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Can powerful allies protect the CEO against performance declines? The role of the CEO's subgroup power in CEO dismissal

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Abstract

Research summary: Drawing on research about power and faultlines, we identify the subgroup of directors in the board who share the same social identities with the CEO (i.e., CEO subgroup) and develop a concept of CEO subgroup power. We examine how CEO subgroup power affects the board's decision to dismiss the CEO, particularly when the firm experiences a performance decline. Using data from S&P 500 boards from 1998 to 2018, we find that powerful CEO subgroups reduce the risk of CEO dismissal and that the negative effect of CEO subgroup power on CEO dismissal is magnified when the firm experiences a decline in performance.

Managerial summary: Why do some boards fire the CEO when the firm is performing well, while others retain the CEO despite poor performance? We believe that looking into power dynamics among directors may help answer this question. Using data from S&P 500 boards from 1998 to 2018, we investigate how the risk of CEO dismissal varies by the power of the subgroup within the board that consists of directors who share the same social identities with the CEO (i.e., CEO subgroup). The results reveal that a powerful CEO subgroup can reduce the CEO dismissal risk and that this effect becomes stronger when the firm goes through a performance decline.

KEYWORDS

board of directors, CEO dismissal, faultlines, firm performance, power

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While poor firm performance has been a primary predictor of CEO dismissal, performance does not fully explain the variance in CEO dismissal (Hilger et al., 2013; Hubbard et al., 2017). Recognizing the importance of the role of sociopolitical forces in group outcomes, organizational scholars have called for research on how sociopolitical forces (e.g., power dynamics) in the board of directors influence the board's decision to fire the CEO (Fredrickson et al., 1988; Shen & Cannella, 2002). However, our understanding of power dynamics among board members is limited. Although CEO dismissal is decided at the board level, previous studies on CEO dismissal have primarily focused on CEO power at the individual level or the relative power between the CEO and the board (Flickinger et al., 2016; Shen & Cannella, 2002), leaving the role of power dynamics among directors relatively underexplored.

To advance our understanding of CEO dismissal as a board decision, we examine power dynamics between the CEO's allies ("CEO subgroup" hereafter) and the other subgroups within the board. Following Carton and Cummings (2012), we define subgroups as subsets of board members who have multiple individual characteristics in common and the CEO subgroup as a subgroup of directors who share the same social identities with the CEO. Members of the same identity subgroup are more likely to identify with the subgroup and feel distant from the other subgroups, which may consequently influence social interactions and group decisions (Richard et al., 2019). Based on this logic, we argue that the members of the CEO subgroup are likely to serve as the CEO's allies and engage in collective actions against the other subgroups. However, the mere existence of the CEO subgroup would not significantly influence board decisions; we argue that only powerful CEO subgroups can shape the board's decision about CEO dismissal.

The influence of the CEO subgroup on the board decision increases with its power. Given that individual power and influence in organizations can be modified and reinforced by the power of the peers who are proximate to the focal individual (Fiol et al., 2001), it is important to study power at the subgroup level. Based on previous research on power (Greer et al., 2017; Magee & Galinsky, 2008), we develop a new construct called *CEO subgroup power*—which we define as the capacity to exert the CEO subgroup's will to alter the other subgroups' attitudes and behaviors despite resistance, which stems from access to and control over valued resources. Using data from S&P 500 boards, we examine the effect of CEO subgroup power on CEO dismissal. We also examine how this relationship is moderated by firm performance decline. Because poor firm performance is often attributed to the CEO, firm performance decline can be a serious threat to the identity of the CEO subgroup members, which can prompt them to build a strong subgroup identity and exert their power to protect the CEO.

The concept of CEO subgroup power is theoretically and empirically novel in that it captures power dynamics between the subgroup that is supportive of the CEO and the other subgroups within the board, thereby allowing us to examine the role of power dynamics between subgroups, beyond the individual power of the CEO or other directors. Our findings contribute to CEO dismissal research by demonstrating how the CEO subgroup can affect board decisions on CEO dismissal. We also contribute to the CEO dismissal research by testing whether poor firm performance moderates the relationship between CEO subgroup power and CEO firing, which has remained inconclusive in the extant literature.

