Strategic Management Journal
Strat. Mgmt. J., **24**: 191–198 (2003)
Published online 5 November 2002 in Wiley InterScience (www.interscience.wiley.com). DOI: 10.1002/smj.280

RESEARCH NOTES AND COMMENTARIES

WILL SUCCESSION PLANNING INCREASE SHAREHOLDER WEALTH? EVIDENCE FROM INVESTOR REACTIONS TO RELAY CEO SUCCESSIONS

WEI SHEN[1]* and ALBERT A. CANNELLA, JR.[2]
[1] *Warrington College of Business, University of Florida, Gainesville, Florida, U.S.A.*
[2] *Mays College of Business, Texas A&M University, College Station, Texas, U.S.A.*

Our study examines investor reactions to a specific form of succession planning—relay succession. Theory predicts that both the initiation and the outcome of a relay CEO succession process will influence shareholder wealth. Our results show that investors generally do not react to the initiation of the process as indicated by heir apparent appointment; but react negatively when the process ends in heir apparent exit from the firm and react positively when the process ends in heir apparent promotion to the CEO position. We also found a strong positive investor reaction to outside CEO promotion and a negative investor reaction to nonheir inside CEO promotion. Further, firm performance exerts an important influence on the wealth effect of heir apparent promotion and exit. Copyright © 2002 John Wiley & Sons, Ltd.

As a major component of leadership transition, CEO succession is of central importance in strategic management. Research has shown that many CEOs are reluctant to step down (Boeker, 1992; Ocasio, 1994), and that unanticipated and poorly managed successions have a negative impact on shareholder wealth (Beatty and Zajac, 1987; Worrell and Davidson, 1987). Because of these concerns, there is an ongoing discussion in the business press urging boards of directors and CEOs to give succession planning top priority (*Business Week*, 1997). Some firms even demand that their CEOs start preparing a succession plan right after taking office (*Wall Street Journal*, 1997). While succession planning has been found to be more likely at high-performing firms (Zajac, 1990), its performance impact has received little direct empirical investigation (Kesner and Sebora, 1994). Prior research has primarily focused on the event of succession per se or the firm origin of the successor (i.e., insider vs. outsider) in studying the performance impact of CEO succession (e.g., Beatty and Zajac, 1987; Friedman and Singh, 1989; Lubatkin *et al.*, 1989; Worrell and Davidson, 1987; Zajac, 1990). A notable exception is a recent study by Davidson, Nemec, and Worrell (2001). In response to Harris and Helfat's (1998) new succession-planning focused explanation that aims to expand their entrenchment argument of CEO plurality (Worrell, Nemec, and Davidson, 1997), these authors provide some indirect evidence of the performance impact of succession planning by examining investor reactions to CEO

Key words: CEO succession; succession planning; firm performance; shareholder wealth; event study
*Correspondence to: Wei Shen, Warrington College of Business, University of Florida, Gainesville, FL 32611-7165, U.S.A.

Received 30 May 2000
Final revision received 20 April 2002

plurality announcements. Our study builds on and extends this stream of research in that it directly investigates the wealth effect of succession planning by examining investor reactions to the initiation and termination of a relay CEO succession process.

Relay succession is one type of planned succession (Vancil, 1987). In a relay succession, the successor to the incumbent CEO—called the heir apparent—is identified in advance of the actual succession event and takes the president and/or chief operating officer (COO) position. Thus in a complete relay succession there are two crucial events: the appointment of the heir apparent and the promotion of the heir apparent to the CEO position. However, heirs apparent do not all eventually get promoted as CEO. In a recent study, Cannella and Shen (2001) report that about one-third of the heirs apparent in their sample left the firm prior to the promotion. To fully understand the wealth effect of relay succession, we examine and compare investor reactions to the initiation of the process (heir apparent appointment), the termination of the process (heir apparent promotion or exit), as well as nonrelay inside and outside successions. We also explore the role of firm performance in investor reactions to these events.

