A CRITICAL ANALYSIS OF CHIEF EXECUTIVE OFFICER SUCCESSION LITERATURE AND FUTURE RESEARCH AGENDA

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Abstract

This paper has two objectives. Firstly, it aims to examine prior research on CEO succession in order to establish a comprehensive framework, building upon the contributions of Berns & Klarner (2017) to the present. Secondly, it proposes a future research agenda concerning the board's role in CEO succession procedures. Articles in ten leading journals listed in EBSCO, ScienceDirect, and Scopus databases were selected. Conceptual and relational analysis were taken to achieve the objectives of this paper. At last, this paper produce a comprehensive framework of CEO succession research built on and extended from the prior research. A future research agenda concerning CEO succession is also proposed.

Keywords: Chief Executive Officer, CEO Succession, CEO Change, Leadership Succession, Leadership Transition

Introduction

Chief Executive Officer (CEO) successions are critical junctures for corporations. They temporarily intensify internal turmoil while simultaneously creating an opportunity to adjust a firm's strategy to present and future demands. Considering the importance of CEO transitions to a company's strategy and profitability, boards of directors play a crucial role in CEO succession. They must identify the most suitable candidate and ensure a seamless leadership transition (Biggs, 2004).

In the last fifty years, research across various fields has yielded significant insights into the causes and consequences of CEO successions (Berns & Klarner, 2017). Researchers have investigated multiple research problems through diverse theoretical frameworks and approaches. This study initially examines insights from the literature on strategic management, corporate governance, strategic leadership, and organizational behaviour, integrating the research findings into a cohesive framework. We employed an integrated framework initially developed by Berns & Klarner (2017) and incorporated numerous further elements. The analysis indicates that scholars have often focused on the CEO succession event, namely the transition when a new CEO assumes leadership (Friedman & Olk, 1995). While researchers have presented conceptual reasons and specific qualitative findings into aspects of the CEO succession process, empirical research on the overall succession process remains limited. This is remarkable considering the empirical evidence of CEO succession as an ongoing process (Berns & Klarner, 2017).

Research on managerial succession commenced in 1960 (Grusky, 1960; Guest, 1962; Kesner & Sebora, 1994; Berns & Klarner, 2017). The subject of Chief Executive Officer (CEO) succession rapidly garnered the interest of experts in strategic management, corporate governance, strategic leadership, and organizational behaviour. This research presents a systematic examination of prominent management journals referenced in previous review studies (Short, 2009; Berns & Klarner, 2017), employing various combinations of keywords pertaining to CEO succession and their synonyms.

Current research acknowledges the importance of the board in CEO selection; yet, there is a deficiency in comprehensive understanding about the board's impact on CEO succession procedures. Therefore, it is imperative to examine succession processes thoroughly to comprehend the effective management of leadership transitions. This paper has two objectives. Initially, to examine prior research on CEO succession in order to establish a comprehensive framework, building upon the contributions of Berns & Klarner (2017) to the present. Secondly, informed by the findings of our literature study, we propose a future research agenda concerning the board's role in CEO succession procedures.

Methods

We conducted a literature review regarding CEO succession. Articles in leading journals listed in EBSCO, ScienceDirect, and Scopus databases were chosen to be studied and analysed. This systematic search extends the research of Berns & Klarner (2017) regarding CEO succession literature review. We enhance their efforts by incorporating recent literature from 2017 to 2020. In accordance with Berns & Klarner (2017), we initially selected journals based on their rankings, emphasizing premier publications such as the Academy of Management Journal, Academy of Management Review, Administrative Science Quarterly, Journal of Management, Journal of Management Studies, Organization Science, Management Science, and Strategic Management Journal. Additionally, we include two journals: Leadership Quarterly and Human Resource Management Review.

We picked ten prominent publications to perform this review of CEO succession literature. We utilized the following keywords: board of directors, chief executive officer, CEO, CEO change, CEO departure, CEO dismissal, CEO selection, CEO succession, CEO succession planning, CEO turnover, executive succession, leader succession, leadership change, leadership transition, new CEO, and top management. Then, we carried out conceptual and relational analysis to fulfill the objectives of this paper.