1 | THEORY AND HYPOTHESES

Upper echelons research has typically conceptualized power at the level of individual managers, assuming that power is an individual's attribute (Finkelstein, 1992). However, there is a strong

theoretical rationale that power also originates from and operates at a higher level, suggesting that power is inherently a relational concept (Fiol et al., 2001). Although the notion of power often invokes the imagery of a powerful, heroic person single-handedly wielding influence over others, even the most powerful individuals do not work alone. In organizations, power is often derived from, and shared with, others in the same group. Attributes of people who interact with the focal individual in a group, social interactions between individuals, and rules and shared beliefs among people can shape the way power operates in organizations.

To examine power dynamics within the board, we argue that it is important to study power at the level of subgroups in the board. With infrequent interactions and heterogenous interests, it is challenging for board members to develop a strong group identity to unify as a group (Hillman et al., 2008). Instead, a board is prone to split into multiple subgroups, often vying for influence and negotiating with each other (Forbes & Milliken, 1999). We, therefore, argue that a sound understanding of power dynamics in the board requires an investigation of relative power at the subgroup level.

To examine the power of the CEO subgroup, the first task is to identify subgroups in the board. To do so, we adopt faultline and subgroup perspectives (Carton & Cummings, 2012; Lau & Murnighan, 1998) as a theoretical underpinning. Building upon social identity theory (Tajfel & Turner, 1979), Lau and Murnighan (1998) argued that faultlines split the group into subgroups based on the alignment of the team members along relevant individual characteristics (e.g., gender, race, and age). The faultline perspective theorizes that the alignment of multiple characteristics along with members is likely to stimulate social categorization in a team and create identity subgroups (Carton & Cummings, 2012; Hutzschenreuter & Horstkotte, 2013). Since members of the same identity subgroup share similar backgrounds and values and identify with their subgroup, they are highly likely to bolster mutual trust and support among in-subgroup members (i.e., "us") while feeling distant from the other identity subgroups (i.e., "them"), which may consequently influence social interactions and decision-making in the board (Shin & You, 2023; Van Peteghem et al., 2018).

When group members experience a situation that deepens the division based on different opinions and values across subgroups, subgroup members may form a coalition to influence group decision-making (Jehn & Bezrukova, 2010). In group decision-making, the extent to which subgroup members voice their views and opinions may hinge on the power of the subgroup over the other subgroups (Lau & Murnighan, 1998). When the CEO faces the risk of being fired, directors in the CEO subgroup may be inclined to support the CEO. However, their willingness and the capability to support the CEO can affect the actual board decision only when the CEO subgroup has enough power to influence the group decision.

We argue that subgroup power stems from two sources. First, subgroup power can be based on the power of individual directors in the subgroup, as group power research uses the average of individual power as a proxy of group power (Greer et al., 2017). Since individual members' power may stem from various sources such as structure, prestige, or ownership (Finkelstein, 1992), the aggregation of these individual sources of power is a major source of subgroup power. Thus, we argue that the aggregated individual power of a subgroup relative to the other subgroups increases the subgroup's influence on the board's decision. Second, drawing on research about numerical representation (Kanter, 1977), we argue that the number of members of a subgroup (i.e., subgroup size) is another source of subgroup power. Increasing subgroup size would increase its power over the entire team at large (Pfeffer & Davis-Blake, 1987) and greater voting power in board decision-making (Rediker & Seth, 1995). CEO subgroup power therefore stems from the combination of the aggregated power of individual members

and the size of the CEO subgroup. If the CEO subgroup grows in size but lacks powerful individual members, the CEO subgroup is less likely to be influential on the board. If the CEO subgroup has individual members with sufficient power but is small in size, power derived from the members is less likely to impact the board. Therefore, we configure CEO subgroup power as the product of aggregated power of individual directors in the CEO subgroup and the relative size of the CEO subgroup (see Supporting Information: Appendix A2 for further details).