RELAY SUCCESSION AND ITS WEALTH EFFECT

There are three major arguments concerning the importance of succession planning in general and relay succession in particular. First, succession planning helps the successor prepare for taking charge. Because the skill demands of a CEO are significantly different from those of lower-level executives and may vary from firm to firm (Harris and Helfat, 1997), a well-planned succession process provides the successor adequate time to acquire those skills and become familiar with the firm's task environments before fully taking charge. In a relay succession, the heir apparent is often selected a few years ahead of the final transfer of the CEO title. After the heir apparent is anointed, the incumbent CEO takes the responsibility of grooming the heir. The heir uses this period not only to become familiar with the firm's competitive environments and key stakeholders, but also to build support among the firm's board of directors and key executives. Thus a well-managed relay succession can smooth the potentially disruptive leadership transition process (Vancil, 1987; Zajac, 1990).

Second, succession planning helps reduce the potential agency problem of managerial entrenchment (Harris and Helfat, 1998). Because of the power and material benefits involved, CEOs often refuse to step down when their expected retirement approaches or when they are performing poorly (Boeker, 1992; Weisbach, 1988). They may try to preserve their positions by refusing to identify a successor (Kets de Vries, 1988). A board that pushes for careful succession planning provides a significant counterbalance to CEO entrenchment (Harris and Helfat, 1998). In a relay succession, the heir apparent usually takes the title of president and/or COO. When there is no heir apparent identified, these titles are either left vacant or assumed by the CEO. Worrell, Nemec, and Davidson (1997) reported that adding the president title to a chairman–CEO increased agency costs and had a negative impact on shareholder wealth. In contrast, having an heir apparent in place may not only reduce CEO entrenchment (Levinson, 1993), but also suggests that the CEO has been active in top management development (Zajac, 1990).

Lastly, the existence of a succession plan and an heir apparent provides the firm with 'backup leadership' in the event that the incumbent CEO is unexpectedly incapacitated (Lorsch and MacIver, 1989). Worrell and colleagues reported that the sudden death of a key executive negatively affected shareholder wealth (Worrell *et al.*, 1986). However, this negative impact can be neutralized when an inside successor is quickly promoted as a replacement following the tragedy (Worrell and Davidson, 1987). Given these arguments, we expect that investors will welcome succession planning and reward its adoption at corporations. While firms are often reluctant to disclose their succession plans, the appointment of an heir apparent clearly signals the existence of a succession plan and the initiation of a relay succession process. Thus investors will react positively to heir apparent appointment.

Hypothesis 1: Heir apparent appointment has a positive effect on shareholder wealth.

Heir apparent promotion and exit

A well-managed relay succession is consummated with the promotion of the heir to the CEO position. This is the expected outcome of a relay succession process (Vancil, 1987). However, as pointed out earlier, Cannella and Shen (2001) reported that about one-third of heirs apparent left their firms before being promoted to the CEO position. This suggests that many relay succession processes are interrupted by the unexpected exit of the heir apparent. A major reason behind heir apparent exit lies in the incumbent CEO's refusal to step down and turn power over to the heir apparent as promised at the initiation of the relay succession process (Cannella and Shen, 2001). The CEO may directly force the heir apparent out to secure his or her position (Kets de Vries, 1988; Levinson, 1993); or the heir apparent may voluntary choose to leave for outside opportunities when he or she realizes that the incumbent has no intention of following the succession plan and there is an attractive offer from another firm.

While CEO entrenchment remains a significant issue to overcome in a relay succession (Cannella and Shen, 2001; Kets de Vries, 1988), there are some other concerns as well. For example, when the heir has demonstrated strong leadership capability, he or she is likely to be sought after by other firms as a top executive candidate. Losing the heir to another firm does not only disrupt the firm's succession plan, but also deprives the firm of its critical top management talent, especially when the heir joins a direct competitor. Given these concerns, investors are likely to be very concerned about the outcome of the relay process. When the incumbent retires as expected and passes the CEO title to the heir apparent, it not only shows that the planned leadership transition has been successfully completed, but also signals to investors the firm's ability to avoid leadership disruption in CEO succession (Zajac, 1990). Investors will increase their confidence in the firm's top management and react positively. In contrast, when the heir apparent unexpectedly leaves the firm prior to promotion, investors will reduce their confidence in the firm's top management and react negatively to the event.

Hypothesis 2: Heir apparent promotion has a positive effect on shareholder wealth.

Hypothesis 3: Heir apparent exit has a negative effect on shareholder wealth.

