Does experience matter? The relationship between CEO experience, origin, and post-succession firm performance.

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Philosophy (Corporate Strategy).

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Abstract

The appointment of a Chief Executive Officer (CEO) is among the most critical decisions faced by boards of directors as it influences strategy and firm performance. Poor CEO selection has been shown to result in significant value destruction. Building on the Upper Echelons Theory (UET), this research investigates the relationship between CEO experience and post-succession firm performance, and whether this relationship is moderated by origin (insider vs. outsider) or rookie status. The research question is to test whether experience matters. Significant research has been done in the area of succession and executive background. This research contributes to the literature by testing the relationships identified by scholars in an emerging market context and extending the definition of breadth of experience as well as introducing a little researched concept of leapfrogs. A quantitative approach was employed, using data collected from JSE-listed company succession events between 2015 and 2022. The hypotheses were tested using regression analysis to test the relationships and build the existing body of literature. Insights were obtained from the research indicating the existence of a relationship and a moderation. This study provides insights for practictioner navigating succession decisions, emphasising the importance of aligning CEO capabilities with organisational needs.

KEYWORDS: CEO succession, firm performance, CEO experience, origin, insider

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy (Corporate Strategy) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

25 November 2024

Name & Surname

Signature

Contents

List of figures

List of tables

CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Background

"The amount of market value wiped out by badly managed CEO and C-suite transitions in the S&P 1500 is close to *$1 trillion* a year" (Fernández-Aráoz et al., 2021, p. 6).

Selecting the chief executive officer of a company is one of the most important decisions that a board of directors needs to make. Many boards value experience and a historical track record of performance as an executive as an indicator of future performance (Hildebrand et al., 2020). While boards and directors may value experience, is it a relevant indicator of future performance?

CEOs and practitioners acknowledge that the context of business has become more complex, and the role of a CEO has become more difficult. PwC's recent global survey found that 45% of CEOs felt that their businesses, in current form, will not be economically viable in 10 years. The theme for the 2024 report is "the reinvention imperative" (PwC, 2024b, p. 4) as the need for businesses to reinvent themselves to be viable in the long run.

In the South African context, the outlook of CEOs is more optimistic about global growth prospects than the local growth conditions. This is attributed to a number of factors including high inflation, social inequality, uncertainty around political stability and economic policy uncertainty (PwC, 2024a).

Driving change and reinventing organisations implies the need for something different, which may be a new CEO or a succession plan for the current CEO. Where will the next CEO be found? Are they an insider or outsider? Should their experience be broad or narrow? Are they experienced or rookies with no previous CEO experience? Does executive experience matter?

Advisory firm Spencer Stuart has indicated that CEOs with no prior experience as a CEO ("rookies") are more likely to outperform those with previous CEO experience ("non-rookies"). Based on interviews with a number of CEOs surveyed, possible reasons for the outperformance include that non-rookies tend to be less adaptable than rookies and try to replicate what they had done in previous CEO positions. Even in difficult circumstances, rookies tend to take a longer-term view balancing growth, profitability and return on capital ("Why Rookie CEOs Outperform", 2021).

While there are many CEOs who are appointed from external companies (outsiders), the majority of CEOs appointed are internal executive level candidates including the C-suite and divisional heads (insiders). This is evolving and a new category of internal appointments has gained some significance in recent years accounting for approximately 5% of newly appointed CEOs in S&P 500 companies ("Finding the Right CEO", 2022). This category, termed leapfrog CEOs, considers those CEOs who have been appointed from below the level of the C-suite or divisional head. Leapfrog CEOs are more likely to deliver top quartile performance than the traditional CEO successors (Hildebrand et al., 2021).

1.2 Research problem

Samimi et al. (2020) consolidated research within the strategic leadership literature to develop a strategic leadership framework. Despite the range of the literature, one key finding was that the only theory specific to strategic leadership research is upper echelons theory (UET), the foundational theoretical contribution by Hambrick & Mason (1984). UET asserts that an organisation is influenced by its leaders' experiences, values and traits. In this work, Hambrick & Mason (1984) proposed observable characteristics of CEO background that could be used as proxies for leaders' decision-making frameworks and cognitive capabilities such as age, functional background, and other career experiences. Many studies have been built on the foundations of UET and have extending the UET by testing relationships between a range of CEO characteristics and organisational outcomes (Datta & Guthrie, 1994). As a result of the interest sparked by UET, the body of research within the areas of UET, executive background and succession have grown rapidly in recent decades with mixed findings for a range of

characteristics (Campbell et al., 2022; Darouichi et al., 2021; Samimi et al., 2020). One largely consistent finding is that longer executive tenure is associated with weaker performance (Campbell et al., 2022), except in instances of bankruptcy where it has been shown to be a positive contributor (Hambrick & D'Aveni, 1992).

Seniority and experience are generally favoured by investors and boards while at the same time longer CEO tenure is generally associated with weaker performance outcomes (Campbell et al., 2022). The majority of studies on both length and breadth of experience have taken into account executive experience, finding mostly negative relationships between length and breadth of executive experience and performance (Campbell et al., 2022). On this basis, experience and seniority could be considered a quasi-credential attributed by boards and investors.

In addition to an individual's length of experience, there are many studies considering the breadth of a CEO's executive experience (Campbell et al., 2022; G. Chen et al., 2020; Custódio et al., 2019; Keil et al., 2021; Li & Patel, 2019) and the insider or outsider consideration for which there are findings supporting the case of both insiders and outsiders in different contexts (Bai & Mkrtchyan, 2023; Keil et al., 2021; Quigley et al., 2019; Zhu et al., 2020). Research on CEO experience presented at the 2019 and 2023 Academy of Management Annual Meeting Proceedings (Cheng, 2019; Morales et al., 2023) may restart the discussion of the rookie or leapfrog CEO as previously explored by Williams et al. (2017) and Bower (2007).

An opportunity exists to build on the literature by testing the relationship between CEO experience and firm performance, especially within emerging markets. Where breadth of experience was previously considered in the context of executive experiences, specific functions and tasks, this study seeks to consider experience more broadly by expanding the definition of breadth on the basis that incidental observations contribute to a CEO's experience (Campbell et al., 2022; Hambrick & Fukutomi, 1991). In addition to expanding the definition of breadth of experience, and incorporating additional experience variables, this study seeks to contribute to the research on succession by considering the moderating effects of two further variables. While experience and CEO origin have been extensively researched as independent, dependent and moderator variables, the concept of the rookie has not had much focus from researchers. This study builds on the existing body of literature by considering both origin and rookie insiders (leapfrogs) as

moderator. Furthermore, this research is situated in the context of South Africa, an emerging market, where little research has used evidence in an emerging market context and research has shown that the emerging market environment and institutional context affects organisational strategies (González & González-Galindo, 2022). As a result, this study will contribute to existing body of literature in the areas of upper echelons theory, strategic leadership, CEO selection and succession.

1.3 Research questions

Based on the research problem, this study seeks to assist practitioners and boards making succession decisions in the South African environment, by answering the following questions:

Research question 1: To what extent does the experience of an incoming CEO influence post-succession firm performance?

Research question 2: Is the relationship between an incoming CEO's experience moderated by origin or leapfrog status?

1.4 Research aims

The aim of this study is to test the relationship between CEO experience and the performance of the firm following the succession event as well as testing other factors that could be expected to affect this relationship. This study identifies the existence of the relationships, and the strength of these relationships. Furthermore, the effects of origin and leapfrog status provide further guidance on whether any of these relationships are affected by these characteristics.

The results of this study will help practitioners and researchers better understand some of the CEO experience characteristics that have shown a relationship with firm performance outcomes and the relevance of factors given the context of specific succession events.

1.5 Research contribution

As businesses face increasing complexity and the need for more dynamic leadership, this study will provide insights to bridge theory and practice. The anticipated findings will not only contribute to strategic leadership and upper echelons theory but also offer practical recommendations for boards in their CEO selection processes.

Many studies have focused on the impact of CEO characteristics on firm performance, however little research has been done using evidence from an emerging market context and expanding the consideration of experience to consider whether local market experience affects this relationship. Considering the additional context of emerging markets, this study will contribute to existing body of literature in the areas of upper echelons theory, strategic leadership, CEO selection and succession (Campbell et al., 2022).

1.6 Research scope

The study used data from JSE listed companies. South Africa's JSE is the largest exchange on the African continent and is one of the biggest stock exchanges in the world by market capitalisation (WFE, 2023). Using JSE listed companies allowed for testing of hypotheses using evidence from an emerging market. Listed company information allows for more comparable data across companies due to the requirements for listed companies to apply the same accounting standards in their financial reports as well as being required to publish and disseminate specific information (JSE, n.d.).

1.7 Summary

This chapter has provided an introduction to the research by providing the context and relevance of the business problem that this research seeks to address. Guided by the business problem, the research problem has been examined based on the extant

literature, leading to the derivation of the research questions, research aims and proposing the contribution of this research to the theory, and to managers and practitioners. In the next chapter, the literature informing this study has been reviewed and debated to derive the hypotheses that address the research questions of this study.

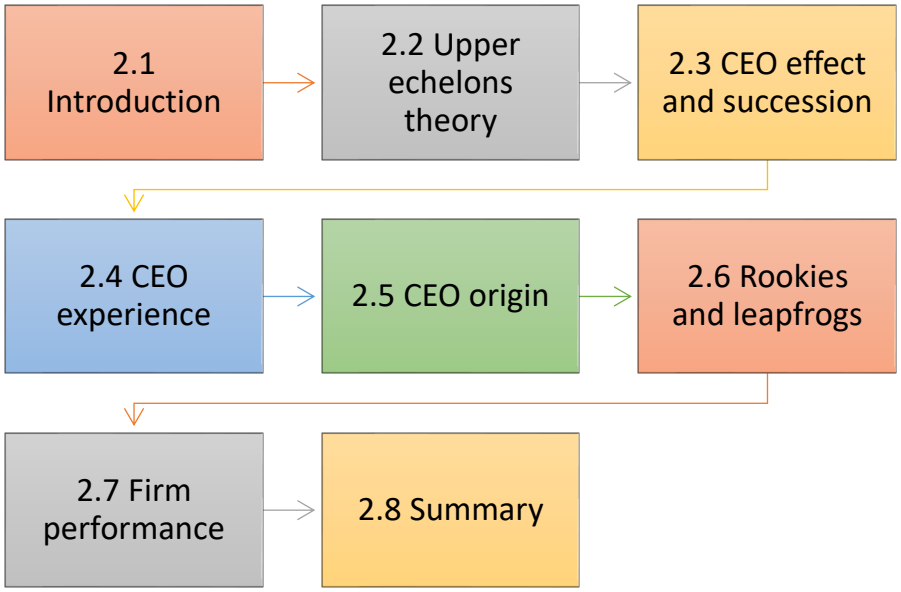
CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This study tested the relationships between CEO experience and firm performance, based on the upper echelons theory. This chapter provides a brief overview of upper echelons theory, the CEO effect and CEO succession, followed by literature on the key constructs of CEO experience, CEO origin and rookie status. The final section of the literature review will distil the discussion and analysis of the literature into preliminary hypotheses that have been tested in the study.

Figure 1

Chapter outline



Note. Researcher's compilation

2.2 Upper echelons theory

Upper echelons theory (UET), put forward by Hambrick & Mason (1984), is considered to be "one of the most influential perspectives in the strategic management literature" (Neely et al., 2020, p. 1030), and according to Samimi et al., (2020, p. 17) it is "the only

theory specific to the field of strategic leadership". UET offers a framework for explaining the variance in firm performance beyond industry and firm-level factors, positing that an organisation is influenced by the traits, experiences and values of its leaders.

In their foundational work, Hambrick & Mason (1984) proposed that both psychological and observable characteristics of leaders inform the strategic choices they make in an objective situation, with the result that the strategic choices ultimately influence the organisational outcomes and performance. Furthermore, UET posited that while psychological factors are difficult to observe, there are other characteristics of the upper echelons that are observable and could be used as proxies for these leadership characteristics that would allow researchers to better examine how leader characteristics and experiences, using measures such as age, functional background, and other career experiences as proxies, influence strategic choices and firm performance or firm outcomes (Neely et al., 2020). Many studies have been built on the foundations of UET and have extended the theory by examining and testing the relationships between a variety of individual or team characteristics and organisational outcomes, finding evidence broadly in support of the theory (Buyl et al., 2010; Campbell et al., 2022; Hambrick & D'Aveni, 1992; Hambrick & Quigley, 2014; Mackey, 2008; Neely et al., 2020; Wang et al., 2016).

As research in this field has developed, the focus moved from the upper echelons in general to considering specific leaders. Of high interest has been the consideration of CEOs as the perceived key organisational decision-makers (Bertrand, 2009).

2.3 CEO effect and succession

CEO effect is the term used to describe the portion of firm's performance that is attributable to the CEO of that firm (Rönkkö et al., 2023). Rooted in UET, the consideration of whether CEOs have an effect on firm performance has attracted much attention for decade and initially was found not to be a significant contributor to firm performance variation (Campbell et al., 2022; Hambrick & Mason, 1984; Lieberson & O'Connor, 1972). Research in this area has grown rapidly in recent years and at the

same time, the CEO effect itself has been shown to have increased substantially over time (Quigley & Hambrick, 2015). While the existence of the CEO effect is generally not disputed, the size of the effect is a topic of much debate as its magnitude provides an indication of whether or not the area of research is worth pursuing (Fitza, 2016; Hambrick & Quigley, 2014; Keller et al., 2022; Mackey, 2008; Quigley & Graffin, 2017).

Mackey (2008) found that CEO effects could explain nearly 30% of the variance in firm performance, affirming the CEO effect with similar results in studies that followed (Bennedsen et al., 2020; Hambrick & Quigley, 2014; Quigley & Graffin, 2017; Quigley & Hambrick, 2015; Wang et al., 2016). Fitza (2016) however challenged the estimated magnitude of the effect and suggested that there is little difference in magnitude between the CEO effect and luck. With the objective of clarifying the inconsistent findings in the literature, Rönkkö et al. (2023) concluded that the CEO effect exists beyond luck, however this may have been overstated due to methodological issues in previous research.

While the CEO effect exists, it is not static and is expected to vary based on organisational and environmental factors. In times of crisis or when there is significant volatility in the macroeconomic environment, the CEO effect too presents higher volatility in the short term (Kleindienst et al., 2024). In the context of an emerging market, where environments are generally riskier and have increased exposure to macroeconomic conditions, it is expected that the CEO effect will not reflect in the same way it does in developed markets (González & González-Galindo, 2022; Kleindienst et al., 2024; Pereira et al., 2019).

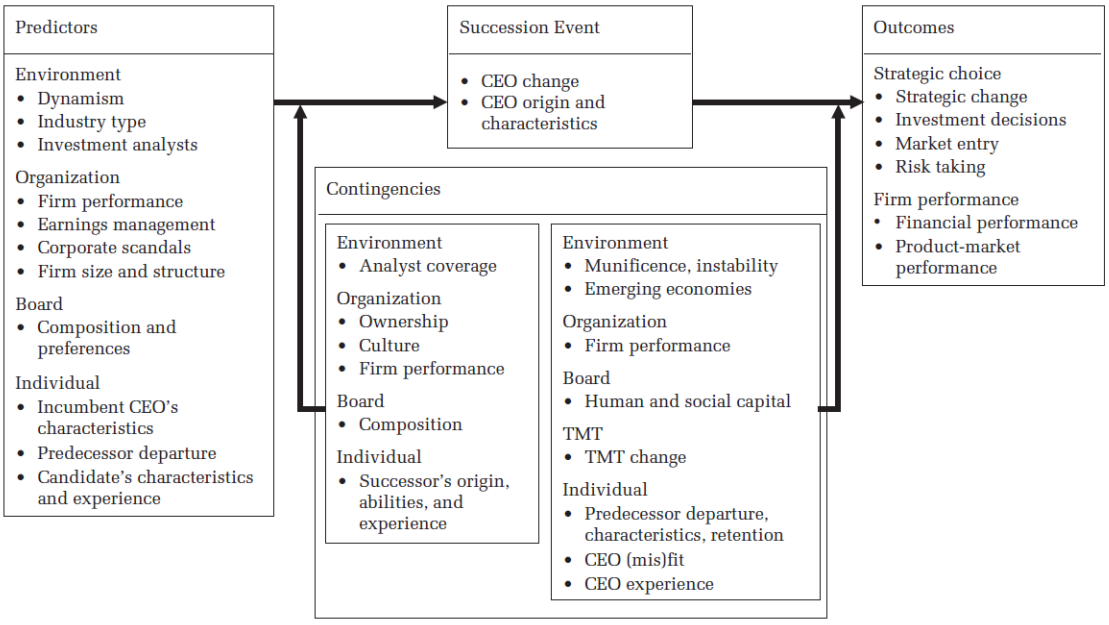
The strategic leadership framework developed by Samimi et al. (2020) consolidated the various current perspectives within the literature and concluded that there is consensus that “strategic leaders affect firm performance” (Samimi et al., 2020, p. 16) and that “strategic leaders’ attributes matter” (Samimi et al., 2020, p. 16). Researchers concern themselves with the competencies that CEOs or strategic leaders have (such as problem solving or education) and how these competencies have been gained. Competencies (knowledge and skills) are developed through individual’s experience in prior positions (Campbell et al., 2022; Custódio et al., 2013; Hambrick & Mason, 1984; Hamori & Koyuncu, 2015; Keil et al., 2021; Samimi et al., 2020). On this basis, many studies have

sought to understand the relationships between various observable characteristics of executive background and experience on organisational outcomes (Campbell et al., 2022; Datta & Guthrie, 1994).

The existence and magnitude of the CEO effect are of importance for succession decisions as the selection of the incorrect CEO for the top job could have significant consequences for an organisation. Research on the topic of succession range from predicting the antecedents of a CEO succession, to the firm level impact of succession on performance or strategic outcomes and to the individual level outcomes considering factors such as compensation (Berns & Klarner, 2017; Datta & Guthrie, 1994; Georgakakis & Ruigrok, 2017; Nakauchi & Wiersema, 2015; Shen & Cannella, 2002). Succession research seeks to build knowledge on various predictors, contingencies and outcomes as shown in the integrative framework developed by Berns & Klarner (2017) shown in Figure 2.

Figure 2

CEO Succession Research: An Integrative Framework



Source: "A review of the CEO succession literature and a future research program", by Berns & Klarner (2017), p. 86.

2.4 CEO experience

There are many characteristics of individuals that have been put forward in the literature to understand which aspects of individual characteristics are related to performance or organisational outcomes. One area that has received much attention is that of executive background, and in particular, experience (Campbell et al., 2022; Darouichi et al., 2021). Experience is gained by individuals within specific contexts (industries, firms and roles), with the result that individuals build specialised knowledge and context-specific competencies from these experiences (Keil et al., 2021; Samimi et al., 2020).