CEO subgroup power can play a crucial role in protecting the CEO from dismissal. The members of the CEO subgroup, who already favor the CEO as an in-subgroup member, may also try to protect the CEO from being dismissed due to their desire for power. In the situation of a power struggle within a group, subgroups have a natural desire to seek more power. The CEO subgroup has political interests to support the CEO for resource acquisition (Greer et al., 2017). CEOs, who often control critical corporate resources, can exert structural or social power over directors through offering economic incentives such as director reappointment (Boeker, 1992). Since CEO subgroup members may maintain closer social relationships with the CEO than the other subgroups, they are more likely to acquire valuable resources from the CEO. They may also perceive that the CEO whom they support during critical times may reciprocate the favor and provide benefits for them in the future (Main et al., 1995). Power difference among subgroups makes it easier for high-power subgroups to solidify their position within the group while making it harder for low-power subgroups to maintain or elevate their status (Greer et al., 2017). As the CEO subgroup's power in the board increases, the CEO subgroup may have stronger political interests and ability to protect the CEO for further resource acquisition to solidify its status within the board. The increased power of the CEO subgroup, which stems from the aggregated individual power and numerical size of the CEO subgroup, may help its members feel psychologically safe and empowered to voice their views within the board, thereby enabling them to protect the CEO. Because of these political and psychological processes, the rate of CEO dismissal may be lower when the CEO subgroup has more power over the other subgroups.

Hypothesis H1. Ceteris paribus, *CEO subgroup power relative to the other subgroups' power is negatively related to CEO dismissal.*

Faultlines are hypothetical dividing lines based on the alignment of individual attributes (i.e., dormant faultlines), not based on actual social comparisons and interactions (Carton & Cummings, 2012). When faultlines are stimulated by a contextual factor that makes subgroup identity salient, group members may strongly perceive the division of the group into separate subgroups based on the alignment of individual attributes (Jehn & Bezrukova, 2010). In the case of board decision-making, we argue that firm performance decline is a pivotal context that can moderate the relationship between CEO subgroup power and CEO dismissal.

Threatening situations, such as pressure to improve performance, may increase tension and anxiety among individuals, which may make the differences among subgroups more salient (Staw et al., 1981). For boards of directors, a significant drop in firm performance can threaten corporate legitimacy and elicit negative reactions among shareholders and market observers such as stock analysts (Wiersema & Zhang, 2011), which may question the CEO's job performance, create a sense of urgency among directors, and heighten the need to take decisive action (Haleblian & Rajagopalan, 2006). Under this condition, individual board members are more likely to perceive the in-group and out-group distinction and develop an "us versus them" mentality (Thatcher & Patel, 2012), which can make dormant faultlines activated. When firm

performance declines, the power of the CEO subgroup can lead CEO subgroup members to become cohesive against the other subgroups and willing to use their power to protect the CEO from dismissal threats. Therefore, we argue that a significant decline in firm performance can make subgroup identities more salient and amplify the effect of CEO subgroup power over the board decisions about CEO dismissal.

> **Hypothesis H2.** Ceteris paribus, *the negative effect of CEO subgroup power on CEO dismissal is magnified when firm performance declines.*

2 | DATA AND METHODS

Data for this study came from the firms on the S&P 500 list from 1998 to 2018. Board- and director-level data came from the Institutional Shareholder Services Directors′ data set and proxy statements. Company financial and operational data came from ExecuComp and Compustat. Our final sample consists of 592 unique firms, 1185 unique CEOs, 13,038 unique directors, and 687 CEO departures.

CEO dismissal is a binary variable coded as one for dismissal and zero for non-dismissal departures. Following previous research (Shen & Cannella, 2002; Zhang, 2008), we manually examined press releases and news reports to identify CEO dismissals between 1998 and 2013. We updated our sample by appending an open-source database of CEO dismissals between 2014 and 2018 provided by Gentry et al. (2021), which yielded 202 CEO dismissals that occurred between 1998 and 2018 (see Supporting Information: Appendix A1 for details).

