

CEO Succession Review

CEO succession research conducted by the Center for Executive Succession recently appeared in the *Journal of Organizational Effectiveness: People and Performance*. This research reviewed the relevant academic literature involving CEO succession dating back to 1994. As part of this review, the researchers created a typology of the relevant research (Figure 1). Overall, research shows that while there has been a plenty of relevant research, little of this research has investigated the inner-workings of CEO succession.

Key Takeaways:

- Boards frequently succumb to common decision making biases that can derail the effectiveness and efficiency of the CEO succession process.
- Since the inception of SOX, boards are becoming more professional, CEO succession appears to be taking on greater importance among board members and external stakeholders.
- Research is limited regarding the processes and the decision making rationale occurring during a CEO succession.

The review examined 227 articles from management, accounting, finance and economics. The authors used this review to create a typology that identified the research focus and findings of each article. The typology created is a useful organizing framework for quickly understanding the state of CEO succession research.

A few general themes emerge from the review. First, it is challenging for outsiders to know whether a succession event was initiated by the board or the CEO. Second, poor company performance remains the best predictor of whether a succession event will occur and the poorer the performance, the more likely the successor is to be an outsider. Third, the relative power of the CEO versus the board remains an important factor in terms of whether a CEO will be replaced. Fourth, the decision making processes involved in the CEO succession process are often subject to common decision making biases leading to inefficient and suboptimal decision processes. Fifth, the transition between the incoming CEO and the outgoing CEO can substantively affect the likelihood of the incoming CEO's success, but this topic is frequently not given appropriate consideration during the CEO succession planning process.

Source: Cragun, O.R., Nyberg, A.J., & Wright, P. M. (2016) CEO succession: What we know and where to go? *Journal of Organizational Effectiveness: People and Performance*, 3(3): 222-264.



