, or facing other critical issues threatening its survival. These actions often

include reducing costs to improve efficiency, increasing sales, restructuring debt or contracts, seeking new financing for financial stability, realigning the organization's structure for improved performance, and, in some cases, changing leadership to drive the turnaround strategy effectively. Previous studies about the turnaround strategy concept and sales growth have been carried out for some time. Previous studies found that sales growth was generally found to be positively correlated with a firm's value. In addition, it could be considered as turnaround strategy (Schmalensee, 1989; Hirsch, 1991). The recent study by Manodamrongsat et al. (2020) discovered that the most effective turnaround strategy involves prioritizing actions such as investing in other businesses in order to increase sales, seeking new capital groups, negotiating with creditors to convert debt into equity, changing business models, reducing costs and expenses, engaging in merger and acquisition activities and back-door listings, changing shareholders and management, restructuring capital, hiring financial advisors, and adjusting management characteristics of executives.

In summary, this study employs sales growth as the dependent variables. This is driven by concepts of sustainability and turnaround strategies, focusing on their impact on long-term corporate viability and recovery from financial distress, respectively. Previous research, such as that by Ameer and Othman (2012) and Mal et al. (2023), indicates a positive relationship between sustainable practices and factors like sales growth and corporate profitability, particularly in the context of developing countries. Turnaround strategies, on the other hand, involve comprehensive actions aimed at rescuing a company from severe challenges, including cost-cutting, restructuring, and strategic reorientations, with previous studies like those by Schmalensee (1989) and Manodamrongsat et al. (2020) suggesting that these measures can significantly enhance a firm's performance and market position. The research contributes to understanding how these strategies affect sales performance, emphasizing the advantages for new and larger firms in adopting sustainable practices and effective turnaround measures.

CEO tenure and sales growth

Chief executive officer (CEO) plays a crucial role within companies, as they establish the strategic direction and vision, which is approved by the board of directors. They are responsible for making critical decisions that can profoundly influence the company's performance and future. These decisions span from financial strategies to operational changes and expansions into new

markets. Furthermore, CEOs play a vital role in identifying and managing risks that could jeopardize the company's success, including financial, regulatory, and operational risks. One of the controversial issues is how long should CEOs in their position (Dewar et al. 2019). Previous studies stated that CEOs who have been in the role for a longer time are likely to have a clearer strategic vision for the company. Experienced CEOs may have honed strategies that boost sales growth more efficiently than a new CEO who is still familiarizing themselves with the business. Additionally, with time, CEOs cultivate relationships with vital stakeholders like customers, suppliers, and industry partners. These connections can result in fresh business prospects, partnerships, and higher sales. Moreover, long-tenured CEOs can offer stability and steadfastness in leadership, along with a deep understanding of the company's culture and engagement with employees. This stability can be reassuring to employees, customers, and investors, potentially leading to enhanced sales performance. While CEO tenure can provide stability and strategic depth to a company, excessively long tenures can have downsides. For instance, CEOs who remain in their positions for extended periods may become complacent and resistant to change, potentially sticking to outdated strategies and hindering the company's ability to adapt to a changing business landscape. Moreover, new CEOs often bring fresh ideas and perspectives that can help overcome challenges and drive growth, which a long-serving CEO might lack. Additionally, prolonged CEO tenure can lead to excessive influence over the board of directors, potentially compromising its independence and ability to offer effective oversight.

Previous studies have found both positive and negative long CEO tenure to sales growth. In positive sales growth, for example, Kato and Kubo (2006) discovered that in Japan, CEO cash compensation is closely linked to firm performance, with the semi-elasticity of CEO cash compensation relative to firm performance (return on assets) ranging from 1.3 to 1.4. They also noted that stock market performance has a less significant impact on Japanese CEO compensation. Additionally, the study found that the bonus system in Japan enhances the responsiveness of CEO compensation to firm performance. Simsek (2007) explained that CEO tenure indirectly affects firm performance by directly influencing the risk-taking tendencies of the top management team and the firm's engagement in entrepreneurial activities. Dalton and Dalton (2011) found that CEO tenure was positively associated with sales growth, particularly in the early years of a CEO's tenure. They suggested that this relationship is due to the CEO's ability to

implement new strategies and initiatives that drive sales growth. Luo et al. (2013) indicated that the strength of relationships between a firm and its employees, as well as its customers, plays a mediating role in how CEO tenure positively impacts the performance of the company.