Experience is a broad term, and the literature has considered different aspects of experience over the years. This includes both work and non-work experiences that could have contributed to shaping an individual's values, cognitive capabilities and decision-making frameworks. One of the most easily observable measures of experience used by strategic leadership researchers is tenure, which is the time spent in a specific role (Campbell et al., 2022; Darouichi et al., 2021). In addition to the length of time spent in a role during which an individual is expected to have accumulated knowledge and competencies specific to that role, an individual's experience and knowledge will be enriched by different contexts including organisations, industries, geographies and functional roles (Bragaw & Misangyi, 2017; Campbell et al., 2022; Custódio et al., 2013, 2019; Dokko et al., 2009; Hamori & Koyuncu, 2015; Jiao et al., 2023; Li & Patel, 2019; Thams & Rickley, 2024). The use of a time-based variable as has been frequently used and deemed an appropriate measure of organisational and job level experience (Bragaw & Misangyi, 2017; Keil et al., 2021; Quińones et al., 1995).

2.4.1 Executive experience

The role of a CEO requires strategic leadership and executive decision-making that generally does not form part of the duties of non-executive roles. Despite the fact that knowledge is developed through individuals' experiences, longer tenure CEOs and CEOs with greater executive experience or CEO tenure tend be more risk averse and make fewer significant strategic decisions that deviate from the industry averages and

as a result tend not to drive significant change or perform significantly differently from industry peers (Datta & Guthrie, 1994; Finkelstein & Hambrick, 1990; Henderson et al., 2006; Karaevli & Zajac, 2013; Martignoni & Keil, 2021; Williams et al., 2017; Zhu et al., 2020). Furthermore, longer executive experience has also been associated with weaker firm performance due to factors including higher strategic persistence, lower levels of innovation, increased threat rigidity and a stronger commitment to the status quo (Campbell et al., 2022). While largely linear, there is also evidence that indicates that the relationship between executive experience and firm outcomes affecting strategy may take an inverted-u shape as individuals move through the phases of learning (Darouichi et al., 2021). While these findings are relevant, it is more relevant to incumbent CEOs and not incoming CEOs. As a result, it is expected that CEOs with longer previous executive experience are associated with weaker firm performance. This expectation forms the basis for this study's first hypothesis.

H_1: The longer an incoming CEO's executive experience the worse the appointing firm's post-succession performance.

2.4.2 Local experience

Based on the premise that experiential learning is contextual, researchers have found a positive relationship between a CEO's international experience and firm performance. This relationship has been stronger where the company's international dependence is high or it has international expansion goals (Campbell et al., 2022). Little research has been done to understand the relationship of local market experience in the firm's main market (or a similar environment). This is especially relevant in the context of emerging markets where CEOs with developed market experience may not have the requisite experience to navigate the peculiarities of emerging markets such as the level of institutional involvement, weak institutional frameworks and infrastructure (González & González-Galindo, 2022; Pereira et al., 2019). It is expected that where the new CEO has a better understanding of the markets in which the hiring firm operates, the CEO will be able to have greater impact on firm performance.

H_2: The longer an incoming CEO's local experience the better the appointing firm's post-succession performance.

2.4.3 Industry experience

Similar to the rationale for local experience, industry experience is considered to provide individuals deeper understanding of the environment that the company operates in and from which the individual would have accumulated the contextual knowledge and skills required to influence and direct activities and strategic choices that result in positive outcomes (Custódio & Metzger, 2014; Lieberson & O'Connor, 1972; Malhotra & Harrison, 2022). It is expected that where the new CEO has a better understanding of the industry within which the hiring firm operates, the CEO will be able to have greater influence on firm performance.

H_3: The longer an incoming CEO's industry experience the better the appointing firm's post-succession performance.

2.4.4 Breadth of experience

Breadth of experience is a subject of debate among researchers. A number of researchers have found that CEOs with greater breadth of experience have favourable firm outcomes as a result of the ability to integrate more diverse expertise and knowledge, thereby building richer experience (Buyl et al., 2010; G. Chen et al., 2020; Crossland et al., 2014; Custódio et al., 2019). However, Keil et al. (2021) and Li & Patel (2019) found that neither length nor breadth of CEO experience explain variation in firm performance. In these studies, breadth of experience was based on the number of different firms or industries the CEO had experience in (Campbell et al., 2022; Crossland et al., 2014; Keil et al., 2021).

The value of breadth of experience is dependent on the incoming CEO's ability to learn the contextual factors that are relevant to the new business and unlearn those that they may have experienced in previous roles that are not relevant in the new context Considered with the findings of Campbell et al. (2022), Crossland et al. (2014) and Custódio et al. (2013) that career variety and breadth was found to have a number of favourable impacts on strategic dynamism and exploration orientation, it would be expected that greater breadth would improve firm performance.

H_4: The broader an incoming CEO's experience the better the appointing firm's post-succession performance.

2.5 CEO origin

In a succession event, one of the key considerations is whether to look for an external candidate or to identify a candidate from within the company (Karaevli & Zajac, 2013). The question of whether a CEO appointed from within a firm (insider) performs better than one appointed from outside the firm (outsider) has been part of many research studies with little clarity given due to varying outcomes (Dokko et al., 2009; Karaevli & Zajac, 2013; Keil et al., 2021; Li & Patel, 2019; Quigley et al., 2019). Quigley et al. (2019) found that outsider CEOs result in more volatile performance outcomes than insiders which may be because of outsider CEO tendencies to make more strategic changes than insider CEOs or strategic persistence (Bai & Mkrtchyan, 2023; Campbell et al., 2022; Wang et al., 2016; Zhang & Rajagopalan, 2010; Zhu et al., 2020). Insiders also tend to attract fewer competitive attacks when they are similar to the predecessor (Lee & Tsai, 2023).

H_5: The relationship between a CEO's experience and the appointing firm's post-succession performance is moderated by origin

The "portability of prior experience" (Dokko et al., 2009, p. 12) with respect to outsiders is a challenge as not all knowledge and experience can be easily transferred from one organisation to the next and requires a learning approach to a new organisation to unlearn what is not relevant and learn what is relevant in the context of the new organisation (Custódio et al., 2013; Custódio & Metzger, 2014; Dokko et al., 2009; Hamori & Koyuncu, 2015). Inherently, insiders have a level of understanding of the business and the industry within which the company operates, and on the basis that insiders have been found to make fewer strategic changes or generate more volatile returns, it is expected that when the incoming CEO is an insider, the relationship between executive experience and firm performance will be stronger due to phenomena such as strategic persistence, cognitive rigidity and conformity (Finkelstein & Hambrick, 1990; Wang et al., 2016).

H_{5a}: When an incoming CEO is an insider, the negative relationship between executive experience and the post-succession firm performance is stronger

While breadth of experience has been shown to be beneficial for firms, portability and transferability of skills has been identified as a moderator of these benefits based on corporate fit (Custódio et al., 2013; Georgakakis & Ruigrok, 2017; Keil et al., 2021). Given that insiders are likely to be a better corporate fit with the organisation and their experience within the business it could be expected that insiders will be able to better transfer their broader learnings into the new role with fewer obstacles to overcome (Shen & Cannella, 2002; Zhu et al., 2020), however this may not be the case when considered as the insiderness of the candidate and entrenchment within the organisation would result in strategic persistence similar to what has been found in studies on executive and CEO tenure (Dokko et al., 2009; Martignoni & Keil, 2021). As a result, in this study, it is expected that insiderness would weaken the relationship between breadth of experience and firm performance.

H_{5b}: When an incoming CEO is an insider, the relationship between breadth of experience and the post-succession firm performance is weaker

2.6 Rookies and leapfrogs

In addition to the consideration of origin of a candidate (insider vs outsider), one of the next considerations would be whether having prior CEO experience is a pre-requisite. There are cases where an individual has no prior CEO experience and are considered rookies. Williams et al. (2017) and Chen & Keefe (2020) found that rookies performed better than non-rookies, and that external rookies performed better than internal rookies.

In addition to this, prior CEO experience has also been found to result in firm underperformance as these individuals tend to imitate or implement actions in previous CEO roles, result in negative learning transfer and highlighting the need to unlearn some of their learnings and relearn in the new context (Hamori & Koyuncu, 2015). G. Chen & Hambrick (2012) and Keil et al. (2021) suggest that corporate misfit is a primary driver of outsider underperformance. The term leapfrog has been used to categorise insider rookies in this study. Considering that insiders have an inherently better corporate fit, and that rookies are more likely to influence better performance and more strategic change it is expected that leapfrog status moderates the relationship between experience and firm performance.

H_{6}: The relationship between a CEO's experience and the appointing firm's post-succession performance is moderated by leapfrog status

Non-leapfrog insiders are more likely to underperform and are more susceptible to negative transfer of their learned knowledge and skills in prior CEO positions, trying to imitate what they did in previous roles, it is expected that moderating effects of leapfrog status on executive experience is opposite to the moderating effect of origin (H_{5a}).

H_{6a}: When an incoming CEO is a leapfrog, the negative relationship between executive experience and the post-succession firm performance is weaker

While it is expected that the relationship between executive experience and post-succession firm performance will be weaker for leapfrogs as they do not have the challenge of negative learning transfer, however leapfrogs face other challenges. In succession, internal candidates have greater social networks within the business than outsiders. For leapfrogs, it is more likely that there will be bad actors within the organisation that are not supportive of the appointment for whatever reasons and will result in the leapfrog struggling to take significant strategic actions. Furthermore, should leapfrogs have greater breadth (having been employed by more organisations), it could be seen as a signal of low commitment or loyalty to the company and may result in further resistance to change from the organisation (Georgakakis et al., 2024; Shen & Cannella, 2002).

H_{6b}: When an incoming CEO is a leapfrog, the relationship between breadth of experience and the post-succession firm performance is negative

2.7 Firm performance

Strategic leadership and strategic leader actions, choices and decisions influence firm level outcomes (Hambrick & Mason, 1984; Samimi et al., 2020). Firm level outcomes can be measured in multiple ways, including a range of both financial and non-financial measures. Financial measures of firm performance are largely either accounting based, using company financial information, or market-based which are derived from market prices and information. Accounting-based measures provided a current view of the company and its operations, whereas market-based measures are dependent on the valuation of the company which includes the consideration of future performance and

investor sentiment (Shen & Cannella, 2002). The objective of this study is to understand the influence of the CEO on the operations and not investor or market sentiment.

The range of accounting measures available is broad, each with its own use case. As a result there is no prescribed or agreed measure that is preferred. In many studies of succession, origin and experience, profitability measures have been used including return on equity, return on sales and return on assets. The use of similar metrics between studies also allows for comparability of findings between research (Samimi et al., 2020). In this study, return on assets (ROA) has been used as it provides an indication of a company's ability to generate a return from its asset base and allowing for the comparability of results across companies, industries and periods without the influence of capital structure. ROA measures not only profitability, but the return generated from a company's asset base, indicating efficient use of assets (Georgakakis & Ruigrok, 2017; Hambrick & Mason, 1984; Keil et al., 2021; Shen & Cannella, 2002).

2.8 Summary

Based on the research question, extant literature in the area of strategic leadership, UET and succession have been used to hypothesis relationships between different experience variables, origin and firm performance. A summary of these hypotheses are presented in Chapter 3, followed by the research methodology (Chapter 4) that will be used to test the hypotheses.

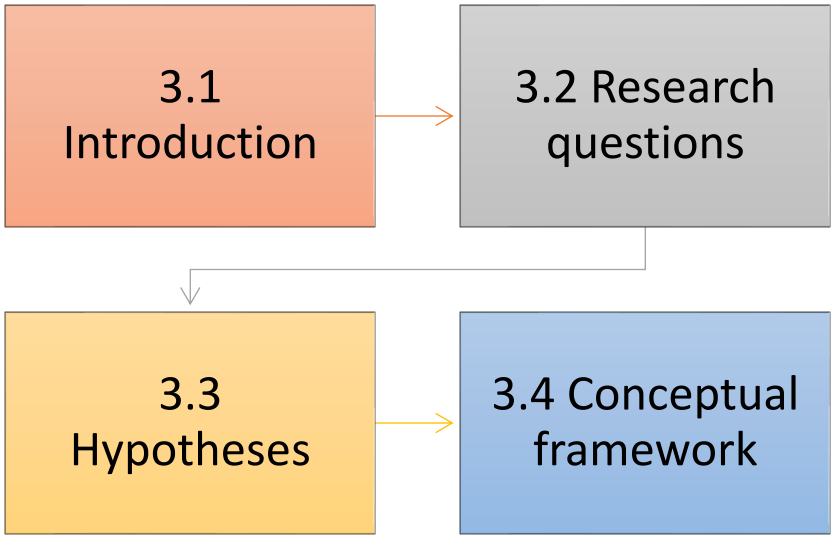
CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

Chapter 3 provides a summary of the research questions and hypotheses followed by an overview of the conceptual framework as shown in Figure 3.

Figure 3

Chapter outline



Note. Researcher's compilation

3.2 Research questions

Selecting the chief executive officer of a company is one of the most important decisions that a board of directors needs to make.

Research question 1 (RQ1): To what extent does experience of an incoming CEO influence post-succession firm performance?

Research question 2 (RQ2): Is the relationship between an incoming CEO's experience and post-succession firm performance moderated by origin or leapfrog status?

3.3 Hypotheses

Following the research question and aims of this study, supported by the discussion and analysis of the literature in Chapter 2, the hypotheses for this study are summarised below for each of the research questions.

RQ1: To what extent does experience of an incoming CEO influence post-succession firm performance?

H_1: The longer an incoming CEO's executive experience the worse the appointing firm's post-succession performance

H_2: The longer an incoming CEO's local experience the better the appointing firm's post-succession performance

H_3: The longer an incoming CEO's industry experience the better the appointing firm's post-succession performance

H_4: The broader an incoming CEO's experience the better the appointing firm's post-succession performance

RQ2: Is the relationship between an incoming CEO's experience and post-succession firm performance moderated by origin or leapfrog status?

H_5: When the incoming CEO is an insider, the relationship between post succession firm performance and (a) executive experience is stronger, (b) breadth of experience is weaker

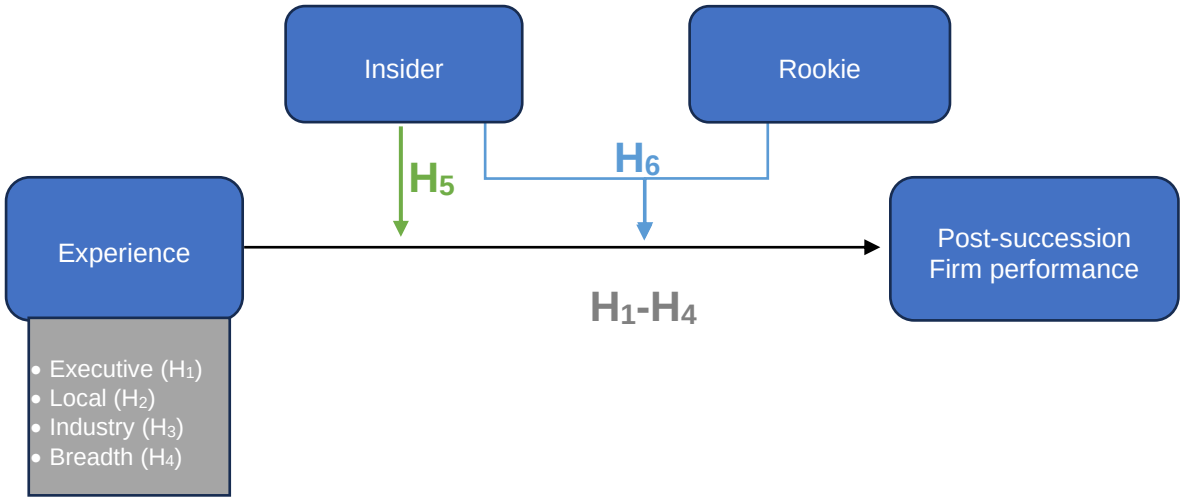
H_6: When the incoming CEO is a leapfrog, the relationship between post succession firm performance and (a) executive experience is weaker, (b) breadth of experience is negative

3.4 Conceptual framework

Figure 4 provides a diagrammatical representation of the study based on the research questions and hypotheses presented above, indicating each of the independent and moderator variables as well as the dependent variable.

Figure 4

Diagrammatical Representation of Hypotheses



Note. Researcher's compilation

The research methodology to test the hypotheses indicated on the conceptual framework will be detailed in Chapter 4, followed by the results from applying the research methodology in Chapter 5.

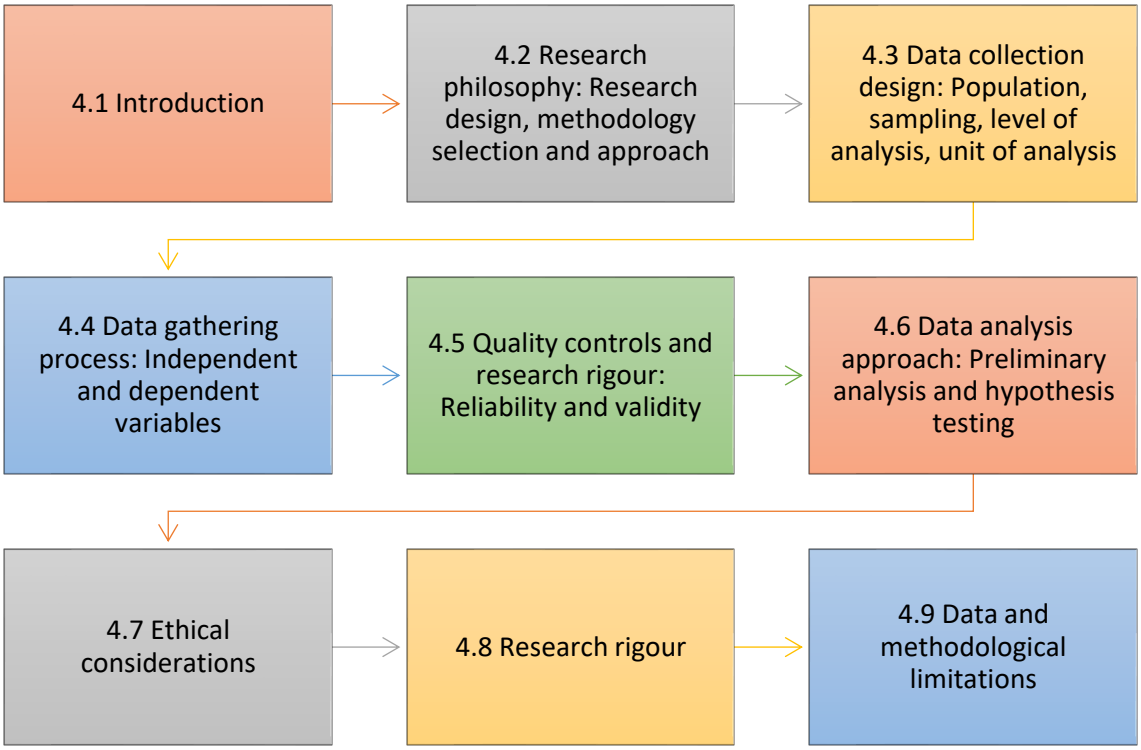
CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

Chapter 4 provides the detail of the research methodology and design followed to evaluate the test the hypotheses derived from the research questions presented in Chapter 3. Figure 5 provides an outline of this chapter.

Figure 5

Chapter outline



Note. Researcher's compilation

4.2 Research philosophy

Saunders et al. (2012) describe research philosophy as the researcher's " assumptions about the way in which [they] view the world " (p. 128). This study adopts a positivist

epistemological approach, aligning with the objective pursuit of knowledge through observable, measurable, and replicable data (Bell et al., 2019; Saunders et al., 2012).