To compute CEO subgroup power, we first calculated faultline strength using the average silhouette width (ASW) algorithm (Meyer & Glenz, 2013) and identified directors′ membership of subgroups in each board based on five characteristics: age, gender, race (White, African American, Asian, Hispanic, and other races), directors′ CEO experience, and director appointment after the CEO. Age, gender, and race are visible and salient demographic characteristics that may stimulate social categorization. Directors who have CEO experience at other firms are likely to have knowledge and expertise specific to the CEO job as well as a deep understanding of the challenges and obstacles of the CEO job. Director appointment after the CEO reflects the director's tendency to be loyal to the CEO (Boeker, 1992).

Once we identified subgroup membership using ASW, we computed individual directors′ power using three indicators (Zajac & Westphal, 1996): director title (coded as one for the chair of the board or a board committee and zero otherwise), the number of external directorships, and director ownership (the number of outstanding shares). Given that subgroup size is another source of subgroup power, we computed *CEO subgroup power* as the weighted power of the CEO subgroup (excluding the CEO) divided by the weighted sum of the power of the other subgroups within the board, using subgroup size as a weight. Once we created the relative power measures for the three indicators at the subgroup level, we standardized and averaged the measures to create an index of CEO subgroup power (see Supporting Information: Appendix A2 for details).

Performance decline is coded as one if the firm experienced a decline in return on assets (ROA) in the past 2 years and zero otherwise. Firm size (*total sales*) and performance (*shareholder returns* and *return on assets*) are controlled for as they are major predictors of CEO dismissal (Hilger et al., 2013). Following Peters and Wagner (2014), we also control for four variables on CEO attributes: *CEO age*, *female CEO*, *minority CEO*, and *CEO power*. We

controlled for 11 variables on board and director characteristics related to CEO dismissal or board subgroups (Westphal & Zajac, 1995): *board size* (the total number of directors), the *proportion of independent directors*, *CEO-board similarity* (a composite measure of age, gender, and race dissimilarities), board diversity (*the proportion of female directors*, *director racial heterogeneity*, *director age heterogeneity* using the coefficient of variation, the *proportion of directors with CEO experience*, the *proportion of directors appointed after the CEO*, *director tenure heterogeneity*, and *director job title heterogeneity*), *faultline strength* (to partial out the potential influence of subgrouping strength on CEO dismissal), and the *number of subgroups* within each board. All models include fixed effects for years and two-digit SIC industries. All independent variables are lagged by 1 year. Supporting Information: Appendix A3 describes control variables in detail. We use a continuous-time event history analysis that estimates Cox proportional hazards models, described in detail in Supporting Information: Appendix A4.

3 | RESULTS

Table 1 presents descriptive statistics and correlations. Table 2 reports the Cox regression models predicting the hazard rates of CEO dismissal. Model 1 shows that the coefficient of CEO subgroup power is negative and significant, supporting H1. To test H2, Models 2–4 include performance decline variables with different cutoffs: any decline, 5% or more decline, and 10% or more decline in ROA. The results demonstrate that the coefficients for the interaction between CEO subgroup power and performance decline are negative and significant, consistent with H2. The cumulative hazard graph in Supporting Information: Appendix A5 illustrates that among the firms with no performance decline, CEO subgroup power does not have a significant effect on CEO dismissal, but the effect of CEO subgroup power is magnified when firm performance declines, consistent with H2.

To examine the effect size of the moderation effect, we estimated a complementary log–log regression model and created an interaction plot (see Supporting Information: Appendices A6 and A7). When there is no performance decline, the effect of CEO subgroup power is not significant. When the firm is undergoing a performance decline, however, an increase in CEO subgroup power from one standard deviation (SD) below the mean to 1 SD above decreases dismissal probability by 1.6 percentage points ($0.025–0.040 = −0.015$, a 40% decrease). This indicates that the effect of CEO subgroup power on CEO dismissal becomes greater when the firm is facing a performance decline than when it is not, consistent with H2.