However, prolonged CEO tenure can have a detrimental impact on sales growth. According to Brochet et al. (2021) suggested that in industries with rapid change, where CEOs struggle to adapt, and where there are significant labor market challenges, firm value tends to decrease earlier in the CEO's tenure. This highlights the importance of the match between CEOs and firms in determining how long CEOs stay and how it impacts firm value, with CEO adaptability, industry dynamics, and labor market conditions playing key roles.

Henderson et al. (2006) discovered compelling evidence that aligns with our hypotheses. They observed that in the stable food industry, firm performance consistently improved with CEO tenure, with only a few CEOs experiencing downturns after serving for more than 10–15 years. Conversely, in the dynamic computer industry, CEOs performed at their peak when they began their roles, and firm performance declined gradually over their tenures, likely due to their paradigms becoming outdated faster than they could adapt.

Burns et al. (2017) examined how CEO compensation in private firms relates to the likelihood of a firm being sold and its valuation at the time of sale. They specifically investigated whether equity-based compensation aligns with rewarding CEOs for their efforts in selling the firm or compensating for the illiquidity of equity-based pay in private firms. The study also revealed that CEOs of private firms that go public or are acquired tend to receive higher total and equity-based compensation compared to CEOs of firms that stay private. Additionally, they found a positive relationship between CEO compensation and the valuation premium of IPOs versus acquired firms.

Jaiswall and Raman (2021) discovered that in India, CEO compensation is positively influenced by sales growth, especially for CEOs with more influence. Their research also revealed that effective board oversight can moderate the emphasis on sales growth in CEO pay packages. Additionally, they found that an excessive focus on sales growth in CEO compensation can have a detrimental effect on future firm performance, particularly for companies in later stages of the business life cycle, those with lower profitability, and those with weaker shareholder oversight.

Previous studies have shown mixed results regarding the impact of long CEO tenure on

sales growth. Some studies, such as Bettis et al. (2003), have found a positive relationship, attributing it to the CEO's familiarity with the firm's resources and capabilities, allowing for better strategic decisions. Dalton and Dalton (2011) also found positive associations, linking CEO tenure to the implementation of successful strategies and navigation of complex business environments. However, Bebchuk et al. (2011) caution that prolonged CEO tenure can lead to complacency, lack of innovation, and resistance to change, ultimately impacting sales growth negatively. Based on the above controversial issues, this study proposed the hypothesis as follow:

Hypothesis: CEO tenure is associated with firm value.

Financial indicators and sales growth

Financial ratios can provide valuable insights into a company's performance and may help predict future sales growth. Previous studies have used financial ratios that are commonly used to predict sales growth as follows. Bahadir et al. (2008) found that a manager's control, innovation, advertising, market orientation, interorganizational networks, entrepreneurial orientation, and managerial capacity act as positive factors driving organic sales growth. However, older firms and those operating in dynamic and competitive environments may encounter limitations regarding organic growth. Tuli et al. (2010) suggested that having a greater variety of connections with a customer lead to increased sales from the supplier to the customer and reduced sales fluctuations with that customer. They found that the impact of changes in relationship complexity (i.e., the variety of connections) on changes in sales weakens but becomes more pronounced on changes in sales volatility as competitive intensity in the customer's industry rises. Additionally, their results show that the influence of changes in the variety of connections on changes in sales volatility strengthens when the level of intangibles in a customer's industry increases. Artiach et al. (2010) suggest that firms with leading corporate sustainability performance are notably larger, experience higher levels of growth, and achieve a higher return on equity compared to conventional firms. Surprisingly, contrary to expectations, these leading firms do not exhibit greater free cash flows or lower leverage than other firms.