Results and Discussion

After we selected ten prominent publications to perform this review of CEO succession literature utilizing the mentioned keywords, we scrutinized the references in all recent papers to pinpoint further articles. Subsequently, we examined and evaluated all publications. We retained articles primarily concerning CEO succession or related subjects and discarded those that could not be categorized within our coding framework. Numerous papers minimally addressed CEO succession or presented particular conceptual reasons while maintaining varied focal points. Table A1 summarizes the principal findings of eighteen articles concerning CEO succession over the previous three years.

In our examination of CEO succession literature over the past three years, we discovered four principal strands as delineated by Berns & Klarner (2017). The components include: (1) investigations into types, origins, and characteristics of CEO succession; (2) analyses of predictors of CEO succession; (3) examinations of strategic and performance outcomes of CEO succession; and (4) studies on multilevel contingency variables in CEO succession. Figure 1 illustrates the current state of research on CEO succession within a comprehensive framework initially established by Berns & Klarner (2017), to which we have incorporated additional elements highlighted in red text. We will thereafter summarize further findings in each category.

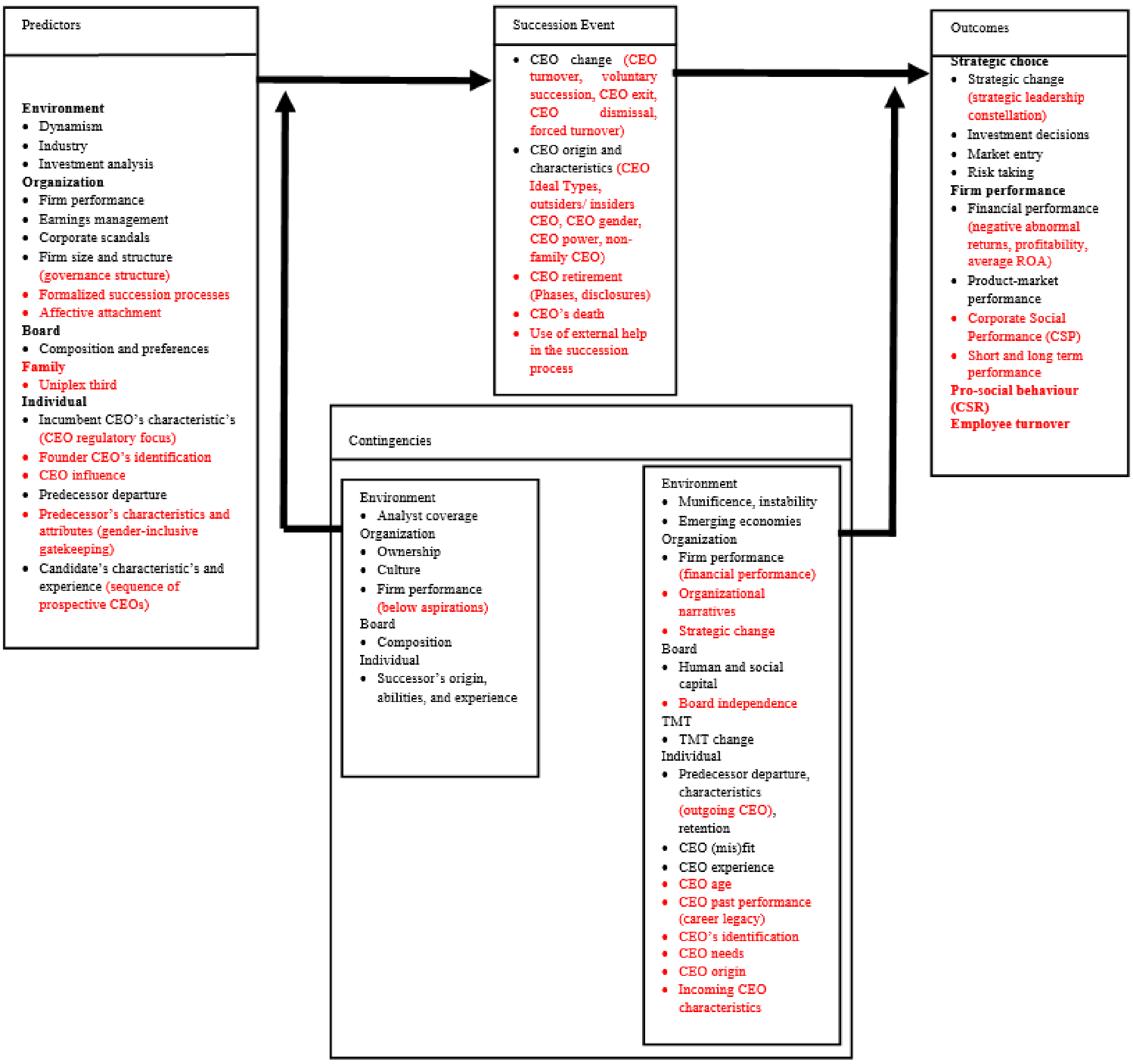

Figure 1. CEO Succession Research: A Comprehensive Framework with (Additional Elements)

Chief Executive Officer Succession Event

This review indicates that researchers have often concentrated on CEO succession events. Existing literature encompasses subjects such as CEO transitions, CEO backgrounds and traits, CEO retirements, CEO fatalities, and the utilization of external assistance in succession procedures. We identified numerous further elements to the current integrated framework. For example, we identified that CEO change difficulties encompass CEO turnover (Chiu & Walls, 2019), consensual succession of CEOs (Lee, Yoon, & Boivie, 2020), CEO exit (Li, Hausknecht, & Dragon, 2020), CEO dismissal (Schepker & Barker, 2018), and forced CEO turnover (Schepker et al., 2017). The origins and features of CEOs continue to prevail in this domain, including CEO ideal kinds (Bilgili et al., 2020); outsider and insider CEOs (Chiu & Walls, 2019); insider CEOs, CEO gender, and CEO power (Dwivedi, Joshi, & Misangyi, 2020); and non-family CEOs (Waldkirch, Nordqvist, & Melin, 2017).