As a placebo test, we estimated Cox models predicting non-dismissal CEO departures (e.g., retirement and voluntary turnover) following previous studies (e.g., Hubbard et al., 2017). Supporting Information: Appendix A8 shows that most coefficients of the main effect and interactions are positive and not significant, which provides additional evidence that our findings on CEO dismissal are robust. As another robustness check, we replicated Table 2 using the annualized data created by updating all variables annually rather than monthly. The results (Supporting Information: Appendix A9) were similar to the results using the monthly data that we reported in Table 2. Finally, to address the concern that CEO subgroup power might be endogenous, we used instrumental variable (IV) regression. As the IV, we used the power of the directors who were already on the board 1 year before the CEO arrived (in year $t − 1$) and shared the same attributes with the CEO (see Supporting Information: Appendix A10 for a detailed description). The results (Supporting Information: Appendix A11, Model 2) show that the effect of CEO subgroup power was negative and significant, which alleviates concerns about endogeneity.

TABLE 1 Descriptive statistics and correlations.

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
1 CEO dismissal	0.03	0.15																					
2 CEO subgroup power	−0.01	0.86	.00																				
3 Performance decline	0.23	0.42	.05	.01																			
4 Total sales (ln)	8.92	1.26	.03	.00	.00																		
5 Shareholder returns	−0.19	0.35	.00	.00	−.11	.05																	
6 Return on assets (ROA)	4.16	9.68	−.06	.00	−.17	−.04	.08																
7 CEO age	56.82	6.51	−.01	.02	−.01	.09	.02	−.03															
8 Female CEO	0.02	0.15	.00	.02	.01	.09	.01	.00	−.03														
9 Minority CEO	0.05	0.21	.00	.00	−.01	.03	.00	.01	−.06	.12													
10 CEO power	−0.01	0.62	−.04	.02	.01	.11	−.01	.03	.20	.02	−.01												
11 Board size	10.55	2.26	.03	−.02	.01	.45	.04	−.10	.08	.05	.00	.10											
12 Proportion of independent directors	0.78	0.14	.01	.03	.02	.19	.06	−.10	.07	.05	.06	−.03	.09										
13 CEO-board similarity	−0.03	0.56	.00	.01	−.01	−.21	−.03	.00	.32	−.36	−.49	.12	−.03	−.14									
14 Proportion of female directors	0.15	0.09	.02	.00	−.01	.30	.06	−.04	.04	.23	.04	−.01	.21	.29	−.54								
15 Director racial heterogeneity	0.98	0.02	.01	.00	−.01	−.16	−.01	−.01	.01	−.08	−.25	−.05	−.06	−.11	.47	−.14							
16 Director age heterogeneity	0.12	0.04	.01	−.07	.01	−.16	−.03	.03	−.24	−.06	.03	−.13	−.10	−.34	−.24	−.10	.09						
17 Proportion of directors with CEO experience	0.55	0.21	−.01	−.01	.04	.18	−.05	.10	−.06	.00	.02	.25	.11	−.09	.07	−.09	−.04	−.08					
18 Proportion of directors appointed after the CEO	0.51	0.30	−.04	.00	−.03	−.07	.01	−.03	.23	−.02	−.02	.13	−.10	.02	.08	−.03	.00	.06	−.15				
19 Director tenure heterogeneity	0.65	0.22	.04	−.01	.01	.06	.01	.01	−.02	.01	−.02	.00	.13	−.12	−.03	.03	.02	.17	.00	−.12			
20 Director job title heterogeneity	0.74	0.15	−.01	.03	.01	.07	.06	−.10	.04	.01	.00	−.16	.07	.33	−.10	.13	.05	−.15	−.28	.00	−.06		

TABLE 1 (Continued)

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
21 Faultline strength	0.64	0.07	−.01	−.06	−.01	−.05	.00	.00	−.06	−.07	−.02	−.05	.01	−.11	.00	−.08	.10	.25	.01	.00	.01	.03	
22 Number of subgroups	2.44	0.70	.01	−.43	.02	.05	−.01	−.01	.00	−.02	.00	.01	.15	−.05	.00	.00	.01	.09	.04	.00	.04	−.04	.01

Note: N = 8424 firm-year observations.