Machek and Machek (2014) identified four primary factors that influence sales growth over time: labor productivity (sales per worker), labor intensity (workers per asset), capital intensity (assets per customer), and frequency of visits (customers per time unit). Choi and Williams (2014) demonstrated that both innovation intensity and knowledge spillovers have a positive effect on

sales growth. Additionally, their research revealed a U-shaped relationship for the depth of innovation and an inverted U-shaped relationship for the diversity of innovation. Gurbuz et al. (2017) showed that the previous year's sales growth, the average growth rate of the relevant industry, firm size, and changes in profitability significantly influence the selected measure of sales growth. However, financial leverage, market-to-book ratio, price-to-earnings ratio, and unappropriated retained earnings were not found to be significantly related to the firm's growth rate. Importantly, the study highlighted that the industry in which firms operate is the primary driver of growth, as indicated by the industry growth variable. Walzer et al. (2018) reveal the significance of demographic factors, age demographics, increasing immigrant populations, economic conditions, location, and the business environment on sales.

Mahmutaj and Krasniqi (2020) discovered that marketing innovation has a positive relationship with sales growth, whereas introducing new products that are new to the firm is negatively related to firm growth. Other attributes of innovation did not show significant associations with sales growth. Avdullahi and Adem (2020) did not observe any statistically significant relationship regarding the positive impact of an entrepreneur's education on SMEs' sales growth. However, they found that female entrepreneurs were positively associated with SMEs' sales growth. The study also noted that business age affected a firm's sales, and regarding firm size, the results indicated that larger firms, as measured by the number of employees, experienced higher sales growth. Warsame (2023) suggested that there was no connection between the gender diversity of top management (CEO) and sales growth. However, the presence of temporary employees showed a correlation. The study also found that skilled labor, labor productivity, and fixed assets were significant drivers of a firm's sales growth, with a positive relationship to annual sales growth.

Overall, these studies indicate that multiple factors, ranging from managerial strategies to external demographic influences, play crucial roles in shaping sales growth trajectories. The relationship between sales growth and financial ratios can be intricate, as financial ratios often serve as indicators of a company's operational efficiency, financial stability, and market position, which are all factors that can influence sales growth. Therefore, this study intends to investigate which financial ratios including return on Assets (ROA), cash flow from operating activities (CFOTA), Total asset Turnover (TAT), and interest coverage ratio (INT) relate to sales growth.

Conceptual Framework

In conclusion, this analysis examines the connection between CEO tenure and sales growth. Additional evidence is provided from prior empirical studies, and the anticipated effects are based on theoretical reasoning about sales growth as discussed earlier. The conceptual framework, which centers on the relationship between CEO tenure and sales growth, is depicted in Figure 1.

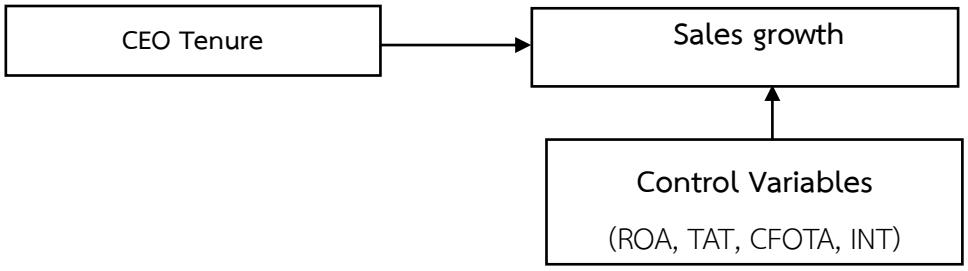

Figure 1. Conceptual Framework

Research Methodology

Dataset and statistical analysis

The study focuses on companies listed on the main board of the Stock Exchange of Thailand. This quantitative research utilizes archival data gathered from financial statements and annual reports (56-1 One Report) spanning from 2012 to 2021. Additional data sources include the Stock Exchange of Thailand website database (SETSMART). Descriptive statistics are used to summarize initial data characteristics and provide an overview of the basic statistical distributions. Logistic regression is employed to conduct the data analysis.