Influence of firm performance

Firm performance is an important factor influencing the wealth effect of CEO succession (Kesner and Sebora, 1994). For example, Friedman and Singh (1989) reported a negative wealth effect of succession following good performance and a positive wealth effect of succession following poor performance. Relay succession is designed to maintain leadership continuity and is normally initiated in contexts of good firm performance when the board of directors has confidence in the firm's top management (Vancil, 1987; Zajac, 1990). Thus we expect that heirs apparent will generally be appointed under good performance. In this situation, firm performance is not a problem and will not significantly influence investor reactions. Firm performance, however, will likely exert a strong influence on the wealth effects of heir apparent promotion and exit. While the heir is appointed under good performance, the firm's competitive environment and performance may change after the appointment. If performance declines as the planned succession approaches, investors may want to see a change in the firm's leadership rather than the strategic continuity promised by the relay process (Cannella and Shen, 2001; Friedman and Singh, 1989). If the firm holds firmly to its initial succession plan and promotes the heir apparent, investors may react negatively. In contrast, if firm performance continues to be strong, investors will maintain confidence in the firm's leadership and succession plan. When the heir apparent is promoted to be the new CEO, they will react positively.

Hypothesis 4: Firm performance will be positively associated with the wealth effect of heir apparent promotion.

When the heir apparent leaves the firm under poor performance, it often indicates that the board is trying to initiate some change in the firm's leadership and to limit the influence of the incumbent CEO (Cannella and Shen, 2001). This signals that the firm does not blindly commit to its initial succession plan; instead, it is flexible and capable of adjusting the succession plan according to competitive contingencies. Investors will welcome this adjustment and react positively. In contrast, when the heir apparent leaves the firm under good performance, investors will react negatively. Good performance often reflects the competence of the firm's executive leadership and investors will prefer leadership continuity in this situation (Friedman and Singh, 1989). However, heir apparent exit disrupts the favored succession plan and deprives the firm of a competent future CEO. Further, if the heir apparent exit under good performance is due to the incumbent CEO's refusal to step down, it signals CEO entrenchment (Cannella and Shen, 2001). This may be even worse for investors than just losing a competent future CEO (Levinson, 1993).

Hypothesis 5: Firm performance will be negatively associated with the wealth effect of heir apparent exit.

METHODS

Sample and measures

The population for this study is large, publicly traded U.S. corporations. We selected a random sample of 400 corporations from COMPUSTAT reporting at least $200 million in sales for 1988. Following Cannella and Shen (2001), we defined an heir apparent as an inside or outside executive who is the only person appointed as the president and/or COO of the firm and who is at least 5 years younger than the CEO. We searched Dow Jones Interactive's *Wall Street Journal Index and News Wires* to collect the initial announcements of heir apparent appointment, promotion, and exit, as well as nonrelay inside succession and outside succession, between 1988 and 1997. To control for confounding events such as declarations of dividends, mergers and acquisitions, unexpected earnings or losses, and other top executive appointments or departures during the event window (McWilliams and Siegel, 1997), we checked for these events during a 21-day window (from day −10 to day 10) around the announcement date and excluded announcements with confounding events. Our final sample consists of 114 heir appointments, 130 heir promotions, 31 heir exits, 29 nonrelay inside successions, and 34 outside successions. Please note that we used a window of observation to identify our key events, so the number of promotions and exits does not sum to the number of appointments. For example, some of the promotions and exits occurred among heirs apparent who were appointed before our window of observation. Additionally, some heirs apparent appointed during our window of observation were still in the position at the end of the window, and therefore were not part of our promotion or exit groups.

Change in shareholder wealth was measured by abnormal returns. Following closely the procedures outlined by McWilliams and Siegel (1997) regarding the event study methodology, we collected data on each firm's daily returns over a 255-day period (from day −300 to day −46) for each event under study, and used a standard market model to estimate the firm's market model parameters. A firm's daily abnormal return is the difference between the firm's actual daily return and the return predicted by the market model using the estimated parameters. Following the argument of market efficiency (Bromiley, Govekar, and Marcus, 1988), we chose a 3-day event window (−1, 1) to calculate abnormal returns, as suggested by McWilliams and Siegel (1997). All daily stock return data were collected from the Center for Research on Security Prices (CRSP) tapes.

