

**INTERNAL LABOR MARKET HOMOGENEITY AND CEO SUCCESSION: EVIDENCE FROM S&P 1500**

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**ABSTRACT**

In this paper, we examine whether the homogeneity/heterogeneity nature of the internal labor market affects CEO successions. Using a heterogeneity index, which captures the concentration of executive compensation, we find that a more homogeneous internal labor market is associated with (1) a greater likelihood of an internal replacement, (2) a higher probability of a CEO turnover, and (3) a bigger tournament prize. In addition, the negative performance-turnover relationship is strengthened by a more homogeneous internal labor market. Our results support tournament theory and suggest our heterogeneity index may proxy for internal labor market competition.

Keywords: *Executive Compensation, CEO Turnover, Tournaments*