Statistical techniques

This passage discusses the use of statistical techniques in prediction studies, emphasizing two main purposes: enhancing the accuracy of prediction models and identifying which independent variables add meaningful information. The text highlights that the study's primary aim is to explore how CEO tenure and financial information incrementally affect sales growth which is binary variables. The following literature review focuses on statistical methods that yield significant insights for individual independent variables and the overall accuracy of prediction models.

Several statistical methods and approaches used in financial distress prediction, starting with univariate analysis introduced by Beaver (1966). Beaver's method evaluates individual financial

ratios' ability to predict bankruptcy, establishing a fixed cut-off score to differentiate between distressed and non-distressed firms. However, this approach has limitations as it does not provide a holistic view of a company's financial health. Discriminant analysis generates a z-score for each company by combining independent variables linearly. This method helps classify firms based on a set cut-off score but requires strict assumptions such as multivariate normality and equal covariance matrices (Koh, 1991). Neural network analysis is presented as an alternative, utilizing a mathematical algorithm to predict outcomes based on financial ratios. Although neural networks have shown promise, they are criticized for their lack of significance testing and interpretative challenges in empirical accounting research (Trigueiros and Taffler (1996). Multidimensional scaling (MDS) is introduced as a visualization technique that maps similarities between objects (such as companies) in a spatial graph. It is advantageous over previous methods as it does not require multivariate normality or address multicollinearity issues, although it lacks statistical coefficients for individual variables (Schiffman et al, 1981). Probit regression defines a probability in the cumulative standard normal distribution, with higher probabilities corresponding to higher z scores. However, probit analysis has limitations. Some independent variables, such as financial ratios, may not follow a normal distribution or exhibit homoscedasticity, which is assumed by the probit model (Koh, 1991). Based on the limitation of the above statistical techniques, this study employes logistic regression as the following explanation.

Logistic regression is used for analyzing social phenomena that are discrete or qualitative, rather than continuous or quantitative. It is suitable for situations where an event either occurs or does not occur (dichotomy or binary). The independent variables in logistic regression can be continuous, categorical, or a combination of both. However, applying linear regression to binary dependent variables can lead to statistical problems such as functional form and statistical inference. Linear regression can produce results over 1 or below 0, which is inappropriate for probabilities, and the distribution of residual errors can be heteroscedastic, violating regression assumptions. To address these issues, logit transformation of the dependent variable is often used. This involves taking the natural logarithm of the odds of experiencing the event, which helps in modeling the relationship between the independent and dependent variables more appropriately for binary outcomes. This transformation eliminates the floor of 0 and allows for the decreasing effects of independent variables on the dependent variable.

The linear relationships between the independent variables and the logit dependent variables imply non-linear relationships with probabilities. The linear relationship of independent variables to the predicted logit appears in

$$\ln [P_i / (1-P_i)] = b_0 + b_1 X_i$$

With some mathematical calculations, the final equation should be:

$$P_i = \frac{1}{(1 + e)^{-(b_0 + b_1 X_i)}}$$

In summary, this study employs logistic regression. This is because this method is suited for binary outcomes and uses a logit transformation to model relationships between variables effectively. It is preferable for binary data as it properly handles the limitations of linear regression in such contexts.

Measurements for the variables

The study employs the variables as follows. The dependent variable is sales growth as a turnaround and sustainability proxy. After deeply scrutinizing the dataset to answer how much of sales growth level should be classified. The results indicate that sales growth should be divided into 2 models. Model 1 represents the companies that have revenue increase equals to or more than 20%. Model 2 represents the companies that have revenue increase equals to or more than 50%. Secondly, the study employs financial ratios as control variables in the analysis. The measurements of these variables are summarized in Table 1.

Table 1 Measurement of Study Variables

Variable	Acronym	Measurement
Dependent variable		
Sales growth	-	**Model 1** High sales growth: Revenues have increased ≥ 20% in 3 consecutive years =1; otherwise, 0 (Low sales growth).

