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# CEO succession: what we know and where to go?

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## Abstract

**Purpose** – The purpose of this paper is to conduct a comprehensive analysis and synthesis of the splintered chief executive officer (CEO) succession literature and provide a unifying future research agenda.

**Design/methodology/approach** – This review content analyzes 227 relevant articles published after 1994. These articles examine the causes, process, replacement, and consequences of CEO succession.

**Findings** – The review develops a comprehensive typology, identifies gaps in the literature, and proposes opportunities for future research. For instance, the CEO succession literature can be classified along four primary dimensions: when, how, who, and consequences. These four primary dimensions are further explained by ten secondary factors and 30 tertiary components. Research opportunities include: enlarging the data pool to expand the repertoire of firms studied, incorporating the CEO's perspective, and integrating CEO succession research with literatures in selection, turnover, and human capital theory.

**Practical implications** – Through integrating research across research domains, future research will be able to better predict when CEO succession will occur, how to avoid unwanted CEO succession, how to better implement CEO succession, and how to minimize negative aspects and maximize positive aspects of CEO succession for the firm and the CEO, as well as understand the consequences of CEO selection, and help move toward and understanding of how to prevent poor performance, and retain high performing CEOs.

**Originality/value** – This is the first comprehensive review since 1994. It creates a typology to guide and categorize future research, and shows ways to incorporate relevant, but often ignored literatures (e.g. human resources, psychology, decision making, and human capital).

**Keywords** CEO succession, CEO dismissal, CEO turnover, CEO selection, CEO origin

**Paper type** Literature review

## Introduction

Chief executive officer (CEO) succession is a critical transition in the lifecycle of an organization. The importance of this event continues to increase as competition becomes more sophisticated (Finkelstein *et al.*, 2009). This complicated phenomenon, involving numerous contingencies and processes, also sheds light on an organization's prior activities and the likelihood for future success (Friedman and Singh, 1989; Graffin *et al.*, 2011). Further, the role of CEO succession and the processes involved in CEO succession have continually evolved and are now recognized to send powerful market signals (Wiersema and Moliterno, 2006). For example, stock analysts, the *de facto* representatives of the general market, are quick to opine about CEO succession decisions, and their opinions impact stock price (Benner, 2010; Benner and Ranganathan, 2012).

This increased attention and pressure on boards of directors (board) to make quality CEO succession decisions have dramatically intensified the board's awareness and focus on succession issues over recent years (Zhang, 2008). Not surprisingly, scholarly attention has kept pace with the increased importance of CEO succession, with scholars leveraging an ever-diversifying scope of theoretical lenses from a greater number of

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research disciplines with differing perspectives. However, such theoretical diversification, although largely positive, is also accompanied by challenges. When CEO succession research remained primarily in the domain of macro organizational scholars (e.g. Cannella and Shen, 2001; Chen and Hambrick, 2012; Davidson *et al.*, 2006a; Graffin *et al.*, 2011), and was focussed squarely in the tradition of top management team (TMT) theory (Hambrick and Mason, 1984; Hambrick, 2007), a single conversational stream was simpler to maintain, making it easier to track research advances and opportunities. However, now that related questions are increasingly addressed by scholars who more traditionally focus on topics such as human resources (HR) (e.g. Nyberg *et al.*, 2010), finance (e.g. Parrino *et al.*, 2003), and accounting (e.g. Laux, 2008), the diversity of views can lead to a splintering of ideas. Despite potential splintering, the proliferation of research perspectives has also increased the literature's robustness, including generating additional questions and tools to analyze the phenomenon.

Thus, the changing CEO succession landscape coupled with the proliferation of research has created fundamentally different perspectives on the phenomenon of CEO succession than existed twenty years ago. We address these perspectives by synthesizing the expanding streams of research and mapping them onto the current contextual landscape. In doing so, we create a typology and make recommendations for future research that incorporates insights from the human capital and strategic HR literatures.

Twenty years ago Kesner and Sebora (1994) noted that CEO succession was an essential element in organizational sustainability, and that related academic research was rapidly increasing. Noting that the same statement could be made today, we present the first systematic review and typology of CEO succession research since 1994. Given developments in CEO succession theory and practice, an updated review is warranted. However, our objective is not solely to review research, but also to suggest how future work may be informed by both progress and gaps in the empirical record. Reviewing 227 relevant articles published since 1994 leads to three broad contributions. First, we create a typology that synthesizes the state of the field to create a stronger foundation for future research and to help researchers and practitioners codify the relevant accumulated knowledge. Second, we use the resulting typology to identify literature gaps, thus allowing us to suggest where future research may be fruitful. Third, we help integrate into the CEO succession discussion relevant research in the areas of human capital resources and strategic HR. Through this integration, we shine light on ways that considering CEO succession from a broadening spectrum of interests can better inform the more traditional and still dominant theoretical approaches to CEO succession research.

## Review of current research: toward a multidimensional typology

CEO succession research dates back to the 1950s (e.g. Dale, 1957; Grusky, 1960). The attention it received in the 1980s and early 1990s increased rapidly leading to Kesner and Sebora's (1994) comprehensive review that laid the ground work for research over the next two decades. Their review is one reason why relevant research developed systematically. They noted that CEO succession was critical to research because organizations often reflect their senior managers; CEOs have the ultimate decision making authority; CEOs are often the most visible face to external constituents; and every successful firm goes through the CEO succession process.

*Literature search*

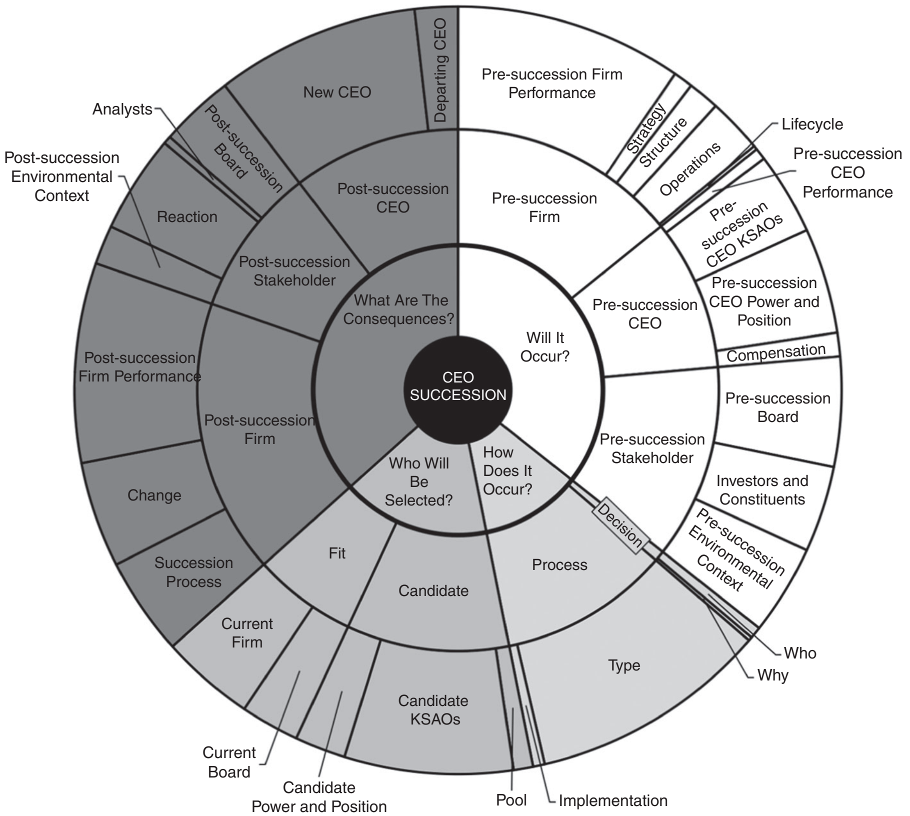
Since Kesner and Sebora's (1994) review, the proliferation of research regarding a wide variety of topics related to CEO succession has grown exponentially. To capture the growth in relevant research, we used the leading article databases to conduct an exhaustive search of the management, finance, and economics journals. We searched using the terms CEO and turnover*, CEO and succession*, and CEO and dismissal*. To ensure comprehensiveness, we also searched on the terms heir apparent*, CEO and appointment*, CEO and replacement*, CEO and labor market*, and CEO and selection*. Using these parameters, we also queried specifically for articles in *Academy of Management Journal*, *Academy of Management Review*, *Administrative Science Quarterly*, *Journal of Applied Psychology*, *Organizational Science*, and *Strategic Management Journal*. To ensure against electronic database omission we also included appropriate articles that were in reference sections of conceptual reviews of CEO succession literature (e.g. Giambatista *et al.*, 2005; Finkelstein *et al.*, 2009; Kesner and Sebora, 1994). This approach initially yielded 507 articles. After examining these articles in detail, we identified 227 appropriate articles. Of these articles, 181 were empirical and 46 were conceptual. Articles that studied causes or results of CEO behavior but did not consider the succession event (e.g. how CEO compensation affects firm performance, Nyberg *et al.*, 2010), or articles that were not published through the peer review process, were not included in the study.