TABLE 2 Cox regression results predicting hazard rate of CEO dismissal.

Variable	Model 1 β		p	Model 2 β		p	Model 3 β		p	Model 4 β		p
Total sales (ln)	0.19	(0.07)	.01	0.17	(0.09)	.04	0.17	(0.09)	.05	0.17	(0.09)	.05
Shareholder returns	0.17	(0.36)	.64	0.25	(0.42)	.55	0.26	(0.42)	.53	0.24	(0.42)	.56
Return on assets (ROA)	−0.04	(0.01)	.00	−0.06	(0.01)	.00	−0.05	(0.01)	.00	−0.05	(0.01)	.00
CEO age	0.01	(0.02)	.50	0.00	(0.02)	.87	0.00	(0.02)	.90	0.00	(0.02)	.86
Female CEO	0.52	(0.48)	.28	−0.02	(0.57)	.97	−0.05	(0.58)	.93	−0.02	(0.58)	.97
Minority CEO	0.16	(0.47)	.72	−0.04	(0.54)	.94	−0.06	(0.54)	.92	−0.07	(0.54)	.90
CEO power	−0.69	(0.18)	.00	−0.80	(0.22)	.00	−0.80	(0.22)	.00	−0.80	(0.22)	.00
Board size	0.03	(0.04)	.49	0.02	(0.04)	.63	0.02	(0.04)	.62	0.02	(0.04)	.65
Proportion of independent directors	1.43	(0.73)	.05	1.68	(0.85)	.05	1.65	(0.85)	.05	1.69	(0.85)	.05
CEO-board similarity	0.35	(0.36)	.33	0.21	(0.46)	.65	0.19	(0.46)	.68	0.18	(0.45)	.69
Proportion of female directors	2.27	(1.40)	.10	1.44	(1.81)	.43	1.42	(1.82)	.43	1.39	(1.81)	.44
Director racial heterogeneity	0.10	(6.04)	.99	3.05	(6.86)	.66	3.21	(6.85)	.64	3.14	(6.89)	.65
Director age heterogeneity	1.78	(2.90)	.54	0.60	(3.44)	.86	0.51	(3.45)	.88	0.50	(3.44)	.88
Proportion of directors with CEO experience	−1.15	(0.49)	.02	−1.44	(0.56)	.01	−1.43	(0.56)	.01	−1.41	(0.56)	.01
Proportion of directors appointed after the CEO	−1.04	(0.41)	.01	−2.24	(0.48)	.00	−2.22	(0.48)	.00	−2.24	(0.49)	.00
Director tenure heterogeneity	0.96	(0.34)	.00	1.11	(0.42)	.01	1.09	(0.42)	.01	1.11	(0.42)	.01
Director job title heterogeneity	−1.31	(0.64)	.04	−1.67	(0.77)	.03	−1.68	(0.77)	.03	−1.66	(0.77)	.03
Faultline strength	−0.20	(1.06)	.85	−0.50	(1.16)	.66	−0.50	(1.16)	.67	−0.49	(1.17)	.67
Number of subgroups	0.03	(0.10)	.74	0.12	(0.13)	.34	0.12	(0.13)	.36	0.12	(0.13)	.34
CEO subgroup power (centered)	−0.24	(0.09)	.01	0.23	(0.12)	.05	0.20	(0.12)	.09	0.15	(0.11)	.18
Performance decline (any)				0.39	(0.18)	.03						
Performance decline (any) × CEO subgroup power (centered)				−0.56	(0.19)	.00						
Performance decline (5%)							0.48	(0.18)	.01			

TABLE 2 (Continued)

Variable	Model 1		Model 2		Model 3		Model 4	
	β	*p*	*β*	*p*	*β*	*p*	*β*	*p*
Performance decline (5%) × CEO subgroup power (centered)					−0.49 (0.19)	.01		
Performance decline (10%)							0.44 (0.18)	.02
Performance decline (10%) × CEO subgroup power (centered)							−0.40 (0.20)	.04
Year dummies	(Included)		(Included)		(Included)		(Included)	
2-digit SIC industry dummies	(Included)		(Included)		(Included)		(Included)	
Number of firm-year observations	8424		6985		6985		6985	
Number of CEOs	1177		1022		1022		1022	
Number of events	202		162		162		162	
Number of months in risk set	97,307		79,401		79,401		79,401	
Log likelihood	−1222.7		−922.88		−922.63		−924.7	

Note: Standard errors in parentheses. All explanatory variables are lagged by 1 year.