Table 1 Measurement of Study Variables (Continued)

Variable	Acronym	Measurement
		Model 2
		High sales growth: Revenues have increased ≥ 50% in 3 consecutive years = 1; otherwise, 0 (Low sales growth).
Interesting variable		
CEO (Years)	CEO	Years of CEO serving in the position
Independent variable		
Return on Asset (%)	ROA	Profit (Loss) before Finance Costs and Income Tax Expenses/Total Assets
Return on Asset (%)	ROA	Profit (Loss) before Finance Costs and Income Tax Expenses/Total Assets
Total Asset Turnover (%)	TAT	Revenue/Total Assets
Cash flows from operating activities to Assets (%)	CFOTA	Cash Flow from Operations/Total Assets
Interest Coverage ratio (ratio)	INT	Earnings before Interest and taxes/ Interest Expense

Model Specifications

To serve the objectives of the study, the analysis sets out the equation as follows.

$$P_i = \frac{1}{(1 + e)^{-(b_0+b_1CEO_i+b_2ROA_i+b_3TAT_i+b_4CFOTA_i+b_5INT_i)}}$$

Results

Descriptive statistics

Table 2 summarizes the descriptive statistics for all the variables. Results indicate that in terms of CEO tenure, the mean and standard deviation are 8.39 persons and 8.00, respectively, with a minimum of 1 person and a maximum of 11.78. Total average of return on assets (ROA) is 6.10%, the minimum is -64.86%, and the maximum score is 64.17% with the standard deviation of

9.77. Total average of total assets turnover (TAT) is 0.8, the minimum is 0.0, and the maximum is 4.88 with the standard deviation of 0.66. Total average cash flows from operating activities (CFOTA) are 0.0001, the minimum is -0.0008, and the maximum is 0.0029 with the standard deviation of 0.0001%. Total average interest coverage ratio (INT) is 1,568.43, the minimum is -127,514.40, and the maximum is 1,958,335 with the standard deviation of 42,992.

Table 2 Descriptive Statistics

Variable	Min	Max	Mean	Std. Deviation
CEO	1	39	8.39	8.00
ROA (%)	-64.86	64.17	6.10	9.77
TAT	0.01	4.88	0.86	0.66
CFOTA	-0.0008	0.0029	.0001	0.0001
INT	-127,514.40	1,958,335.00	1,568.43	42,992.13

Data validity and reliability

It's essential to gather high-quality data for analysis, which means ensuring reliability and validity. Validity is about accurately representing all relevant material, while reliability ensures consistency in the data. For this research, we prioritized validity to ensure comprehensive representation, while also focusing on reliability to maintain data consistency (Zikmund et al., 2012). The study relied on data from companies' annual reports, sourced from the stock exchange database. SETSMART, known for its accuracy in information related to SET-listed companies, provided the data, ensuring content validity was upheld in the study. This study employs logistic regression, therefore, there are no concerns of regression assumption tests.

Logistic regressions

As mentioned, this study intends to investigate the information value of CEO tenure over corporate sustainability. The analysis is classified into two models: Model 1, the study employs high sales growth representing revenues have increased ≥ 20% in 3 consecutive years. To robust the model, the analysis also increase revenue increasing to 50%. Model 2, high sales growth representing revenues have increased ≥ 50% in 3 consecutive years. The outcomes are shown in Model 1 (Table 3 – 4) and Model 2 (Table 5 – 6).

Model 1

Model 1, when high sales growth representing revenues have increased ≥ 20% in 3 consecutive years as shown in Table 2 indicating the most important of all outputs for the logistic regression analysis. It is the objective whether "listed companies have high sales growth or low sales growth". This table shows the contribution of each independent exact variable to the model and its statistical significance. Exp (B) column indicates that company of sustainability is achieved 90% of the classification. It shows the logistic regression function as follow:

Z = -1.278 - 0.016*CEO + 0.063*ROA + 0.064*TAT - 0.420*CFOTA - 0.146*INT

Table 3 also indicates the test of significance for each of the coefficients in the logistic regression model. However, the analysis gives the significance levels of each coefficient as follows. CEO tenure (CEO) (B = -0.016, p value ≤ 0.05) and cash flows from operations (CFOTA) (B = -0.420, p value ≤ 0.01) significantly relates to sales growth in a negative way, while return on assets (B = 0.063, p value ≤ 0.01) significantly relates to sales growth in a positive way. Total assets turnover (TAT) and Time interest earned (INT) are insignificant to sale growth.