While things such as CEO retirement may be included under CEO change, we distinguish these items from CEO change due to our belief that they represent a different perspective. The retirement of a CEO is more foreseeable than a change in CEO. We obtain insights from recent research on the stages of CEO retirement (Bilgili et al., 2020), which include separation, transition, and incorporation, as well as the impact of CEO retirement declarations on corporate financial performance (Bilgili et al., 2017). The death of a CEO (Chen, Crossland, & Huang, 2019) could be classified as a shift in leadership; nevertheless, we have removed CEO fatalities from this category. We believe that the death of a CEO is more definitive than a change in CEO. Ultimately, the additional elements in the CEO succession event encompass the engagement of external assistance in the CEO succession process (Schepker et al., 2018) as a consequence of defined succession procedures.

Determinants of CEO Transition

Scholars have discovered multilevel predictors of CEO succession, which encompass human, familial, board, organizational, and environmental levels. We incorporate a family level specifically for family enterprises, informed by the findings of the uniplex third item (Li, J. B., & Piezunka, H., 2020). A uniplex third denotes a third party involved in a CEO succession event who maintains a singular relationship outside the organization (for instance, a mother serves as a reliable uniplex third between the founding father and the successor son in a family business, where this mother exclusively interacts with these two individuals within the familial context, not within the corporate environment).

At the individual level, we incorporate the regulatory focus of the CEO as a characteristic of the incumbent CEO, drawing from the research of Bilgili et al. (2020); the characteristics and attributes of predecessors, including gender-inclusive gatekeeping, based on the findings of Dwivedi, Joshi, & Misangyi (2020); the identification of founder CEOs as discussed by Lee, Yoon, & Boivie (2020); and the influence of the CEO as outlined by Schepker et al. (2018). We further include the sequence of possible CEO candidates' attributes and experiences (Calabrò et al., 2018). The board and environmental levels remain unchanged as proposed by Berns and Klarner (2017). Finally, at the organizational level, we incorporate codified succession mechanisms (Schepker et al., 2018) and affective attachment (Waldkirch, Nordqvist, & Melin, 2017). The governance structure is categorized under business size and structure (Calabrò et al., 2018).