We used the 227 articles to create a typology of how CEO succession has been studied. To create this typology, we started with the CEO succession rubric described by Finkelstein *et al.* (2009) which has four primary dimensions. The four primary dimensions are: will CEO succession occur? How will CEO succession occur (and by what process)? Who will be selected CEO? And what are the consequences of CEO succession? We then used an iterative approach, moving back and forth between content analyzing the articles and constructing a comprehensive typology based on the concepts framed in each article. While we could have created new dimensions, we chose this rubric to stay consistent with prior research and because our research revealed most CEO succession research can be viewed from these dimensions. We also identified ten secondary factors, and 30 tertiary components (see Figure 1). We added these two additional levels to better clarify and categorize the relevant articles. We found that each of the 181 empirical articles could be categorized in at least one of the 30 tertiary components – many were characterized by two or more tertiary components.

We compared our newly created typology with Kesner and Sebora's (1994) review and identified nine tertiary components that would not have existed in Kesner and Sebora's (1994) review; because, a substantial number of articles written after their review covered topics not identified in their review. Nearly a third of the tertiary components, which is to say one-third of all of the topics in the typology, are new to the research space in the past 20 years (see Figure 2). We provide a table of articles by tertiary component in the Appendix (see Table AI).

*Will CEO succession occur?*

The dimension of CEO succession research receiving the most attention, seeks to understand whether, when, and under what circumstances CEO succession will occur. This dimension is composed of three secondary factors, consisting of the pre-succession firm, pre-succession CEO, and pre-succession stakeholder factors, which in turn house 12 tertiary components (i.e. pre-succession firm performance, strategy, structure, operations, lifecycle, pre-succession CEO performance, pre-succession CEO



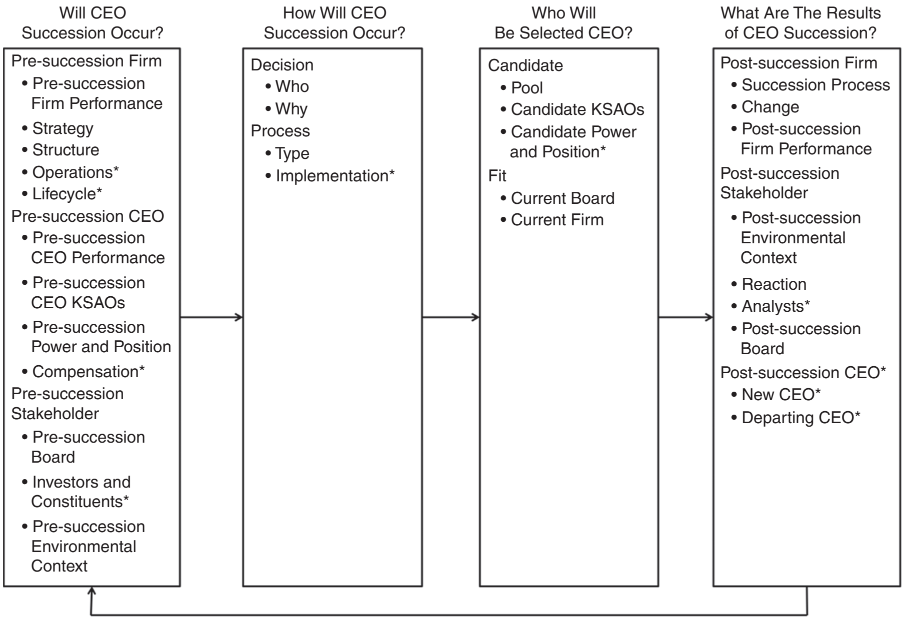

**Notes:** Four primary dimensions, ten secondary factors, 30 tertiary components. Sizes of pie wedges represent the number of articles in the component. Table AI contains a complete list of every article in each tertiary component

**Figure 1.**
CEO succession typology – empirical work representation

knowledge skills, abilities and other characteristics (KSAOs), pre-succession CEO power and position, compensation, the pre-succession board, investors and constituents, and the pre-succession environmental context) that further detail how the three secondary factors impact whether CEO succession will occur.

The term CEO succession is used in the literature to describe both voluntary and involuntary turnover. Voluntary turnover refers to CEO departure due to promotion, resignation, or retirement. Involuntary turnover refers to the departure of the CEO due to death, sickness, or dismissal. CEO succession is also used to describe the selection process. To be consistent with prior literature, we use the term CEO succession to describe voluntary turnover, involuntary turnover, and selection. Additionally, because it is very difficult to determine if a CEO's resignation was voluntary or involuntary (Giambatista *et al.*, 2005; Finkelstein *et al.*, 2009) describing CEO succession at the voluntary or involuntary level can be misleading.

*Pre-succession firm performance component*. In general, broad consensus exists that poor performance leads to increased CEO succession (Osborn *et al.*, 1981). A wide variety of performance outcomes have been shown to affect this relationship including: stock price




**Note:** *Topics studied primarily after Kesner and Sebora (1994)

**Figure 2.**
CEO succession – 1994 vs 2014

(Kesner and Dalton, 1985), earnings per share (Farrell and Whidbee, 2003), profit margin (Harrison *et al.*, 1988), net income (Allen and Panian, 1982), return on assets (Harrison *et al.*, 1988), return on equity (Harrison *et al.*, 1988), and sales (Lindrianasari and Hartono, 2011). In addition to prior performance outcomes, specific events associated with performance have been studied and linked to CEO succession. These events include layoffs (Billger and Hallock, 2005), bankruptcy (Daily and Dalton, 1995), negative corporate financial restatements (Arthaud-Day *et al.*, 2006), firm scandals (Ertugrul and Krishnan, 2011), and the omission of regular dividends (Fosberg, 2001). Another event, equity issuance, is also associated with CEO succession; but, unlike many of the other factors, equity issuance often has a positive connotation. However, equity issuance in times of poor performance results in a higher rate of CEO succession (Hillier *et al.*, 2005). Additionally, inaccurate forecasting and accounting accuracy lead to a higher rate of CEO succession, presumably because financial forecasting is often viewed as an individual performance characteristic of the CEO (Lee *et al.*, 2012).

Despite much of the early CEO succession literature that used different aspects of firm performance to examine when CEO succession is likely to occur, there are still key unanswered questions within this broad category. For instance, the majority of empirical research in this area has examined publicly traded US corporations. Even family firms research is primarily based on family owned publically traded companies. This then leaves small US corporations, private companies, non-government organizations, and non-US companies relatively un-researched. Similarly, the study of how performance impacts CEO turnover on an international scale is still in its infancy. Although there are a few individual country (e.g. Nguyen, 2011; Powell and Lim, 2009) and multi-country studies (e.g. Crossland and Chen, 2013; Hamori and Kakarika, 2009), the landscape of non-US companies is still largely unexplored. The laws, as well as the involvement of individual countries may make each country's CEO succession environment unique (Jiang *et al.*, 2013; Volpin, 2002), and thus examining succession in non-US environments may provide a more robust understanding of the CEO succession process, and facilitate a greater understanding of global contexts.

*Strategy component*. Firms with strategies that focus on mergers and divestitures (Osborn *et al.*, 1981), and firms that make a bad acquisition (Lehn and Mengxin, 2006), are more likely to experience CEO succession. Similarly, firms that are acquired are more likely to experience CEO succession (Buchholtz *et al.*, 2003). Additionally, over investment in capital projects is associated with CEO succession (Hornstein, 2013). However, only a few studies investigate how different strategies affect CEO succession. Since boards can use CEO succession to change strategy (Finkelstein *et al.*, 2009), the role of prior strategy and strategic events are relevant topics of investigation and warrant further investigation.

*Structure component*. In close relation to strategy, the firm's structure matters such that poor performance is less likely to lead to CEO succession when the firm is well diversified (Berry *et al.*, 2006), or when the COO or president position is different than the CEO (Zhang, 2006). Firms that are run by the state are also less likely to have CEO succession (Kato and Long, 2006). Based on our review it appears as though the structure of the organization moderates direct relationships with CEO succession. Due to the large amount of research showing that poor performance leads to succession, we propose that future studies of moderators, such as structure, may more clearly elucidate these relationships.

*Operations component*. Operations (the day to day decisions, logistics, processes, and policies of an organization) also affect CEO succession. For example, larger firms are more likely to be associated with CEO succession (Harrison *et al.*, 1988). So too are firms where the CEO has more control of risk decisions (Bushman *et al.*, 2010). A deeper understanding of how performance leads to succession will be gained by identifying when and how CEOs contribute to poor operational performance.

*Lifecycle component*. The firm's lifecycle is also associated with CEO succession. In start-ups, if the CEO is the founder, there is less CEO change, even with poor firm performance (Wasserman, 2003). However, after a startup completes its first product, or gets new financing or investors, CEO succession becomes increasingly likely (Wasserman, 2003). Other than the circulation of power theory – which posits CEOs follow a cycle of slowly gaining power, and then losing power at the end of their tenure (Ocasio, 1994; Ocasio and Kim, 1999) – we found no additional research on how firm lifecycle affected CEO succession. Since we know that firms at different firm contexts require different leadership skills (Porter and McLaughlin, 2006), it seems plausible that firm lifecycle would affect succession, yet this is largely unexplored. One theoretical perspective that may add insight is organizational decline. In decline, organizations either innovate or become extinct, yet the link to CEO succession has not been fully made (Cameron *et al.*, 1987; Mone *et al.*, 1998).

