SUCCESSION CHALLENGES WITH GENDER DIFFERENCES

Research that will appear later this year in the Academy of Management Journal shows that CEO succession can be even more challenging when the gender of the incoming CEO is different from that of the outgoing CEO. The authors found that a male-to-female CEO transition was associated with lower short-term ROA post CEO succession than same gender transitions. Additionally, the likelihood of early CEO departure increased by 176% when the transition was male-to-female than male-to-male.

Using data on CEO succession events collected from companies listed on China’s Shanghai and Shenzhen stock exchanges between 1997 and 2010, researchers examined 3,320 CEO succession events (159 involved male-to-female CEO succession) to examine post succession firm performance and the propensity of early departures, defined as those occurring within one year of succession. Male-to-female succession transitions resulted in lower post succession ROA and more frequent early CEO departures.

The research team also found more complex relationships among the comparisons. When there was at least one female director or at least one other female top manager, the likelihood of poorer post CEO succession performance and early departures among female CEOs who replaced male CEOs was diminished. Their analysis statistically controlled for aspects of the environment (like industry and year), the firm (like pre-succession firm performance and firm size), the CEO (like age and predecessor tenure), and the Board (like the proportion of independent directors). The authors suggest that future research is needed to learn more about how these effects may be similar or different in other countries and that much more work is necessary to understand the processes underlying succession events.

Key Takeaways:
- Extra care is needed in the onboarding process when an incoming female CEO replaces a male CEO.
- The rate of early CEO departure increases when the incoming CEO is female and is replacing a male CEO.
- The increased challenges of CEO transition associated with gender changes can be mitigated with an increased number of women on the board and on the top management team.