Consequences of CEO Transition

Recent research continues to prioritize firm performance in the analysis of CEO succession outcomes. The primary criterion is financial performance, as evidenced by anomalous returns (Bilgili et al., 2017), profitability (Calabrò et al., 2018), and average Return on Assets (ROA) (Dwivedi, Joshi, & Misangyi, 2020). We incorporate two more elements in company performance: short-term and long-term performance (Schepker et al., 2017) and corporate social performance (CSP) (Chiu & Walls, 2019). Product-market performance is unchanged, without supplementary products.

In addition to business performance, we include additional factors related to CEO succession outcomes, including pro-social conduct (Corporate Social Responsibility) (Chen, Crossland, & Huang, 2019) and employee turnover (Li, Hausknecht, & Dragon, 2020). The strategic leadership constellation item (Ma & Seidl, 2018) has now been incorporated as a strategic shift in the strategic choices of new CEOs. No further elements regarding investment decisions, market entry, and risk-taking in strategic selection.

Multifaceted Contingencies of CEO Succession

Scholars have investigated the multilevel contingencies of CEO succession, focusing on the correlation between predictors and the CEO succession event, as well as the relationship between the CEO succession event and its results. Only one supplementary element, categorized as an organizational component, affects the association between the predictors and the CEO succession event, specifically when firm performance is below aspirations (Calabrò et al., 2018). This suggests that only a limited number of studies investigate the multilevel contingencies related to this relationship in the most recent literature.

Conversely, an increasing number of research investigate the multilevel contingency elements pertaining to the relationship between CEO succession events and their results. At the individual level, various supplementary factors are incorporated, including CEO age and prior accomplishments (career legacy) (Bilgili et al., 2020); traits of the outgoing and incoming CEOs (Li, Hausknecht, & Dragon, 2020); the CEO's identification with the deceased directors (Chen, Crossland, & Huang, 2019); CEO needs (Ma & Seidl, 2018); and CEO origin (internal/external to the firm) (Schepker et al., 2017).

Recent literature continues to identify Top Management Team (TMT) change (Ma & Seidl, 2018) at the TMT level. Additional factors identified at the board level pertain to board independence (Schepker et al., 2017), with no supplementary factors observed at the environmental level. Finally, at the organizational level, the inclusion of organizational narratives (Bilgili et al., 2017), strategy shift (Schepker et al., 2017), and financial performance distress (Chiu & Walls, 2019) is noted.

Future Research Agenda

The literature evaluation indicates that current research predominantly focuses on CEO succession events, contrary to empirical evidence suggesting that CEO succession is an ongoing process (Lorsch & Khurana, 1999). Limited research on CEO process elements frequently fails to analyse the comprehensive CEO succession process (Vancil, 1987). Unexpectedly, prior research has inadequately examined the board's function during the CEO transition process. Boards should regard CEO succession as a process comprising sequential stages: During the pre-succession phase, boards may cultivate and consistently evaluate a roster of potential successors (Zhang & Rajagopalan, 2003). During the succeeding phase of CEO transition, boards assess a shortlist of applicants and ultimately pick and appoint the eventual CEO (Johnson, Daily, & Ellstrand, 1996). During the post-succession era, boards oversee CEO activities and performance, while ideally initiating preparations for future successors (Biggs, 2004; Zhang, 2008).

The ultimate decision on a successor rest with the board; nevertheless, the current CEO is tasked with overseeing succession processes, including assisting the board in assigning challenging tasks to promising future executives to demonstrate their capabilities and enhance their skill sets (Bower, 2009). The incumbent CEO's dedication to the tasks in each succession phase is crucial for successful transitions. The current CEO can either (1) facilitate or (2) impede leadership succession initiatives during the succession process (Bower, 2009; Cannella & Shen, 2001). This paper will examine the two scenarios and their impact on CEO succession phases, as well as outline a future research agenda aimed at enhancing the comprehension of board governance in executive succession processes.