*Pre-succession CEO performance component*. It is difficult to distinguish a CEO's performance from firm performance. The challenge becomes understanding when the CEO is performing well (e.g. making good decisions, leading the firm well), but the firm is doing poorly (e.g. stock price is down due to a weak economy or bad decisions made by prior executives) or when a CEO is performing poorly (e.g. making bad decisions), but the firm is doing well (e.g. stock price is up due to strong economy or good decisions made by prior executives). However, some research has attempted to differentiate the two by examining how low individual performance such as when the CEO's personal performance does not meet the board's expectations, leads to CEO succession (Wowak *et al.*, 2011). Boards have also looked to stock analysts to help them understand how the CEO is performing, and then use analyst's analysis to help make CEO succession decisions (Wiersema and Zhang, 2011).

When the board cannot distinguish between firm and CEO performance, and the board fails to recognize positive CEO performance, they could make a decision to replace the CEO leading to a potentially worse outcome. Similarly, a board that fails to differentiate organizational outcomes from the CEO's behaviors may mistakenly credit the CEO when the organization performs well, even if the CEO made bad decisions (e.g. in situations where a strong market lifts all stocks). If a board can recognize this situation it can replace the CEO prior to the CEO making decisions that can have long-term implications. There is some preliminary evidence that some boards may try to preemptively dismiss CEOs. For example, Ertugrul and Krishnan (2011) found evidence that some boards dismiss CEOs for scandalous behavior or low ability. Thus, differentiating CEO from firm performance remains an essential future research agenda.

*Pre-succession KSAOs component*. CEO's KSAOs also impact CEO succession likelihood. Young age, old age, short tenure, and being an outsider – an insider is a CEO whose origin is from within the firm; an outsider is a CEO whose origin is from outside the firm – are all correlated with increased likelihood of CEO succession (Barro and Barro, 1990; Shen and Cannella, 2002a). In contrast, tenure (Shen and Cannella, 2002a), education (Datta and Guthrie, 1994), skills (Bruton *et al.*, 1997), and style (Resick *et al.*, 2009) can alter the likelihood of CEO succession depending on the needs of the firm. If there is a fit between the CEO's KSAOs and the needs of the firm it decreases the likelihood of succession, but a mismatch increases the likelihood of succession. Fit is defined as "the compatibility between people and organizations that occurs when: at least one entity provides what the other needs, or they share similar fundamental characteristics, or both" (Kristof, 1996, p. 4).

We were unable to identify much research regarding how the board perceives the CEO's fit with the firm. In organizational behavior based research, there is a long history of fit research (e.g. Edwards, 1996; Kristof-Brown *et al.*, 2005). This includes the fit between the person and the job (e.g. Edwards, 1991) and the person and the organization (e.g. Kristof, 1996). This research has shown that fit is related to individual performance and turnover (Kristof-Brown *et al.*, 2005). Hence, incorporating CEO fit into succession research should provide greater insights into when and why CEO succession occurs.

*Predecessor power and position component*. When a CEO has power it decreases the likelihood of CEO succession (Boeker, 1992; Zajac and Westphal, 1996). For example, embeddedness (Allgood and Farrell, 2000), ownership (Pi and Lowe, 2011), being a founder (Allgood and Farrell, 2000), and holding additional positions and titles beyond CEO (Davidson *et al.*, 2008) all provide the CEO with more power. When the CEO has more power than the board or has a large influence on the board, it is harder for the board to take actions that will remove the CEO from her position.

Not surprisingly, relationships with the board, analysts, and other stockholders also affect CEO succession. More and stronger relationships between the CEO and the board are associated with less CEO succession (Boeker, 1992). This includes board members appointed by the CEO and when the CEO has formal authority over them because they are thought to be indebted or beholden to the CEO (Ocasio and Kim, 1999). What is missing from the analysis of relationships between the CEO and the board is the strength of the personal relationship between the CEO and each board member. It is possible that the CEO through personal attributes or social skills is able to build strong bonds with outside board members, and conversely, because of personal attributes or decisions may alienate internal board members. In contrast to the power of the board, recent research shows that actors not on the board also play a role in CEO succession. For instance, both negative coverage of a CEO's performance by stock analysts (Wiersema and Zhang, 2011), and negative perceptions of the CEO by investor activists (Helwege *et al.*, 2012), lead to increased CEO succession.

Another area that has received little attention, probably due to the challenges associated with gathering the requisite information, involves what could have been done to avoid succession. For example, what was in vs out of the CEO's control? In the case of involuntary CEO turnover, it would be valuable to know if the CEO was aware that succession was imminent and if he had an opportunity to change the outcome. In addition, it would be informative to know what support, guidance, and development was provided to the underperforming CEO to avoid succession. Delving into these areas could provide new perspective and insight into CEO succession.

*Compensation component*. Recently, research has begun examining compensation effects on CEO succession (Murphy and Zábojník, 2004). Initially, it appears that when a CEO's base compensation is high, and when severance costs are low (Van Dalsem, 2010), succession is more likely (Wowak *et al.*, 2011). Taken in combination, it suggests a potential curvilinear relationship between CEO compensation and the likelihood of CEO succession. That is, when CEO compensation is too high, CEO succession may be more likely, but at the same time when CEO compensation is too low (e.g. severance costs are very low), then CEO succession may also be more likely.

*Pre-succession board component*. When the board's performance expectations are not met, the likelihood of CEO succession increases (Puffer and Weintrop, 1991; Farrell and Whidbee, 2003). Analyst forecasts (Wiersema and Zhang, 2011), firm forecasts (Lee *et al.*, 2008), as well as strategic and operational actions (Bruton *et al.*, 1997) have all been used as proxies of the board's expectations. Another way boards develop expectations is by comparing firm performance to similar companies, this type of comparison has increasingly been recognized as central to establishing board expectations (Jenter and Kanaan, 2015). Additionally, when the CEO is similar to the board it diminishes the likelihood of CEO succession. Similarities in regards to demographics, insider and outsider status, tenure, and experience, all make it less likely there will be CEO succession when expectations are not met (Zajac and Westphal, 1996). In contrast, when boards are powerful, well networked (Zajac and Westphal, 1996), or have representation from private equity (Gong and Wu, 2011) or institutional block holders (Nguyen, 2011), CEO succession is more likely.

Although board expectations are a separate part of the causal chain from observable factors like stock price (Fredrickson *et al.*, 1988), and while Haleblian and Rajagopalan (2006) introduce a model of sense making and interpretation of performance expectations, we found no empirical evidence regarding the extent that boards use forecasts as an expectation.

*Investors and constituents component*. Stakeholders who do not sit on the board can also influence CEO succession. For example, in family controlled firms when the CEO has family ties, it is less likely there will be succession, even during poor performance, than when the CEO is a professional without family ties (Chen *et al.*, 2013; Rachpradit *et al.*, 2012). Other non-board stakeholders such as lenders (Ozelge and Saunders, 2012), activist shareholders (Helwege *et al.*, 2012), and state powers (Jiang *et al.*, 2013) all have influence on CEO succession. They influence CEO succession by exerting pressure on the board to make decisions and take action. With emerging evidence that lenders, venture capital, governments, block holders, and institutions can all influence CEO succession, new questions arise, such as: when do boards react to stakeholder pressure? How do boards react to different stakeholders? Do stakeholders send conflicting messages to the board in regards to CEO performance? And, how do stakeholders punish board members who do not react to their input?

*Pre-succession environmental context component.* The environmental context, including market, industry, candidate pools, shifts in regulation, and location can affect CEO succession. For example, market and industry performance are likely to influence firm performance and increasingly are considered a basis of comparison (Jenter and Kanaan, 2015). Another market-driven component is the pool of available successor candidates. The availability of candidates appears to influence the CEO succession process and particularly board decisions regarding removing CEOs. When there appear to be a greater number of candidates, there is also a greater likelihood of CEO succession (Mobbs and Raheja, 2012). This is reasonable and consistent with HR management selection research that finds greater pools of candidates are associated with higher quality selection (Ployhart *et al.*, 2006). While poor performance increases the likelihood of CEO succession in US environments (Crossland and Chen, 2013), the same is not necessarily true in other countries. For example, Japanese CEO succession does not appear to be associated with strategic reorientation (Sakano and Lewin, 1999), and in Thailand, sensitivity to poor performance is higher with CEO duality and low-board independence (Rachpradit *et al.*, 2012).

Changing political and regulatory landscapes can also result in increased turnover. Haveman *et al.* (2001), Powell and Lim (2009), and Wang *et al.* (2010a) each found that legislative changes can lead to increased CEO turnover, because new legislation can require the firm to change and adapt to survive in a new environment.

One critical shift in legislation was the Sarbanes-Oxley Act (SOX). The vast majority of empirical research (i.e. Arthaud-Day *et al.*, 2006; Billger and Hallock, 2005; Daily and Dalton, 1995; Farrell and Whidbee, 2003; Fosberg, 2001) uses data on companies prior to the implementation of key provisions of SOX. In response to high profile corporate accounting scandals in the early 2000s SOX became law in 2002 and many key aspects were implemented in 2004. SOX was designed to change financial disclosure and corporate governance rules (Wang *et al.*, 2010a). There is some anecdotal evidence that SOX affected board involvement in the governance process, including the CEO succession process (Goel and Thakor, 2008; Wang *et al.*, 2010a). Some of these changes appear to include an increased professionalization of boards and an increased sense of responsibility toward protecting all constituent interests. If these changes have occurred as dramatically as many suggest, it is possible that much of what we know about CEO succession learned from data collected prior to SOX may not be robust to new board composition and behaviors in the aftermath of SOX.