Table 3 provides a summary of the model, explaining the extent to which variations in the dependent variable are accounted for by the model. This table includes the Cox and Snell R-Square and Negelkerke R-Square values, both of which are methods used to measure explained variation and are often known as Pseudo R-Square values. According to our logistic model, the explained variation in the dependent variable ranges between 3.2% and 6.2%.

Table 3 Logistic regression results: 20% of increasing sales from last year

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
CEO	-0.016	0.007	4.939	1	0.026	0.984
ROA	0.063	0.008	60.026	1	0.001	1.065
TAT	0.064	0.085	0.555	1	0.456	1.066
CFOTA	-0.420	0.075	31.479	1	0.001	0.657
INT	-0.146	0.095	2.385	1	0.122	0.864
Constant	-1.278	0.221	33.509	1	0.001	0.279

Notes: -2 log likelihood = 2174.05, Cox & Snell R^2 = 0.032, Nagelkerke R^2 = 0.062

Table 4 presents the classification outcomes, indicating that the model correctly classifies company performance—high or low sales growth—with an accuracy of 88.2%. This table compares observed and predicted company performances, highlighting the precision of these predictions. It also reflects the successful classification rate for this sample. The subscript at the cut-off value of 0.5 indicates that a case is categorized as 'sustainable' if the probability exceeds 0.5; otherwise, it falls under 'unsustainable'. The table also lists the number and percentage of cases that were correctly classified and misclassified, including 6 misclassified cases. Notably, companies categorized as unsustainable achieved a 99.7% accuracy rate, while those deemed sustainable had a 1.6% accuracy rate. Overall, the model accurately classified 88.2% of the cases based on their original groups.

Table 4 Sustainability classification: 20% of increasing sales from last year

	Sales growth Predicted		
	Low sales growth	**High sales growth**	**Percentage Correct**
Low sales growth	2,757	7	99.7
High sales growth	364	6	1.6
Overall			**88.2**

Model 2

Model 2, when high sales growth representing revenues have increased ≥ 50% in 5 consecutive years as shown in Table 4 indicating the most important of all outputs for the logistic regression analysis. It is the objective whether “listed companies are sustainability or unsustainability”. This table shows the contribution of each independent exact variable to the model and its statistical significance. Exp (B) column indicates that company of sustainability is achieved 90% of the classification. It shows the logistic regression function as follow:

$$Z = -1.688 - 0.029*CEO + 0.079*ROA - 0.671*TAT - 0.378*CFOTA - 0.337*INT$$

Table 5 also indicates the test of significance for each of the coefficients in the logistic regression model. However, the analysis gives the significance levels of each coefficient as follows. CEO tenure (CEO) (B = -0.029, p value ≤ 0.05), total assets turnover (TAT) (B = -0.671, p value ≤

0.01), cash flows from operations (CFOTA) (B = -0.378, p value ≤ 0.01), and time interest earned (INT) (B = -0.337, p value ≤ 0.05) significantly relates to sales growth in a negative way, while return on assets (B = 0.079, p value ≤ 0.01) significantly relates to sales growth in a positive way.

Table 3 provides a summary of the model, explaining the extent to which variations in the dependent variable are accounted for by the model. This table includes the Cox and Snell R-Square and Negelkerke R-Square values, both of which are methods used to measure explained variation and are often known as Pseudo R-Square values. According to our logistic model, the explained variation in the dependent variable ranges between 2.0% and 7.5%.