4 | DISCUSSION AND CONCLUSION

Power dynamics among board members are likely to influence the board's decision on CEO dismissal (Shen & Cannella, 2002; Weber & Wiersema, 2017). However, the power of the CEO subgroup on the board has not been a focus of CEO dismissal research. Only anecdotal stories in the media suggest that the CEO's allies on the board may play an important role in CEO dismissal. Drawing on faultline theory, we argue that the CEO subgroup is likely to serve as the CEO's allies and examine the unexplored driver of CEO dismissal—namely, CEO subgroup power. In doing so, our study extends research on power and CEO dismissal.

To advance our understanding of the role of CEO subgroup power in the boardroom, we drew on faultline theory, identified directors in the CEO subgroup based on multiple attributes of individual directors, and examined the effects of CEO subgroup power on CEO dismissal. Results from the analysis of S&P 500 boards reveal that CEO subgroup power reduces CEO dismissal risks, suggesting that a powerful CEO subgroup can protect the CEO from dismissal. The findings contribute to our understanding of power dynamics in the board decision-making regarding CEO dismissal. Whereas the literature has indicated CEO power and firm performance as major predictors of CEO dismissal, a significant amount of variation in CEO dismissal remains unexplained (Fredrickson et al., 1988; Hilger et al., 2013). By examining CEO subgroup power as a predictor of the board's decision to dismiss the CEO, our study adds value to research on CEO dismissal and the board of directors, hoping to rekindle the research about board politics and political dynamics (Ocasio, 1994; Pfeffer & Salancik, 1978) with a novel focus on board faultlines and subgroups. In addition, our study goes beyond the exclusive attention to individual attributes of powerful CEOs and shifts the conceptual focus to the level of board subgroups. Our research suggests that power is not merely an individual attribute; individuals can derive power from a level higher than individuals, namely subgroups.

We also found that the influence of the CEO subgroup is magnified in a performance decline. This result is consistent with research on faultline activation (Jehn & Bezrukova, 2010), which suggests that the performance crisis intensifies the board members' perception of in-group similarities and out-group differences, thereby making subgroup identification more salient and magnifying the effect of CEO subgroup power on board decisions. Our study contributes to our understanding of the political ramifications of faultline activation and subgroup identification.

Finally, while prior research suggests that poor firm performance increases CEO dismissal risk, empirical evidence has been inconclusive (Hilger et al., 2013). Our findings about the interaction between firm performance decline and CEO subgroup power shed light on the reason why lackluster firm performance may not necessarily lead to CEO firing. Although directors are responsible for monitoring the management, a performance decline can make directors of the CEO subgroup feel insecure. Afraid of losing their CEO as an important ally, they may attempt to protect the CEO and justify retaining her as the CEO, while directors in the other subgroups criticize the CEO and call for dismissal. Thus, exercising its power, the CEO subgroup can fully entrench itself and the CEO to protect the coalition.

Our study inevitably has limitations. Whereas we relied on archival data, direct observations of CEO dismissal processes may deepen our understanding of power dynamics in the boardroom. In addition, we acknowledge that subgroup configurations may be formed based on other characteristics that we did not examine in this study. We call for future research to develop other methods that can identify subgroups within the board. Despite these limitations, we believe that our research makes important contributions to the literature about CEO dismissal and power dynamics in the boardroom.

DATA AVAILABILITY STATEMENT
The data that support the findings of this study are available from the corresponding author upon reasonable request.

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SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.