### *How does CEO succession occur?*

The second dimension of CEO succession research, and the area receiving the least empirical attention, but may pose the most fertile opportunities for meaningful advances, concerns how the CEO succession process works. For instance, we did not find research addressing the relative effectiveness of different CEO succession processes. This second dimension of how the CEO succession process works is impacted by two secondary factors consisting of the decision and the process, which house four tertiary components (i.e. who drives the decision, why make the decision, what type of process will be used, and the manner of the process implementation) that further detail how the two secondary factors impact CEO succession.

*Who component*. Both the CEO and the board can lead succession activities. Typically the CEO leads the CEO succession process in times of good performance and when the CEO's departure strategy is known, such as in a retirement. The board often leads the succession process when involuntarily removing the CEO or in an unexpected event such as illness, injury, or death (Friedman and Singh, 1989; Zajac, 1990; Zajac and Westphal, 1996). What is unclear in the research is who on the board leads the succession processes. We do not know if it is an individual, like the chairmen of the board, or if it is a subcommittee and what impact that has on selection or subsequent performance.

Additionally, the involvement of third party firms specializing in CEO succession remains understudied. Although there is very little empirical evidence in this area, Zhang and Rajagopalan (2010) provide insight into the role, potential help, and problems caused by third party firms. They discuss how third party firms can help by augmenting the candidate pool and conducting interviews, but can also bias the selection process by encouraging boards to select candidates who are the most charismatic, not necessarily the best fit with the strategic needs of the firm. Similar to third party firms, we do not have any descriptions of how the chief human resources officer (CHRO) is involved in the CEO succession process, nor the impact her involvement has on the outcome.

There remains great opportunities for learning more about prescriptive aspects of the CEO succession process, such as determining who should lead the process, including selection and onboarding. Learning more about the role of board sub-committees, third party firms, and the CHRO in CEO succession would also be of value to our understanding of the processes.

*Why component*. The decision making process includes five categories: poor performance (Osborn *et al.*, 1981), scapegoating (Boeker, 1992), strategic shift (Kesner and Dalton, 1985), planned succession such as retirement (Smith and White, 1987), and unexpected succession such as death (Worrell and Davidson, 1987). When poor performance, scapegoating, or strategic shift are the reasons why CEO succession occurs dismissal is usually the mechanism. The relationship between poor performance and CEO dismissal is widely studied (Finkelstein *et al.*, 2009). However, voluntary departures warrant further study because voluntary departures represent the population of CEOs that are potentially living up to or exceeding expectations. Understanding how to keep a CEO who is living up to expectations would also be valuable.

*Type component*. Candidates are primarily identified and developed through setting up a horse-race, where candidates compete for the CEO position; a relay succession, where one candidate succeeds the CEO and usually involves designating an heir apparent; or a marathon succession, which is a prolonged search for the CEO (Intintoli, 2013; Kesner and Sebora, 1994). When CEO succession is unplanned or arises due to a crisis it can lead to using an interim CEO (Ballinger and Marcel, 2010). While some research predicts when a particular method will be used (Zajac, 1990), and there are numerous studies that look at relay succession (i.e. Zhang and Rajagopalan, 2004), with the noted exception of Mobbs and Raheja (2012), we found little research making a direct comparison of effectiveness between well-defined types of CEO succession.

Another missing area of relevant research includes looking at the CEO succession process more holistically from the entire firm's perspective. For instance, how are the succession plans at lower levels of the firm related to CEO succession outcomes. Such research might help inform the literature about whether and why some internal candidates are more likely to be successful CEOs than others.

*Implementation component*. The timing and communication of CEO change can impact stakeholder reactions, including the resulting stock price. Therefore, implementation, although infrequently researched, is a relevant aspect of the CEO succession process. The implementation process includes considering how a CEO will be removed from office (Ertugrul and Krishnan, 2011), the timing of CEO departure (Tichy, 1996), informing the unsuccessful candidates of their status (Cannella and Shen, 2001), informing the stakeholders of who was selected as the new CEO (Chen, 2008), and onboarding the new CEO. One illustrative example regarding how boards try to manage this process is boards routinely try to mask the difference between the existing and incoming CEO to avoid negative stock market reactions (Graffin *et al.*, 2011).

The process of CEO succession is the area of research that has seen the least amount of attention and provides several impactful opportunities. There is very little research that details the step-by-step process of implementing CEO succession. For instance, at the beginning of the CEO succession process, much could be gained from learning more about how desirable characteristics of the new CEO are determined. We did not find any research detailing the selection and onboarding processes, even though the announcement of the CEO during the onboarding process is an event that impacts firm performance and stakeholder expectations (Jalal and Prezas, 2012). Additionally, apart from the announcement itself, we did not find any research that discusses how well the succession process was implemented. At the same time, little research exists that examines the impact, or how to minimize unwanted disruptions when the new CEO takes office. Further, it would be valuable to understand how firms determine if the best candidate was selected as CEO beyond simply evaluating the new CEO's performance.

### *Who will be selected CEO?*

The third dimension of CEO succession research predicts who will be selected CEO. Since who is selected CEO often affects the subsequent stock market reaction to the announcement (Adams and Mansi, 2009), understanding who will be selected is an important part of the causal chain in how the market reacts to CEO succession. This dimension encompasses two secondary factors consisting of the candidate and the fit, which in turn, house five tertiary components (i.e. candidate pool, the individual candidate's KSAOs, the candidate's power and position, the candidate's fit with the current board, and the candidate's fit with the current firm) that further detail how the two secondary factors impact who will be selected. Not surprisingly, these tertiary components are similar to the tertiary components of the predecessor and pre-succession stakeholder secondary factors that help explain CEO departure likelihood.

*Pool component*. The number, quality, and availability of candidates impacts who will be selected, including the likelihood of whether the firm will select an insider or an outsider (Parrino, 1997; Mobbs and Raheja, 2012; Pissaris *et al.*, 2010). Pissaris *et al.* (2010) proposed that the greater the firm's reputation, network, and recruiting resources, the larger the external candidate pool and hence the greater the likelihood that the next CEO will be hired from outside the firm. Despite this logical extension, we found no empirical study that explores what causes a larger candidate pool. Additional studies would provide a more holistic picture of the relationships between types of pools and types of candidates selected. Additionally, delving deeper into how internal candidates are developed and selected may help bridge the gap between how leaders are developed and CEO selection.

*Candidate KSAOs component*. Candidate KSAOs that have been studied include firm specific skills, often determined by whether the candidate was a firm insider or outsider (Zhang and Rajagopalan, 2004), functional experience (Chen and Hambrick, 2012), tenure (Bigley and Wiersema, 2002), and education level and quality (Martinson, 2012). Researchers have also examined CEO demographics including age (Martinson, 2012), gender (Lee and James, 2007), and hair color (Takeda *et al.*, 2006). While the majority of KSAOs studied look at the candidates functional and technical skills as well as strategic perspective, very little has been done in regards to style or leadership capability. Takeda *et al.*'s (2006) study on hair color, while seemingly a small issue, raises the larger question in regards to what preconceptions boards might have on the ideal characteristics of a CEO and how this influences selection?

Insider and outsider status has been used heavily as a measure of CEO characteristics with mixed results and has recently been challenged as an inaccurate measure (Karaevli, 2007; Shen and Cannella, 2002a). It was originally argued that the advantage of using insiders is that they know the firm's industry dynamics, internal process, TMT, and culture, and therefore are a better fit with the firm. One disadvantage of insiders is they can be embedded and therefore hesitant to take action. In contrast, outsiders are thought to bring fresh perspectives, new ideas, and other KSAOs including leadership that are not currently in the organization. Since outsiders are new to the organization, they are not inhibited by social norms and restrictive practices that might inhibit taking action. One disadvantage of outsiders is the lack of organizational understanding, and therefore, they can make decisions that have adverse consequences (Brady and Helmich, 1984; Friedman and Saul, 1991).

Scholars now question the use of insider and outsider as a measure because it is insufficient at capturing the degree to which a CEO or candidate has the characteristics typified by outsider or insider definitions (Karaevli, 2007; Pitcher *et al.*, 2000; Shen and Cannella, 2002a). As a result, there has been a proliferation of insider and outsider definitions in an attempt to better capture who is truly an insider or an outsider. This has confounded the issue because scholars are using the same language (i.e. insider vs outsider) but are using substantially different measures. Alternative definitions such as that put forth by Barron *et al.* (2011) use the terms contender, follower, and outsider to better differentiate insiders who will challenge the status quo vs those that will not; or Davidson *et al.* (2002) use the term outsiderness based on how related the industry origin of the new CEO is to the new firm.

*Candidate power and position component*. The CEO's degree of firm ownership is a measure of power, which is a key concept in CEO succession research. There is evidence candidates who have greater ownership positions are more likely to be selected as CEO (Boyer and Ortiz-Molina, 2008). The position of the candidate also has bearing on if she will be selected. The next CEO is likely to come from the same functional background as the current CEO (Carpenter and Wade, 2002), and candidates designated as an heir apparent or have had positions on the board are more likely to be selected as CEO (Mooney *et al.*, 2007). As mentioned, delving deeper into how internal candidates are developed, including what positions they have held may help bridge the gap between how leaders are developed and CEO selection.