Firm performance was measured as the return on assets (ROA) during the fiscal year prior to the year when the event of interest occurred (Friedman and Singh, 1989). Industry performance was measured as the average industry ROA at the 2-digit SIC level. We collected the performance data from COMPUSTAT.

Analysis and results

Hypotheses 1–3 were tested by standard event study methods (McWilliams and Siegel, 1997). We calculated the average abnormal returns for heir appointment, promotion, exit, nonrelay inside succession, and outside succession on the day prior to the announcement (day −1), the day of the announcement (day 0), and the day after the announcement (day +1) respectively. We also calculated the cumulative abnormal returns from day −1 through day +1. These results are reported in Table 1. For heir appointment, none of the daily abnormal returns or the cumulative abnormal returns is significant. Thus there is no support for Hypothesis 1, which predicts a positive wealth effect of heir apparent appointment. Hypothesis 2 predicts a positive wealth effect of heir promotion. Results in Table 1 show positive abnormal

Table 1. The wealth effect of heir apparent appointment, exit, promotion, and other types of CEO succession[a]

Event window	Heir appointment ($N = 114$)	Heir exit ($N = 31$)	Heir promotion ($N = 130$)	Nonheir inside succession ($N = 29$)	Outside succession ($N = 34$)
Day −1	0.07%	−0.45%†	0.11%	0.63%	0.92%**
	(0.38)	(−1.51)	(0.66)	(1.28)	(2.48)
Day 0	−0.01%	−0.77%**	0.73%***	0.28%	0.99%**
	(−0.06)	(−2.57)	(4.52)	(0.56)	(2.65)
Day +1	−0.04%	0.09%	0.09%	−1.35%**	0.04%
	(−0.25)	(0.31)	(0.53)	(−2.75)	(0.11)
Cumulative Abnormal	0.01%	−1.13%*	0.92%***	−0.44%	1.95%**
Returns Day (−1, +1)	(0.04)	(−2.18)	(3.29)	(−0.53)	(3.02)

[a] Average abnormal returns from a standard market model are shown; t-values are in parentheses.
† $p < 0.10$; $^{*}p < 0.05$; $^{**}p < 0.01$; $^{***}p < 0.001$

returns on day 0 (0.73%, $p < 0.001$) and positive cumulative abnormal returns (0.92%, $p < 0.001$). Thus Hypothesis 2 receives strong support. Hypothesis 3 predicts a negative wealth effect of heir exit. Results in Table 1 show negative abnormal returns on day −1 (−0.45%, $p < 0.10$), day 0 (−0.77%, $p < 0.01$), and negative cumulative abnormal return (−1.13%, $p < 0.05$). Thus Hypothesis 3 also receives strong support. Results in Table 1 also show negative abnormal returns for nonrelay inside succession on day 1 (−1.35%, $p < 0.01$), and positive abnormal returns for outside succession on day −1 (0.92%, $p < 0.01$), day 0 (0.99%, $p < 0.01$), and cumulative abnormal returns (1.95%, $p < 0.01$).

The remaining two hypotheses predict that firm performance will be positively associated with the wealth effect of heir promotion (Hypothesis 4), and negatively associated with the wealth effect of heir exit (Hypothesis 5). We initially intended to test these two hypotheses using ordinary least square (OLS) regression analysis, with a number of control variables including industry performance, firm size, CEO ownership, outside director ownership, and the proportion of outside directors. However, the small sample size of heir exit ($N = 31$) precluded the use of an analysis with six independent variables. Results of correlation analysis indicate that none of the control variables was significantly correlated with the cumulative abnormal returns of heir promotion or exit. We thus ran OLS regression analysis with industry ROA as the only control variable. For the purpose of comparison, we examined the role of performance in all five categories of events and report the results in Table 2.