During the pre-succession phase, the incumbent CEO can either facilitate or impede the operations occurring in this period. When the incumbent CEO provides his endorsement, he will readily engage with the board to facilitate the development and evaluation of replacement prospects. For example, although the board is responsible for establishing the criteria for prospective CEO candidates in the succession plan, the current CEO can significantly contribute to the development of internal candidates according to these criteria (Bower, 2009). The current CEO and his staff possess superior insights into internal leadership development initiatives, enabling them to furnish essential information for identifying potential successor prospects and ensuring their career progression. Conversely, if the current CEO views the board's succession planning as a danger to his job, he may undermine operations during the pre-succession phase. For example, he will seek methods to postpone and maybe undermine the process to mitigate the risk of displacement.

Consistent with Berns & Klarner (2017), we recommend that future study investigate the second scenario in which the incumbent CEO views the pre-succession phase as a danger to his position. This is significant as no board will feel secure with the existing CEO undermining the process initially. Rather, they require his assistance. Future study may pose various inquiries, such as the strategies boards employ to assure an incumbent CEO of the value of succession efforts, thereby transforming him into an ally rather than an adversary of succession planning. In what manner do pre-succession actions indicate whether a dominant incumbent CEO is opposed to them? In what ways do board-CEO interactions during the pre-succession phase vary between firms with a CEO-chairman and those with distinct individuals in these roles? Collaborations with corporations may provide scholars access to internal leadership development initiatives and board–CEO contacts during the pre-succession phase.

During the second phase, the CEO transition phase, the board will assess candidates and subsequently select a suitable CEO from either internal or external sources. An accommodating incumbent CEO who worked closely with the board during the pre-succession phase may provide valuable insights into the selection and assessment of the ultimate successor candidates. As the board determines the final CEO candidate, the existing CEO can assist in establishing both present and prospective criteria for evaluating applicants. The incumbent CEO can also play a crucial role by providing access to evaluations of internal candidates. A collaborative CEO involved in the succession process from its inception is more likely to engage in the onboarding of their successor. Nevertheless, our understanding of how collaborative CEOs facilitate the onboarding of their successors is insufficient. Future research must examine how CEOs leverage their internal and external networks to introduce their successors to key stakeholders and provide mentorship.

Future study must examine how boards navigate frictions with a less supportive and less dedicated CEO during the CEO transition phase. A CEO in this position might postpone the succession process and may not sufficiently engage in the onboarding of his successor, particularly if the board has overridden him or excluded him from prior succession exercises. In these circumstances, the CEO could leverage his authority within the company to undermine the onboarding of his successor—such as by delaying introductions to key players, withholding information about essential strategic procedures, or neglecting to clarify urgent strategic challenges. It would be quite intriguing to analyse how a non-collaborative CEO wields influence over the onboarding of a successor, and how boards monitor the CEO to mitigate power exploitation and ensure effective onboarding.

During the final phase, known as the post-succession phase, the board must consistently assess the new CEO's strategic decision-making and subsequent performance to manage and enhance the CEO succession process (Biggs, 2004). Nonetheless, the succession process extends beyond the assessment of a single CEO. Boards gain experience in CEO succession through successive transitions, enabling them to refine and enhance future succession procedures. A cooperative new CEO will be more inclined to disseminate and publicly deliberate on information regarding current strategic initiatives with the board. Consequently, transparent information exchanges with the CEO enable the board to remain informed about the company's strategic advancements (Bower, 2009). Nevertheless, our understanding of how boards cultivate trust-based working relationships with a new CEO remains limited. A social capital perspective may enhance future research by providing insights into the development of social capital between board directors and a newly appointed CEO. Future study may also pose inquiries on the development of collaborative working relationships between boards and a new external CEO in contrast to an insider CEO. What are the differences in activity between organizations having a combined CEO-chairman role and those with distinct positions? What methods do boards employ to review the material provided by the CEO and to gather and examine other viewpoints on strategic initiatives from both internal and external stakeholders in order to obtain a comprehensive understanding of strategy?

Conclusion

Ultimately, there are numerous possibilities in the connections between the board and the CEO, encompassing both collaborative and contentious interactions. Contingencies include performance problems, the board's prior CEO succession experience, external factors such as rapid industry shifts or crises, and varying corporate governance structures between countries. Future studies may explore how various contingency factors affect CEO-board relations. Future study must elucidate the determinants and effects of board-CEO interaction patterns during leadership transitions.

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