*Current board component*. The array of board characteristics studied includes age (Davidson *et al.*, 2006a), experience, tenure, and home company strategies (Westphal and Fredrickson, 2001). Boards are more likely to select candidates that are like themselves. This can be beneficial to the firm when the board is full of outsiders and the firm needs a strategic shift, as that would be a likely result of outsider selection. However, there are circumstances when the board does not select a CEO with a good fit (Zhang, 2008). For example, in cases when the board sets expectations too high or they have not identified what they want. It would also be interesting to know if boards are aware they are biased and how they address the staffing process differently because of that awareness, and if boards mitigate risk associated with hiring a CEO who does not meet all of their desired qualifications.

*Current firm component*. Firm characteristics include size (Ang *et al.*, 2003), industry (Datta and Rajagopalan, 1998), lifecycle stage (Martinson, 2012), structure (Wilson and Stranahan, 2000), and strategy (White *et al.*, 1997). Researchers have compared candidate features with firm characteristics, including the firm's strategy, to predict the type of candidate to be selected. For example, a firm with acceptable performance, but anticipated need for a strategic shift, is more likely to select an outsider (Lant *et al.*, 1992). Another example is that firms that spend heavily in research and development, are more likely to select a CEO with a technical background (Datta and Guthrie, 1994). In a similar vein, heavy advertising spending has been associated with selecting CEOs with low tenure (Guthrie and Datta, 1997). This is thought to be because firms that advertise heavily have been found to be more creative, and it is presumed that CEOs with less tenure are also more creative and willing to try new things.

Additionally, although it is suggested that that larger, better candidate pools affect the CEO succession process, how these pools are identified, and the determination of fit remains understudied (Pissaris *et al.*, 2010). Also, there is not as much understanding regarding how the board determines which outside candidates have the personality and behavioral characteristics that will meet the firm's needs. Although there are a few examples of research regarding characteristics such as style or confidence (Goel and Thakor, 2008), individual behavioral attributes of CEO remain largely ignored.

### *What are the consequences of CEO succession?*

The fourth dimension of CEO succession research and the primary interest from a firm's perspective, concerns succession consequences. This dimension is impacted by three secondary factors consisting of the post-succession firm, post-succession stakeholders, and the post-succession CEO, which in turn house nine tertiary components (i.e. the succession process, change, post-succession firm performance, post-succession environmental context, stock price reactions, analyst coverage, post-succession board changes, the impact on the new CEO, and the impact on the departing CEO) that detail how the secondary factors impact the consequences of CEO succession.

*Succession process component*. Reasons for CEO succession include planned vs unplanned succession (Rhim *et al.*, 2006), death (Behn *et al.*, 2006), and dismissal (Chan and Ting-Ting, 2011). Findings show that markets react more positively to unanticipated CEO succession announcements (Rhim *et al.*, 2006), and following CEO dismissal new CEOs increase investments in research and development, and advertising (Chan and Ting-Ting, 2011).

Relay successions (Zhang and Rajagopalan, 2004), marathon successions (Intintoli, 2013), and interim CEO successions (Marcel *et al.*, 2013) are processes that have all received attention. Zhang and Rajagopalan (2004) found that relay succession leads to better post-succession performance, but Intintoli (2013) did not find that firms had decreased performance during the period of a marathon succession. Also, Marcel *et al.* (2013) found that there is increased director turnover after the use of an interim CEO. In the articles we reviewed, we found no substantial research on how the internal talent development process outside of the designation of an heir apparent, or the use of a horse-race selection process impacted post-succession consequences.

*Change component*. The start of a new CEO's tenure can result in numerous changes. The arrival of a new CEO has been linked to strategic reorientation (Lant *et al.*, 1992), executive turnover (Barron *et al.*, 2011), general turnover (Khaliq *et al.*, 2006), climate changes (Friedman and Saul, 1991), accounting changes (Geiger and North, 2011), divestitures (Weisbach, 1995), discontinued operations (Barron *et al.*, 2011), internationalization (Liu *et al.*, 2012), and investment allocation changes (Chan and Ting-Ting, 2011). Outsiders are associated with more change than insiders (Barron *et al.*, 2011; Lant *et al.*, 1992). Insider and outsider status are not the only conditions which cause change. Climate changes are more likely to be positive when the new CEO replaces someone with a performance deficiency (Friedman and Saul, 1991). Accounting changes are more likely when both the CEO and the principal financial officer are replaced at the same time (Geiger and North, 2011). Also, divestitures are more likely when the previous CEO made poor investment decisions or there is a poor rate of return on one of its businesses (Weisbach, 1995). Recently, more attention has focussed on the speed of change after a new CEO takes office (Karaevli, 2007). Some novel research by Crossland *et al.* (2014) shows how new CEO career variety (having a diverse set of experiences and background) affects a firm's strategy by changing the way the firm allocates resources to become distinct from competitors. Future research may want to examine the speed of change and the impact to individuals at the time of a new CEO, as well as the changes in investment decisions.

*Post-succession firm performance component*. Performance outcomes that have been linked to the arrival of a new CEO include profitability (Fong *et al.*, 2010), return on assets, return on equity (Ang *et al.*, 2003), cost efficiency, revenue efficiency (He *et al.*, 2011), the achievement of firm goals (Khaliq *et al.*, 2006), growth (Jalal and Prezas, 2012), firm value (Adams and Mansi, 2009), and long-term performance (Denis and Denis, 1995). The range of performance outcomes studied shows that our knowledge of what performance outcomes are impacted by CEO succession is well developed. However, the use of performance as a key outcome of CEO succession is valuable and the practice should continue. Both accounting measures and equity-based measures are of primary concern to a firm's stakeholders.

However, there are few studies on the long-term impact of a new CEO. Exploring the mortality rate of new CEOs, and comparing performance of similar CEOs and circumstances, could help our understanding regarding whether the correct selection decision was made.

*Post-succession environmental context component*. The environmental context provides key contingencies in regards to post-CEO succession outcomes. A variety of contingencies such as industry, industry dynamism, environmental uncertainty, competitive dynamics, and competitive uncertainty, have been studied. Some with clear results and some with mixed results. Industry has been used as a boundary condition in research and has shown to be a factor in determining post-succession outcomes (He *et al.*, 2011). However, industry dynamism (Ballinger and Marcel, 2010; Marcel *et al.*, 2013), uncertainty, and turbulence of the environment (Chen, 2008; Gordon *et al.*, 2000; Karaevli, 2007; Westphal *et al.*, 2006) have been examined with mixed results. In another example, although Ballinger and Marcel (2010) did not find evidence that a dynamic industry environment heightens the negative impact of an interim CEO, Marcel *et al.* (2013) found evidence that the impact of an interim CEO on board turnover was weaker in dynamic industries. Also, Chen (2008) found that in CEO succession involving turnaround situations, where customer preferences, technologies, and competitive dynamics change quickly and the incumbent CEO had a long tenure, subsequent performance was more positive. In addition, Westphal *et al.* (2006) found that more competitive uncertainty leads to broken network ties among boards. Due to the mixed results we encourage continued study of how environmental contingencies affect post-CEO succession outcomes.

*Reaction component*. Stakeholder reactions to CEO succession can impact the overall market cap of the firm, primarily through changes in stock and bond prices. There is evidence that stock prices are higher after a succession event or announcement. The level of stock price tends to be a function of the quality of the CEO (Ang *et al.*, 2003), forced vs voluntary turnover, outside vs insider replacements (Adams and Mansi, 2009), the level of board social and human capital (Tian *et al.*, 2011), and issuance of stock grants to the new CEO (Blackwell *et al.*, 2007). In addition, overall stakeholder reactions tend to be positive when a new CEO is announced after the death of the previous CEO (Worrell and Davidson, 1987). Since increasing the stakeholder's wealth is a major goal of stakeholders and a subsequent goal of the board and the firm, we anticipate that the effect of stock price will continue to be studied. Future stakeholder reaction should focus on contingencies and boundary conditions to better understand what influences increased stakeholder wealth.

Very little research has been conducted in regards to gender and CEO succession. Lee and James (2007) did find that stakeholders reacted slightly more negatively to new female CEO announcements than their male counterparts. They also found that the reaction was better when the new female CEO was an insider rather than an outsider. It would be insightful to understand when stakeholders react to the characteristics of the CEO vs the strategic significance of the event.

*Analyst coverage component*. There is evidence that analyst coverage is more accurate after succession. This is likely due to the analyst paying more attention to the firm because of the awareness generated as a result of the succession announcement (Sheikholeslami *et al.*, 1998). In some studies analysts' forecasts and comments are used as proxy measures for board expectations (Farrell and Whidbee, 2003). In other studies, analyst coverage is the subject of study (Wiersema and Zhang, 2011). From a methodological perspective, this inconsistency raises the questions of, when is it appropriate to use analysts' data as proxy measures for the board expectations, when is it appropriate to study analysts' forecasts, and how analysts' forecasts affect board expectations?

*Post-succession board component*. New CEOs are also associated with changes to the board. Such changes include turnover, new committee assignments, remuneration, and the percentage of insider vs outsider board members. Board member turnover is more likely when there is an interim CEO (Marcel *et al.*, 2013). Because an increase in the number of outside board members can be expected when the new CEO follows negative financial disclosures (Arthaud-Day *et al.*, 2006). There is also evidence that changes occur to the remuneration for board members who remain following substantive board turnover resulting from outsider CEO succession (Farrell and Whidbee, 2000).