Results in Table 2 show that firm ROA is positively associated with the cumulative abnormal returns of heir promotion ($b = 0.00093$, $p < 0.05$), and negatively associated with the cumulative abnormal returns of heir exit ($b = -0.00236$, $p < 0.01$). Thus Hypotheses 4 and 5 are supported. Note that performance explains more than 20% of the variance in the cumulative abnormal returns for heir exit, but less than 5% for heir promotion. This result suggests that performance plays a larger role in the wealth effect of heir exit than in heir promotion. This may be because, compared to heir exit, heir promotion might have been expected by investors when the CEO approached retirement with the heir still in position. Results in Table 2 also show that performance plays no significant role in investor reactions to heir appointment, nonrelay inside succession, or outside succession. In other words, regardless of firm performance, investors react negatively to nonrelay inside succession, positively to outside succession, and do not react significantly to heir appointment.

The insignificant wealth effect of heir appointment is unexpected and intriguing. Ocasio (1999) proposes that CEO succession in some organizations has been institutionalized. To examine whether the institutionalization of heir appointment affects investor reactions, we divided the 114 heir appointments in our sample into two subgroups. The first subgroup consists of 84 cases in which the heir took the president or COO title from the CEO, as Vancil (1987) described in his study of relay succession. The other subgroup consists of 30 cases in which the heir took the president or COO title from another senior executive following that executive's retirement or appointment as

Table 2. Results from regression analyses of the impact of firm performance on the wealth effect of CEO succession

	Heir promotion ($N = 130$)	Heir exit ($N = 31$)	Heir appointment ($N = 114$)	Nonheir inside succession ($N = 29$)	Outside succession ($N = 34$)
ROA[a]	0.00093*	−0.00236**	0.00012	0.00096	0.00030
	(0.00040)	(0.00078)	(0.00049)	(0.00197)	(0.00064)
Industry ROA[b]	−0.00075	0.00102	0.00139	−0.00108	−0.00075
	(0.00090)	(0.00093)	(0.00109)	(0.00381)	(0.00090)
Constant	0.00651	−0.00110	−0.00572	−0.00316	−0.00010
	(0.00607)	(0.00395)	(0.00544)	(0.01177)	(0.00216)
R^2	0.041	0.262	0.017	0.001	0.001
Adjusted R^2	0.026	0.209	0.001	0.000	0.000
F-Value	2.734*	4.962**	0.971	0.012	0.012

[a] The mean of ROA for heir promotion is 4.85 (S.D. = 5.72), for heir exit is 4.64 (S.D. = 5.20), for heir appointment is 6.48 (S.D. = 5.67), for nonheir inside succession is 4.77 (S.D. = 3.76), and for outside succession is 3.43 (S.D. = 10.68).
[b] The mean of industry ROA for heir promotion is 3.65 (S.D. = 2.53), for heir exit is 3.11 (S.D. = 2.42), for heir appointment is 3.97 (S.D. = 2.56), for nonheir inside succession is 3.89 (S.D. = 2.95), and for outside succession is 3.27 (S.D. = 3.15).
* $p < 0.05$; ** $p < 0.01$

vice chairman of the board. Analysis shows no significant wealth effect for either of these two subgroups. Nor did performance affect investor reactions to either subgroup. Further analysis shows that only the proportion of outside directors was positively correlated with the cumulative abnormal returns of heir appointment ($r = 0.195$, $p < 0.05$ for the entire group ($N = 114$), and $r = 0.212$, $p < 0.10$ for the first subgroup ($N = 84$)). These findings suggest that investors generally are not enthusiastic about heir apparent appointment and that if they do react their reactions are influenced by the perception of board vigilance indicated by the proportion of outside directors on the firm's board.

DISCUSSION

Succession planning is an important issue in corporate management. However, because of the difficulty in accessing information about ongoing succession planning, there is not much empirical investigation into its performance implications (Kesner and Sebora, 1994). Results reported here are informative. We found a positive wealth effect for heir promotion. In contrast, nonrelay inside succession was found to negatively affect shareholder wealth. This finding suggests investors prefer relay succession to nonrelay inside succession. Prior studies reporting insignificant wealth effect of inside succession following the CEO's ordinary retirement (e.g., Friedman and Singh, 1989) may be because they did not differentiate heir successors from nonheir inside successors. While the reason behind CEO turnover is important in CEO succession, the selection of the successor is of equal importance (if not more) because the successor determines the firm's future strategic direction and performance. The smooth leadership transition in a relay succession prepares the heir for taking charge and reduces investors' uncertainties about the firm's future. This may be an advantage of relay succession perceived by investors over nonrelay inside succession. Based on whether a succession was due to the outgoing CEO's anticipated retirement, Beatty and Zajac (1987) reported a positive wealth effect for anticipated successions. We speculate that there were a significant proportion of planned relay successions in their sample of anticipated successions.