A positivist stance, which emphasises the use of scientific methods to gather empirical evidence, is well-suited for this research given its focus on assessing CEO performance outcomes. In this approach, knowledge is generally developed by formulating hypotheses based on existing knowledge and then testing these using quantitative data (Saunders et al., 2012). While generally hypotheses are developed from existing knowledge in positivism, this does not need to be the case as "all natural sciences have developed from an engagement with the world in which data were collected and observations made prior to hypotheses being formulated and tested" (Saunders et al., 2012, p.134).

Positivism's posture of objectivity means that the world is perceived as being composed of phenomena that can be observed and quantified with facts in a value-free way (Bell et al., 2019; Saunders et al., 2012). Accordingly, this study utilises observable, public secondary data to test hypotheses, ensuring a systematic and unbiased approach to understanding the effects of CEO characteristics such as career length, insider/outsider status, and experience on strategic outcomes (Bell et al., 2019; Saunders et al., 2012). This ontological perspective assumes an external reality that exists independently, supporting the study's goal of identifying generalisable insights applicable across various corporate settings (Bell et al., 2019; Saunders et al., 2012).

The positivist methodology not only allows for rigorous hypothesis testing but also emphasises reliability and generalisability. Reliability and generalisability are key tenets for research that aims to draw broad conclusions about the phenomena through analysis of the data (Saunders et al., 2012). By following to this philosophy, the study is guided by established standards for empirical research, ensuring that findings can contribute to theoretical and practical understandings of executive influence on firm performance.

Positivism provides a clear quantitative methodological foundation for the research and the approach is aligned with objectively assessing how CEO experience impacts firm performance outcomes.

Accordingly, the study is explanatory in nature and seeks an objective result based on the analysis of observed, value free data. As a result, this study adopts the positivist position and philosophy. Positivism is the position that knowledge can only be proven through scientific methods on objective, observable data (Bell et al., 2019; Saunders et al., 2012). This study seeks to answer the question of how CEO experience influences firm performance, and whether this relationship is moderated by CEO origin, rookie status, pre-succession firm performance or reasons for previous CEO departure.

4.2.1 Research design

The research design is “the general plan of how [the researcher] will go about answering [the] research question” (Saunders et al., 2012, p. 159) and is the roadmap that guides the researcher journey from collection to analysis of data, allowing the researcher to answer the research question and meet the research objectives. While there are various choices for research design, the chosen design needs to be aligned with the research philosophy (Bell et al., 2019).

The aim of this study is to test the relationships between independent variables, moderators and a dependent variable, adopting the positivist philosophy. To test the hypotheses defined in this study, a desktop research design was followed using secondary data over the 10 calendar years from 2015 to 2024.

To perform this study, secondary data have been gathered from various sources including credible databases, company annual reports, company announcements and credible online websites and social media. The data collected included company financial information for multiple years, company announcements of new CEO appointments and terminations and individual CEO characteristics (including career experience history). While data were collected from secondary sources it would not necessarily be considered secondary data analysis (Alasuutari et al., 2008), but a longitudinal panel design, with multiple observations at different points in time for the same case (Bell et al., 2019).

To the test post-succession performance of different CEOs a longitudinal panel was developed for each CEO including their characteristics (including age, experience and origin) and the hiring firm's performance for the year pre-succession and for the shorter of three years post-succession and the tenure until termination (Crossland et al., 2014; Keil et al., 2021).

4.2.2 Methodology selection and approach

According to Bell et al. (2019), research methodologies can be quantitative or qualitative based on how data is gathered or whether the data is numeric or non-numeric (Saunders et al., 2012). To generalise the analysis and results from a sample of data to the population, quantitative research is used. It allows for a statistical or scientific approach to be taken that enables researchers to generalise results to the population. The primary method of analysis of quantitative data is empirical analysis (Bell et al., 2019; Saunders et al., 2012).

The research approach is derived from the research question and research methodology. This is either deductive or inductive. A deductive approach seeks to apply and test existing theory, while inductive approaches seek to build new knowledge or theory (Bell et al., 2019; Saunders et al., 2012).

Quantitative research strategies are applied when data collected is numerical in nature and used to test hypotheses based on a deductive approach, under a generally positivist paradigm where there is an expected objective result (Bell et al., 2019; Saunders et al., 2012). Based on the aims of the study, the positivist position being taken and the data that have been collected, this study is well suited to a quantitative method.

4.3 Data collection design

4.3.1 Population and sampling

The research question and aim of this study to explain the relationships between CEO characteristics and firm performance, within the defined scope of JSE-listed companies. Consequently, the population is made up of all CEOs appointed to JSE-listed companies.

JSE-listed companies have been selected to ensure the availability, comparability and reliability of publicly available data on the individual CEOs and the companies as governed by the JSE listing requirements with respect to reporting and corporate governance to enable informed decision-making by investors (JSE, n.d.).

A sample is a subset of the population that is selected to perform the analysis or investigation, while the sampling frame is the list of the population from which the sample will be selected (Bell et al., 2019).

The sampling frame from which the sample was selected was chosen primarily due to the limitations on data reliability and availability from the databases used in the data gathering process. Collecting the required data manually for a large population was neither practical nor was it feasible within the constrained research timeframe. In addition to the practical considerations, extending the period of the study may have introduced idiosyncratic factors that could have influenced the reliability of the data such as significant changes to the International Financial Reporting Standards and governance requirements of the King Code, both of which are required to be applied in terms of the JSE listing requirements (Crossland et al., 2014; JSE, n.d.).

The sampling frame consisted of 162 individual CEOs appointed to JSE-listed companies between January 2015 and December 2022.

To ensure validity and reliability of the data, the sample excluded certain cases data was not available or not reliable. These were cases where the hiring company delisted less than three years following the CEOs appointment, the CEO appointment has been

terminated before one full year of financial results have been reported following the succession event, the CEO was not a singular CEO (appointment of dual or joint CEOs), the appointment was an interim or acting appointment and not a permanent one. the hiring firm has since been found to have undertaken fraudulent or similar activities (such as Steinhoff and Tongaat Hullett) and appointments are as a result of a corporate transaction (such as a merger, acquisition or unbundling), a company entering business rescue, liquidation, administration or curatorship (Crossland et al., 2014; Keil et al., 2021).

After excluding the aforementioned cases, the hypotheses were tested on a sample of 162 CEOs appointed to JSE-listed companies over the 8-year period between January 2015 to December 2022. This time frame aligns with studies testing similar hypotheses where time frames varied between five and 23 years (Keil et al., 2021; Rönkkö et al., 2023; Williams et al., 2017).

4.3.2 Level of analysis and unit of analysis

Analysis can be performed at various levels. The level of analysis can be at either a macro or micro level and is defined by as “the primary unit of measurement and analysis” (Bell et al., 2019, p. 61). In this study, the objective is to measure the relationship between the CEO characteristics and hiring firm performance, which categorises the level of analysis as organisational. While the unit of analysis can be understood as being the subject of the study which the researcher is gathering data about and which the researcher is seeking to make generalisations about (Lewis-Beck et al., 2012). The unit of analysis in this study is therefore the individual CEOs appointed to JSE listed companies.

4.4 Data gathering process

Data for each of the dependent, independent and control variables have been collected from secondary data sources and matched for each case to be included in the panel dataset used to test the hypotheses. The panel was constructed in three phases. The first step was to identify of all the CEO appointments to JSE-listed companies between

2015 and 2022, the second step was to collect the data for each variable with respect to the individual CEO characteristics and the final step was to collect the data relating to the company that each CEO was appointed to (Crossland et al., 2014; Keil et al., 2021).

4.4.1 Identification of CEOs appointed

The first step of the data collection process was to identify the CEOs appointed to JSE-listed companies between January 2015 and December 2022. The Companies and Intellectual Property Commission (CIPC) is the central repository of company information including appointment and resignation dates of company directors. The Who Owns Whom database (WOWweb) provides access to company and director information through the Companies and Intellectual Property Commission as well as its own independent research teams (Who Owns Whom, n.d.). The list of CEO appointments during the period under investigation was extracted from the database and included 162 individual CEO appointments.

This list of CEO appointments was corroborated against the respective JSE-listed company announcements disseminated via the JSE SENS. Of the 162 initial cases, 53 cases were excluded based on the sampling criteria. The number of cases excluded are shown in Table 1, categorised by the reason for exclusion.

Table 1

Cases excluded from sample

Joint, Interim or Acting appointment	13
Development company (not operational)	6
Corporate actions (Merger, acquisition, unbundling)	12
Delisting, suspension, liquidation, business rescue	7
Family-owned entity	2

Tenure less than 1 full financial year	11
No data or known reliability issues	2
Total cases excluded	**53**

Note. Researcher's compilation

4.4.2 Independent variables and moderators: CEO experience data

The second step of the data collection involved the extraction of individual-level characteristics of the CEOs that were required for this study. The data included aspects of the individuals' career histories and demographic information. The data have been collected from various sources including JSE SENS announcements, credible independent databases such as LSEG Refinitiv (Refinitiv) and S&P Capital IQ (CapIQ). This was further supplemented by published company reports or announcements, credible news articles and interviews, corporate repositories and social networks. Where interviews, news articles or social networks such as Linkedin were used, data were only considered valid and used if corroborated with evidence from at least one other independent source (Won & Bidwell, 2023).

4.4.2.1 Hiring age

The age of the individual at the time of appointment was extracted from Refinitiv. In instances where the data were not available from Refinitiv, the individual's date of birth was obtained from either WOWweb or the British equivalent of the CIPC and used to calculate the age of the individual at the time of appointment as CEO. Where this could still not be determined, the hiring age was obtained from JSE SENS announcements, company annual reports or news articles and corroborated with evidence from at least one other source.

4.4.2.2 CEO experience

A time-based measure of experience was deemed appropriate as gathering the detail to consider activity or role-based experiences was not practical or feasible to collect on the selected sample within the constraints of this research. This aligns to extant literature which has used the same, despite potential limitations of this not providing an indication of the complexity of the roles (Dokko et al., 2009; Keil et al., 2021). Many individuals' full career histories were readily available in company announcements, company websites and corporate reports. Where this was not available in company announcements, company websites and corporate reports, the data were gathered from alternative sources such as news articles and Linkedin and validated with at least one other independent source (Keil et al., 2021).

Length of executive experience has been determined from the career history of the individuals and executive experience has been defined similar to Keil et al. (2021) considering job titles that include terminology used in practice to denote executive type roles such as "CEO", "executive vice president", "managing director" and other titles containing "Chief", "Executive Director", "head" or similar such as "Chief Financial Officer", "Head of Operations" or "General Manager" (Keil et al., 2021).

Local experience has been operationalised by considering the CEO's career experience in the hiring company's main geographies. The numbers of years of local experience was extracted from the annual reports and corporate announcements to record relevant years of local experience (Campbell et al., 2022; Crossland et al., 2014; Keil et al., 2021).

Industry experience has been operationalised by considering the CEO's career experience in the hiring company's industry. The numbers of years of industry experience was extracted from the annual reports and corporate announcements to record relevant years of industry experience (Campbell et al., 2022; Crossland et al., 2014; Keil et al., 2021).

Breadth of experience has been recorded based on the career history of the individual. The approach used by Keil et al. (2021) and Custódio et al. (2019) operationalised

breadth as the number of different companies where the CEO previously held executive positions. This study followed a modified approach to breadth and used the number of different companies the CEO has been employed by for a continuous period of one year or more. The wider definition of breadth used in this study is based on the consideration of rookies where the rookie would not have held executive positions but would still have gained contextual knowledge through experiences in other companies, as suggested by Samimi et al. (2020). This also excluded non-executive board memberships or volunteer work (Keil et al., 2021).

4.4.2.3 Insider and leapfrog status

A CEO has been considered an outsider when they have previously not been employed by the hiring company as was considered by Keil et al. (2021). Dummy variables have been created for rookie and leapfrog status. The dummy variable for insider was set to one where an appointed CEO was employed by the hiring company for a period of at least 12 months. The leapfrog dummy variable was set to 1 where the CEO was an insider and had no previous experience as a CEO. The dummy variables equaled zero where the opposite is true. This follows the measurement of these variables in multiple studies on origin (Bai & Mkrtchyan, 2023; Chung et al., 1987; Keil et al., 2021; Quigley et al., 2019; Zhang & Rajagopalan, 2010; Zhu et al., 2020).

4.4.3 Company data

The final step in constructing the data panel was to record the data related to the company characteristics and the firm performance. Company data have been primarily collected from Refinitiv, CapIQ and company integrated reports.

4.4.3.1 Dependent variable: Firm performance

Firm level outcomes can be measured in multiple ways, including a range of both financial and non-financial measures. Financial measures of firm performance are

largely either accounting based, using company financial information, or market-based which are derived from market prices and information. Accounting-based measures provided a current view of the company and its operations, whereas market-based measures are dependent on the valuation of the company which includes the consideration of future performance and investor sentiment (Shen & Cannella, 2002). The objective of this study is to understand the influence of the CEO on the operations and not investor or market sentiment.

The range of accounting measures available is broad, each with its own use case. As a result there is no prescribed or agreed measure that is preferred. In many studies of succession, origin and experience, profitability measures have been used including return on equity, return on sales and return on assets. The use of similar metrics between studies also allows for comparability of findings between research (Samimi et al., 2020). Return on assets (ROA) provides an indication of a company's ability to generate a return from its asset base and allowing for the comparability of results across companies, industries and periods without the influence of capital structure. ROA measures not only profitability, but the return generated from a company's asset base, indicating efficient use of assets (Georgakakis & Ruigrok, 2017; Hambrick & Mason, 1984; Keil et al., 2021; Shen & Cannella, 2002).

Firm performance in this study has been measured using return on assets (ROA) which is an accepted measure of financial performance and is commonly used in succession research by adjusting the firm ROA for average industry ROA over the same period. Adjusting the firm ROA provides the level of over- or underperformance of a firm relative to its market peers, thereby removing the impact of industry or market-related factors on firm performance (Hambrick & Quigley, 2014; Keil et al., 2021; Quigley et al., 2019). Post-succession firm performance (PSFP) has been operationalised as the change in the average industry-adjusted ROA for the firm between the year pre-succession and the average industry adjusted ROA for 3 years (or the period until termination) post-succession, similar to the approach followed by Keil et al. (2021) and Quigley et al. (2019). Post-succession firm performance has been logarithm transformed.

4.4.3.2 Control variables: Firm characteristics

Control variables were utilised to reduce the influence of confounding variables on post-succession performance that could influence the relationship between the independent and dependent variables (Saunders et al., 2012).

Post-succession firm performance is known to be influenced by certain firm characteristics including firm age, firm size and pre-succession firm performance, reasons for predecessor CEOs dismissal, CEO education and CEO duality (Crossland et al., 2014; Keil et al., 2021; Zhu et al., 2020). Due to limitations in availability of readily available data to measure these variables, only three control variables have been considered namely firm size, firm age and pre-succession firm performance. In addition to the three control variables included, the existence of CEO duality is limited in JSE-listed companies as the JSE-listing requirements require the application of all the principles of the King Code on Corporate Governance in South Africa, explicitly stating that the roles CEO and chairman of the board must not be held by the same person and that the chairman must be independent (JSE, n.d.). Firm age was calculated as the number of years between the CEO appointment and the year of founding, firm size was recorded as the market capitalisation of the firm and pre-succession firm performance was recorded as the industry adjusted ROA for the year preceding appointment. Firm age and firm size were logarithm transformed (Keil et al., 2021).

4.5 Quality controls and research rigour

4.5.1 Reliability and validity

Reliability and validity are critical assumptions for any research study. These assumptions need to be considered in various contexts including measurement validity, data reliability, discriminant and construct validity.

The design of this study closely follows the approach of Keil et al. (2021) with variables adapted to better suit the research questions and hypotheses tested in this study. The

rigour of the research will further be confirmed by robustness testing of the data and results.

Where data has not been collected from a primary data source such as published company reports or announcements, the validity and accuracy of the data has been ensured through the use of a minimum of two alternative reliable sources to corroborate the data points.

Led by the research question and design, this study uses objective, observed data from credible sources, can be applied in other contexts or boundaries. As a result, this study is expected to meet the research quality requirements of validity (internal and external), reliability, generalisability and objectivity (Bell et al., 2019).

4.6 Data analysis approach

This is an explanatory positivist study with quantitative data and hypotheses tested, a statistical data analysis approach was taken in obtaining empirical evidence to test the hypotheses.

A wide variety of statistical tests were available to obtain empirical evidence. The choice of test should be based on the nature of the research question to understand relationships, differences or predict outcomes. This is then followed by understanding the nature of the data and how it is measured with either categorical or continuous data as well as the number of variables being considered. In addition to this, different tests have different underlying assumptions such as normal distribution of data and will result in the ability to use either parametric or non-parametric tests. While parametric tests are generally preferred as they are more powerful but have various pre-requisites or underpinning assumptions about the data that need to be met to ensure validity of the test results (Pallant, 2011).

The preferred test to measure the relationship between a single dependent variable and multiple independent variables is a multiple regression analysis (Bell et al., 2019; Saunders et al., 2012). This is however dependent on the data meeting the parametric

assumptions for multiple regression including independence of observations, linearity, homoscedasticity, low multicollinearity and normally distributed residuals (Pallant, 2011; Saunders et al., 2012). This included the use of specialised statistical software, namely IBM SPSS, to perform the preliminary analysis as well as the statistical tests required to test the hypotheses.

4.6.1 Preliminary analysis

Before performing the hypothesis testing, preliminary analysis was required to better understand the characteristics of the sample. This included descriptive analytics of the sample as well as assessing the data to confirm that the pre-requisites of performing a multiple regression, linearity and normality, have been met (Pallant, 2011; Saunders et al., 2012).

4.6.1.1 Descriptive statistics

Descriptive statistics provide a better understanding of the characteristics of the sample and provides insights into the cases included in the sample as well as providing an understanding of the shape, variability and central tendency within the data. By developing a better understanding of the data, this ensures that the data meets the requisite assumptions of the statistical tests to be performed and guided the selection of parametric or non-parametric tests which are alternatives when data does not meet the requirements of specific tests (Pallant, 2011; Saunders et al., 2012).

4.6.1.2 Parametric assumptions

The key parametric assumptions for multiple regression analysis are linearity between the dependent and independent variables, variables are normally distributed and homoscedasticity (Pallant, 2011).

Normality can be assessed in a number of ways, first checking that kurtosis and skewness statistics are near 0 and the absolute statistic is less than 2. This is further validated by visually inspecting the histogram of frequencies and Q-Q plots to ensure the distribution approximates a normal distribution (Pallant, 2011). The normality of the data was tested by checking kurtosis and skewness, the frequency of variables approximating a normal distribution and the inspection of the Q-Q plots. Normality was established for the data and is presented in Chapter 5.

Independence of observations is another key parametric assumption of multiple regression. This ensures that observations are not related to each other. The appropriate test for independence of observations is the Durbin-Watson test statistic between 1.5 and 2.5 indicates an acceptable level of independence of observations. Alternatively, understanding the sample and data collected will support the independence of observations (Pallant, 2011). This was confirmed to be within the suggested range and is presented in Table 3.