Another area that has preliminary evidence, but warrants expansion, is how the new CEO affects board structure and committees. Farrell and Whidbee (2002a) examine this issue under conditions of forced CEO turnover, but the outcomes remain unclear when considered from other types of turnover. Similarly, Florou (2005) identified that in the UK, the chairman is likely to be dismissed at the same time as the CEO, which raises the question of under what circumstances would a new CEO lead to the departure of the chairman of the board? Additional opportunities for future studies include examining a wider group of stakeholders beyond the board, including creditors and investors, and how they are impacted by the new CEO.

*New CEO component*. The new CEO upon taking office has an influx of power (Miller, 1993). This new power gives the CEO the ability to take independent action and has been shown to correspond with new behaviors, which may or may not align with board expectations. When the new CEO starts, she is evaluated on performance based on financial and accounting performance. New CEOs are vulnerable to dismissal because they lack power and tenure. They are also vulnerable because they lack CEO experience and may lack firm or industry experience. This potentially can lead to a mortality rate higher than that of more tenured CEOs. However, few studies have specifically analyzed the tenures of new CEOs (Barro and Barro, 1990).

In addition to performance measures, it would be insightful to study how the CEO acts differently than expected and how expectations are set for the new CEO. It would also be useful to investigate the CEO succession process from the perspective of the CEO. For example, from the new CEO's perspective, did the selection process impact her performance when she took office? From a retention perspective, what about the process retains or repels the new CEO? Understanding the different manner in which support is provided post-CEO succession may also help inform our knowledge about desirable practices, which in turn may help avoid premature turnover.

*Departing CEO component*. It is not just the new CEO that is impacted in the succession process. The departing CEO is also impacted and has been studied. Topics of study include the departing CEO's next career move (Schepker, 2012; Elsaid *et al.*, 2009), what severance she received (Laux, 2008), and what involvement she had with the firm after leaving the CEO position (Quigley and Hambrick, 2012). Those CEOs that leave on good terms, as well as those who leave on bad terms but have enough ownership, sometimes stay involved in firm management and can retain large amounts of power (Perry *et al.*, 2011). In some cases, the CEO stays on as chairman of the board or as a director on the board (Friedman and Singh, 1989). Yet, Quigley and Hambrick (2012) found that the retention of the old CEO usually dampened the new CEO's ability to make strategic changes or drive performance.

De Vries (1988), and Friedman and Singh (1989), examined qualitatively the emotional and psychological impact to the departing CEO, and found that many CEOs stay emotionally involved in the companies they leave. Perry *et al.* (2011) found that CEOs often stay involved in the firm's operations and maintain a high level of influence after departure. Besides Yermack (2006), who found the majority of severance pay to be discretionary based on the circumstances related to the CEO's departure, we did not identify any empirical research regarding the departing CEO's severance. There is emerging research regarding what happens to the CEO's job prospects after dismissal. CEOs who were dismissed for violations of fiduciary duty or personal conduct had diminished job prospects, but CEOs who had experience with prestigious organizations, had a reputation for being a top CEO, had less negative publicity, or were located in a major city had better prospects for continued career growth (Schepker, 2012).

To conclude our typology discussion, we provide a summary of recommended future research directions:

(1) Will CEO succession occur? | pre-succession firm | pre-succession firm performance:
- How do performance events affect CEO succession?
- What are the antecedents and boundary conditions of CEO succession in small US corporations, private companies, start-ups, and non-governmental organizations? Are they the same antecedents and boundary conditions as large publically traded companies?
- Do the findings of US-based research hold true across international contexts? What are the findings that are generalizable across international contexts? What unique conditions occur internationally and within specific countries or regions?

(2) Will CEO succession occur? | pre-succession firm | strategy:
- How does firm strategy affect the causation of CEO succession?
- What strategic events are likely to encourage or hinder CEO succession?

(3) Will CEO succession occur? | pre-succession firm | structure:
- How does organizational structure moderate CEO succession?

(4) Will CEO succession occur? | pre-succession firm | operations:
- How do CEOs contribute to poor operational performance, and when does that lead to CEO succession?
- Can poor organizational climate lead to CEO dismissal? Does organizational climate moderate the relationship between poor performance and CEO dismissal?

(5) Will CEO succession occur? | pre-succession firm | lifecycle:
- How does organizational life cycle affect CEO succession?
- How does CEO succession impact organization decline, and how does organizational decline impact CEO succession?

(6) Will CEO succession occur? | predecessor | predecessor performance:
- What is the difference between CEO performance and firm performance, and how can the two be measured and evaluated separately?

(7) Will CEO succession occur? | predecessor | predecessor KSAOs:
- How can style and personality be measured and how do they affect fit?
- What are the best indicators of fit?

(8) Will CEO succession occur? | predecessor | predecessor power and position:
- What can be done to avoid succession?

- Do CEOs have an opportunity to change succession outcomes before they happen?
- How can boards help underperforming CEOs improve performance before a succession event occurs? What support or development is provided?
- How do personal relationships between the CEO and board members as well as other stakeholders develop, and how do they influence succession?

(9) Will CEO succession occur? | predecessor | compensation:

- How does CEO compensation affect succession?

(10) Will CEO succession occur? | pre-succession stakeholder | pre-succession board:

- How do boards set their expectations?
- To what extent do boards use forecasts as an expectation of CEO performance?
- How can the expectations of boards be linked to CEO succession?

(11) Will CEO succession occur? | pre-succession stakeholder | investors and constituents:

- When do boards react to stakeholder pressure?
- How do stakeholders punish board members who do not react to their input?
- How do boards react to different stakeholders?
- Do stakeholders send similar or conflicting messages to the board in regards to CEO performance?

(12) Will CEO succession occur? | pre-succession stakeholder | pre-succession environmental context:

- Under what context does the relationship of poor performance and succession not stay consistent?
- What has changed since the passage of the SOX in 2002?

(13) How does CEO succession occur? | decision | who:

- Should the CEO or the board lead the succession process and why?
- What role do third party firms have in CEO succession, and what is their impact?
- What is the role of sub-committees on CEO succession?
- How is the CHRO involved in CEO succession?

(14) How does CEO succession occur? | decision | why:

- When performance is poor, why do some CEOs stay while others leave voluntarily (true voluntary turnover).
- When performance is good, what leads to voluntary turnover? How can boards better retain performing CEOs
- What role does the CHRO play in CEO succession?
- If organized by sub-committees, how does the sub-committee structure influence CEO succession?

(15) How does CEO succession occur? | process | type:
- Which type of CEO succession process is most effective and in what circumstances?
- How does the internal (non-CEO) development process both executive and non-executive affect tenable CEO candidates and CEO succession and subsequent performance?

(16) How does CEO succession Occur? | Process | Implementation:
- How are the characteristics of who will be selected CEO determined?
- What are the components of CEO succession implementation?
- What measures are used to evaluate the effectiveness of the succession process including implementation?
- How effective is the implementation process?
- Do boards evaluate the effectiveness of the CEO succession process?

(17) Who will be selected CEO? | candidate | pool:
- What are the different types of candidate pools?
- What generates larger candidate pools?
- How does internal development affect tenable CEO candidates?

(18) Who will be selected CEO? | candidate | candidate KSAOs:
- What commonly accepted definitions beyond outsider and insider can be used to describe the CEO?
- What is the true impact of being an outsider?
- What are boards perceptions of an ideal CEO?
- How can style or leadership capability be measured and understood in regards to what makes a good CEO candidate?

(19) Who will be selected CEO? | candidate | candidate power and position:
- What positions best develop a potential CEO?

(20) Who will be selected CEO? | fit | current board:
- Do boards set realistic expectations of what the characteristics of the CEO should be?
- Are boards aware of their biases?
- How do boards mitigate risk associated with hiring a CEO who does not meet all of their desired qualifications?

(21) Who will be selected CEO? | fit | current firm:
- How are candidate pools identified?
- How do boards determine which outside candidate has the personality and behavioral characteristics for the best fit?
- Why do firms need certain types of leaders and how are those characteristics identified?

(22) What are the consequences of CEO succession? | post-succession firm | succession process:

- How does the type of succession process used affect the consequences of CEO succession?

(23) What are the consequences of CEO succession? | post-succession firm | change:

- How does the speed of the succession process affect the consequences of CEO succession?
- What is the immediate impact to individuals at the time of succession?
- How are investment changes made as a result of CEO succession?

(24) What are the consequences of CEO succession? | post-succession firm | post-succession firm performance:

- What are the long-term performance impacts of CEO succession?
- What are the drivers of new CEO mortality?
- How can performance of new CEOs be measured, compared to like CEOs in other companies?

(25) What are the consequences of CEO succession? | post-succession stakeholder | post-succession environmental context:

- Why are scholars finding different results in regards to the environmental context?
- What environmental contexts provide what impacts on CEO succession?
- How does the environmental context affect CEO succession?

(26) What are the consequences of CEO succession? | post-succession stakeholder | reaction:

- What are the contingencies and boundary conditions that create a positive response?
- What leads a stakeholder to react to the CEO and her attributes vs the strategic significance of CEO succession?

(27) What are the consequences of CEO succession? | post-succession stakeholder | analysts:

- How does the use of analyst forecast as a proxy for board expectations effect the study of CEO succession?

(28) What are the consequences of CEO succession? | post-succession stakeholder | post-succession board:

- How are the wider group of stakeholders affected by CEO succession?
- How is the chairman of the board affected by CEO succession?
- How does the CEO affect board structure and board committees?

(29) What are the consequences of CEO succession? | post-succession CEO | new CEO:

- Does the new CEO act differently than was expected by the board?