We also found a significant positive wealth effect for outside succession. This finding is consistent with a recent study by Davidson *et al.* (2001) and suggests that investors generally favor outside successions. Indeed, we found the cumulative abnormal returns of outside succession significantly higher than that of heir promotion ($p < 0.05$). However, we do not want to recommend that firms give up their relay succession plan for outside succession. While we did not find any significant impact of performance on the wealth effect of outside succession, the average firm ROA prior to outside succession in our sample is significantly lower than that prior to heir promotion ($p < 0.001$). Prior research has reported that outside succession tends to occur in poor-performing firms (Cannella and Lubatkin, 1993; Datta and Guthrie, 1994). Thus the positive wealth effect of outside succession may simply reflect investors' dissatisfaction with the incumbent CEO and desire for a change in the firm's leadership (Friedman and Singh, 1989). Further, while our evidence suggests that outside succession in general is favored by investors at the time of announcement (we did not find firm performance to influence the positive wealth effect of outside succession), the average firm performance during the tenure of inside CEOs has been found to be significantly higher than that of outside CEOs (Zajac, 1990). We thus suggest that firms continue to devote effort and resources to the development of internal top management talent and be cautious about the use of outside succession.

Despite the increasing pressure for CEOs to prepare a succession plan and identify a successor in the early years of their tenure (Lorsch and MacIver, 1989; *Wall Street Journal*, 1997), our evidence shows that the initiation of such a plan, as indicated by the appointment of an heir apparent, has little impact on shareholder wealth. Does this finding suggest that investors do not care about succession planning? Our evidence of the positive wealth effect of heir promotion and the negative wealth effect of heir exit sends a clear opposite message. We speculate that the insignificant wealth effect of heir appointment may be because the initiation of a succession plan does not provide clear information about the eventual succession decision. For example, the heir may be forced out by the CEO before the promised promotion (Cannella and Shen, 2001). Additionally, the appointment of an heir may be perceived by investors as a managerial tactic to symbolically improve the image of management without any substantial meaning (Westphal and Zajac, 1998), or as a tactic to continue the dominance of the current top management team. Thus an heir apparent appointment does not indicate that the CEO will follow the succession plan, nor does it imply that there is no agency problem at the firm. This speculation is supported by the positive association between the proportion of outside directors on the board and the cumulative abnormal returns of heir appointment, which suggests that investors react positively to heir appointment when the board is dominated by outside directors, and negatively when the board is dominated by management. A high proportion of outside directors on the board may indicate a high level of board vigilance and thus give investors more confidence in the initiated relay succession plan.

Our evidence regarding the role of firm performance in the wealth effect of heir apparent promotion and exit is also informative. While investors generally welcome heir promotion, the positive impact of firm performance on the wealth effect of heir promotion suggests that investors prefer the firm to complete the relay succession plan when its performance remains strong. However, when firm performance is poor, investors may perceive heir promotion as evidence of managerial entrenchment and thus react less positively or negatively. In addition, while investors generally dislike heir exit, the negative impact of firm performance on the wealth effect of heir exit suggests that investors favor the disruption of heir exit under poor firm performance. Taken together, these results demonstrate that investors want the firm to commit to its relay succession plan under good performance, but disrupt it when firm performance becomes poor. In other words, investors assess succession decisions in the firm's performance contexts and demand that the firm balance commitment and adaptation in executing its succession plan.

Overall, our study suggests that boards of directors need to carefully shape succession planning at their firms. First, they should be actively involved in the selection of the heir apparent and set high standards for the heir. Once the heir is appointed, directors should closely monitor the progress of the succession plan and demonstrate to investors (and the heir) that they are committed to the heir as the future CEO. If performance remains strong under the succession plan, directors should work to assure that the heir is promoted when the CEO's scheduled retirement approaches. However, if performance declines and the capabilities of the firm's top management are under question, the board should consider disrupting the original succession plan and seeking out some other capable successor, probably from outside the firm.