Scatterplots are useful tools to assess linearity, homoscedasticity and to identify any outliers in the data. Linearity can be assessed by considering the scatterplots of the independent variables against the dependent variable to visually inspect whether there is a linear relationship observable. Scatterplots of regression standardised residuals provide evidence of homoscedasticity when in a roughly rectangular shape and the probability plot of indicate normality of residuals when the residuals show no significant deviations from the diagonal line (Pallant, 2011). The scatterplots were examined and no significant deviations were identified. The scatterplots are presented in Chapter 5.

Collinearity was tested for in the model by considering the variance inflation factor (VIF) for the models. The majority of the VIF values were below the suggested threshold of 10. Where the VIF exceeded 10, the pairwise correlations were examined to identify high pairwise correlations. None of the pairwise correlations exceeded 0.8 and were within an acceptable range (Pallant, 2011; Saunders et al., 2012).

4.6.2 Hypothesis testing

Hypothesis testing was performed to gather empirical evidence in order to answer the research question. For each hypothesis, the test needed to be suited to the outcome it was testing. Statistical tests generally fall into two categories. To explore either the relationships among variables or the differences between groups (Pallant, 2011; Saunders et al., 2012).

To be able to generalise the results from the sample to the population from which it was drawn, the researcher needed to have a level of confidence that the results could be found in the population. This implied a degree of risk and confidence in the results. The level of statistical significance, indicated by the p-value, provides researchers with the probability that the results of the test have occurred by chance (Bell et al., 2019). Using a lower p-value may result in lower risk, but at the same time the increases the chance of falsely rejecting the null hypothesis, known as a Type I error. Conversely, by using a higher p-value the researcher may falsely accept the null hypothesis, known as a Type II error. In this study, statistical significance was considered at three levels, $p < .1$, $p < .05$ and $p < .001$ in line with similar recent studies (Keil et al., 2021; Mackey, 2008; Won & Bidwell, 2023).

4.6.2.1 RQ1

RQ1 sought to explore the relationship between different independent variables measuring experience and post-succession firm performance, the dependent variable. Accordingly, suitable tests needed to be considered to test these hypotheses. As the dependent and independent variables are continuous, the possible parametric tests of the relationships among these variables were Pearson product-moment correlation co-efficient, visual correlation, partial correlation and multiple regression. “Multiple regression is based on correlation […], but allows a more sophisticated exploration of the interrelationship among a set of variables” (Pallant, 2011, p. 148). Should the parametric assumptions not be met, the non-parametric test available is Spearman’s Rank Order Correlation (Pallant, 2011). In this study, the parametric assumptions were met and a multiple regression was used to test the hypothesis.

4.6.2.2 RQ2

RQ2 tested whether origin and leapfrog status moderate the relationships between the variables tested in RQ1. The corresponding hypotheses now considered the interaction of the dummy variables with the independent variables. Suitable parametric tests included hierarchical multiple regression, analysis of variance (ANOVA) and analysis of co-variance (ANCOVA), while the non-parametric tests available were the Kruskal-Wallis and Friedman tests (Pallant, 2011). As the parametric assumptions were met, a hierarchical multiple regression analysis was performed.

4.7 Ethical considerations

The data used in this study have been collected from publicly available sources including published annual reports, news articles, databases and websites. Despite the public availability of the information, there are restrictions on the processing of personal information including the employment history of an individual. To ensure that this study complies with the legislation, once collected, further processing has been performed on an anonymised dataset as this restriction does not apply when the information has been de-identified or anonymised (Protection of Personal Information Act No 4 of 2013, 2013). Furthermore, ethical clearance was received prior to commencement of data collection.

4.8 Research rigour

A critical aspect of research is ensuring that the study, including data, research design and findings are reliable, replicable and valid (Bell et al., 2019). To ensure rigour, this study assessed each step of the research process for these key criteria.

The data was collected from reliable sources and corroborated between sources where data may have been questionable (Keil et al., 2021). The researcher intentionally chose to use companies listed on the JSE to ensure that data was reliable as a result of the JSE listing requirements (JSE, n.d.). This ensured replicability as well as reliability of the data. The research methodology was based on a multiple regression method which is

premised on certain key assumptions which were tested as part of the preliminary analysis and the regression.

Multiple regression is a common technique used in strategic leadership research and provides correlation, but not causal links between variables. The contribution of the independent variables to explaining the variance in the dependent variable was assessed by considering the Adjusted R Square value of the regression, which indicates the fit of the model. In the final model, the included variables explained 63.7% of the variance in the dependent variable, which is greater than the minimum requirement of 50% (Pallant, 2011).

The validity of a construct is critical to ensuring that the variables used appropriately measure the construct and extant literature may be leveraged to support the assessment of construct validity when other researchers have credibly shown the suitability of the use of these measures for the constructs (Bell et al., 2019). The variables and measures used in this study have been based on extant strategic leadership and succession literature where measures of experience have been used and considered valid (Berns & Klarner, 2017; Campbell et al., 2022; G. Chen & Hambrick, 2012; Crossland et al., 2014; Custódio et al., 2013; Georgakakis & Ruigrok, 2017; Hambrick & Mason, 1984; Hamori & Koyuncu, 2015; Keil et al., 2021; Quigley et al., 2019; Samimi et al., 2020).

Furthermore, the results need to be consistent or robust to ensure comparability to other studies under different circumstance (Saunders et al., 2012). To ensure the robustness of the results, the regression was reperformed with additional control variables to assess whether these affected the results. The addition of the additional control variables did not affect the final results and confirmed the robustness of the model and variables used.

4.9 Data and methodological limitations

This study has been limited to the consideration of the observable data from JSE listed South African companies which may limit the generalisability of findings beyond the South African context (Bell et al., 2019).

Based on the exclusions from the sample of companies, there may exist some sampling or survivorship bias, without considering these appointments or outcomes in this study.

The data may be subject to endogeneity or self-selection issues as there may be factors that necessitate a specific type of CEO appointment or result in a specific type of CEO to pursue an opportunity at a firm (Z. Chen & Keefe, 2020).

There are a multitude of factors that affect firm performance and while general macro-economic factors have been controlled for by using industry-adjusted ROA (Hambrick & Quigley, 2014; Keil et al., 2021; Zhu et al., 2020), there are individual- or firm- specific factors outside of the defined variables that impact the variables and the relationships between the variables in each individual case.

Due to the lack of depth in the primary industry sectors and the onerous listing requirements, the use of the industry ROA adjustment may be skewed based on the performance of a small number of companies which may result in the industry ROA not being truly reflective of the industry and only of the JSE-listed companies (JSE, n.d.).

The measures of experience are limited to a time-based measure and while this is generally used by researchers, this may not be as appropriate as a complexity-based measure may be better suited to capture the quality of the experience as opposed to the quantity of the experience (Custódio & Metzger, 2014; Quińones et al., 1995).

The period which the study considered also included the period of the Covid-19 pandemic, which took hold in 2020 and had widespread impacts beyond the business world. The impact of the pandemic on businesses or sectors was not consistent and impacted different sectors and organisations within each sector in different ways (Kleindienst et al., 2024; Wenzel et al., 2020; Wu et al., 2021).

This study did not consider functional skills or other transferable skills or experiences that individual CEOs may have experienced which have been found to affect firm

performance. Assessments of experience are considered based on broad categories and given the degree of variability in title and actual responsibilities or duties within roles there may be inconsistencies inherent in the data (Campbell et al., 2022; Keil et al., 2021).

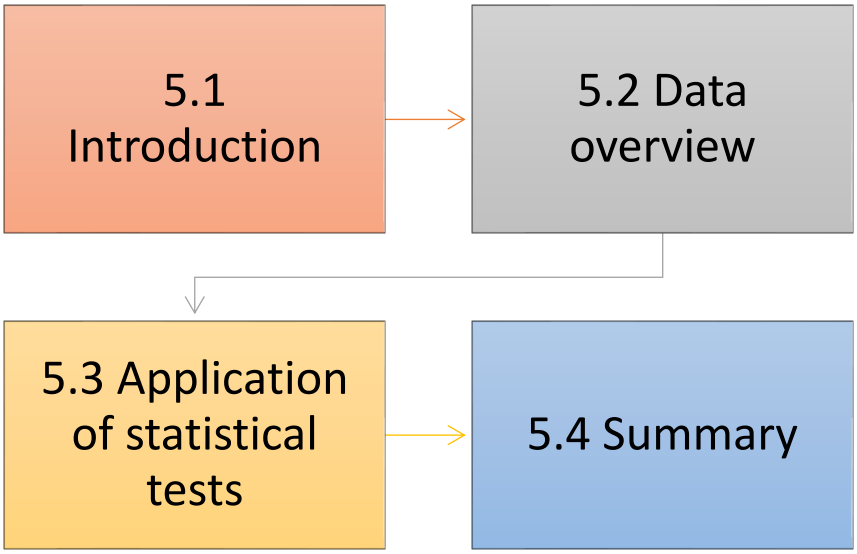
CHAPTER 5: RESULTS

5.1 Introduction

This chapters provides the results of the statistical testing performed, applying the methodology set out in Chapter 4. Detailed in this chapter is an overview of the data, application of the statistical tests, followed by a summary of the outcomes of the hypothesis testing. Figure 6 provides an outline of this chapter.

Figure 6

Chapter outline



Note. Researcher's compilation

5.2 Data overview

The sampling frame consisted of 162 cases, however 53 cases were excluded as shown in Table 1. The sample of 109 cases used for testing was comprised of a variety of individuals and companies operating in different sectors. The descriptive statistics of the sample and the variables are presented below as well as the preliminary analysis performed prior to commencing the hypothesis testing.

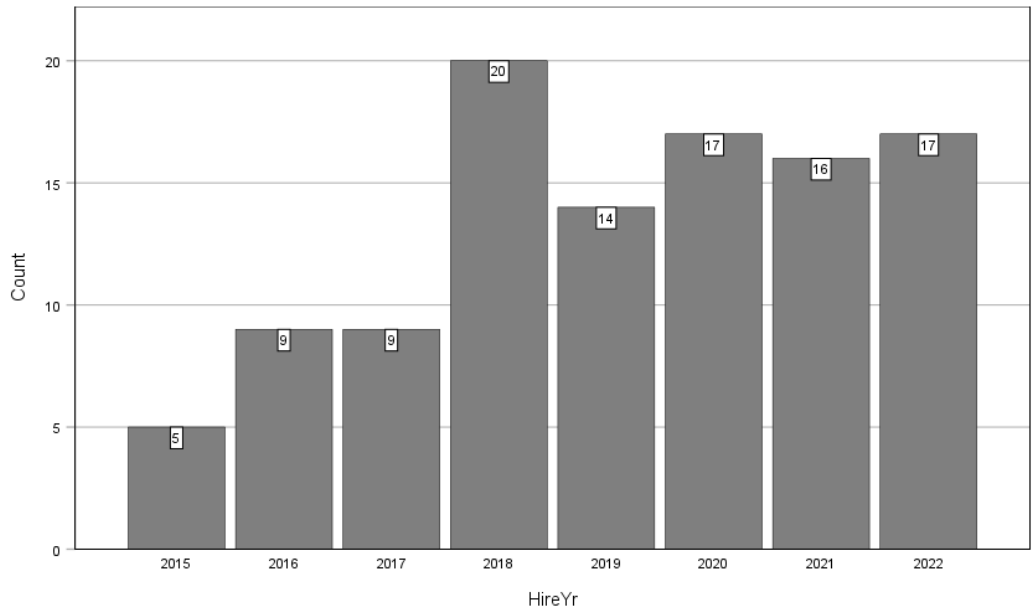
5.2.1 Descriptive statistics of the sample

The descriptive statistics shown in Figure 11 are provided for the selected sample and provides an overview of the data from the 109 cases to provide some insight into CEO appointments between 2015 and 2022.

As seen in Figure 7, the sample considered CEO appointments from 2015 to 2022, with the most appointments in a single year being in 2018 (20 appointments) and the least in 2015 (5 appointments).

Figure 7

Number of CEO appointments by year

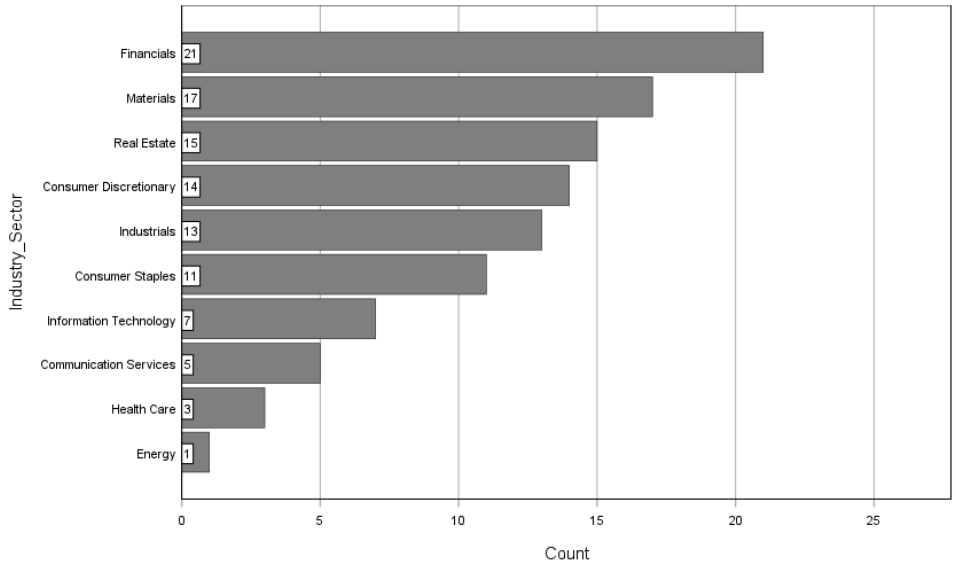


Note: Researcher's compilation

The highest number of appointments over the period have been in the financial services industry (21 appointments), followed by materials (17 appointments), real estate (15 appointments), consumer discretionary (14 appointments) and industrials (13 appointments) as shown in Figure 8.

Figure 8

Number of CEO appointments by primary industry

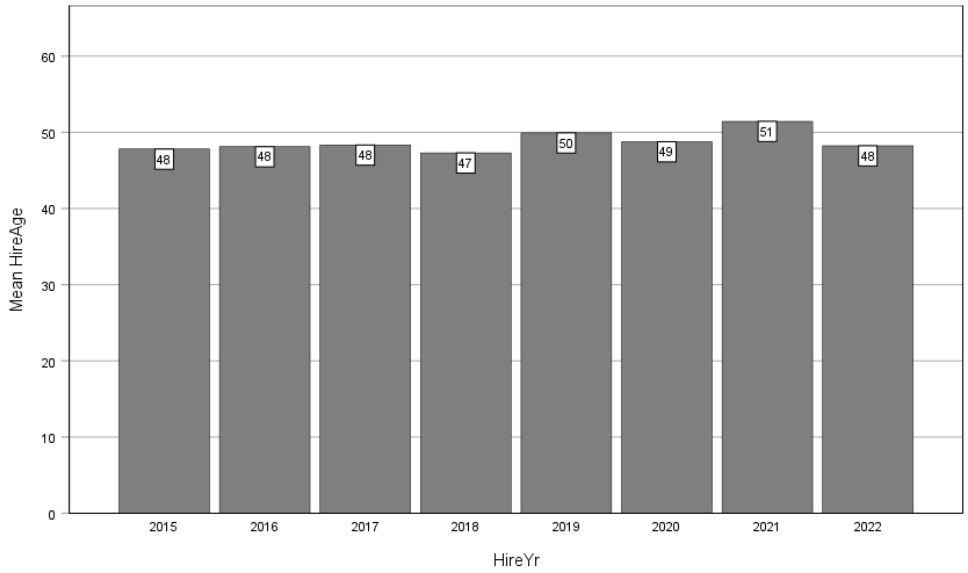


Note: Researcher's compilation

The mean age of CEOs appointed over the 8 year period is 48.9 years, which is evident from Figure 9, but which also showed a slight increase between 2019 and 2021, which may have been as a result of the Covid 19 pandemic prompting boards to seek more experienced CEOs to navigate the volatility.

Figure 9

Mean age of CEOs appointed by year

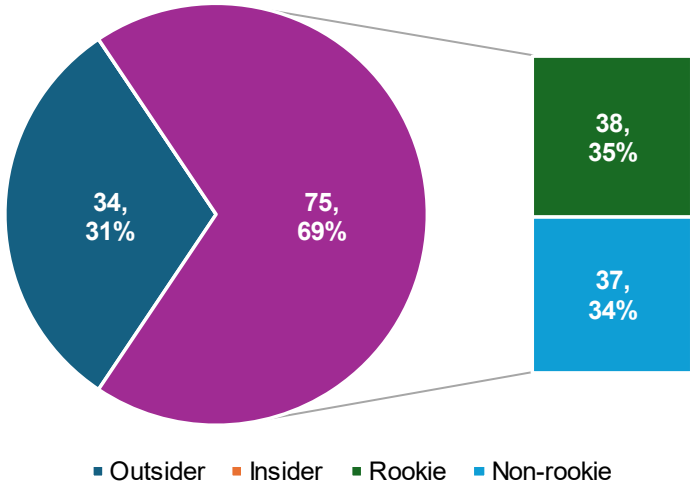


Note: Researcher's compilation

Figure 10 shows the origin and rookie status of the sample. 33 CEOs, representing 31% of the total sample were outsiders and the remaining 74 CEOs being insiders. Of the 74 insiders, 38 were rookies who had no previous CEO experience. There were only 4 outsider rookie CEOs.

Figure 10

Number of cases by origin and rookie status



Note: Researcher's compilation

5.2.2 Descriptive statistics of variables

The descriptive statistics shown in Figure 11 are provided for the selected sample and provides an overview of the key variables in the sample of 107 cases that were used to perform the hypothesis testing, after excluding two outliers as noted during the regression analysis.

Figure 11

Descriptive statistics of variables

Variable	N	Min	Max	Mean	S.D.	Skew	Kurt
Dependent							
LogPSFP	107	10.12	16.06	13.10	1.03	0.24	1.31
Independent							
ExecYr	107	0.00	27.00	12.84	6.44	0.12	-0.57
LocalYr	107	0.00	42.00	22.12	9.75	-0.53	-0.06
IndYr	107	0.00	39.00	19.59	9.44	-0.34	-0.63
NumCo	107	1.00	5.00	3.01	1.26	0.07	-1.02
Control							
Ind_adj_ROA_Y0	107	-14.46	13.51	0.81	5.23	-0.05	0.86
LogFirmAge	107	0.00	2.82	1.57	0.45	-0.70	1.16
LogFirmSize	107	1.76	6.32	3.94	1.01	0.24	-0.61
Moderator							
Insider	107	0.00	1.00	0.69	0.46	-0.84	-1.32
Leapfrog	107	0.00	1.00	0.36	0.48	0.61	-1.65
Interactions							
InsiderxExecYr	107	0.00	24.00	8.78	7.93	0.29	-1.25
InsiderxNumCo	107	0.00	5.00	2.00	1.72	0.28	-1.19
LeapfrogxExecYr	107	0.00	24.00	3.68	6.25	1.54	1.20
LeapfrogxNumCo	107	0.00	5.00	0.99	1.54	1.30	0.32

Note: Researcher's compilation; Columns in order are number of cases, minimum value, maximum value, standard deviation, skewness, kurtosis.