Table 5 Logistic regression results: 50% of increasing sales from last year

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
CEO	-0.029	0.013	4.774	1	0.029	0.971
ROA	0.079	0.011	50.261	1	0.001	1.082
TAT	-0.671	0.201	11.134	1	0.001	0.511
CFOTA	-0.378	0.128	8.759	1	0.003	0.685
INT	-0.337	0.155	4.732	1	0.030	0.714
Constant	-1.688	0.357	22.333	1	0.000	0.185

Notes: -2 log likelihood = 934.470, Cox & Snell R^2 = 0.020, Nagelkerke R^2 = 0.075

Table 6 presents the classification outcomes, indicating that the model correctly classifies company performance—high or low sales growth—with an accuracy of 96.2%. This table compares observed and predicted company performances, highlighting the precision of these predictions. It also reflects the successful classification rate for this sample. The subscript at the cut-off value of 0.5 indicates that a case is categorized as 'sustainable' if the probability exceeds 0.5; otherwise, it falls under 'low sales growth'. The table also lists the number and percentage of cases that were correctly classified and misclassified, including 1 misclassified case. Notably, companies categorized as unsustainable achieved a 99.9% accuracy rate, while those deemed sustainable had a 0.9% accuracy rate. Overall, the model accurately classified 96.2% of the cases based on their original groups.

Table 6 Sustainability classification: 50% of increasing sales from last year

	Sales growth Predicted		
	Low sales growth	**High sales growth**	**Percentage Correct**
Low sales growth	3,014	3	99.9
High sales growth	116	1	0.9
Overall			**96.2**

Discussion and implementation

The study mainly finds that the prolonged CEO tenure is more likely to decrease sales. This is in line with previous studies (Henderson et al., 2006; Burns et al., 2017). Previous studies highlight that prolonged CEO tenure can negatively affect sales growth, particularly in industries that undergo rapid changes. Henderson et al. (2006) found that stable industries benefit from longer CEO tenure, while dynamic industries see performance peak early and decline as CEOs fail to adapt to fast-changing conditions. This study confirms that prolonging CEO tenure can negatively impact sales growth due to several key factors. For example, long-serving CEOs may become risk-averse or complacent, stifling the innovation essential in dynamic industries for maintaining a competitive edge and driving sales. Over time, a CEO's skills and knowledge might become outdated, leading to decisions and strategies that don't align with current market demands, thus hindering sales. This prolonged leadership can also cause organizational stagnation, reducing agility and demotivating staff, making the company slow to respond to market changes. Additionally, long-term CEOs might develop a resistance to new ideas and become detached from current market realities, both of which are vital for adapting products and strategies to meet consumer demands. Finally, extended tenure can complicate succession planning, as potential successors may leave, and integrating a new CEO could require significant changes to rejuvenate the company.

In addition, the study finds that return on assets is more likely to support sales growth. This is because return on assets (ROA) is a critical metric that gauges how efficiently a company uses its assets to generate earnings. A higher ROA indicates effective asset utilization to produce revenue, often translating into stronger sales by leveraging the asset base more effectively than competitors. This efficiency gives companies a competitive advantage, enabling them to reinvest their earnings in areas like marketing, new market entry, or product development, which can drive further sales

growth. Additionally, a higher ROA reflects better financial health and profitability, providing companies with more internal capital. This financial strength allows them to fund business operations and expansions without excessive reliance on external financing, further boosting sales through enhanced production capacities, product offerings, or customer service.

The implications of this study are mainly for investors, management teams and regulators. For investors, this study indicates that prolonged CEO tenure may not benefit sales growth. This is because it can lead to complacency and entrenchment, making a CEO resistant to new ideas and change, which could result in stagnation and a lack of innovation—this poses risks in industries that are rapidly evolving. Furthermore, CEO tenure is crucial for succession planning, as poorly managed transitions can destabilize a company. Investors must be mindful of how well a company is prepared for leadership changes when evaluating its long-term prospects. On the other hand, Long CEO tenure often brings stability and continuity to a company's leadership, which is beneficial for strategic planning and execution. CEOs who have been in their roles for an extended period typically possess a deep understanding of the company's operations, culture, and market environment. Their accumulated experience and institutional knowledge make them adept at managing complex challenges and seizing opportunities. Such stability can enhance investor confidence and lend credibility to strategic initiatives, potentially leading to consistent returns. Additionally, the tenure of a CEO might reflect the current strategic phase of the company, with longer-tenured CEOs focusing on optimizing operations and pursuing incremental growth, whereas newer CEOs might aim for transformative changes. Therefore, investors should continuously monitor the business's policies and analyze the business's policies thoroughly with considering the continuation of business development to ensure stability in the future.