ACKNOWLEDGEMENTS

We thank Jay Dial, Javier Gimeno, Asghar Zardkoohi, Associate Editor Ed Zajac, and two anonymous referees for their very helpful comments and suggestions.

REFERENCES

Beatty RP Zajac EJ. 1987. CEO change and firm performance in large corporations: succession effects and manager effects. *Strategic Management Journal* **8**(4): 305–317.

Boeker W. 1992. Power and managerial turnover: scapegoating at the top. *Administrative Science Quarterly* **37**: 400–421.

Bromiley P, Govekar M, Marcus A. 1988. On using event-study methodology in strategic management research. *Technovation* **8**: 25–42.

Business Week. 1997. The best and worst boards. December 8: 90–98.

Cannella AA Jr, Lubatkin M. 1993. Succession as a sociopolitical process: internal impediments to outsider selection. *Academy of Management Journal* **36**: 763–793.

Cannella AA Jr, Shen W. 2001. So close and yet so far: promotion versus exit for CEO heirs apparent. *Academy of Management Journal* **44**: 252–270.

Datta DK, Guthrie JP. 1994. Executive succession: organizational antecedents of CEO characteristics. *Strategic Management Journal* **15**(7): 569–577.

Davidson WN III, Nemec C, Worrell DL. 2001. Succession planning vs. agency theory: a test of Harris and Helfat's interpretation of plurality announcement market returns. *Strategic Management Journal* **22**(2): 179–184.

Friedman S, Singh H. 1989. CEO succession and stockholder reaction: the influence of organizational context and event content. *Academy of Management Journal* **32**: 718–744.

Harris D, Helfat C. 1997. Specificity of CEO human capital and compensation. *Strategic Management Journal* **18**(11): 895–920.

Harris D, Helfat C. 1998. CEO duality, succession, capabilities and agency theory: commentary and research. *Strategic Management Journal* **19**(9): 901–904.

Kesner IF, Sebora TC. 1994. Executive succession: past, present & future. *Journal of Management* **20**: 327–372.

Kets de Vries MFR. 1988. The dark side of CEO succession. *Harvard Business Review* **66**(1): 56–60.

Levinson H. 1993. Between CEO and COO. *Academy of Management Executive* **7**(2): 71–81.

Lorsch JW, MacIver E. 1989. *Pawns or Potentates: The Reality of America's Corporate Boards*. Harvard Business School Press: Boston, MA.

Lubatkin M, Chung K, Rogers R, Owers J. 1989. Stockholder reactions to CEO changes in large corporations. *Academy of Management Journal* **32**: 47–68.

McWilliams A, Siegel D. 1997. Event studies in management research: theoretical and empirical issues. *Academy of Management Journal* **40**: 626–657.

Ocasio W. 1994. Political dynamics and the circulation of power: CEO succession in U.S. industrial corporations, 1960–1990. *Administrative Science Quarterly* **39**: 285–312.

Ocasio W. 1999. Institutionalized action and corporate governance: the reliance on rules of CEO succession. *Administrative Science Quarterly* **44**: 384–416.

Vancil R. 1987. *Passing the Baton*. Harvard University Press: Cambridge, MA.

Wall Street Journal. 1997. CEOs have less say in designating successors. 24 June: B1.

Weisbach M. 1988. Outside directors and CEO turnover. *Journal of Financial Economics* **19**: 431–460.

Westphal JD, Zajac EJ. 1998. The symbolic management of stockholders: corporate governance reform and shareholder reactions. *Administrative Science Quarterly* **43**: 127–153.

Worrell D, Davidson W. 1987. The effect of CEO succession on stockholder wealth in large firms following the death of the predecessor. *Journal of Management* **13**: 509–515.

Worrell D, Davidson W, Chandy P, Garrison S. 1986. Management turnover through deaths of key executives: effects on investor wealth. *Academy of Management Journal* **29**: 674–694.

Worrell D, Nemec C, Davidson W. 1997. One hat too many: key executive plurality and shareholder wealth. *Strategic Management Journal* **18**(6): 499–507.

Zajac EJ. 1990. CEO selection, succession, compensation and firm performance: a theoretical integration and empirical analysis. *Strategic Management Journal* **11**(3): 217–230.