

FACTORS INFLUENCING CEO SUCCESSION

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Chief executives officers (CEOs) direct the firms to the new opportunities, manage its structure and strategy, their decisions affect a company's performance. Thus, a change of one CEO to another, which is called "CEO succession" is likely to lead to change in all of these aspects. CEO succession is vital due to at least two reasons that were named by Grusky [6, 107] and are highly relevant today – succession leads to instability and, consequently, to risk, and it is inevitable for firms.

The aim of this article is to explain the main factors that influence CEO succession and identify whether they are crucial variables to examine when choosing a new CEO in order to prevent early failure. It is sensible to follow the stated aim due to the fact that succession of CEO is not commonly known as a successful process. Ciampa [2, 47] refers to statistics from Center of Creative Leadership on CEO failure. It is said that the first 18 months of the new CEO are turned into failure in 40% of the cases. If new executive fails, the board members would like to change the executive again. That is why there is an increasing CEO turnover.

Existing literature suggests a number of factors that influence CEO succession. Pitcher et al. [9, 626] list the following causes: "age and size of the firm, condition of its founding, sector of activity, variability of profitability in the industry, current and past performance, structure, composition and allegiances of boards of directors, power of the incumbent CEO with respect to his or her board, personal characteristics of that CEO, and the availability of alternative candidates". In general, Giambatista et al. [4, 967] combine the antecedents into several groups: board-related, related to firm performance, related to leaders' characteristics, related to firm characteristics, and related to industry characteristics and other environmental factors.

Goltsman [5] writes that he has found a positive relationship between profitability or company's revenues and the probability of a CEO change. He attempts to explain this correlation by saying that revenue or profitability growth are a signal for outside agents that the company is operating well, thus it may be a relevant investment target either as a whole entity or partially. Change of ownership often leads to change in leadership. The same author comes to the conclusion that change of labour productivity does not influence CEO succession. Another factor which Pitcher et al. [8, 641] underline is ownership structure in a firm. The controlling shareholders tend to get what they want regardless of the positions of other shareholders.

When it comes to the demographic factors, it is clearly seen that successors are usually younger than the previous CEOs [8, 645]. It is to mention that demographic factors are often linked with professional expertise and values. Nevertheless, this dimension does not cover the whole variance, which means that further psychological or, more precisely – psychometric, variables must be examined in order to establish relationship between the variables.

Lauterbach & Weisberg [7, 52] devoted their work to the topic of factors that affect the choice between insiders and outsiders. They state that an internal candidate will guarantee continuity in strategy and culture of an enterprise. Allen, Panian, & Lotz [1, 167] believe that changing the CEO for an outsider is a risky business, which can easily disrupt the whole business. Dalton & Kesner [3, 751] argue that outsider CEO himself cannot change policies or conduct major organizational transitions, as far as he is constrained by the complexity of the organization and the number of other people involved.

A number of studies have been reviewed in this article on antecedents of CEO succession. It was identified that there exist massive volumes of literature on this topic produced in the last half a century, but those studies often present controversial results, which deem to be caused by lack of consensus on definitions and differences in the research methods used. For example, they mostly consider historical data on large American corporations. Additionally, because it is impossible to consider all the factors at once, so that there would be no omitted variable bias, it was not possible to list all of the factors that affect CEO succession, so this paper does not represent a full list of them, but only selected ones. Thus, the need for improved approaching the topic in both theoretical grounding and methodology is clearly articulated for the future research.

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