5.2.3 Normality

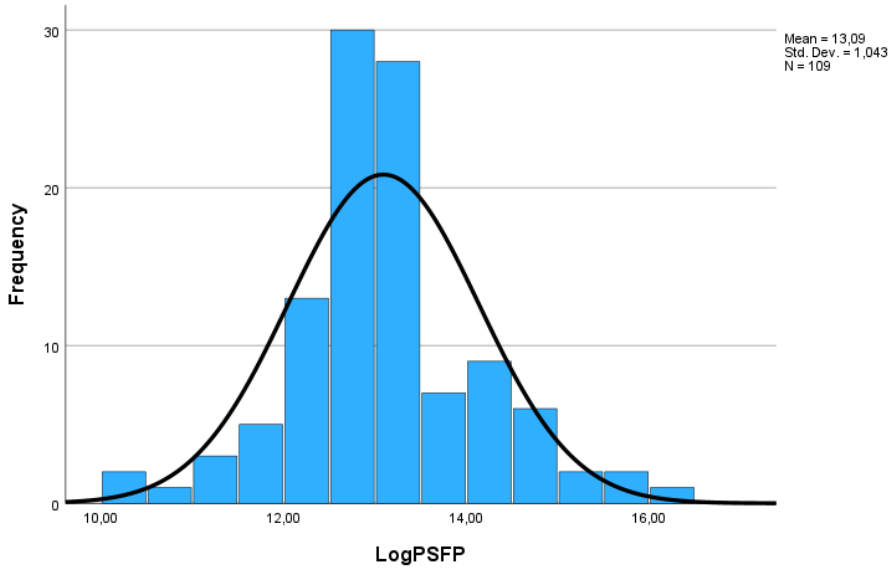
The distribution of the dependent variable was tested for normality using various techniques. The skewness and kurtosis statistics for the independent and dependent

variables were evaluated based on the descriptive statistics included in Figure 11. While there is some variance, both kurtosis and skewness are both well within the acceptable range of less than statistic with an absolute value of 2.

Furthermore, a histogram (Figure 12) and Q-Q plot (Figure 13) of post-succession firm performance, the independent variable, were generated for the sample. While the distribution is not precisely normal for both, some variation is expected with smaller samples. Based on the assessment of the histogram and Q-Q plot, the distribution approximates a normal distribution, further supporting the conclusion that the dependent variable is normally distributed.

Figure 12

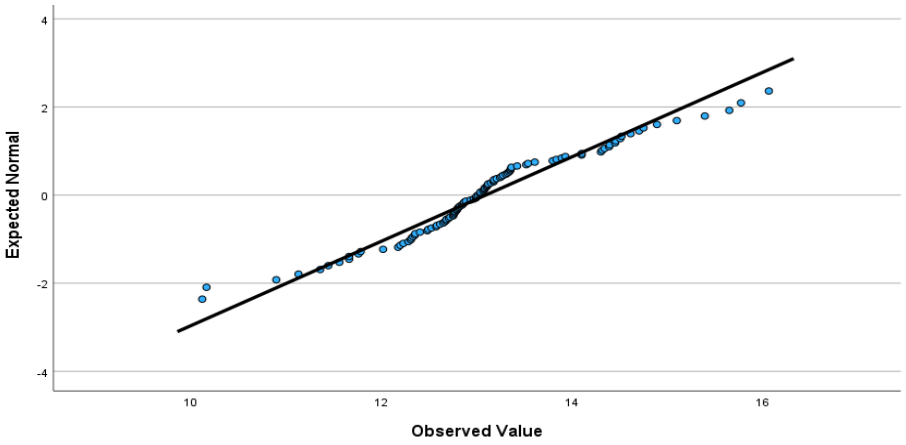
Histogram of dependent variable (LogPSFP)



Note: Researcher's compilation

Figure 13

Q-Q plot of dependent variable (LogPSFP)



Note: Researcher's compilation

5.2.3 Linearity

In addition to normality, a requirement for multiple regression is linearity between the dependent variable and the independent variables. To assess linearity, scatterplots were inspected for the four key independent variables, measuring length of experience (executive, industry and local), and breadth of experience, against the dependent variable, post-succession firm performance.

5.3 Application of the statistical tests

5.3.1 Research Question 1

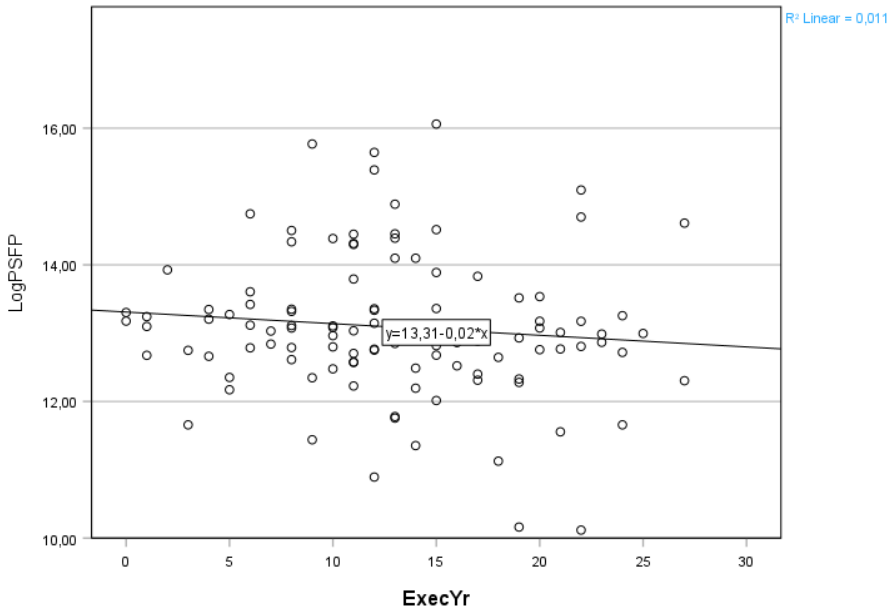
RQ1 seeks to test the relationship between an incoming CEO's experience and post-succession firm performance. As detailed in Chapter 4, this requires a statistical test suited for relationships between variables. To test relationships between variables, a multiple regression test was used.

Multiple regression assumes a linear relationship between the independent variables and the dependent variable. To assess linearity, scatterplots were used for each of the four independent variables. In addition to linearity, the scatterplots are also used to identify potential outliers.

Length of executive experience (measured as ExecYr) was plotted against post-succession firm performance (measured as LogPSFP) in Figure 14. This indicates a weak, negative linear relationship between length of executive experience and post-succession firm performance. In other words, as executive experience increases, post-succession firm performance decreases.

Figure 14

Scatterplot of executive experience and post-succession firm performance

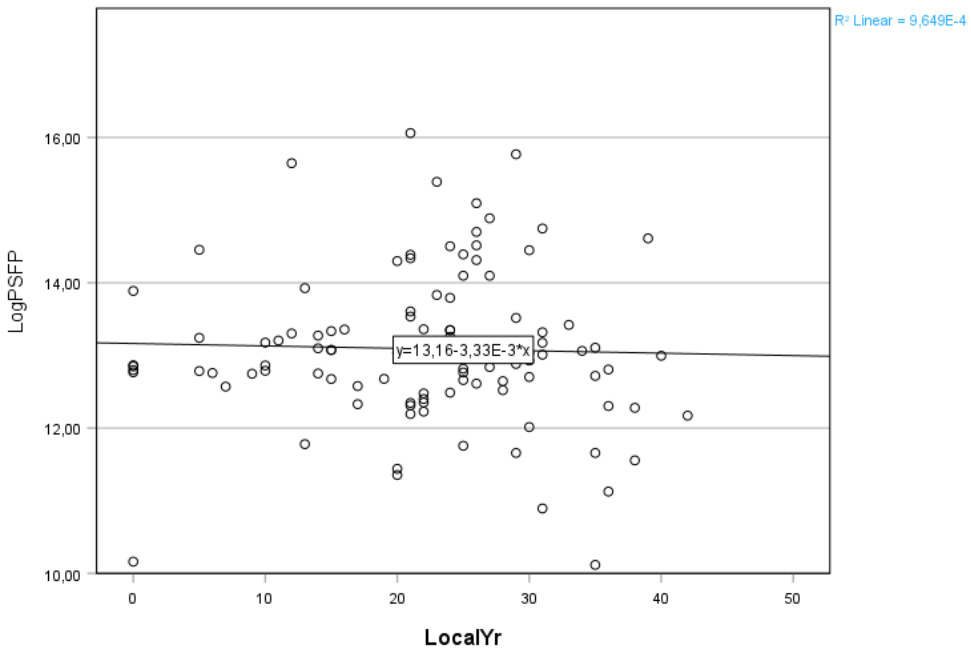


Note: Researcher's compilation

Length of local experience (measured as LocalYr) was plotted against post-succession firm performance (measured as LogPSFP) in Figure 15. This indicates a very weak negative linear relationship between length of local experience and post-succession firm performance. Given the very weak correlation and the flat gradient of the fit-line, length of local experience has an insignificant impact on post-succession firm performance.

Figure 15

Scatterplot of local experience and post-succession firm performance

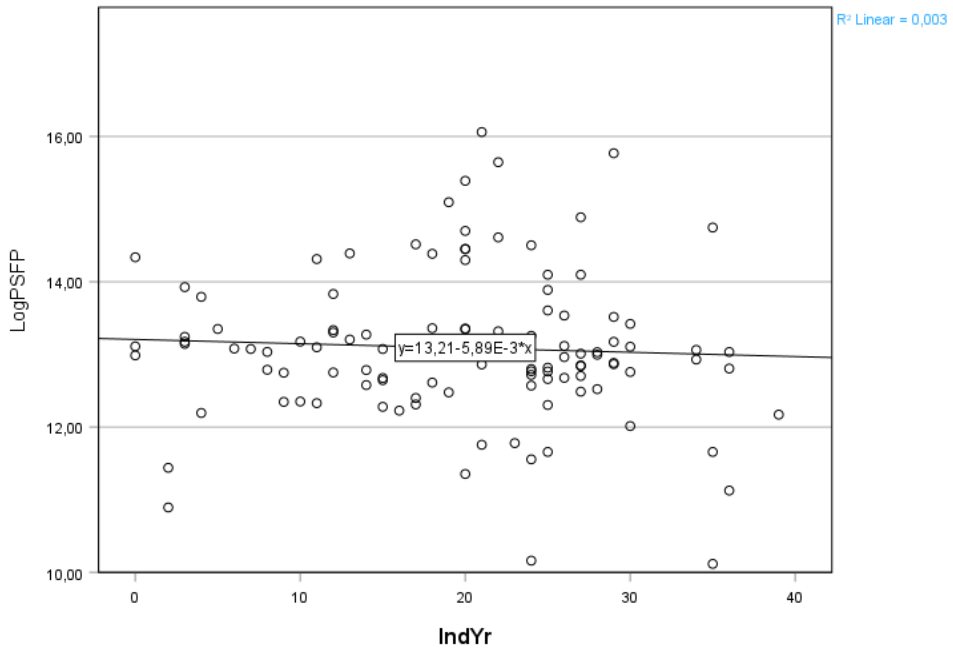


Note: Researcher's compilation

Length of industry experience (measured as IndYr) was plotted against post-succession firm performance (measured as LogPSFP) in Figure 16. This indicates a very weak negative linear relationship between length of industry experience and post-succession firm performance. Given the very weak correlation and the flat gradient of the fit-line, length of industry experience has an insignificant impact on post-succession firm performance.

Figure 16

Scatterplot of industry experience and post-succession firm performance

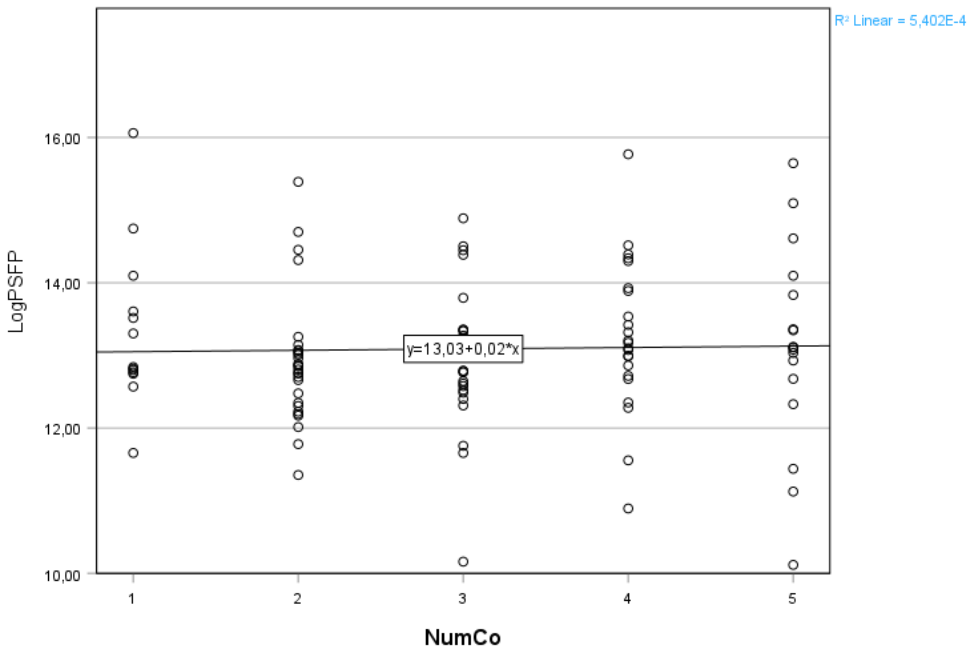


Note: Researcher's compilation

Breadth of experience (measured as NumCo) was plotted against post-succession firm performance (measured as LogPSFP) in Figure 17. Indicating a weak positive linear relationship between breadth of experience and post-succession firm performance. In other words, the greater the breadth of experience the higher the post-succession firm performance.

Figure 17

Scatterplot of breadth of experience and post-succession firm performance



Note: Researcher's compilation

Using a casewise diagnostic of the linear regression, two outliers were identified and regression analysis from this point forward excludes the two outliers, resulting in a test sample of 107 cases. The results of the correlation assessment based on the scatterplots was corroborated by the Pearson product-moment correlation shown in Table 2. Executive experience has a negative correlation with post-succession firm performance, while local and industry experience have a weak negative correlation with post-succession firm performance. The highest correlations with post-succession firm performance are pre-succession firm performance (Ind_adj_ROA_Y0) and firm size (LogFirmAge).

Table 2

Correlations of key independent variables for the sample

Variables	1	2	3	4	5	6	7	8
1. LogPSFP								
2. ExecYr	-.09							
3. LocalYr	-.01	.26**						
4. IndYr	-.02	.26**	.31**					
5. NumCo	.05	.10	.13^	-.28**				
6. Ind_adj_ROA_Y0	.77**	-.03	-.05	-.12	.04			
7. LogFirmSize	.32**	.07	-.22*	.16^	-.11	.17*		
8. LogFirmAge	-.05	.13^	.08	.30**	-.14^	-.11	.37**	
Mean	13.09	12.86	22.24	19.72	3.03	.75	3.96	1.57
Std. Deviation	1.04	6.40	9.75	9.49	1.26	5.23	1.01	.44
N	107	107	107	107	107	107	107	107

Note: Researcher's compilation

** Correlation is significant at p<.01 (1-tailed)

* Correlation is significant at p<.05 (1-tailed)

^ Correlation is significant at p<.1 (1-tailed)

In addition to the correlation between the independent and dependent variables, the correlation table also gives an indication that multicollinearity is not of concern as the independent variables are not highly correlated and have an r value less that 0.9. Furthermore, the VIF statistic for all the variables are less than 1.5 and are well within the maximum of 10. (Pallant, 2011; Saunders et al., 2012).

The linear regression model summary shown in Table 3 indicates an R Square of 0.65 and an adjusted R Square value of 0.625, indicating that the model explains 65% of the variance in post-succession firm performance, the dependent variable. The Durbin-Watson score of 1.539 is within the acceptable range between 1.5 and 2.5, which confirms the independence of observations and an acceptable level of autocorrelation (Pallant, 2011; Saunders et al., 2012).

Table 3

Regression model summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
2	.806[a]	0.650	0.625	0.62976	1.539

Note: Researcher's compilation

a. Predictors: (Constant), LogFirmAge, LocalYr, Ind_adj_ROA_Y0, NumCo, ExecYr, LogFirmSize, IndYr

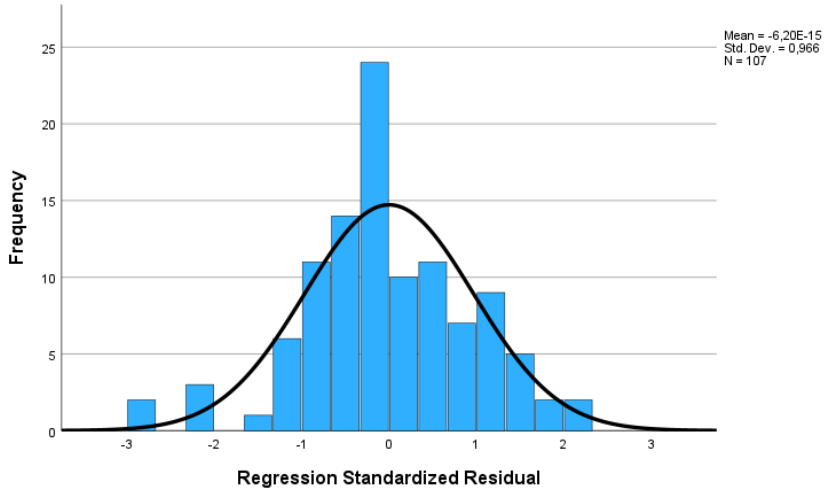
b. Dependent Variable: LogPSFP

To confirm that the parametric assumptions for a multiple regression have been met the normal distribution of the residuals has been assessed using the probability plot of the regression standardised residual and the histogram of standardised residuals has been inspected, and the scatterplot of the standardised residuals has been inspected to confirm homoscedasticity.

To assess whether the residuals are normally distributed, a histogram of the standardised residual has been inspected and shown in Figure 18. The histogram, with a normal distribution plotted indicates that the regression standardised residual approximates a normal distribution.

Figure 18

Histogram of regression standardised residual

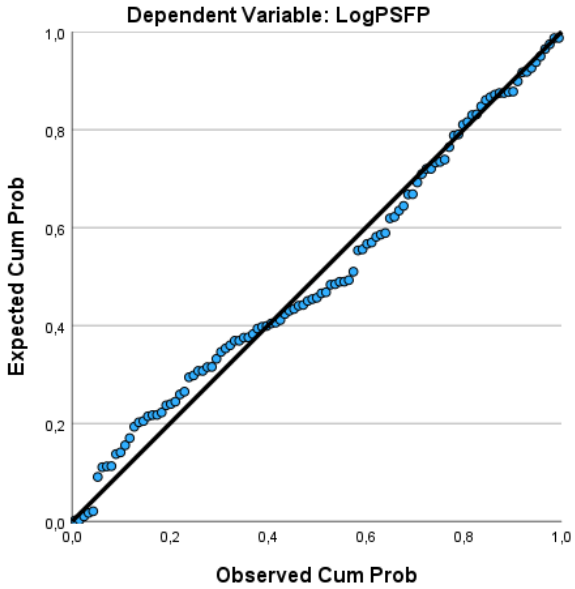


Note: Researcher's compilation

The normal P-P plot shown in Figure 19 shows that the residuals are distributed along the diagonal line with no major deviations, confirming the normal distribution of the standardised residuals.