- What will retain or the repel the new CEO?
- Does the selection or onboarding of a new CEO affect performance?

(30) What are the consequences of CEO succession? | post-succession CEO | departing CEO:

- How does severance affect CEO succession?
- What positions does the departing CEO move into?
- What is the emotional and psychological impact on departing CEOs?

## A multidimensional integration

Taken together, the four primary dimensions and ten secondary factors of the CEO succession process create a unified model of CEO succession. However, as described above, even within the boundaries of research focussed exclusively on CEO succession, there remain numerous opportunities for future research that can improve our understanding of the CEO succession process. This typology and review also provides guidance for identifying opportunities for capitalizing on research from other research domains to help further understanding of the CEO succession process. We next describe a few of these opportunities. By integrating CEO succession with knowledge established in alternative research domains, such as strategic HR, it can propel a greater understanding of the nuanced microfoundations underlying the CEO succession process. Specifically, lessons regarding selection, turnover, and human capital resources can all shed light on the underlying causal mechanisms driving the CEO succession process (see Table I).

*Selection research*

Within the I/O psychology and strategic HR domains, there exists a vast selection literature, but this research has primarily focussed at lower levels within the firm (Ployhart, 2012), and this knowledge has not been overtly applied to the CEO succession process. Although the selection literature does not necessarily apply equally well to CEO succession, it seems plausible to suspect that, at least, some of this information is transferable. To the extent that we can apply some of the knowledge accumulated over the decades in selection research, it may facilitate our understanding of the processes involved in CEO selection and help us to generate more proscriptive suggestions for optimizing the process.

For instance, research has shown that cognitive ability is the individual attribute most closely linked to job performance (Hunter and Hunter, 1984). However, while much is known about the cognitive ability – job performance relationship at lower levels of the firm, less is known at higher levels. This is despite the fact that many argue that cognitive ability should be the primary personnel hiring decision measure (Schmidt and Hunter, 1998; Schmidt and Hunter, 2004). Implicit in the conviction that cognitive ability, should be the key determinant for all jobs is the notion that the associated increased performance benefits will not be counteracted by other factors, such as increased voluntary turnover (Maltarich *et al.*, 2010). If this is true, then it might be useful to consider intelligence at the CEO level.

Alternatively, it may be the case that there is range restriction in intelligence among those that have managed to rise high enough to be eligible for the CEO position. Either outcome would provide useful information, either through providing opportunities for improving the quality of CEO selection or for providing a better understanding of the boundary conditions associated with selection processes in general.

| Individual level | Collective level | CEO level |
|---|---|---|
| Selection | | |
| Cognitive ability performance link | Increase of overall human capital performance link | *Cognitive ability performance link* |
| Job and organization fit | Human capital flows | *Job and organization fit* |
| Turnover | | |
| Causes and predictors of turnover's impact on planning and staffing goals, with the subsequent link to firm effectiveness | Causes and predictors of collective turnover, and the subsequent link on firm productivity, performance, competitive advantage | *Causes and predictors of succession's impact on succession planning and continuity and the subsequent link to firm performance* |
| Costs of turnover: lost employee productivity, outplacement, recruiting, replacement, training, administrative | Collective costs of turnover | Costs of CEO turnover: *lost institutional knowledge, lost leadership*, employee morale, outside search firms, future valuation of the firm, future firm performance |
| | New hire failure rate | New CEO failure rate |
| Performance and pay growth, perceived pay performance, advancement, unemployment rate, and the subsequent impact on desirability of movement and ease of movement | Human capital flows | *Short and long-term incentives, pay growth, perceived pay performance, employment contract and severance, CEO labor market, market performance, and the subsequent impact on desirability of movement and ease of movement* |
| Human capital | | |
| Individual KSAOs | Human capital resources | *One individual's KSAOs as a human capital resource* |

**Note:** Italics denote recommended new areas of study

**Table I.** CEO succession – multidimensional integration

Moving beyond the use of one particular screening mechanism, like cognitive ability, and looking at the impact of the selection process as a whole, we see that best practices dictate a formalized selection processes to identify the necessary KSAOs to perform the job tasks and interact with other employees. The selection process ought to identify the best potential candidates (Ployhart, 2012). When organizations hire not only for the skills required, but for how the KSAOs that the new hire will contribute to the overall combination of KSAOs of the firm, they increase the ability to create a valuable, rare, inimitable, and non-substitutable resource, which can lead to competitive advantage (Barney, 1991; Ployhart *et al.*, 2014). Therefore, how the CEO's KSAOs combine with the KSAOs of existing top management becomes an essential consideration in selection. We could find little research that connected the existing leadership teams' KSAOs with the selection of a CEO.

*Fit research*

Similarly, we know a great deal about the role of fit-in selection (Edwards, 1991; Kristof, 1996; Kristof-Brown *et al.*, 2005), but we do not have such confirmation that fit matters at the CEO level. Again, it may be the case that while organizational fit makes a big difference for individual employees at most levels of the organization in terms of their individual performance as well as their likelihood of leaving, fit may not matter at the highest levels of the organization. It could be that the CEO does not need to fit-in with the rest of the organization because the CEO will be driving the culture. Instead, it may just be that others need to fit-in with the CEO. However, it is also possible that poor fit with the organization, the organization's culture or the board may negatively impact both the CEO's ability to perform and the likelihood of the CEO leaving. Again, if the fit literature can inform CEO succession literature, then this would be an excellent opportunity for learning more about some of the underlying mechanisms that motivate CEO succession. In contrast, if the lessons from the fit literature are not relevant at the CEO level, then this will further help to shed light on our knowledge about fit.

*Turnover research*

*Individual*. There is a rich history of individual-level turnover research (Griffeth *et al.*, 2000; Hom, Caranikas-Walker *et al.*, 1992; March and Simon, 1958; Mobley, 1977), but the vast majority of this research involves employees at lower levels of the firm, thus implications of this research for the CEO succession process remains ambiguous. Unraveling the causes and predictors of individual turnover throughout lower levels of the organization is thought to be critical for employee planning and for achieving staffing needs and goals (Mobley, 1977), both of which, in turn, influences firm effectiveness (Hom and Griffeth, 1995).

While the CEO succession process involves more than CEO turnover, turnover is clearly part of the process. Since everything is magnified at the CEO level, compared with lower levels of the organization, presumably, the importance of planning along with many of the costs of turnover will be accentuated when considering the CEO. Further, the lost institutional knowledge, and lost leadership – both potential and current will also be much more extensive when the turnover occurs at the CEO level. Additionally, costs, such as changes to employee morale that are not often associated with individual turnover at lower organizational levels are more likely to exist when the turnover event involves the CEO. At the CEO level, for instance, these costs are estimated to include outside search firms, which can average $2 million per CEO search, and an onboarding process that can take 12-18 months for CEOs in larger firms. The impact of hiring a CEO can also account for up to 40 percent of the variation in a firm's future valuation and up to 60 percent of corporate performance. When coupled with reports that nearly 50 percent of outside CEO hires quit or are fired within 12-18 months, or within the same period that onboarding is occurring, it becomes that much more obvious that understanding CEO turnover can have substantial economic impact (Corporate Recruiting Reports, 2013). Thus, it may be useful to examine the knowledge already accrued about turnover at other levels of the organization to see how they might apply at the highest levels.

Recently, there has been greater emphasis on CEO dismissal because dismissal is thought to represent times when the board has made an error in the selection process to create strategic change, and/or change downward firm performance (Zhang, 2008). Focussing on dismissal (involuntary turnover) and how it affects firm performance is in stark contrast to the vast majority of employee turnover research which primarily focusses on voluntary turnover and its impact on firm performance.

*Collective*. Turnover scholars are increasingly turning attention toward collective turnover, or the quantity and quality of KSAO depletion from the unit (Nyberg and Ployhart, 2013). Such attention is understandable given the growing recognition that collective turnover can have important consequences for firm productivity, performance, and – potentially – competitive advantage (Hausknecht and Trevor, 2011).

The paramount importance of understanding collective turnover is highlighted in the strategic HR literature, in which collective turnover is seen as the primary mechanism driving human capital depletion (Gardner *et al.*, 2011; Lepak and Shaw, 2008). Although, the importance of studying collective turnover is increasingly apparent, there is little overlap between the study of individual and collective turnover research.

It is likely that this lack of overlap masks key insights into each area. CEO succession is often considered a collective level issue due to the consequences occurring at the collective level. When a new CEO takes office it often results in multiple changes to the TMT (Boyer and Ortiz-Molina, 2008) and the board, (Farrell and Whidbee, 2000; Marcel *et al.*, 2013) resulting in a collective turnover event. Another collective impact of CEO succession is when a high performing CEO is hired by another firm and takes key talent with him or her as part of the move, or soon after the move, to build up the KSAOs of the newly formed TMT (Groysberg and Lee, 2009). Because CEO succession occurs at the collective level, and has collective impacts, it is the perfect bridge to examine these two related, but different turnover streams of research (Nyberg and Ployhart, 2013). By studying CEO turnover, we may be able to better integrate individual-level turnover motivations with collective level turnover consequences.

Currently, while a substantial motivation for examining individual-level turnover is the economic impact on the firm, in general, with a few rare exceptions, individual-level turnover has a very limited impact on the overall organization. However, individual turnover can have meaningful implications for the organization when that turnover involves the CEO. Hence, it is likely that both individual-level turnover and collective level turnover will instruct our understanding of the CEO succession process, and concurrently, considering the turnover literature in the CEO succession process will help inform our understanding of both individual- and collective-level turnover.