For board of directors, as a CEO remains in their role for many years, there's a risk they might grow complacent. Feeling too secure in their position, they may lack the motivation and ambition that marked their initial years, potentially leading to organizational stagnation and a dearth of fresh ideas. Moreover, CEOs with lengthy tenures can become deeply entrenched, complicating the process of making necessary strategic adjustments or changes. This entrenchment may also skew power dynamics, impairing the board's ability to govern effectively. Furthermore, long-serving CEOs might reject new ideas and innovative methods, particularly if

their previous strategies have been successful. Such resistance can be harmful in fast-changing sectors where adaptability is essential.

For regulators, regulatory authorities prioritize maintaining robust corporate governance standards. When a CEO holds their position for an extended duration, it may lead to imbalances in power within the organization. Such situations can enable the CEO to exert excessive influence on the board of directors, potentially diminishing the board's effectiveness in supervising management and safeguarding shareholder interests. Moreover, a long-serving CEO might become less responsive to shareholders and other stakeholders, increasing the likelihood of decision-making that favors their own interests over those of the investors. This could ultimately result in poorer corporate performance and losses for investors.

Conclusion

This study provides an in-depth analysis of the impact of CEO tenure on sales growth among Thai listed companies, offering valuable insights into the dynamics of corporate performance in an emerging market context. The findings reveal a significant negative relationship between prolonged CEO tenure and sales growth, indicating that extended leadership under the same CEO may not contribute positively to sales performance. This negative correlation suggests that longer-serving CEOs might become complacent, resistant to change, and less innovative, which can hinder the company's ability to adapt to evolving market conditions and drive sales growth.

Moreover, the study highlights the positive influence of return on assets (ROA) on sales growth. Higher ROA, reflecting efficient utilization of assets to generate earnings, is associated with stronger sales performance. This efficiency allows companies to reinvest earnings into areas that drive further sales growth, such as marketing, new market entry, or product development. Conversely, higher cash flows from operating activities (CFOTA) are negatively associated with sales growth, suggesting that companies with higher operating cash flows might adopt conservative investment strategies, which could limit sales expansion.

These findings have practical suggestions and implications for various stakeholders:

1. **Investors**: The study indicates that prolonged CEO tenure may pose risks to sales growth due to potential complacency and resistance to innovation. Investors should consider the tenure

of the CEO and the company's preparedness for leadership transitions when evaluating long-term prospects.

2. Management Teams: Companies should be cautious about allowing CEOs to remain in their positions for excessively long periods. Encouraging periodic leadership changes or integrating fresh perspectives could help maintain innovation and adaptability, crucial for sustaining sales growth.

3. Regulators: Regulatory authorities should promote robust corporate governance standards to prevent power imbalances and ensure effective oversight of long-serving CEOs. This can help safeguard shareholder interests and promote better corporate performance.

The study contributes significantly to the literature on corporate sustainability and turnaround strategies by incorporating sales growth analysis with empirical evidence from Thai listed companies. These insights can guide other countries in developing effective turnover strategies and sustainability practices. The emphasis on the effect of CEO tenure on sales growth also encourages future research to explore how businesses can adjust and enhance CEO tenure practices to foster better corporate outcomes.

Future Research Directions

Despite its contributions, this study has certain limitations that present opportunities for further investigation. The focus on Thai listed companies restricts the generalizability of the results. Future research could broaden the scope by including a diverse range of countries and exploring specific industries impacted by sales growth and CEO tenure. Additionally, considering external factors such as GDP, consumption indices, and other relevant macroeconomic variables could provide a more comprehensive understanding of the relationship between CEO tenure and corporate performance.

In conclusion, this study underscores the complex interplay between CEO tenure and sales growth, offering actionable insights for investors, management teams, and regulators. By addressing the identified limitations and expanding the scope of future research, scholars can continue to build on these findings to enhance our understanding of effective corporate governance and leadership strategies in emerging markets

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