Figure 19

Normal P-P plot of regression standardised residual

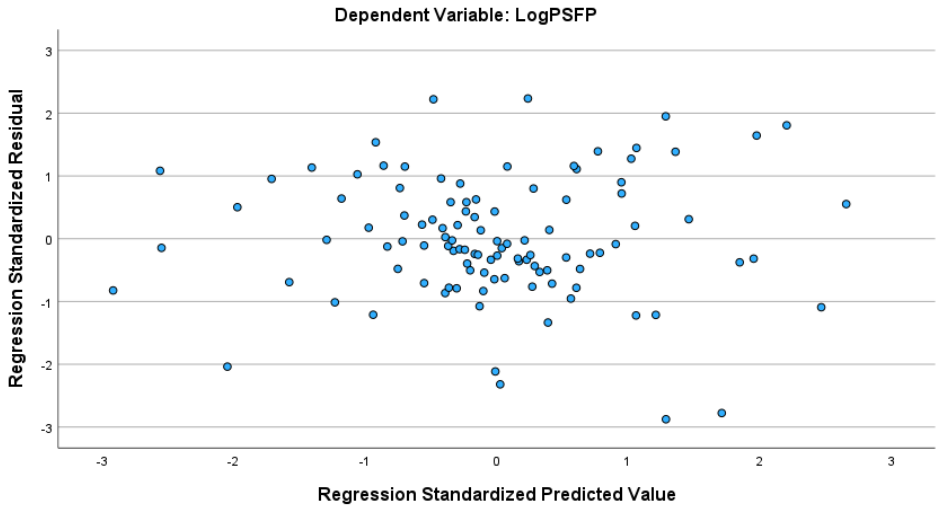


Note: Researcher's compilation

Homoscedasticity was confirmed by inspecting the scatterplot of standardised residuals as shown in Figure 20. There is a roughly rectangular distribution, indicating no violation of the homoscedasticity assumption.

Figure 20

Scatterplot of standardised residuals



Note: Researcher's compilation

The coefficients of the independent variables in the regression model have been extracted to understand the role of the independent variables on the model. The standardised coefficient shows the extent to which an independent variable contributes to the regression model. This model, Model 2, was used to test the hypotheses related to RQ1.

The standardised beta for this regression model (shown in Table 4) indicates that, of the independent variables, executive experience is the largest absolute contributor, followed by local experience, industry experience and breadth of experience.

Considering the significance levels of the independent variable contributions, local and industry experience do not make a significant unique contribution to the model, whereas executive experience does not make a significant contribution to the model at the $p<.05$ level, but does at the $p<.1$ level (Keil et al., 2021; Pallant, 2011). Pre-succession firm

performance and firm size are the largest contributors to the model, and both make a significant contribution to the model with significance level <.001.

Table 4

Regression model coefficients

Model 2[a]	B	Std. Error	Std. Beta	t	Sig.	Partial Corr.	Part Corr.	VIF
(Constant)	11.96	.375		31.91	<.001			
ExecYr	-.020	.010	-.124	-1.95	.054	-.192	-.116	1.151
LocalYr	.010	.007	.092	1.35	.181	.134	.080	1.320
IndYr	.007	.008	.066	.933	.353	.093	.056	1.435
NumCo	.050	.053	.061	.935	.352	.094	.056	1.184
Ind_adj_ROA_Y0	.142	.012	.723	11.67	<.001	.761	.694	1.083
LogFirmSize	.256	.070	.252	3.63	<.001	.343	.216	1.359
LogFirmAge	-.154	.156	-.067	-.99	.326	-.099	-.059	1.298

Note: Researcher's compilation

a. Dependent Variable: LogPSFP

The ANOVA statistical test measures the significance of the R Square value, which provides the level of confidence the researcher has with respect to the generalising the findings from the sample to the population from which it was selected (Bell et al., 2019). The ANOVA results shown in Table 5 indicates the F value of the model as 26.22 and model p-value of <.001 indicating that the model result is statistically significant.

Table 5

ANOVA

Model[a]		Sum of Squares	df	Mean Square	F	Sig.
2	Regression	72,798	7	10,400	26,222	<.001[b]
	Residual	39,263	99	,397		
	Total	112,061	106			

Note: Researcher's compilation

a Dependent Variable: LogPSFP

b Predictors: (Constant), LogFirmAge, LocalYr, Ind_adj_ROA_Y0, NumCo, ExecYr, LogFirmSize, IndYr

5.3.2 Research Question 2

RQ2 seeks to understand whether the relationship between the independent experience variables and post-succession firm performance is affected by other moderator variables, origin and leapfrog status, on the dependent variable. In order to test whether the origin or leapfrog status moderates the relationship between experience and post-succession firm performance, a hierarchical multiple regression was performed. Model 1 included only the control variables and Model 2 included the independent variables, Model 3 included the insider dummy variable and the insider interaction terms, Model 4 included the leapfrog moderator and interaction terms and Model 5 included all the variables. Model 5 is the full model used to test the hypotheses related to RQ2. (see all model output in Appendix 1.

The model summary (Table 6) which shows the Adjusted R Square value has increased with the inclusion of each set of variables. The Adjusted R Square value of Model 5 is .637 or 63.7% of the variance in post-succession firm performance is explained by the independent variables. The Durbin-Watson value of 2.251 is within the acceptable range.

Table 6

Hierarchical regression model summary[f]

					Change Statistics					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	,792[a]	.627	.616	.637	.627	57.75	3	103	.000	
2	,806[b]	.650	.625	.630	.022	1.59	4	99	.183	
3	,817[c]	.667	.632	.623	.017	1.67	3	96	.179	
4	,819[d]	.672	.637	.619	.039	.47	3	96	.078	
5	,825[e]	.681	.637	.620	.010	.93	3	93	.428	2.251

Note: Researcher's compilation

a Predictors: (Constant), LogFirmAge, Ind_adj_ROA_Y0, LogFirmSize

b Predictors: Added variables ExecYr, NumCo, LocalYr, IndYr

c Predictors: Model 2 with variables Insider, InsiderxExecYr, InsiderxNumCo

d Predictors: Model 2 with variables Leapfrog, LeapfrogxExecYr, LeapfrogxNumCo.

e Predictors: All variables.

f Dependent Variable: LogPSFP

The significance of the regression model is indicated below in the ANOVA table with Model 5 showing an F value of 15.282 and significance at the p<.001 level.

Table 7

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.279	3	23.426	57.750	<.001[b]
	Residual	41.782	103	0.406		
	Total	112.061	106			
2	Regression	72.798	7	10.400	26.222	<.001[c]
	Residual	39.263	99	0.397		
	Total	112.061	106			
3	Regression	74.746	10	7.475	19.229	<.001[d]
	Residual	37.316	96	0.389		
	Total	112.061	106			
4	Regression	72.798	7	10.400	26.222	<.001[c]
	Residual	39.263	99	0.397		
	Total	112.061	106			
5	Regression	75.254	10	7.525	19.628	<.001[e]
	Residual	36.807	96	0.383		
	Total	112.061	106			
6	Regression	76.330	13	5.872	15.282	<.001[f]
	Residual	35.732	93	0.384		
	Total	112.061	106			

Note: Researcher's compilation

a Predictors: (Constant), LogFirmAge, Ind_adj_ROA_Y0, LogFirmSize

b Predictors: Added variables ExecYr, NumCo, LocalYr, IndYr

c Predictors: Model 2 with variables Insider, InsiderxExecYr, InsiderxNumCo

d Predictors: Model 2 with variables Leapfrog, LeapfrogxExecYr, LeapfrogxNumCo.

e Predictors: All variables.

f Dependent Variable: LogPSFP

Table 8

Descriptive statistics and correlations

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. LogPSFP														
2. Ind_adj_ROA_Y0	.77**													
3. LogFirmSize	.32**	.17*												
4. LogFirmAge	-.05	-.11	.37**											
5. ExecYr	-.09	-.03	.07	.13^										
6. LocalYr	-.01	-.05	-.22*	.08	.26**									
7. IndYr	-.02	-.12	.16^	.30**	.26**	.31**								
8. NumCo	.05	.04	-.11	-.14^	.10	.13^	-.28**							
9. Insider	.10	.10	.22*	.09	-.04	.07	.13^	-.14^						
10. Leapfrog	.09	.15^	-.03	-.01	-.29**	-.01	-.15^	-.13^	.50**					
11. InsiderxExecYr	.03	.10	.22*	.12	.53**	.21*	.25**	-.07	.74**	.15^				
12. InsiderxNumCo	.09	.12	.12	.02	.00	.15^	-.01	.43**	.78**	.34**	.60**			
14. LeapfrogxExecYr	.13^	.24**	.01	.07	.13	.12	-.02	-.15^	.40**	.80**	.41**	.24**		
15. LeapfrogxNumCo	.09	.18*	.01	-.06	-.28**	.00	-.24**	.18*	.43**	.87**	.10	.51**	.66**	
Mean	13.10	0.81	3.94	1.57	12.84	22.12	19.59	3.01	0.69	0.36	8.78	2.00	3.68	0.99
Std. Deviation	1.03	5.23	1.01	0.45	6.44	9.75	9.44	1.26	0.46	0.48	7.93	1.72	6.25	1.54
N	107	107	107	107	107	107	107	107	107	107	107	107	107	107

Note: Researcher's compilation. ** p<.01 (1-tailed); * p<.05 (1-tailed); ^ p<.1 (1-tailed).

The descriptive statistics and pairwise correlations of all the variables used in the regression models are presented in Table 8. This indicates that pre-succession firm performance and firm size have the strongest positive correlations with post-succession firm performance with significance at the p<.01 level.

Table 9 shows the regression model coefficients for all the variables included in Model 5, which will be used for the hypothesis testing. The most significant coefficients and largest betas remain pre-succession firm performance and firm size, both of which make a significant contribution to the model. Of the independent variables and moderators, breadth of experience and insider status make the largest absolute contribution to the model, only breadth of experience is significant at the p<.1 level. None of the independent variable and moderator interactions are significant at the p<.1 level.

Table 9

Hierarchical regression model coefficients

Model 5	**Unstandardized Coefficients**		**Std. Coefficients**			
Variable	**B**	**Std. Error**	**Beta**	**t**	**Sig.**	**VIF**
(Constant)	11.309	0.497		22.737	0.000	
LogFirmAge	-0.189	0.158	-0.082	-1.195	0.235	1.376
LogFirmSize	0.287	0.074	0.283	3.874	0.000	1.551
Ind_adj_ROA_Y0	0.145	0.013	0.736	11.412	0.000	1.213
ExecYr	-0.009	0.017	-0.053	-0.490	0.625	3.454
LocalYr	0.011	0.007	0.103	1.502	0.137	1.362
IndYr	0.007	0.008	0.068	0.941	0.349	1.533
NumCo	0.193	0.105	0.235	1.835	0.070	4.800
Insider	0.716	0.524	0.323	1.367	0.175	16.306
InsiderxExecYr	-0.035	0.026	-0.270	-1.335	0.185	11.911
InsiderxNumCo	-0.083	0.133	-0.140	-0.626	0.533	14.515
Leapfrog	0.340	0.490	0.159	0.694	0.489	15.294
LeapfrogxExecYr	0.016	0.026	0.097	0.605	0.547	7.565
LeapfrogxNumCo	-0.225	0.119	-0.336	-1.896	0.061	9.174

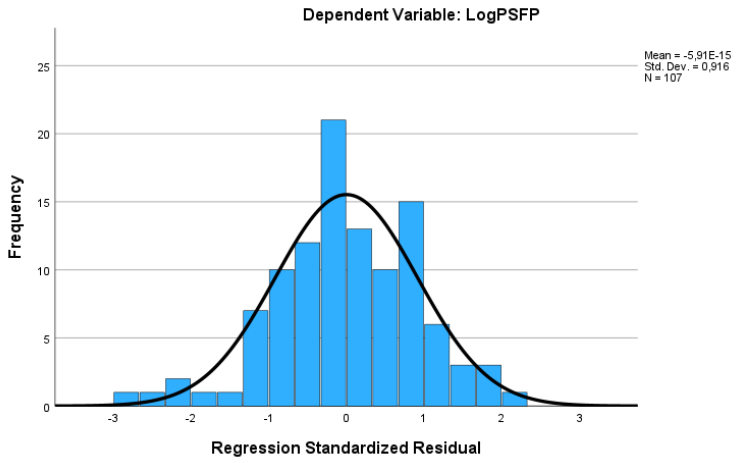
Note: Author's compilation

Dependent variable: LogPSFP

To assess whether the residuals are normally distributed, a histogram of the standardised residual has been inspected and shown in Figure 21 and the P-P plot in Figure 22 were inspected. Both the histogram and P-P plot indicate that the regression standardised residual approximates a normal distribution.

Figure 21

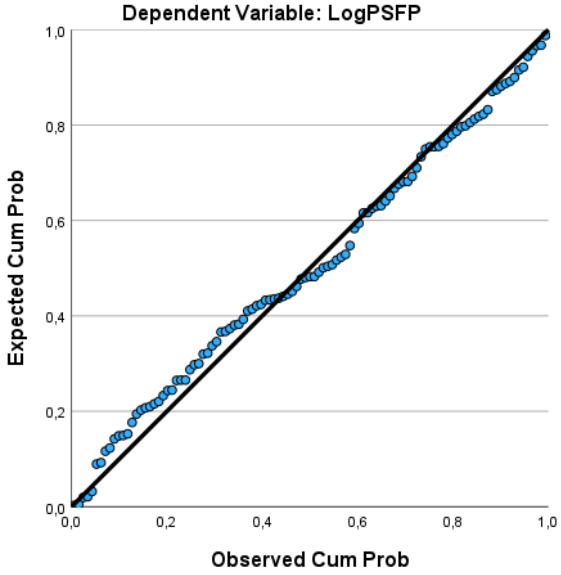
Histogram of regression standardised residual



Note: Researcher's compilation

Figure 22

Normal P-P plot of regression standardised residual

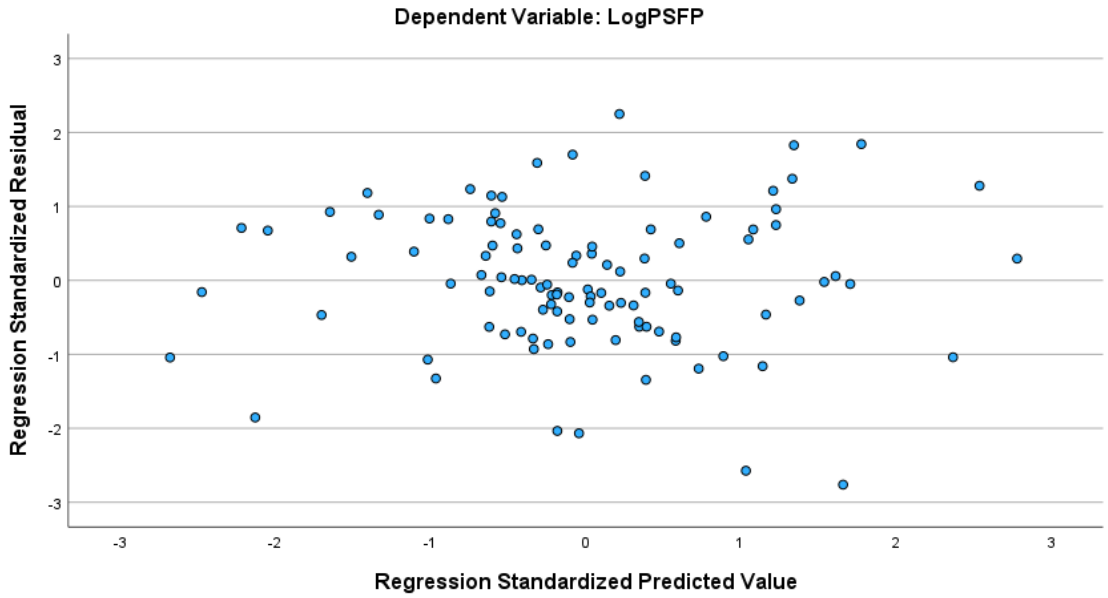


Note: Researcher's compilation

Homoscedasticity was confirmed by inspecting the scatterplot of standardised residuals as shown in Figure 23. There is a roughly rectangular distribution, indicating no violation of the homoscedasticity assumption.

Figure 23

Scatterplot of standardised residuals



Note: Researcher's compilation.

5.4 Research rigour

The validity and reliability of the analysis has been ensured by testing the parametric assumptions to ensure that none of the assumptions for multiple regression are violated, including linearity, normality, homoscedasticity, independence of observations, consideration of outliers and testing for collinearity (Pallant, 2011).

In addition to the statistical tests, the variables are each separate variables measuring a specific aspect of experience and did not require testing the reliability of the variables making up the broader construct of experience. The variables and measures used have been developed and built from within the extant literature, using similar operationalisations to ensure comparability of findings. Furthermore, to test the robustness of the variables used in the main model, the regression was reperformed

including additional control variables that were not included in the main model, with no significant variation from the models used in the hypothesis testing (see Appendix 2).

5.4 Summary

The summary of the hypotheses are outlined in Table 10 based on the standardised coefficient results presented in Table 4 and Table 9. The results and hypothesis tests will be discussed in Chapter 6.

Table 10

Hypothesis testing summary

H_n	Detail	Model 2	Model 5	Result
Research Question 1 (Model 2)				
H_1	The longer an incoming CEO's executive experience the worse the appointing firm's post-succession performance	-.12 (.054)	-.05 (.625)	Do not reject
H_2	The longer an incoming CEO's local experience the better the appointing firm's post-succession performance	.09 (.181)	.10 (.137)	Reject
H_3	The longer an incoming CEO's industry experience the better the appointing firm's post-succession performance	.07 (.353)	.07 (.349)	Reject
H_4	The broader an incoming CEO's experience the better the appointing firm's post-succession performance	.06 (.352)	.24 (.070)	Reject
Research Question 2 (Model 5)				
H_5	The relationship between CEO experience and firm performance is moderated by origin			
H_{5a}	When the incoming CEO is an insider, the H_1 relationship is stronger		-.27 (.185)	Reject
H_{5b}	When the incoming CEO is an insider, the H_4 relationship is weaker		-.14 (.533)	Reject
H_6	The relationship between CEO experience and firm performance is moderated by leapfrog status			
H_{6a}	When the incoming CEO is a leapfrog, the H_1 relationship is weaker		.10 (.547)	Reject
H_{6b}	When the incoming CEO is a leapfrog, the H_4 relationship is negative		-.34 (.061)	Do not reject

Note: Researcher compilation. n=107; standardised coefficient is reported with p-value in parentheses; Result based on Model 2 output for RQ1 hypotheses and Model 5 for RQ2 hypotheses.