*Decision making*

Another area where individual-level research could inform organizational level understanding involves decision making. Decision making is blossoming in areas as disperse as psychology, behavioral economics, behavioral finance, behavioral accounting and behavioral political science. A common theme across these areas is the recognition that decision-making quality suffers due to unconscious biases and heuristics. These problems can lead to the dangerous combination of suboptimal decisions coupled with more confidence than warranted. For instance, the optimism bias (or overconfidence) leads us to believe that our decisions are superior in our beliefs than in reality. This mistake occurs when we inflate both our confidence in decision-making ability and in our decisions. This type of mistake turns-out to be more prevalent in experts (Tetlock, 2005).This is just one example of where decision-making research could investigate and inform our understanding about CEO succession processes.

*Human capital resources research*

As with turnover research, increasingly, individual-level human capital research is moving toward collective level human capital resource research (Nyberg *et al.*, 2014). Traditionally, human capital scholars focussed on human capital from the perspective of individuals (e.g. Becker, 1964; Schultz, 1961). In contrast, recent work has begun to examine human capital as a unit's resource, where human capital resources are individual or unit-level capacities based on individual KSAOs that are accessible for unit-relevant purposes (Ployhart *et al.*, 2014). This work has considered a multitude of human capital conceptualizations as unit resources, often differing with respect to level, content, and theoretical framework (Nyberg *et al.*, 2014). Research in this area is also grounded in insights from the microfoundations literature (e.g. Felin and Hesterly, 2007; Felin *et al.*, 2009; Ployhart and Moliterno, 2011) that identify individual-level KSAOs and the combinations of KSAOs that characterize human capital resources.

Similar to the value of studying selection in the context of CEO succession, it will be useful to do the same with individual and collective human capital resources. Focussing purely on collective phenomena may obscure more than it explains, as Felin *et al.* (2012, p. 2) note: "[…] an explanation of these collective phenomena requires consideration of lower-level entities, such as individuals or processes in units, and their interactions." Thus, we may not fully understand the CEO succession process if we don't also consider its microfoundations. Integrating knowledge accrued about individual human capital and human capital resources jointly within the context of CEO succession will bridge the two distinct bodies of literature while simultaneously informing the CEO succession process.

An example of how individual human capital at the CEO level impacts firm competitiveness is the concept of a star CEO. A star CEO can impact the firm beyond providing guidance and leadership, she can also provide a direct impact on customers and bring a unique set of skills to the firm (Groysberg *et al.*, 2008). Although star CEOs may be an extreme example, it illustrates the impact a particular CEO can have based on her different strengths and background. Some CEOs may be strategists or leaders, while others may bring external relationships or analytical skills. Each CEO's human capital makes a unique contribution to the firm and demonstrates the value of researching how a CEO's individual human capital impacts the firm.

In regards to human capital resources, strategy implementation after a new CEO has taken office depends on the combination and interaction of the CEO and her TMT. Upper echelon theory informs us that the team's capability and composition has a meaningful effect on the ability to implement strategic change (Hambrick, 2007; Bigley and Wiersema, 2002). Thus, the combination of the KSAOs of the TMT and the CEO together determines the ability to meet performance objectives, not just the CEO. The firm's future ability to develop and implement a strategy to create a sustained competitive advantage is therefore dependent on the CEO's and the TMT's combination and interaction of unique KSAOs and the ability to make decisions and take strategic action. Understanding how the new CEO will combine and interact with the TMT will help scholars understand what conditions increase the likelihood of CEO success.

## Conclusion

After a comprehensive CEO succession literature search, we organized the literature into a unified typology. This typology allowed us to categorize what is known in the research regarding how firm, predecessor, and stakeholder characteristics combine to predict CEO succession. We also categorized what we know about who makes the succession decision and why the decision is made. The typology also points to the limited research regarding the processes involved in CEO succession, and how the pool of candidates, the candidate KSAOs, the level of ownership, and the current position of the perspective CEOs are matched with the needs of the firm and the board to identify who will be selected as the new CEO. Finally, the typology also categorized the role in CEO succession of firm change, firm performance, changes to the board, and how the existing and new CEO are affected by succession.

This accounting of the literature led to the identification of several new areas of study for CEO succession researchers. These include: expanding the pools of companies researched beyond primarily large US-based publically traded companies; examining succession from the CEO's perspective; and, integrating research with additional relevant, but heretofore, unexamined areas of research such as selection, turnover, and human capital. Further examination in these areas will better predict when CEO succession will occur, provide insights into how to avoid unwanted CEO succession, show companies how to better implement CEO succession, and ultimately strive toward providing answers for how to minimize negative and maximize positive aspects of CEO succession for the firm's employees, its executives, the board, other stakeholders and the CEO.



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**Note:** The superscript numbers in the references correspond to Article number in Appendix (Table AI).

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## Appendix

| Typology tertiary component | Article number |
|---|---|
| Pre-succession firm performance | 4,5,6,8,13,17,24,28,30,34,37,43,44,45,46,47,62,64,66,67,71,72,74, 79,83,85,86,92,95,108,109,110,113,114,118,123,125,130,136,138, 139,142,143,144,155,165,169,171,174,179,197,201,205,215,218, 220,222,225 |
| Strategy | 27,113,139,222,225 |
| Structure | 13,66,74,104,125,197,216,222 |
| Operations | 5,28,43,46,91,108,114,123,136,155,167,191,216,225 |
| Lifecycle | 207 |
| Pre-succession CEO performance | 63,217,220 |
| Pre-succession KSAOs | 4,25,26,27,43,83,92,95,125,136,150,162,168,171,179,188,205,207, 216,217,223 |
| Pre-succession power and position | 4,5,6,26,29,30,34,45,47,71,74,83,91,92,110,113,125,130,150,162, 171,174,179, 201,207, 208,223 |
| Compensation | 34,67,85,191,200,217 |
| Pre-succession board | 24,25,26,30,37,45,46,72,74,79,85,92,108,110,123,125,154,160,162, 171,174,179,188,201, 204,212,218,223 |
| Investors and constituents | 24,25,26,40,64,74,83,108,119,123,136,139,160,165,169,171,179, 188,197,201, 216,218 |
| Pre-succession environmental context | 8,28,34,37,44,45,62,63,77,103,114,118,143,155,161,162,168,174, 205,215,216, 220,225 |
| Who | 163,221,223 |
| Why | 41 |
| Type | 4,9,11,13,21,25,26,29,30,41,44,45,47,59,60,62,64,66,67,72,74,76,77, 78,79,83,86,91,92,100,104,108,110,116,118,123,127,145,150,152, 154,155,156,157,167,168, 169,171,174,181,188,191,200,205,215, 217,218,220,222,223,225 |
| Implementation | 7,41,95 |
| Pool | 2,67,120,131,210 |
| Candidate KSAOs | 2,6,13,20,21,22,30,41,48,53,54,57,58,59,67,76,79,95,100,110,120, 121,131,132,144,145,147,152,155,156,163,164,166,183,184,188, 192,203,208,212,213,221,224 |
| Candidate power and position | 20,22,30,59,60,95,112,132,156,184,203,210,224 |
| Current board | 20,21,57,58,121,132,163,164,183,184,203,210,212,221,224 |
| Current firm | 2,6,13,20,53,54,57,58,79,110,131,132,145,152,163,164,166,183,203, 210,212,213,221,224 |
| Succession process | 1,10,11,12,18,35,60,69,72,81,82,84,91,101,106,107,116,122,148, 180,181,219,225 |
| Change | 3,9,10,13,16,22,35,64,82,88,91,93,96,98,117,124,129,144,178,183, 189,208,209,212 |
| Post-succession firm performance | 1,5,6,7,12,13,16,18,27,38,39,41,49,54,57,61,64,68,72,73,76,82,84,87, 93,94,96,101,103,106, 107,116,117,119,122,124,127,129,132,148,178,189,190,196,198, 206,208,220,225 |
| Post-succession environmental context | 7,38,93,96,105,106,124,148,211 |
| Reaction | 1,5,11,12,18,21,36,41,58,60,64,69,84,94,116,117,137,143,170,181, 190,194,196,206 |

(*continued*)

**Table AI.** Research articles by CEO succession typology tertiary component

Table AI.

| Typology tertiary component | Article number |
|---|---|
| Analysts | 137,187 |
| Post-succession board | 6,16,57,68,76,78,81,82,91,112,117,119,127,148,194,198,204,211 |
| New CEO | 1,3,5,7,10,11,13,16,18,22,25,28,35,36,38,39,49,57,58,61,68,69,70, 76,78,82,88,94,96,98,107,117,119,124,132,137,144,154,159,170, 180,181,189,190,194,204,209,212 |
| Departing CEO | 38,39,68,72,73,94,122,170,178,219 |
| International | 24,37,43,45,46,62,66,74,81,86,87,91,97,98,100,110,119,120,125, 127,130,142, 143,144,153,160,171,174,176,179,183,184,192,197, 198,201,206,210,220 |
| Non-empirical | 14,15,19,23,31,33,42,50,51,52,55,56,65,75,80,89,90,97,99,102, 115,126,128,133,134,135,140,141,146,149,151,153,158,172,173, 175,176,177,182,185,186,195,199,214,226,227 |

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