



## **Reprimanding Sanction, Management Demography and Turnover: Evidence from a Transitional Economy**

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**Abstract:** The literature shows the importance of top management and board characteristics on firm performance. We extend this literature by examining top management turnover for financially distressed firms. China has a unique sanction rule, which publicly labels financially distressed listed firms to provide the market with a warning signal. Controlling for board characteristics and governance, we evaluate how relational management demography affects turnover of financially distressed firms in China. Our results first show that the demographic characteristics of top management for distressed firms differ from those of normal firms. Second, management turnover is positively related to financial distress. Finally, we show that the departure of either the chairperson or CEO depends on their demographic differences. We conjecture that our findings provide support to the upper echelons theory and scapegoat argument.

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