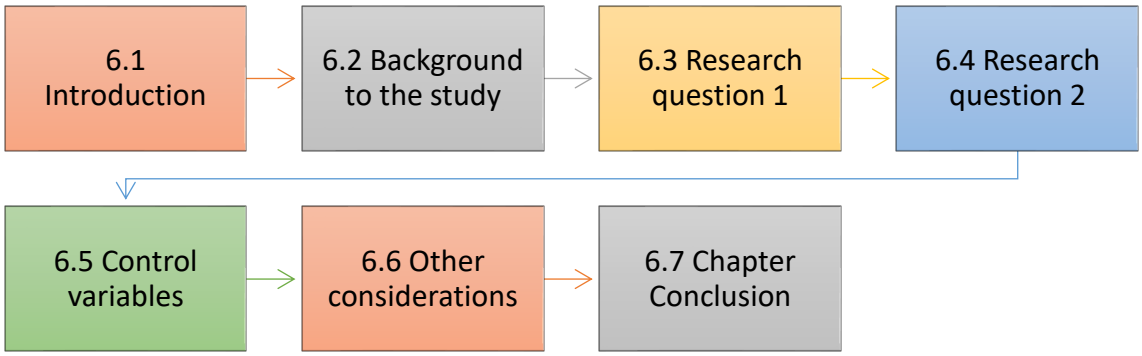
CHAPTER 6: DISCUSSION

6.1 Introduction

This chapters provides a discussion of the results of the hypothesis testing in the context of the research questions as presented in Chapter 5. Figure 24 provides an outline of this chapter.

Figure 24

Chapter outline



Note. Researcher's compilation

6.2 Background to the study

As detailed in Chapter 1, the aim of this study was to investigate the relationship between different types of CEO experience and post-succession firm performance for CEOs appointed to JSE-listed companies between 2015 and 2022, testing whether this relationship is moderated by CEO origin or leapfrog status. The results provide insights that contribute to our understanding of CEO succession and its impact on firm performance in an emerging market context from both theoretical and managerial perspectives. Hypotheses were tested relating to the two research questions, with the results of the testing provided in Chapter 5.

6.3 Research question 1

RQ 1, as set out in Chapters 1 and 3, sought to understand the relationship between CEO experience and post-succession firm performance. While there are a number of different variables used to measure experience (Campbell et al., 2022), this study focused on four specific types of experience namely, length of executive experience, length of local experience, length of industry experience and breadth of experience. The relationship between these variables of experience and firm performance have been tested in literature with mostly mixed findings (Campbell et al., 2022; Keil et al., 2021).

RQ1 hypotheses were tested using Model 2, which considered the relationship between the four independent variables being the different types of experience, namely executive, local, industry and breadth, against the dependent variable being post-succession firm performance. Model 2 included control variables for pre-succession firm performance, firm size and firm age.

6.3.1 Executive experience

Hypothesis one stated that the longer an incoming CEO's prior executive experience, the worse the post-succession firm performance. The results of the testing performed showed a negative relationship between the length of an appointed CEO's previous executive experience and post-succession firm performance that was marginally significant (β= -.12, p=.054) when considering the main effects in Model 2, but showed no significant relationship in Model 5. This hypothesis was not rejected and this finding is in line with the findings of Bragaw & Misangyi (2017). When considering the result of Model 5, this is in line with Keil et al. (2021) and Dokko et al. (2009) who found a negative but insignificant relationship between length of executive experience and firm performance.

As debated in Chapter 2, there are mixed findings related to the relationship between experience and firm performance. Bragaw & Misangyi (2017) found a negative

relationship between executive experience and performance in their study. The difference in the study by Bragaw & Misangyi (2017) was that it did not measure length of executive experience per se but measured the length of a CEO's prior experience as a CEO. Furthermore, this study, similar to Dokko et al. (2009), Hamori & Koyuncu (2015) and Keil et al. (2021), used an accounting-based measure for firm performance whereas Bragaw & Misangyi (2017) utilised a market-based measure of shareholder returns which includes an element of company specific performance, but also includes the impact of market sentiment in considering share price returns (Shen & Cannella, 2002; Wang et al., 2016).

Practically, the results show support for a negative relationship between length of executive experience and firm performance. This supports the findings within the literature that CEOs with longer executive experience and tenure are prone to cognitive rigidity and strategic persistence, resulting in weaker firm performance.

6.3.2 Local experience

Hypothesis two stated that the longer an incoming CEO's prior local experience, the better the post-succession firm performance. The results of the testing performed showed a weak positive relationship between the length of an appointed CEO's previous local experience and post-succession firm performance in both Model 2 and Model 5, but was not significant in either of the two models (Model 2: $\beta = .092$, $p = .181$; Model 5: $\beta = .043$, $p = .676$) and the hypothesis was rejected.

Few researchers have considered the relationship between local experience and firm performance, while many have considered the relationship between international experience and firm performance (Campbell et al., 2022). The lack of a significant relationship between local experience and firm performance is not surprising on the basis that in this study, 91 of the 107 CEOs in the sample were South African with local experience ranging between 5 and 42 years. While international experience may provide fresh perspectives and broader experiences that influence firm performance, local

experience is not dissimilar from having a commonplace base knowledge which is not necessarily a differentiating factor (Thams & Rickley, 2024).

6.3.3 Industry experience

Hypothesis three stated that the longer an incoming CEO's prior industry experience, the better the post-succession firm performance. The results of the testing performed showed a weak positive relationship between the length of an appointed CEO's previous industry experience and post-succession firm performance, but this was not significant across the models (Model 2: β= .066, p=.353; Model 5: β= .043, p=.676). As a result this hypothesis was rejected.

Research findings relating to industry experience and the influence on firm performance are mixed. Similar to this study Georgakakis & Ruigrok (2017) found no significant relationship between industry experience variety and firm performance, where some researchers such as Wang et al. (2016) have found significant positive relationships between industry experience and future firm performance, and Hamori & Koyuncu (2015) have found mixed outcomes where industry experience may be beneficial up to a point, as long as a CEO is able to unlearn and relearn based on the context and nuances of the new organisation.

Understanding the sample of 107 cases, 67 worked their entire professional careers in South Africa and a further 13 have worked more than 80% of their professional careers in South Africa. As a result of this, there is likely little variation in the data to find a significant relationship between local experience and post-succession firm performance as the data has little inherent variation.

Considering the results of this study and the mixed results from other researchers, industry experience is not a definitive predictor of post-succession firm performance. What has been found to matter is context. Should the incoming CEO be able to avoid negative learning transfer, this will allow for the individual to unlearn the irrelevant

knowledge and skills, and relearn what is relevant in the context of the new organisation (Custódio et al., 2013; Hamori & Koyuncu, 2015)

6.3.4 Breadth of experience

Hypothesis four stated that the greater the breadth of an incoming CEO's experience, the better the post-succession firm performance. The results of the testing performed showed a weak positive relationship between the length of an appointed CEO's experience breadth and post-succession firm performance, which was not significant in Model 2, but was marginally significant at the $p<.1$ level in Model 5 ($\beta= .24$, $p=.094$). as a result, the hypothesis was rejected. This finding is in line with the findings of Custódio et al. (2013), Georgakakis & Ruigrok (2017), Keil et al. (2021) and Li & Patel (2019) who found no significant relationship between breadth of experience and firm performance. While Georgakakis & Ruigrok (2017) measured breadth of experience somewhat differently by considering the number of different industries that the CEO had worked in as a measure of breadth, the results of this study are still aligned when considering the Model 2 effects.

When considering Model 5, with the inclusion of the interactions of insiders and leapfrogs on breadth of experience, the results are aligned to Chen et al. (2020), Crossland et al. (2014) and Jiao et al. (2023) who found a positive relationship between breadth of experience and firm performance.

The positive relationship between firm performance and breadth of experience (seen in Model 5) may support the argument that adaptability, more diverse organisational experiences and circumstances allow CEOs to learn quickly, integrate and manage situations they encounter in the new role by leveraging richer prior experience (Buyl et al., 2010; G. Chen et al., 2020). However, it is possible that the CEO effect was inconsistent during the time period covered by this study as there were significant contextual factors prevalent during this time. These crises were both local and global, and included presidential changes in 2015, state capture, loadshedding, the Russia-

Ukraine war and the significant impacts of the COVID-19 pandemic (Kleindienst et al., 2024)..

6.3.4 RQ1 summary

The results of the hypothesis testing for RQ1 confirmed the directional relationships of the experience variables and post-succession firm performance, however these relationships are of limited statistical significance, with only marginally significant relationships between length of executive experience (negative) and breadth of experience (positive).

The study found a marginally significant relationship between the breadth of a CEO's experience and post-succession firm performance and is aligned with previous studies that found a positive relationship between generalist CEOs and firm performance (Custódio et al., 2013). It is however contrary to other research (e.g., Georgakakis & Ruigrok, 2017) that found no significant effect of experience breadth on performance. This result suggests that in the South African context, having experience across multiple industries or companies may not necessarily translate into better performance outcomes.

While the findings of the hypothesis testing found few significant relationships between the variables of CEO experience and post-succession firm performance, considering the varied results and findings from researchers over recent decades, it is evident that there are no definitive relationships between experience and firm performance. This questions the conventional wisdom that more experience leads to better performance outcomes, when the only significant relationship that most scholars agree on is that longer executive experience is associated with weaker firm performance.

6.4 Research question 2

RQ 2, as set out in Chapters 1 and 3, sought to understand whether the relationship between CEO experience and post-succession firm performance is moderated by origin or leapfrog status. RQ2 hypotheses were tested using Model 5 which tested the relationship between the four experience variables from RQ1 and considered the interaction of origin and leapfrog status with executive experience and breadth of experience. Model 5 included controls for the same variables as in Model 2.

6.4.1 Origin

Hypothesis 5 tested whether origin, or insider status, has a moderating effect on the relationship between the independent variables of experience and post-succession firm performance. Insider status itself showed a positive and marginally significant relationship with post-succession firm performance (see Model 3 in Appendix 1). However, in Model 5, none of the relationships were significant for the interaction terms and as a result, both H_{5a} and H_{5b} were rejected. While the coefficients for both H_{5a} and H_{5b} were as hypothesised, these relationships were not significant.

This means that there was no significant moderating effect of insider status on the relationships between the experience variables and post-succession firm performance. These findings are consistent with the findings of Keil et al. (2021), who found no significant relationship between length of executive experience or breadth of experience for outsiders. This is however contrary to other findings that origin does moderate relationships with performance (Chung et al., 1987; Georgakakis & Ruigrok, 2017; Quigley et al., 2019; Zhang & Rajagopalan, 2010). There are a number of differences with these studies including the dependent variables used in the studies as well as the moderators, aims and objectives.

While H_{5a} and H_{5b} were rejected, additional analysis was performed on the distribution of post-succession firm performance for insiders and outsiders (see Appendix 3). Based on a visual assessment and the descriptive statistics of the post-succession firm

performance for the two groups, the data and cases used in this study are reflective of the findings that outsiders generate greater variability in post-succession firm performance than insiders (Quigley et al., 2019; Zhu et al., 2020).

6.4.2 Leapfrog status

Hypothesis 6 tested whether leapfrog status has a moderating effect on the relationship between experience and post-succession firm performance. The main effect of leapfrogs (Model 4 in Appendix 1) indicates that, similar to insiders as a whole, are positive.

The influence of leapfrog status on the relationship between the length of executive experience and post-succession firm performance was stronger and opposite but was not significant.

Consistent with the hypothesis, the interaction of leapfrog status with breadth of experience was both stronger and opposite to H_4, with relationships in both H_4 and H_{6b} being marginally significant. Consequently, this hypothesis was not rejected.

Little research has been done on the concept of leapfrogs as a moderator between experience and firm performance. Williams et al. (2017) compared the effects of the appointment of rookies from inside and outside the firm as well as to experienced outsiders and found that rookies, regardless of origin, have a positive influence on post-succession firm performance.

The findings of the moderating effects of leapfrogs on the relationship between breadth of experience and post-succession firm performance provide support to the argument of Shen & Cannella (2002) that insider CEOs face limitations that are different to outsider CEOs, even more so when there are internal actors who are disagreeable with the leader. The negative relationship between breadth and firm performance for leapfrogs may indicate that where the leapfrog had been employed by fewer companies, this potentially signals to others loyalty to the company which better enables firm performance and influence (Shen & Cannella, 2002).

6.4.3 RQ2 summary

The hypothesis tests performed in this study found no significant moderating effects of CEO origin, however there were marginally significant moderating effects noted with respect to leapfrog status on the relationship between breadth of experience and firm performance.

These findings are consistent with the mixed findings on origin and contribute to the conclusions of succession researchers who have considered the effects of contextual factors on succession.

6.5 Control variables

While the results were largely inconclusive with respect to answering RQ1 and RQ2, the control variables of pre-succession firm performance and firm size were the largest and most significant contributors to post-succession firm performance, both showing strong, positive relationships with post-succession firm performance. This is consistent with most other studies that found pre-succession firm performance to have a significant positive relationship with post-succession firm performance. (Z. Chen & Keefe, 2020; Crossland et al., 2014; Georgakakis & Ruigrok, 2017; Hamori & Koyuncu, 2015; Keil et al., 2021; Li & Patel, 2019; Mackey, 2008; Rönkkö et al., 2023; Wang et al., 2016). The unique contribution of pre-succession firm performance and firm size to the variance in post-succession firm performance are approximately 44% and 5% respectively, using the squared part correlation coefficient (Pallant, 2011). Indicating that more than 75% of the adjusted R Square of this model is explained by these two control variables.

6.6 Other considerations

Considering the rejection of the majority of the hypotheses, there are a number of possible factors that could have resulted in this including country factors, timing and time horizon factors, as well as other unknown confounding variables.

Other research controlled for a larger number of variables and generally considered a larger number of independent variables. Due to the time period that this study covered there are a few known idiosyncratic factors such as the impact of Covid-19 on firms as well as South African specific challenges such as loadshedding, political volatility with the change in Presidency, findings of local state capture, credit downgrades, local riots and unrest where impacts may not have been consistent across companies and were dependent on company specific factors which are beyond the scope of this study.

To test the validity and reliability of the model, the regression was reperformed including additional control variables for the CEO's age at the time of appointment, year of appointment, career length, international experience and international education were included in a separate model. There was a high level of multicollinearity, as a result these variables were excluded and there was no impact on the results (see Appendix 2).

Not all studies use the same measures of firm performance. In the absence of a singular definition, firm performance is a broad variable and has been operationalised across different studies using a broad range of reasonable measures including accounting-based measures such as return on assets, return on sales, market-based measures such as total shareholder returns or combinations of these. While each of these types of measures are reasonable measures of firm performance, they are calculated differently and nuanced that may result in differences in firm performance using the same cases (Samimi et al., 2020).

Due to the availability of data being more limited that other more developed markets, granular information is not always reported, not always reported consistently or not always reported reliably. This limited the ability of this study to include control or

confounding variables that were included in other research such as the constructed variable of CEO career variety (Crossland et al., 2014), general managerial ability (Custódio et al., 2019) or detailed industry and functional experience (Custódio & Metzger, 2014).

6.7 Summary

When considering the four main experience variables without any consideration of origin or rookie status, the most significant of the four types of experience studied is executive experience, which has a weak negative correlation with post-succession firm performance (H_1). Origin and leapfrog status alone do not make significant contributions to the models, but the results suggest that there is a moderating effect of these two variables. The relationship between executive experience and post-succession firm performance does not hold when the moderator interactions are considered. In the models that included the moderators, both indicated no significant relationship between POST-SUCCESSION FIRM PERFORMANCE and length of executive experience, but did show a significant weak negative relationship between the breadth of experience, measured by the number of companies previously employed in, and post-succession firm performance.

This study found few significant relationships between an incoming CEO's prior experience and post-succession firm performance. In addition to this there were no observed moderating effects from origin or leapfrog status on these relationships. This is aligned with a number of studies which found no significant relationships between experience and post-succession firm performance, and contrary still to other studies which have found significant relationships between these variables.

The most significant relationship found was the positive relationship between pre- and post-succession firm performance. This finding is aligned with many studies that have found the same. Does this mean that experience does *not* matter? Or does the CEO matter? As noted by Campbell et al. (2022) and even Fitza (2016), who argued that the

CEO effect is largely due to chance, the focus of researchers should no longer to test *if* the CEO effect exists, but to better understand *when* it exists.

Further research is required to understand the nuanced, interrelated relationships between succession, CEO experience, firm characteristics, environmental or market factors, industry munificence, board and TMT characteristics and a seemingly infinite array of variables which may impact the ability of a CEO to influence firm performance. Contextual factors are very relevant and almost critical determinants of the performance outcomes in CEO succession (Keil et al., 2021).

In this case the answer to the research question, of whether a CEO's prior experience influenced post-succession firm performance, is mixed. Executive experience and breadth of experience both showed marginally significant relationships with post-succession firm performance and moderation as a result of leapfrog status. However, local and industry experience were not significant.

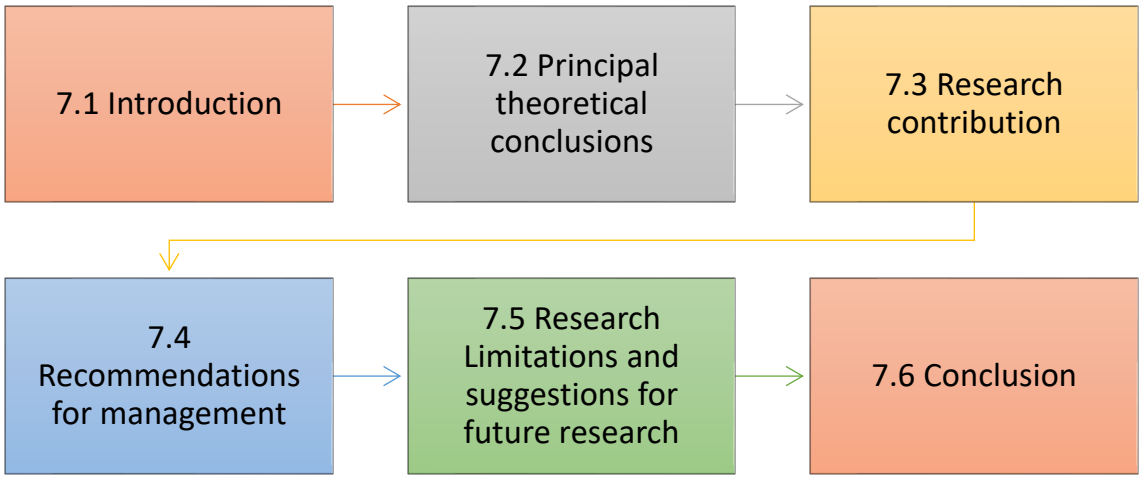
CHAPTER 7: CONCLUSION

7.1 Introduction

This chapter highlights the main conclusions of the research discussion in Chapter 6 followed by the principal theoretical conclusions, research contribution, recommendations for management, research limitations and finally suggestions for future research. An outline of the chapter is provided in Figure 25.

Figure 25

Chapter 7 outline



Note: Researcher's compilation

7.2 Principal theoretical conclusions

The principal theoretical conclusions of this study are based on the two key research questions, does experience influence firm performance (RQ1) and is the relationship between experience and firm performance moderated by origin or leapfrog status (RQ2).

This study found that measurable relationships do exist between certain types of experience and post-succession firm performance, and that these relationships may be moderated by origin and leapfrog status, broadly consistent with the findings of other researchers as explained below (G. Chen et al., 2020; G. Chen & Hambrick, 2012; Z. Chen & Keefe, 2020; Custódio et al., 2013; Darouichi et al., 2021; Hambrick & Fukutomi, 1991; Keil et al., 2021; Shen & Cannella, 2002).

A finding of this study consistent with and generally agreed upon by scholars is that longer executive experience or tenure is negatively associated with firm performance. Researchers suggest that this is due to a number of factors including cognitive rigidity, strategic persistence, negative learning transfer and stronger resistance to change (Campbell et al., 2022; Darouichi et al., 2021).

Findings regarding breadth of experience in this study were mixed and indicate that while there is a correlation between breadth of experience and post-succession firm performance, this is not consistent and differs based on origin and leapfrog status. These findings suggest, that the contextual factors are important to the success of a CEO (Custódio et al., 2013; Hamori & Koyuncu, 2015; Keil et al., 2021; Martignoni & Keil, 2021; Shen & Cannella, 2002).

The unmoderated relationship between breadth of experience and post-succession firm performance is not significant, however this becomes marginally significant once the moderator interactions are added to the model indicating that it is moderated by origin and leapfrog status. This suggests that while breadth of experience may be a general indicator of positive performance for outsiders and possibly an indicator of cognitive flexibility and the experience of unlearning previous organisational knowledge and relearning in the context of a new organisation (Custódio et al., 2013; Hamori & Koyuncu, 2015; Martignoni & Keil, 2021). Whereas breadth is negatively associated with post-succession firm performance for insiders, regardless of leapfrog status, indicating that the benefits of breadth are potentially diluted by the challenges associated with insiderness (Georgakakis et al., 2024; Shen & Cannella, 2002).

7.3 Research contribution

These findings provide a number of contributions to upper echelons theory and our understanding of succession. Firstly, the findings question the conventional wisdom that more experience leads to better performance outcomes. Instead, the findings suggest a more nuanced relationship between experience and performance dependent on factors including contextual factors, firm-specific factors, as well as CEO origin (insider) and career path (rookie or leapfrog).

Secondly, the mixed results highlight the importance of considering the firm context in succession decisions. Further support is given to the sentiments of researchers that the CEO effect does exist and that research needs to shift focus to improve understanding of the *when* (Campbell et al., 2022; Fitza, 2016).

Thirdly, this study sought to test breadth of experience using the number of organisations an individual has worked in regardless of job level, function or industry on the basis that this contributes to the individuals schema through incidental observations (Hambrick & D'Aveni, 1992; Hambrick & Fukutomi, 1991).

The differences in findings using this simplified measure are not dissimilar to the use of other definitions of breadth of experience such as career variety (Crossland et al., 2014), functional background (Custódio et al., 2013) and number of industries or companies (Keil et al., 2021; Li & Patel, 2019).

Fourthly, the findings on leapfrog CEOs contributes to the growing literature on non-traditional career paths to the CEO position. They suggest that these CEOs might bring unique advantages that can offset their relative lack of prior experience as a CEO.

Finally, this study was situated in South Africa, an emerging market, and showed that the findings in the local market with respect to consideration of experience, origin and

leapfrog status are not misaligned with the findings of research situated in developed markets.

7.4 Recommendations for practitioners, boards of directors and CEOs

For boards of directors and nomination committees, these findings suggest the need for a more nuanced approach to CEO selection. Rather than simply prioritising candidates with the longest or broadest experience, they should consider the relevance of a candidate's experience to the specific context of their firm and industry as well as the firm-specific requirements of an incoming CEO based on its strategic direction.

The positive effects of experience breadth for outsiders (non-insiders) highlights their potential benefits for firm performance. At the same time developing a talent pipeline internally for CEO succession is not sufficient and requires appropriate onboarding to effectively navigate the organisational challenges insiders face. Incoming and incumbent CEOs alike should take heed of the findings that longer tenure and executive experience are associated with weaker firm performance. CEOs should adopt a learning approach to their roles, despite organisational or contextual familiarity, and be wary of the pitfalls of relying too heavily on prior experience.

Furthermore, this study showed that the main effects of both insider and leapfrog CEOs are favourably associated with post-succession firm performance. Indicating that despite length and breadth of experience not being significant contributors to favourable post-succession firm performance, high-potential internal candidates should not be overlooked by boards, including those without prior CEO experience or not currently operating at the C-suite level. These individuals may bring a degree of fresh perspective and adaptability that can be valuable in rapidly changing business environments.

7.5 Research limitations and suggestions for future research

While this study provides valuable insights, it has several limitations that point to directions for future research. This includes emerging market considerations, use of time based measures, fewer control variables than other studies, exclusion of functional experience and educational backgrounds, potential self-selection bias as well as sample selection bias, single measure of firm performance and the effects of macro-level factors.

A critical limitation of this study is that it did not control for endogeneity from self-selection bias that could be contained within the data due to the limited technical capabilities of the researcher and the time constraints of this study. Succession events are generally caused by a particular set of circumstances and are not random. As a result, certain of these circumstances could result in a succession event or the selection of a CEO of particular origin or experience (Berns & Klarner, 2017; Datta & Guthrie, 1994; Keil et al., 2021; Morales et al., 2023). Future research could adopt a multilevel approach to reduce the likelihood of endogeneity (Georgakakis & Ruigrok, 2017; Keil et al., 2021).

This study does provide correlations and does not imply causation, but merely offers findings where relationships are statistically significant. Future research would need to adopt a different research design and could attempt experimental design through simulation to develop a better understanding of the contextual factors that are relevant in succession decisions.

The study focused on JSE-listed companies, which may limit the generalisability of the findings to other emerging markets or developed economies. Research on emerging markets suggests that institutional and cultural factors significantly influence CEO effectiveness, requiring comparative studies across diverse regions (Bai & Mkrtchyan, 2023; Zhu et al., 2020). Future research could extend this study to other contexts to examine whether the relationships identified here hold across different market environments extending the study to a broader range of emerging markets and developed markets to better test whether there are differences in factors to be considered in succession across different market environments.

The study relied on quantitative, time-based measures of experience and accounting-based measures of firm performance. While many studies, such as Keil et al. (2021) and Custódio et al. (2019), use time-based measures of experience due to their practicality, these measures do not consider complexity of roles or the quality of experiences. Future research could broaden this approach by incorporating measures of job-complexity or task- and activity-based measures that delve deeper into the mechanisms through which different types of experience influence CEO decision-making and firm outcomes.

The period covered by this study (2015 to 2022) was not stable (both locally and globally) with significant macroeconomic and local disruption including the COVID-19 pandemic, the Russia-Ukraine war, political instability in South Africa with changes in government, state capture, protests and unrest, downgrades by global credit institutions, financial greylisting by the FATF as well as loadshedding. This is not an exhaustive list. These events are expected to have likely influenced firm performance and shaped the challenges CEOs faced in an inconsistent matter as the impacts were highly dependent on individual firm characteristics. Disruptive events like the COVID-19 pandemic reshaped firm performance globally, making adaptability a key CEO trait (Wenzel et al., 2020). This was beyond the scope of this study and future research could investigate how external shocks interact with CEO characteristics, examining whether specific CEO experience variables indicate better navigation of different types of crisis.

Functional expertise and educational background are critical for executive decision-making and have been found to influence firm performance (Custódio et al., 2019; Hambrick & Mason, 1984). While this study examined CEO characteristics such as experience and origin, it did not include variables like functional expertise or educational background, which are known to influence strategic decision-making (Buyl et al., 2010; Campbell et al., 2022; Custódio et al., 2013; Custódio & Metzger, 2014; Hambrick & Mason, 1984; Quińones et al., 1995). Incorporating these factors in future research could reveal whether specific combinations of experience and skills drive better outcomes.

The sample excluded firms undergoing abnormal circumstances such as M&A, delistings, liquidation or business rescue. While this exclusion ensured data reliability, it

may have overlooked important insights into how CEO experience impacts firms in crisis or transition. Firms in crisis or undergoing transitions require different leadership skills, as seen in studies on turnaround leadership (James et al., 2011; Kleindienst et al., 2024; Shen & Cannella, 2002; Wu et al., 2021). Future research could focus specifically on firms undergoing distress or M&A to examine whether experienced CEOs perform differently these scenarios.

Leapfrog status was considered where an individual did not have prior CEO experience. However, this may oversimplify the complexity of leapfrog appointments, which could vary based on internal and external context. Leapfrog CEOs are likely high potential candidates expected to bring something unique to the role, but their effectiveness may vary dependent on this context (Aabo et al., 2024; Z. Chen & Keefe, 2020; Martignoni & Keil, 2021; Maula et al., 2023). The context could include candidate readiness, prior executive mentorship and social capital within the organisation, as well as macroeconomic and industry factors. A different approach could be to define a leapfrog as an unexpected candidate that is not in the ordinary line of succession. Future research could develop more detailed measures of leapfrog status as well as the contextual factors to better capture the nuances of leapfrog CEOs and their effectiveness. This could provide a more comprehensive understanding of when and how different types of CEO experience matter for firm performance, in particular for leapfrogs.

The study measured firm performance using industry-adjusted ROA for the post-succession period. However, other dimensions of performance, such as market-based measures, strategic innovation or choices, or long-term growth, might reveal additional insights (Samimi et al., 2020). Market-based metrics, such as shareholder returns, may capture additional dimensions of CEO impact beyond financial performance that affect market perception and sentiment (Bragaw & Misangyi, 2017; Keil et al., 2021; Quigley et al., 2019). Expanding the measurement of firm performance in future studies could provide a more comprehensive understanding of the CEO's impact, using multiple measures and potentially a balanced scorecard type approach.

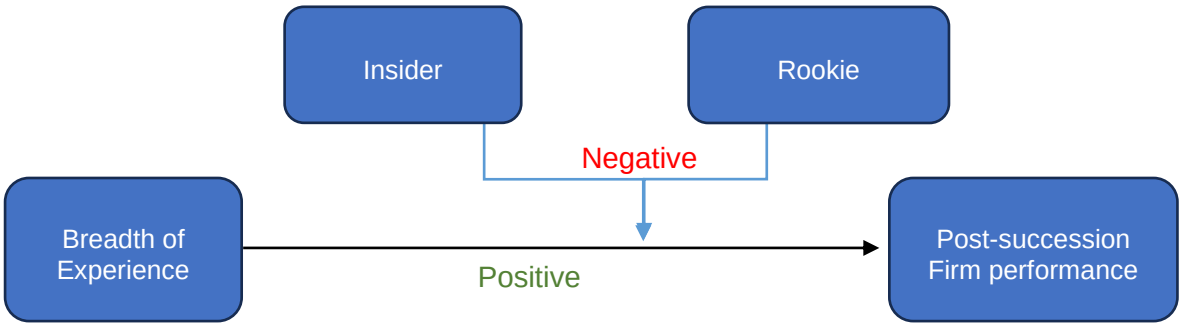
7.6 Conclusion

In conclusion, this study contributes to our understanding of CEO succession and firm performance by expanding the study of breadth of experience and testing the concept of leapfrogs. While seemingly inconclusive, the results highlight the complex relationships between different types of CEO experience and firm performance, and the moderating roles of CEO origin and leapfrog status. The findings and discussion provide useful insights for both theory and practice in the area of strategic leadership including succession.

Following the hypothesis testing performed, the conceptual framework presented in Chapter 3 has been updated for the findings of this study (Figure 26).

Figure 26

Diagrammatical Representation of Hypotheses



Note. Researcher's compilation

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APPENDICES

Appendix 1

Regression Coefficients for all models

	Model				
Variable[a]	**1**	**2**	**3**	**4**	**5**
LogFirmAge	-0.05	-0.07	-0.06	-0.08	-0.08
	(0.423)	(0.326)	(0.357)	(0.266)	(0.235)
LogFirmSize	0.22	0.25	0.25	0.28	0.28
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)
Ind_adj_ROA_Y0	0.72	0.72	0.74	0.74	0.74
	(0.000)	(0.000)	(0.000)	(0.00)	(0.000)
ExecYr		-0.12	-0.06	-0.15	-0.05
		(0.054)	(0.565)	(0.074)	(0.625)
LocalYr		0.09	0.10	0.10	0.10
		(0.181)	(0.138)	(0.153)	(0.137)
IndYr		0.07	0.09	0.06	0.07
		(0.353)	(0.22)	(0.398)	(0.349)
NumCo		0.06	0.25	0.17	0.24
		(0.352)	(0.053)	(0.036)	(0.07)
Insider			0.37		0.32
			(0.066)		(0.175)
InsiderxExecYr			-0.14		-0.27
			(0.374)		(0.185)
InsiderxNumCo			-0.35		-0.14
			(0.075)		(0.533)
Leapfrog				0.33	0.16
				(0.086)	(0.489)
LeapfrogxExecYr				-0.02	0.10
				(0.864)	(0.547)
LeapfrogxNumCo				-0.39	-0.34
				(0.015)	(0.061)

Note: Researcher's compilation; standardised beta with p-value in parentheses.

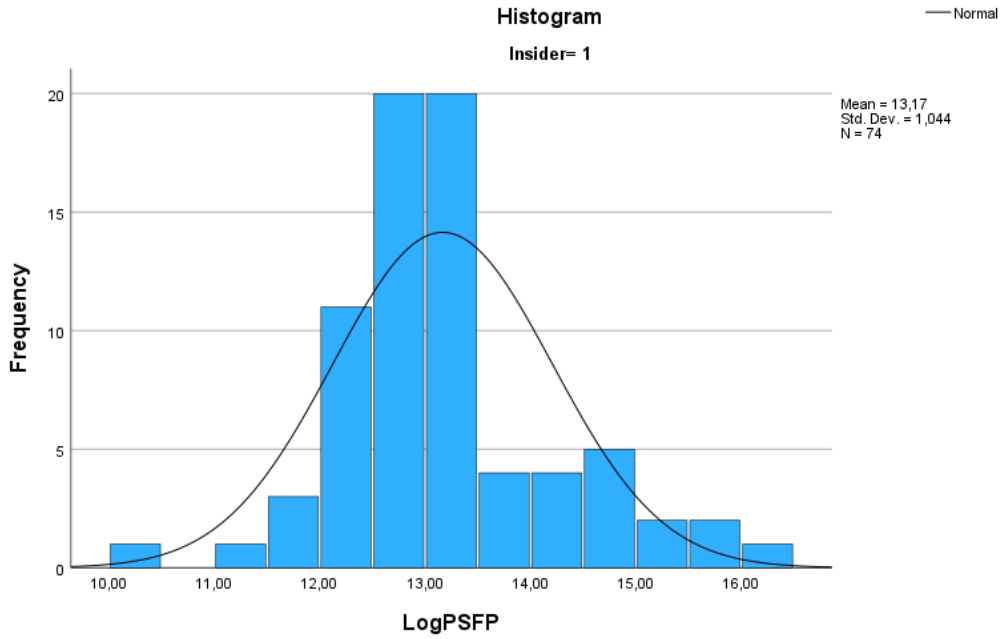
a Dependent variable: LogPSFP.

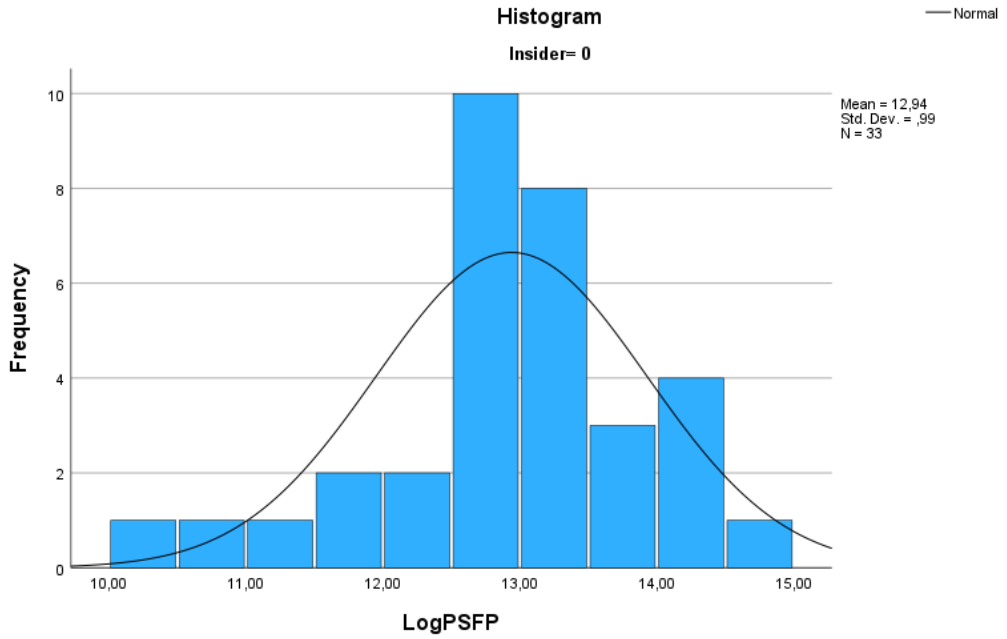
Appendix 2

Model 6	B	Std. Error	Beta	t	Sig.	VIF
LogFirmAge	-0.17	0.17	-0.07	-1.01	0.31	1.50
LogFirmSize	0.28	0.08	0.27	3.46	0.00	1.77
Ind_adj_ROA_Y0	0.14	0.01	0.72	10.67	0.00	1.32
HireAge	0.00	0.02	-0.03	-0.21	0.83	7.25
IntEd	0.17	0.15	0.08	1.07	0.29	1.42
IntYr	0.00	0.03	-0.01	-0.03	0.98	9.83
NumCo	0.20	0.11	0.24	1.85	0.07	4.81
LocalYr	0.01	0.02	0.14	0.64	0.53	13.72
ExecYr	-0.01	0.02	-0.05	-0.46	0.65	3.97
IndYr	0.01	0.01	0.08	0.97	0.33	1.75
Insider	0.76	0.53	0.34	1.42	0.16	16.44
InsiderxExecYr	-0.03	0.03	-0.26	-1.26	0.21	12.15
InsiderxNumCo	-0.10	0.14	-0.17	-0.76	0.45	14.82
Leapfrog	0.29	0.50	0.13	0.57	0.57	15.82
LeapfrogxExecYr	0.02	0.03	0.10	0.60	0.55	7.58
LeapfrogxNumCo	-0.20	0.12	-0.30	-1.62	0.11	9.65

a. Dependent Variable: LogPSFP

Appendix 3


Histogram
Insider= 1
Normal
Mean = 13,17
Std. Dev. = 1,044
N = 74
Frequency
LogPSFP
0
5
10
15
20
10,00
11,00
12,00
13,00
14,00
15,00
16,00


Histogram
Insider= 0
Normal
Mean = 12,94
Std. Dev. = ,99
N = 33
Frequency
LogPSFP
0
2
4
6
8
10
10,00
11,00
12,00
13,00
14,00
15,00